



STATE OF OHIO  
OFFICE OF THE AUDITOR

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JIM PETRO, AUDITOR OF STATE

**Brooklyn City School District**  
Cuyahoga County

Financial Forecast  
For The Fiscal Year Ending June 30, 2001

**Brooklyn City School District**  
Cuyahoga County

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Board of Education  
Brooklyn City School District  
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We have examined the accompanying forecasted schedules of revenues, expenditures and changes in fund balance of the general fund of the Brooklyn City School District for the fiscal year ending June 30, 2001. Our examination was made in accordance with standards established by the American Institute of Certified Public Accountants and, accordingly, included such procedures as we considered necessary to evaluate both the assumptions used by the Board of Education and the preparation and presentation of the forecast.

The accompanying forecast was prepared for the purpose of determining whether the Brooklyn City School District will incur an operating deficit for the current fiscal year under Section 3316.08 of the Ohio Revised Code and should not be used for any other purpose.

In our opinion, the forecasted schedules referred to above are presented in conformity with the guidelines for presentation of a forecast established by the American Institute of Certified Public Accountants, and the underlying assumptions provide a reasonable basis for the Board's forecast. However, there will usually be differences between the forecasted and actual results because events and circumstances frequently do not occur as expected, and those differences may be material. We have no responsibility to update this report for events and circumstances occurring after its date.

The historical financial statements for the fiscal years ended June 30, 1998 and 1999, (from which the historical data are derived) were audited by other accountants and the Auditor of State's Office, respectively, and included an unqualified opinion and were dated October 30, 1998, and September 8, 2000.

We have compiled the accompanying schedules of revenues, expenditures and changes in fund balances of the general fund of Brooklyn City School District for the fiscal year ended June 30, 2000 in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. A compilation is limited to presenting in the form of financial statements information that is the representation of management. We have not audited or reviewed these financial statements and, accordingly, do not express an opinion or any other form of assurance on them.

JIM PETRO  
Auditor of State

January 30, 2001

**BROOKLYN CITY SCHOOL DISTRICT**  
**CUYAHOGA COUNTY**  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
FOR THE FISCAL YEAR ENDING JUNE 30, 2001 FORECASTED  
GENERAL FUND

|  | Fiscal Year<br>2001 Forecasted |
|--|--------------------------------|
| <b>Revenues</b>  |                                |
| General Property Tax (Real Estate)   | \$7,865,000                    |
| Tangible Personal Property Tax   | 2,978,000                      |
| Unrestricted Grants-in-Aid   | 817,000                        |
| Restricted Grants-in-Aid   | 27,000                         |
| Property Tax Allocation  | 867,000                        |
| All Other Revenues   | 625,000                        |
| <i>Total Revenues</i>  | 13,179,000                     |
| <b>Other Financing Sources</b>   |                                |
| Advances In  | 36,000                         |
| All Other Financing Sources  | 11,000                         |
| <i>Total Other Financing Sources</i>   | 47,000                         |
| <i>Total Revenues and Other Financing Sources</i>  | 13,226,000                     |
| <b>Expenditures</b>  |                                |
| Personal Services  | 6,379,000                      |
| Employees' Retirement/Insurance Benefits   | 2,033,000                      |
| Purchased Services   | 1,201,000                      |
| Supplies and Materials   | 141,000                        |
| Capital Outlay   | 204,000                        |
| Debt Service:  |                                |
| Principal-Solvency Assistance Advance  | 1,709,000                      |
| Principal-HB 264 Loans   | 430,000                        |
| Interest and Fiscal Charges  | 123,000                        |
| Other Objects  | 245,000                        |
| <i>Total Expenditures</i>  | 12,465,000                     |
| <b>Other Financing Uses</b>  |                                |
| Operating Transfers Out  | 63,000                         |
| <i>Total Expenditures and Other Financing Uses</i>   | 12,528,000                     |
| <i>Excess of Revenues and Other Financing Sources<br/>over Expenditures and Other Financing Uses</i> | 698,000                        |
| <i>Cash Balance July 1, 2000</i>   | 1,375,000                      |
| <i>Cash Balance June 30, 2001</i>  | 2,073,000                      |
| <i>Estimated Encumbrances June 30, 2001</i>  | 198,000                        |
| Reservation of Fund Balance  |                                |
| Textbooks and Instructional Materials  | 192,000                        |
| Budget Reserve   | 307,000                        |
| Disadvantaged Pupil Impact Aid   | 11,000                         |
| <i>Unencumbered/Unreserved Fund Balance June 30, 2001</i>  | \$1,365,000                    |

See accompanying summary of significant forecast assumptions, accounting policies, and accountant's report

