



**Auditor of State  
Betty Montgomery**



**BROOKLYN CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY**

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## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT

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, 2002, 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, 2002, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 17, 2003 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.

The accompanying federal awards expenditures schedule 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. In our opinion, it is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

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

**Betty Montgomery**  
Auditor of State

April 17, 2003

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**Brooklyn City School District**  
**Cuyahoga County**  
*Combined Balance Sheet*  
*All Fund Types and Account Groups*  
*June 30, 2002*

	Governmental Fund Types		
	General	Special Revenue	Capital Projects
<b><i>Assets and Other Debits</i></b>			
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$2,956,097	\$167,846	\$94,177
Receivables:			
Taxes	12,166,710	0	126,849
Accounts	1,279	863	0
Intergovernmental	35,896	33,044	0
Inventory Held for Resale	0	0	0
Materials and Supplies Inventory	22,953	0	0
Prepaid Items	19,307	0	0
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	273,843	0	0
Fixed Assets (net, where applicable, of accumulated depreciation)	0	0	0
<b>Other Debits</b>			
Amount to be Provided from General Government Resources	0	0	0
<b><i>Total Assets and Other Debits</i></b>	<b>\$15,476,085</b>	<b>\$201,753</b>	<b>\$221,026</b>



Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Agency			
\$165,196	\$14,846	\$0	\$0	\$3,398,162
0	0	0	0	12,293,559
46	0	0	0	2,188
17,245	0	0	0	86,185
7,201	0	0	0	7,201
8,117	0	0	0	31,070
0	0	0	0	19,307
0	0	0	0	273,843
50,970	0	9,487,344	0	9,538,314
0	0	0	2,556,027	2,556,027
<u>\$248,775</u>	<u>\$14,846</u>	<u>\$9,487,344</u>	<u>\$2,556,027</u>	<u>\$28,205,856</u>

**Brooklyn City School District**  
**Cuyahoga County**  
*Combined Balance Sheet*  
*All Fund Types and Account Groups (continued)*  
*June 30, 2002*

	Governmental Fund Types		
	General	Special Revenue	Capital Projects
<b>Liabilities, Fund Equity and Other Credits</b>			
<b>Liabilities</b>			
Accounts Payable	\$21,650	\$9,976	\$8,395
Contracts Payable	55,190	0	65,163
Accrued Wages	795,071	18,414	0
Compensated Absences Payable	10,981	0	0
Intergovernmental Payable	258,298	4,848	0
Deferred Revenue	9,657,245	18,978	81,249
Due to Students	0	0	0
Energy Conservation Loan	0	0	0
	<u>10,798,435</u>	<u>52,216</u>	<u>154,807</u>
<i>Total Liabilities</i>			
<b>Fund Equity and Other Credits</b>			
Investment in General Fixed Assets	0	0	0
Contributed Capital	0	0	0
Retained Earnings:			
Unreserved, Undesignated	0	0	0
Fund Balance:			
Reserved for Encumbrances	64,799	21,813	12,790
Reserved for Inventory	22,953	0	0
Reserved for Property Taxes	1,803,224	0	28,944
Reserved for Textbooks	79,662	0	0
Reserved for Capital Improvements	194,181	0	0
Unreserved, Undesignated	2,512,831	127,724	24,485
	<u>4,677,650</u>	<u>149,537</u>	<u>66,219</u>
<i>Total Fund Equity and Other Credits</i>			
	<u>4,677,650</u>	<u>149,537</u>	<u>66,219</u>
<i>Total Liabilities, Fund Equity and Other Credits</i>			
	<u>\$15,476,085</u>	<u>\$201,753</u>	<u>\$221,026</u>

See accompanying notes to the general purpose financial statements

Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Agency			
\$2,140	\$0	\$0	\$0	\$42,161
0	0	0	0	120,353
4,415	0	0	0	817,900
1,082	0	0	927,787	939,850
16,407	0	0	98,240	377,793
0	0	0	0	9,757,472
0	14,846	0	0	14,846
0	0	0	1,530,000	1,530,000
<u>24,044</u>	<u>14,846</u>	<u>0</u>	<u>2,556,027</u>	<u>13,600,375</u>
0	0	9,487,344	0	9,487,344
17,653	0	0	0	17,653
207,078	0	0	0	207,078
0	0	0	0	99,402
0	0	0	0	22,953
0	0	0	0	1,832,168
0	0	0	0	79,662
0	0	0	0	194,181
0	0	0	0	2,665,040
<u>224,731</u>	<u>0</u>	<u>9,487,344</u>	<u>0</u>	<u>14,605,481</u>
<u>\$248,775</u>	<u>\$14,846</u>	<u>\$9,487,344</u>	<u>\$2,556,027</u>	<u>\$28,205,856</u>