**BROOKLYN CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY**

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
FOR THE FISCAL YEARS ENDED JUNE 30, 1998, 1999 AND 2000 ACTUAL;  
FISCAL YEAR ENDING JUNE 30, 2001 FORECASTED  
GENERAL FUND

|  | Fiscal Year<br>1998 Actual | Fiscal Year<br>1999 Actual | Fiscal Year<br>2000 Actual | Fiscal Year<br>2001 Forecasted |
|--|----------------------------|----------------------------|----------------------------|--------------------------------|
| <b>Revenues</b>  |                            |                            |                            |                                |
| General Property Tax (Real Estate)   | \$6,811,000                | \$7,066,000                | \$7,334,000                | \$7,865,000                    |
| Tangible Personal Property Tax   | 3,076,000                  | 2,948,000                  | 2,923,000                  | 2,978,000                      |
| Unrestricted Grants-in-Aid   | 489,000                    | 783,000                    | 815,000                    | 817,000                        |
| Restricted Grants-in-Aid   | 25,000                     | 32,000                     | 28,000                     | 27,000                         |
| Property Tax Allocation  | 746,000                    | 858,000                    | 817,000                    | 867,000                        |
| All Other Revenues   | 229,000                    | 773,000                    | 482,000                    | 625,000                        |
| <i>Total Revenues</i>  | <u>11,376,000</u>          | <u>12,460,000</u>          | <u>12,399,000</u>          | <u>13,179,000</u>              |
| <b>Other Financing Sources</b>   |                            |                            |                            |                                |
| Proceeds from Sale of Notes  | 1,401,000                  | 2,493,000                  | 924,000                    | 0                              |
| Operating Transfers In   | 0                          | 700,000                    | 0                          | 0                              |
| Advances In  | 0                          | 44,000                     | 45,000                     | 36,000                         |
| All Other Financing Sources  | 1,000                      | 3,000                      | 2,000                      | 11,000                         |
| <i>Total Other Financing Sources</i>   | <u>1,402,000</u>           | <u>3,240,000</u>           | <u>971,000</u>             | <u>47,000</u>                  |
| <i>Total Revenues and Other Financing Sources</i>  | <u>12,778,000</u>          | <u>15,700,000</u>          | <u>13,370,000</u>          | <u>13,226,000</u>              |
| <b>Expenditures</b>  |                            |                            |                            |                                |
| Personal Services  | 7,733,000                  | 7,938,000                  | 7,040,000                  | 6,379,000                      |
| Employees' Retirement/Insurance Benefits   | 2,027,000                  | 2,420,000                  | 2,345,000                  | 2,033,000                      |
| Purchased Services   | 1,609,000                  | 1,244,000                  | 974,000                    | 1,201,000                      |
| Supplies and Materials   | 469,000                    | 210,000                    | 216,000                    | 141,000                        |
| Capital Outlay   | 142,000                    | 1,000                      | 88,000                     | 204,000                        |
| Debt Service:  |                            |                            |                            |                                |
| Principal-Notes  | 435,000                    | 435,000                    | 0                          | 0                              |
| Principal-Solvency Assistance Advance  | 0                          | 1,401,000                  | 1,247,000                  | 1,709,000                      |
| Principal-HB 264 Loans   | 365,000                    | 385,000                    | 410,000                    | 430,000                        |
| Interest and Fiscal Charges  | 235,000                    | 230,000                    | 147,000                    | 123,000                        |
| Other Objects  | 168,000                    | 226,000                    | 243,000                    | 245,000                        |
| <i>Total Expenditures</i>  | <u>13,183,000</u>          | <u>14,490,000</u>          | <u>12,710,000</u>          | <u>12,465,000</u>              |
| <b>Other Financing Uses</b>  |                            |                            |                            |                                |
| Advances Out   | 0                          | 45,000                     | 35,000                     | 0                              |
| Operating Transfers Out  | 29,000                     | 65,000                     | 52,000                     | 63,000                         |
| All Other Financing Uses   | 0                          | 0                          | 3,000                      | 0                              |
| <i>Total Other Financing Uses</i>  | <u>29,000</u>              | <u>110,000</u>             | <u>90,000</u>              | <u>63,000</u>                  |
| <i>Total Expenditures and Other Financing Uses</i>   | <u>13,212,000</u>          | <u>14,600,000</u>          | <u>12,800,000</u>          | <u>12,528,000</u>              |
| <i>Excess of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses</i> | (434,000)                  | 1,100,000                  | 570,000                    | 698,000                        |
| Cash Balance (Deficit) July 1  | 181,000                    | (253,000)                  | 805,000                    | 1,375,000                      |
| Auditor's Adjustment to Beginning Cash   | 0                          | (42,000)                   | 0                          | 0                              |
| <i>Cash Balance (Deficit) June 30</i>  | <u>(253,000)</u>           | <u>805,000</u>             | <u>1,375,000</u>           | <u>2,073,000</u>               |
| <i>Estimated Encumbrances June 30</i>  | 221,000                    | 79,000                     | 245,000                    | 198,000                        |
| Reservations of Fund Balance   |                            |                            |                            |                                |
| Textbooks and Instructional Materials  | 0                          | 40,000                     | 118,000                    | 192,000                        |
| Budget Reserve   | 67,000                     | 67,000                     | 67,000                     | 307,000                        |
| Disadvantaged Pupil Impact Aid   | 4,000                      | 5,000                      | 5,000                      | 11,000                         |
| Bus Purchases  | 0                          | 16,000                     | 44,000                     | 0                              |
| <i>Unencumbered/Unreserved Fund (Deficit) Balance June 30</i>  | <u>(\$545,000)</u>         | <u>\$598,000</u>           | <u>\$896,000</u>           | <u>\$1,365,000</u>             |

See accompanying summary of significant forecast assumptions, accounting policies, and accountant's report

**Brooklyn City School District**

Summary of Significant Forecast Assumptions and Accounting Policies  
For the Fiscal Year Ending June 30, 2001

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**Note 1 - Nature and Limitations of the Forecast**

This financial forecast presents, to the best of the Brooklyn City School District Board of Education's knowledge and belief, the expected revenues, expenditures and operating balance of the general fund. Accordingly, the forecast reflects the Board of Education's judgment of the expected conditions and its expected course of action as of January 30, 2001, the date of this forecast. The assumptions disclosed herein are those that management believes are significant to the forecast. Differences between the forecasted and actual results will usually arise because events and circumstances frequently do not occur as expected, and those differences may be material.

This forecast was prepared for the purpose of determining whether the Brooklyn City School District will incur an operating deficit for the current fiscal year under Section 3316.08 of the Ohio Revised Code and should not be used for any other purpose.

**Note 2 - Nature of the Presentation**

The forecast presents the revenues, expenditures, and changes in fund balance of the general fund. Under State law, certain general fund resources received from the State must be spent on specific programs. These resources and the related expenditures have been segregated in the accounting records of the School District to demonstrate compliance. State laws also requires general fund resources pledged for the repayment of debt to be recorded directly in the debt service fund.

For presentation in the forecast, the general fund has been adjusted to include the financial activity and balances of the disadvantaged pupil impact aid (DPIA) and the activity of the debt service fund related to the general fund supported debt. The inclusion of this activity has generated differences with the audited financial statements for the fiscal years ended June 30, 1998 and 1999, and the compiled financial statements for the fiscal year ended June 30, 2000. These differences are as follows:

|   | Fiscal Year<br><u>1998</u> | Fiscal Year<br><u>1999</u> | Fiscal Year<br><u>2000</u> |
|---|----------------------------|----------------------------|----------------------------|
| <u>Revenues and Other Sources</u>                               |                            |                            |                            |
| General Fund as Previously Reported                             | \$12,768,000               | \$13,791,000               | \$13,359,000               |
| DPIA  | 10,000                     | 12,000                     | 11,000                     |
| Debt Service Activity Related to<br>General Fund Supported Debt | <u>0</u>                   | <u>1,897,000</u>           | <u>0</u>                   |
| Total Revenues and Other Sources per Forecast                   | <u>12,778,000</u>          | <u>15,700,000</u>          | <u>13,370,000</u>          |
| <u>Expenditures and Other Uses</u>                              |                            |                            |                            |
| General Fund as Previously Reported                             | 13,204,000                 | 12,691,000                 | 12,788,000                 |
| DPIA  | 8,000                      | 12,000                     | 12,000                     |
| Debt Service Activity Related to<br>General Fund Supported Debt | <u>0</u>                   | <u>1,897,000</u>           | <u>0</u>                   |
| Total Expenditures and Other Uses per Forecast                  | <u>\$13,212,000</u>        | <u>\$14,600,000</u>        | <u>\$12,800,000</u>        |

Continued

**Brooklyn City School District**

Summary of Significant Forecast Assumptions and Accounting Policies  
For the Fiscal Year Ending June 30, 2001

|  | Fiscal Year<br>1998       | Fiscal Year<br>1999     | Fiscal Year<br>2000       |
|--|---------------------------|-------------------------|---------------------------|
| Excess of Revenues and Other Sources                     |                           |                         |                           |
| Over(Under) Expenditures and Other Uses                  | (\$434,000)               | \$1,100,000             | \$570,000                 |
| Cash Fund Balance at Beginning of Fiscal Year            | <u>181,000</u>            | <u>(253,000)</u>        | <u>805,000</u>            |
| Audit Adjustment to Beginning Cash                       | 0                         | (42,000)                | 0                         |
| Cash Fund Balance (Deficit) at End of Fiscal Year        | (253,000)                 | 805,000                 | 1,375,000                 |
| Encumbrances at Fiscal Year End                          | <u>221,000</u>            | <u>79,000</u>           | <u>245,000</u>            |
| Unencumberd Fund Balance (Deficit)<br>at Fiscal Year End | <u><u>(\$474,000)</u></u> | <u><u>\$726,000</u></u> | <u><u>\$1,130,000</u></u> |

**Note 3 - Summary of Significant Accounting Policies**

**A. - Basis of Accounting**

This financial forecast has been prepared on a basis of cash receipts and disbursements which is consistent with the required budget basis (non-GAAP) of accounting used to prepare the historical financial statements. Under this basis of accounting, certain revenue and related assets are recognized when received rather than when measurable and available, and certain expenditures are recognized when paid rather than when the obligation is incurred. However, by virtue of Ohio law, the School District is required to maintain the encumbrance method of accounting. This method requires purchase orders, contracts, and other commitments for the expenditure of monies to be recorded as the equivalent of an expenditure in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance.