**Brooklyn City School District**  
**Cuyahoga County**  
*Combined Statement of Revenues, Expenditures  
and Changes in Fund Balances  
All Governmental Fund Types  
For the Fiscal Year Ended June 30, 2002*

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	
<b>Revenues</b>				
Taxes	\$14,031,902	\$0	\$223,868	\$14,255,770
Intergovernmental	2,031,641	656,314	16,352	2,704,307
Interest	96,566	1,482	0	98,048
Tuition and Fees	207,286	19,968	0	227,254
Extracurricular Activities	0	102,290	0	102,290
Contributions and Donations	779	8,252	0	9,031
Rentals	25,511	0	11,557	37,068
Miscellaneous	83,421	37,406	0	120,827
<i>Total Revenues</i>	<u>16,477,106</u>	<u>825,712</u>	<u>251,777</u>	<u>17,554,595</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	5,343,735	54,681	0	5,398,416
Special	1,193,618	144,394	0	1,338,012
Vocational	86,738	0	0	86,738
Support Services:				
Pupils	881,450	92,975	0	974,425
Instructional Staff	216,689	79,245	0	295,934
Board of Education	44,097	0	0	44,097
Administration	1,397,726	2,886	0	1,400,612
Fiscal	679,712	0	0	679,712
Business	138,016	0	0	138,016
Operation and Maintenance of Plant	1,087,930	5,030	0	1,092,960
Pupil Transportation	284,743	0	0	284,743
Central	214,340	4,391	0	218,731
Operation of Non-Instructional Services	0	275,796	0	275,796
Extracurricular Activities	298,208	132,839	0	431,047
Capital Outlay	11,112	1,752	493,079	505,943
Debt Service:				
Principal Retirement	455,000	0	0	455,000
Interest and Fiscal Charges	98,420	0	0	98,420
<i>Total Expenditures</i>	<u>12,431,534</u>	<u>793,989</u>	<u>493,079</u>	<u>13,718,602</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>4,045,572</u>	<u>31,723</u>	<u>(241,302)</u>	<u>3,835,993</u>
<b>Other Financing Sources (Uses)</b>				
Operating Transfers In	0	101	0	101
Operating Transfers Out	(31,794)	0	0	(31,794)
<i>Total Other Financing Sources (Uses)</i>	<u>(31,794)</u>	<u>101</u>	<u>0</u>	<u>(31,693)</u>
<i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</i>	<u>4,013,778</u>	<u>31,824</u>	<u>(241,302)</u>	<u>3,804,300</u>
<i>Fund Balances Beginning of Year</i>	651,051	117,713	307,521	1,076,285
Increase in Reserve for Inventory	12,821	0	0	12,821
<i>Fund Balances End of Year</i>	<u>\$4,677,650</u>	<u>\$149,537</u>	<u>\$66,219</u>	<u>\$4,893,406</u>