**B. - Fund Accounting**

The School District maintains its accounting in accordance with the principles of "fund" accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the segregation of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity which stands separate from the activities reported in other funds. The restrictions associated with each class of funds are as follows:

**Governmental Funds**

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 disbursed or transferred in accordance with Ohio law.

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

Debt Service Funds - Debt service funds are used to account for the accumulation of resources for, and the payment of, general long-term and short-term debt principal and interest.

## Brooklyn City School District

### Summary of Significant Forecast Assumptions and Accounting Policies For the Fiscal Year Ending June 30, 2001

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

#### **Proprietary Funds**

Enterprise Funds - Enterprise funds account for operations (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has 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.

#### **Fiduciary Funds**

Trust and Agency Funds - Trust and agency funds 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. These include (a) Expendable Trust Funds, (b) Non-expendable Trust Funds, and (c) Agency 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 cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the object level within each function. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

Budget - A budget of estimated cash receipts and disbursements is submitted to the Cuyahoga County Auditor, as secretary of the County Budget Commission, by January 20 of each year, for the succeeding fiscal year.

Estimated Resources - The County Budget Commission certifies its actions to the School District by March 1. As part of this certification, the School District receives the official certificate of estimated resources which states the projected receipts of each fund. On or about July 1, this certificate is amended to include any unencumbered balances from the preceding year. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure.

Appropriations - A temporary appropriation measure to control cash disbursements may be passed on or about July 1 of each year. The temporary appropriation measure remains in place until the annual appropriation measure is adopted for the entire year. The appropriation measure may be amended or supplemented during the year as new information becomes available.

Encumbrances - The School District uses the encumbrance method of accounting. Under this system, purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve a portion of the applicable appropriation.



## Brooklyn City School District

### Summary of Significant Forecast Assumptions and Accounting Policies For the Fiscal Year Ending June 30, 2001

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#### **Note 4 - General Operating Assumptions**

The Brooklyn City School District will continue to operate its instructional program in accordance with its adopted school calendar and pay all obligations. The forecast contains those expenditures the Board of Education has determined to be necessary to provide for an adequate educational program.

#### **Note 5 - Significant Assumptions for Revenues and Other Financing Sources**

##### **A. - General and Tangible Personal Property Taxes**

Property taxes consist of real estate, public utility real and personal property, and tangible personal property taxes. Advances may be requested from the Cuyahoga County Auditor as the tax is collected. When settlements are made, any amounts remaining to be distributed to the School District are paid. Deductions for auditor and treasurer fees, advertising delinquent taxes, election expenses, and other fees are made at these settlement times.

State law allows for certain reductions in the form of rollbacks and homestead exemption for real estate taxes and exempts from taxation the first \$10,000 of tangible personal property. The State reimburses the School District for all revenues lost due to these exemptions. The amount of the reimbursement is included in the forecasted amount for property tax allocation.

Property taxes are levied and collected on a calendar year basis. Settlements that occur in the second half of the year are recorded as revenue in next fiscal year. New and/or expiring levies result in one-half of the annual revenue being recorded in the first and/or last year of collection.

The property tax revenues for the School District are generated from several levies. The type of levies, the year approved, last year of collection, and the full tax rate are as follows:

| <u>Tax Levies</u>          | <u>Year<br/>Approved</u> | <u>Last year of<br/>Collection</u> | <u>Full Tax Rate<br/>(Mills)</u> |
|----------------------------|--------------------------|------------------------------------|----------------------------------|
| Inside Ten Mill Limitation | n/a                      | n/a                                | \$4.60                           |
| Continuing Operating       | 1976                     | n/a                                | 22.10                            |
| Emergency Operating        | 1999                     | 2004                               | 5.90                             |
| Operating                  | 2000                     | 2005                               | 6.00                             |
| Emergency Operating        | 2000                     | 2004                               | 3.80                             |
| Total Tax Rate             |                          |                                    | <u>\$42.40</u>                   |

General Property Tax (Real Estate) - General property tax revenue includes real estate taxes, public utility property taxes, and manufactured home taxes. The amount shown in the revenue section of the forecast schedules represent gross property tax revenue. The general property tax revenue estimate is based upon actual receipts and information provided by the Cuyahoga County Auditor. Amounts forecasted for the rollback and homestead exemption are included under the property tax allocation account. Based upon these estimates from the Cuyahoga County Auditor's office, the School District anticipates receiving \$7,865,000 in real estate tax revenue, which is a \$531,000 increase over fiscal year 2000 levels. The increase in real property tax is due to increased property valuations and the passage of a 3.8 mill emergency operating levy in November of 2000. The collection of this levy will begin in the second half of fiscal year 2001.

## Brooklyn City School District

### Summary of Significant Forecast Assumptions and Accounting Policies For the Fiscal Year Ending June 30, 2001

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Tangible Personal Property Tax - Tangible personal property tax revenues are generated from the property used in business (except for public utilities). As with general property taxes, tangible personal property tax revenues are based upon information provided by the Cuyahoga County Auditor. Based upon these estimates, the School District anticipates receiving \$2,978,000 in tangible personal property tax revenue, which is consistent with the amount received in fiscal year 2000. The tangible personal property tax revenues are affected by businesses starting and closing, as well as the timing of the receipt of the June property tax settlement.

The School District has assumed in the forecast that it will be held harmless with respect to the changes implemented in the taxing structure of public utilities (namely electric companies). Additionally, the Ohio legislature passed and the governor approved legislation during 1999 calling for the reduction in the assessed valuation of the inventory component of personal property tax by one percent each year over the next 25 years.

#### **B. - Unrestricted Grants-in-Aid**

State foundation payments established by Chapter 3317 of the Ohio Revised Code are calculated by the State Department of Education, Division of School Finance, on the basis of pupil enrollment (ADM) and classroom teacher ratios plus other factors. The funds are distributed on a semi-monthly basis. Deductions from the monthly payments for contributions to the two school retirement systems are included in the expenditure section. Unrestricted grants-in-aid includes formula aid, special education aid, training and experience of classroom teachers funding, unrestricted disadvantaged pupil impact aid, extended service, gifted aid, transportation, and vocational education.

In 1998, State law set the base cost per pupil at \$4,063 and increased the rate each year thereafter, based on annual rate of inflation of two and eight-tenths percent, to \$4,177 for fiscal year 2000, and \$4,294 for fiscal year 2001.

The anticipated revenue for fiscal year 2001 is based on current estimates provided by the Ohio Department of Education. The anticipated increase of \$2,000 is caused by increases in the per pupil funding and ADM changes from the prior fiscal year.

#### **C. - Restricted Grants-in-Aid**

Restricted grants-in-aid consists of disadvantaged pupil impact aid (DPIA) and a bus purchase allowance in the amount of \$11,000 and \$16,000, respectively, which reflects a \$1,000 decrease from fiscal year 2000.

#### **D. - Property Tax Allocation**

State law grants tax relief in the form of a ten percent reduction in real property tax bills. In addition, a two and one-half percent rollback is granted on residential property taxes. Tax relief is also granted to qualified elderly and disabled homeowners based on their income. The State reimburses the School District for the loss of real property taxes as a result of the above (rollback and homestead).

Property tax allocation revenue, based on information provided by the Cuyahoga County Auditor, is anticipated to increase \$50,000 from the prior fiscal year.

**Brooklyn City School District**

Summary of Significant Forecast Assumptions and Accounting Policies  
For the Fiscal Year Ending June 30, 2001

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**E. - All Other Revenues**

All other revenues consist of the following:

| <u>Revenue Sources</u>  | <u>Actual<br/>Fiscal Year<br/>2000</u> | <u>Forecast<br/>Fiscal Year<br/>2001</u> | <u>Variance<br/>Increase<br/>(Decrease)</u> |
|-------------------------|--|--|---|
| Interest on Investments | \$120,000                              | \$183,000                                | \$63,000                                    |
| Tuition                 | 186,000                                | 148,000                                  | (38,000)                                    |
| Transportation Fees     | 7,000                                  | 7,000                                    | 0   |
| Miscellaneous           | 169,000                                | 287,000                                  | 118,000                                     |
| Totals                  | <u>\$482,000</u>                       | <u>\$625,000</u>                         | <u>\$143,000</u>                            |

The School District pools cash from all funds for investment purposes. Investments are restricted by provisions of the Ohio Revised Code and are valued at cost. Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings with the balance recorded to the general fund. The School District is anticipating interest on investments to increase by \$63,000 due to the School having additional money available for investment purposes.

In comparison to the prior fiscal year, the School District anticipates a decrease of \$38,000 in tuition revenues due to the School District not receiving excess cost.

Miscellaneous revenues are expected to increase by \$118,000 from the prior fiscal year. This is due to the School District receiving a personal property tax settlement from K-mart in fiscal year 2001 offset by the School District receiving a one time receipt from Polaris Joint Vocational School in fiscal year 2000.

**F. - Advances In**

Advances in represent amounts loaned to other funds in the current or prior fiscal year which are being repaid to the general fund in the forecast year. The general fund will receive \$36,000 which represents the repayment of an advance from the Title I special revenue fund.

**G. - All Other Financing Sources**

Other financing sources consists of a refund the School District received for prior year expenditures.

**Note 6 - Significant Assumptions For Expenditures and Other Financing Uses**

**A. - Personal Services**

Personal service expenditures represent the salaries and wages paid to certified and classified staff, supplemental contracts, substitutes, severance pay, and board members' compensation. All employees receive their compensation on a bi-weekly basis.

## Brooklyn City School District

### Summary of Significant Forecast Assumptions and Accounting Policies For the Fiscal Year Ending June 30, 2001

Certified (teacher) staff salaries are based on a negotiated contract which includes base and step increases and educational incentives. The contract covers the period of September 1, 1997 to August 31, 2000, and allows increases of approximately four percent for the first two years and approximately three percent for the last year. Classified salaries are also based on a negotiated contract which includes base and step increases. The contract covers the period from July 7, 1997 to June 30, 2000, and allows for increases of approximately four percent for the first two years and approximately three percent for the last year of the contract. The School District is currently in negotiations for both the certified and classified contracts. Administrative salaries are set by the Board of Education.