See accompanying notes to the general purpose financial statements

**Brooklyn City School District**  
**Cuyahoga County**  
*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, 2002*

	General Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues</b>			
Taxes	\$11,644,731	\$12,119,207	\$474,476
Intergovernmental	1,923,693	2,035,141	111,448
Interest	96,572	96,566	(6)
Tuition and Fees	169,134	169,124	(10)
Extracurricular Activities	0	0	0
Contributions and Donations	779	779	0
Rentals	24,918	24,917	(1)
Other	101,278	89,702	(11,576)
<i>Total Revenues</i>	<u>13,961,105</u>	<u>14,535,436</u>	<u>574,331</u>
<b>Expenditures</b>			
Current:			
Instruction:			
Regular	5,468,289	5,302,164	166,125
Special	1,362,313	1,323,731	38,582
Vocational	95,457	85,399	10,058
Support Services:			
Pupils	1,005,957	879,155	126,802
Instructional Staff	254,398	216,188	38,210
Board of Education	51,009	45,958	5,051
Administration	1,520,174	1,434,134	86,040
Fiscal	742,904	683,077	59,827
Business	141,628	137,566	4,062
Operation and Maintenance of Plant	1,201,458	1,079,219	122,239
Pupil Transportation	348,313	293,724	54,589
Central	227,162	222,378	4,784
Operation of Non-Instructional Services	0	0	0
Extracurricular Activities	314,155	292,327	21,828
Capital Outlay	13,143	11,112	2,031
Debt Service:			
Principal Retirement	917,000	917,000	0
Interest and Fiscal Charges	98,420	98,420	0
<i>Total Expenditures</i>	<u>13,761,780</u>	<u>13,021,552</u>	<u>740,228</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>199,325</u>	<u>1,513,884</u>	<u>1,314,559</u>
<b>Other Financing Sources (Uses)</b>			
Advances In	10,575	10,575	0
Advances Out	0	0	0
Operating Transfers In	0	0	0
Operating Transfers Out	(31,794)	(31,794)	0
<i>Total Other Financing Sources (Uses)</i>	<u>(21,219)</u>	<u>(21,219)</u>	<u>0</u>
<i>Excess of Revenues and Other Financing Sources</i> <i>Over (Under) Expenditures and Other Financing Uses</i>	178,106	1,492,665	1,314,559
<i>Fund Balance Beginning of Year</i>	1,355,187	1,355,187	0
Prior Year Encumbrances Appropriated	289,282	289,282	0
<i>Fund Balance End of Year</i>	<u>\$1,822,575</u>	<u>\$3,137,134</u>	<u>\$1,314,559</u>

**Brooklyn City School District**  
**Cuyahoga County**  
*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, 2002*

	Special Revenue Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues</b>			
Taxes	\$0	\$0	\$0
Intergovernmental	685,623	689,992	4,369
Interest	1,483	1,482	(1)
Tuition and Fees	19,968	19,968	0
Extracurricular Activities	101,371	101,591	220
Contributions and Donations	4,858	8,252	3,394
Rentals	0	0	0
Other	29,284	37,242	7,958
<i>Total Revenues</i>	<u>842,587</u>	<u>858,527</u>	<u>15,940</u>
<b>Expenditures</b>			
Current:			
Instruction:			
Regular	68,340	54,732	13,608
Special	150,625	140,136	10,489
Vocational	0	0	0
Support Services:			
Pupils	105,632	83,568	22,064
Instructional Staff	103,261	82,242	21,019
Board of Education	0	0	0
Administration	2,890	2,886	4
Fiscal	0	0	0
Business	0	0	0
Operation and Maintenance of Plant	26,000	12,000	14,000
Pupil Transportation	0	0	0
Central	4,784	4,406	378
Operation of Non-Instructional Services	344,971	338,795	6,176
Extracurricular Activities	156,898	132,679	24,219
Capital Outlay	6,818	1,752	5,066
Debt Service:			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
<i>Total Expenditures</i>	<u>970,219</u>	<u>853,196</u>	<u>117,023</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(127,632)</u>	<u>5,331</u>	<u>132,963</u>
<b>Other Financing Sources (Uses)</b>			
Advances In	0	0	0
Advances Out	(5,532)	(5,532)	0
Operating Transfers In	101	101	0
Operating Transfers Out	0	0	0
<i>Total Other Financing Sources (Uses)</i>	<u>(5,431)</u>	<u>(5,431)</u>	<u>0</u>
<i>Excess of Revenues and Other Financing Sources</i> <i>Over (Under) Expenditures and Other Financing Uses</i>	<u>(133,063)</u>	<u>(100)</u>	<u>132,963</u>
<i>Fund Balance Beginning of Year</i>	80,619	80,619	0
Prior Year Encumbrances Appropriated	60,085	60,085	0
<i>Fund Balance End of Year</i>	<u>\$7,641</u>	<u>\$140,604</u>	<u>\$132,963</u>