Presented below is a comparison of salaries and wages for the fiscal year 2000 and the forecast period.

|                          | Actual<br>Fiscal Year<br>2000 | Forecast<br>Fiscal Year<br>2001 | Variance<br>Increase<br>(Decrease) |
|--------------------------|-------------------------------|---------------------------------|------------------------------------|
| Certified Salaries       | 4,934,000                     | 4,439,000                       | (495,000)                          |
| Classified Salaries      | 1,655,000                     | 1,401,000                       | (254,000)                          |
| Substitute Salaries      | 110,000                       | 139,000                         | 29,000                             |
| Supplemental Contracts   | 151,000                       | 217,000                         | 66,000                             |
| Severance Pay            | 125,000                       | 111,000                         | (14,000)                           |
| Other Salaries and Wages | 65,000                        | 72,000                          | 7,000                              |
| Totals                   | <u>\$7,040,000</u>            | <u>\$6,379,000</u>              | <u>(\$661,000)</u>                 |

The significant changes in personal services are based on the following:

A decrease in certified and classified salaries due to the elimination of 21 positions and to the School District reducing the number of hours classified staff are allowed to work;

An increase in substitute salaries due to the School District no longer limiting the number of classified substitutes that are needed;

An increase in supplemental contracts due to the School District paying additional supplemental contracts that were on a voluntary basis in the prior fiscal year; and

A decrease in severance payments based on the installment pay outs being lower this fiscal year than the prior year.

#### **B. - Employees' Retirement/Insurance Benefits**

Employees' retirement and insurance benefits include employer contributions to the State pension systems, health care, medicare, workers' compensation, and other benefits arising from the negotiated agreements.

Retirement costs are based on the employers' contribution rate of 14 percent for STRS and SERS. Payments are made based upon estimated salary and wages for each fiscal year. Adjustments resulting from over/under estimates are prorated over the next fiscal year.

Health care costs are based on the coverage terms of the existing health insurance contracts, the anticipated number of employees participating in the program, and the monthly premiums. The premiums for single and family coverage are set by contract and renewed annually. The premiums for the forecast period have not changed significantly from the prior year.

**Brooklyn City School District**

Summary of Significant Forecast Assumptions and Accounting Policies  
For the Fiscal Year Ending June 30, 2001

Presented below is a comparison of fiscal year 2000 and the forecast period:

|                              | Actual<br>Fiscal Year<br>2000 | Forecast<br>Fiscal Year<br>2001 | Variance<br>Increase<br>(Decrease) |
|------------------------------|-------------------------------|---------------------------------|------------------------------------|
| Employer's Retirement - STRS | \$782,000                     | \$675,000                       | (\$107,000)                        |
| Employer's Retirement - SERS | 307,000                       | 237,000                         | (70,000)                           |
| Early Retirement Incentive   | 374,000                       | 270,000                         | (104,000)                          |
| Life Insurance               | 20,000                        | 18,000                          | (2,000)                            |
| Health Care Insurance        | 693,000                       | 694,000                         | 1,000                              |
| Workers' Compensation        | 68,000                        | 31,000                          | (37,000)                           |
| Medicare                     | 76,000                        | 71,000                          | (5,000)                            |
| Unemployment                 | 25,000                        | 37,000                          | 12,000                             |
|                              | <u>\$2,345,000</u>            | <u>\$2,033,000</u>              | <u>(\$312,000)</u>                 |

The significant changes in employees' retirement and insurance benefits are based on the following:

A decrease in employer's retirement due to the to the elimination of 21 positions;

A decrease in early retirement incentive based on the School District's required payments for the current fiscal year;

A decrease in workers' compensation due to the School District posting the September payment incorrectly;

A decrease in medicare due to the School District eliminating 21 certified and classified positions; and,

An increase in unemployment due to the School District's reduction in staff.

**C. - Purchased Services**

Purchased service expenditures forecasted in the amount of \$1,201,000 are comprised of the following:

|                                     | Actual<br>Fiscal Year<br>2000 | Forecast<br>Fiscal Year<br>2001 | Variance<br>Increase<br>(Decrease) |
|-------------------------------------|-------------------------------|---------------------------------|------------------------------------|
| Professional and Technical Services | \$299,000                     | \$318,000                       | \$19,000                           |
| Property Services                   | 149,000                       | 190,000                         | 41,000                             |
| Travel and Meeting Expenses         | 13,000                        | 2,000                           | (11,000)                           |
| Communication Costs                 | 41,000                        | 42,000                          | 1,000                              |
| Utility Services                    | 246,000                       | 266,000                         | 20,000                             |
| Contracted Craft or Trade Services  | 4,000                         | 2,000                           | (2,000)                            |
| Tuition Payments                    | 188,000                       | 375,000                         | 187,000                            |
| Pupil Transportation Costs          | 34,000                        | 6,000                           | (28,000)                           |
|                                     | <u>\$974,000</u>              | <u>\$1,201,000</u>              | <u>\$227,000</u>                   |

**Brooklyn City School District**

Summary of Significant Forecast Assumptions and Accounting Policies  
For the Fiscal Year Ending June 30, 2001

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The significant changes in purchased services are based on the following:

An increase in legal fees due to a wrongful death lawsuit and continuing employee negotiations;

An increase in property services due to the School District eliminating positions in the School District and contracting for the services;

An increase in the cost of utilities;

An increase in the rising cost of educating multiple disabled children; and,

A decrease in pupil transportation due to the School District changing the busing policy. In fiscal year 2000, the School District provided door to door busing. In fiscal year 2001, the School District has decided to only provide busing to students who live greater than one mile from the school.

**D. - Supplies and Materials**

Supplies and materials are comprised of the following:

|  | Actual<br>Fiscal Year<br>2000 | Forecast<br>Fiscal Year<br>2001 | Variance<br>Increase<br>(Decrease) |
|--|-------------------------------|---------------------------------|------------------------------------|
| General Supplies   | \$94,000                      | \$67,000                        | (\$27,000)                         |
| Textbooks  | 39,000                        | 31,000                          | (8,000)                            |
| Library Books  | 0                             | 3,000                           | 3,000                              |
| Periodical, Newspaper, Films and Filmstrips                  | 1,000                         | 4,000                           | 3,000                              |
| Supplies and Materials for Operation, Maintenance and Repair | 36,000                        | 26,000                          | (10,000)                           |
| Operations, Maintenance, and Repair                          | 46,000                        | 10,000                          | (36,000)                           |
|  | <u>\$216,000</u>              | <u>\$141,000</u>                | <u>(\$75,000)</u>                  |

The School District is anticipating a \$75,000 decrease in supplies and materials due to cost saving measures taken to reduce expenditures.

**E. - Capital Outlay**

Property, plant and equipment acquired or constructed for general governmental services are recorded as expenditures. Depreciation is not recorded for these general fixed assets as the purpose of the financial statements for the general government services is to report the expenditure of resources, not costs.

Capital outlay expenditures are forecasted in the amount of \$204,000, an increase of \$126,000 from fiscal year 2000. The increase represents the purchase of a new and a replacement school bus and the purchase of computers and accessories.

## Brooklyn City School District

### Summary of Significant Forecast Assumptions and Accounting Policies For the Fiscal Year Ending June 30, 2001

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#### **F. - Debt Service**

The School District's debt service expenditures required for fiscal year 2001 include repayment of two solvency assistance advances from the State and an energy conservation (HB 264) loan.

The two solvency assistance advances, with principal payments of \$1,247,000 and \$462,000 will be repaid from State foundation revenues. The energy conservation note, with a principal payment of \$430,000 and an interest payment of \$123,000, will be repaid from general fund revenues.

#### **G. - Other Objects**

Other objects include dues, fees, liability insurance, county board deductions and judgement costs. The School District is projecting \$245,000 of expenditures in this area in fiscal year 2001. The expenditures are expected to remain consistent with prior fiscal years.

#### **H. - Operating Transfers and Advances Out**

The School District is anticipating \$63,000 in transfers out during fiscal year 2001. These transfers will be used to cover deficit fund balances in other funds. No advances are forecasted during fiscal year 2001.

#### **I. - Spending Reserve**

Section 133.301, Revised Code, allows the School District to issue notes during the current fiscal year in anticipation of fiscal year 2001 property tax revenues provided that such amount, referred to as the spending reserve, is included in the current year tax budget. The School District did not include a spending reserve in their current year tax budget.

#### **Note 7 - Encumbrances**

Encumbrances represent purchase authorizations and contracts for goods or services that are pending vendor performance and those purchase commitments which have been performed, invoiced, and are awaiting payment. Encumbrances on a budget basis of accounting are treated as the equivalent of an expenditure at the time authorization is made in order to maintain compliance with spending restrictions established by Ohio law. For presentation in the forecast, outstanding encumbrances are presented as a reduction of the general fund balance.

Encumbrances for purchased services, supplies and materials, capital outlay and other expenditures for the fiscal year ended June 30, 2000 were \$245,000 and are forecasted at \$198,000 for June 30, 2001. Current year encumbrances include the State Teachers's Retirement System Advance.

## Brooklyn City School District

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#### **Note 8 - Reservations of Fund Balance**

The School District is required by State statute to annually set aside in the general fund three percent of certain revenues 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 the future years. The School District is also required to set aside money for budget stabilization.

#### **A. - Textbooks and Instructional Materials**

The School District is required to set aside annually three percent of certain revenues for the purchase of textbooks and instructional materials. The set aside amount for fiscal year 2001 is \$310,000. Qualifying expenditures in the amount of \$236,000 are anticipated. The amount not spent will be carried forward increasing the textbook and instructional materials reserve by \$74,000, from \$118,000 to \$192,000 at the end of the fiscal year 2001.

#### **B. - Capital Acquisition and Improvements**

The School District is also required to set aside annually three percent of certain revenues for capital acquisition and improvements. The set aside amount for fiscal year 2001 is \$310,000. Qualifying expenditures in the amount of \$191,000 and \$265,000 in off-sets are anticipated; therefore, no reserve is anticipated.

#### **C. - Budget Reserve**

The School District is required to establish a budget reserve and set aside one percent of certain revenues each year there is a growth of three percent or more in these revenues unless the School District is in fiscal emergency. Each year the School District meets the criteria the required balance in the budget reserve increases by one percent until the five percent limit is reached. Under Section 39 of House Bill 770 and 5705.29(I), Revised Code, school districts are required to credit any refund from the Bureau of Worker's Compensation to the budget reserve. Workers' compensation refunds may reduce the contribution required in the current and/or future periods. Since the increase in revenues was less than three percent, no set aside of current revenue is required for fiscal year 2001. However, the School District does have a carryover reserve of \$67,000 generated from workers' compensation refunds and the School District has decided to fund the budget reserve for an additional \$240,000, leaving an ending balance of \$307,000.

Senate Bill 345, effective April 10, will eliminate the requirement for school districts to maintain a budget reserve. Any monies on hand in the budget reserve at that time may, at the discretion of the Board, be returned to the School District's general fund or may be left in the account to offset any future deficits. Additionally, any portion of the budget reserve consisting of rebates or refund from the Bureau of Workers' Compensation may only be used for purposes specified in the SB 345, including the offset a budget deficit. The School District does not anticipate expending the existing balance in the budget reserve during the forecast period.



## Brooklyn City School District

### Summary of Significant Forecast Assumptions and Accounting Policies For the Fiscal Year Ending June 30, 2001

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#### **D. - Disadvantaged Pupil Impact Aid (DPIA)**

The School District had a carryover balance of \$5,000 at the end of fiscal year 2000. The School District anticipates fiscal year 2001 receipts of \$11,000 and expenditures of \$5,000. The restricted balance at the close of fiscal year 2001 is anticipated to be \$11,000.

#### **E. - Bus Purchases**

The School District had a carryover bus purchase set aside balance of \$44,000 at the end of fiscal year 2000 and received \$16,000 in bus purchase allowance during fiscal year 2001. The School District plans to make bus purchase expenditures of \$59,000 during fiscal year 2001.

#### **Note 9 - Levies**

The School District does not plan to place any levies on the ballot during fiscal year 2001. In the past ten years the School District has placed several levies on the ballot. The type of levy, rate, term, and election results are as follows:

| <u>Date</u>   | <u>Type</u>           | <u>Amount</u> | <u>Term</u> | <u>Election Results</u> |
|---------------|-----------------------|---------------|-------------|-------------------------|
| June 1992     | Permanent Improvement | 0.9 mills     | 5 Years     | Failed                  |
| November 1992 | Renewal               | 1 mill        | 5 Years     | Passed                  |
| November 1992 | Operating             | 3 mills       | 2 Years     | Failed                  |
| February 1993 | Operating             | 3 mills       | 2 Years     | Failed                  |
| August 1993   | Operating             | 4 mills       | Continuing  | Failed                  |
| November 1993 | Operating             | 4 mills       | Continuing  | Failed                  |
| February 1994 | Emergency Operating   | 8.2538 mills  | 5 Years     | Passed                  |
| May 1995      | Renewal               | 6 mills       | 5 Years     | Passed                  |
| November 1996 | Permanent Improvement | 1 mill        | 5 Years     | Passed                  |
| May 1999      | Emergency Operating   | 6.2 mills     | 5 Years     | Passed                  |
| March 2000    | Renewal               | 6 mills       | 5 Years     | Passed                  |
| November 2000 | Emergency Operating   | 3.8 mills     | 3 Years     | Passed                  |

#### **Note 10 - Pending Litigation**

There are currently no outstanding issues that would be deemed or interpreted as legally threatening at the time of the forecast as verified by the School District's legal counsel.

## Brooklyn City School District

### Summary of Significant Forecast Assumptions and Accounting Policies For the Fiscal Year Ending June 30, 2001

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#### **Note 11 - State School Funding Decision**

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in the system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to the School District. During the fiscal year ended June 30, 2000, the School District received \$819,158 of school foundation support from its general fund.

In addition, the Court declared the classroom facilities program unconstitutional, because, in the Court's opinion, the program had not been sufficiently funded by the State. The classroom facilities program provided money to build schools and furnish classrooms. As of June 30, 2000, the School District had been awarded a total of \$32.6 million under this program.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State General Assembly in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. On May 11, 2000, the Ohio Supreme Court rendered an opinion on this issue. The Court concluded, "...the mandate of the [Ohio] Constitution has not been fulfilled." The Court's majority recognized efforts by the Ohio General Assembly taken in response to the Court's March 24, 1997, decision, however, it found seven "...major areas warrant further attention, study, and development by the General Assembly...", including the State's reliance on local property tax funding, the state's basic aid formula, the school foundation program, as discussed above, the mechanism for, and adequacy of, funding for school facilities, and the existence of the State's School Solvency Assistance Fund, which the Court found took the place of the unconstitutional emergency school loan assistance program.

The Court decided to maintain jurisdiction over these issues and continued the case at least until June 15, 2001.

As of the date of the financial forecast, the School District is unable to determine what effect, if any, this ongoing litigation will have on its future State funding under these programs and on its financial operation.



STATE OF OHIO  
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 23, 2001**