See accompanying notes to the general purpose financial statements

Capital Projects Funds			Totals (Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$193,478	\$193,480	\$2	\$11,838,209	\$12,312,687	\$474,478
17,551	17,552	1	2,626,867	2,742,685	115,818
0	0	0	98,055	98,048	(7)
0	0	0	189,102	189,092	(10)
0	0	0	101,371	101,591	220
0	0	0	5,637	9,031	3,394
11,597	11,596	(1)	36,515	36,513	(2)
0	0	0	130,562	126,944	(3,618)
222,626	222,628	2	15,026,318	15,616,591	590,273
10,000	10,000	0	5,546,629	5,366,896	179,733
0	0	0	1,512,938	1,463,867	49,071
0	0	0	95,457	85,399	10,058
0	0	0	1,111,589	962,723	148,866
0	0	0	357,659	298,430	59,229
0	0	0	51,009	45,958	5,051
0	0	0	1,523,064	1,437,020	86,044
0	0	0	742,904	683,077	59,827
0	0	0	141,628	137,566	4,062
26,302	26,302	0	1,253,760	1,117,521	136,239
0	0	0	348,313	293,724	54,589
0	0	0	231,946	226,784	5,162
0	0	0	344,971	338,795	6,176
0	0	0	471,053	425,006	46,047
506,129	432,839	73,290	526,090	445,703	80,387
0	0	0	917,000	917,000	0
0	0	0	98,420	98,420	0
542,431	469,141	73,290	15,274,430	14,343,889	930,541
(319,805)	(246,513)	73,292	(248,112)	1,272,702	1,520,814
0	0	0	10,575	10,575	0
0	0	0	(5,532)	(5,532)	0
0	0	0	101	101	0
0	0	0	(31,794)	(31,794)	0
0	0	0	(26,650)	(26,650)	0
(319,805)	(246,513)	73,292	(274,762)	1,246,052	1,520,814
291,070	291,070	0	1,726,876	1,726,876	0
36,830	36,830	0	386,197	386,197	0
\$8,095	\$81,387	\$73,292	\$1,838,311	\$3,359,125	\$1,520,814

**Brooklyn City School District**  
**Cuyahoga County**  
*Combined Statement of Revenues,  
Expenses and Changes in Fund Equity*  
*Proprietary Fund Type*  
For the Fiscal Year Ended June 30, 2002

	<u>Enterprise</u>
<b>Operating Revenues</b>	
Tuition	\$95,229
Sales	286,778
Other	<u>10,198</u>
<i>Total Operating Revenues</i>	<u>392,205</u>
<b>Operating Expenses</b>	
Salaries and Wages	247,324
Fringe Benefits	53,616
Purchased Services	15,538
Materials and Supplies	215,656
Cost of Sales	32,230
Depreciation	9,838
Other	<u>1,447</u>
<i>Total Operating Expenses</i>	<u>575,649</u>
<i>Total Operating Loss</i>	<u>(183,444)</u>
<b>Non-Operating Revenues</b>	
Donated Commodities	38,807
Operating Grants	123,710
Interest	<u>409</u>
<i>Total Non-Operating Revenues</i>	<u>162,926</u>
<i>Loss Before Operating Transfers</i>	(20,518)
Operating Transfers In	<u>31,693</u>
<i>Net Income</i>	11,175
<i>Retained Earnings Beginning of Year</i>	<u>195,903</u>
<i>Retained Earnings End of Year</i>	207,078
<i>Contributed Capital Beginning and End of Year</i>	<u>17,653</u>
<i>Fund Equity at End of Year</i>	<u><u>\$224,731</u></u>

See accompanying notes to the general purpose financial statements



**Brooklyn City School District**  
**Cuyahoga County**  
*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, 2002*

	Enterprise Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues</b>			
Tuition	\$94,323	\$94,323	\$0
Sales	286,691	286,778	87
Interest	409	409	0
Operating Grants	107,371	107,371	0
Other	10,239	10,152	(87)
	<u>499,033</u>	<u>499,033</u>	<u>0</u>
<i>Total Revenues</i>			
<b>Expenses</b>			
Salaries and Wages	253,508	247,230	6,278
Fringe Benefits	71,158	67,172	3,986
Purchased Services	23,297	15,538	7,759
Materials and Supplies	340,888	223,972	116,916
Capital Outlay	5,483	5,483	0
Other	29,566	1,447	28,119
	<u>723,900</u>	<u>560,842</u>	<u>163,058</u>
<i>Total Expenses</i>			
<i>Excess of Revenues Under Expenses</i>	(224,867)	(61,809)	163,058
Advances Out	(5,043)	(5,043)	0
Operating Transfers In	31,693	31,693	0
	<u>31,693</u>	<u>31,693</u>	<u>0</u>
<i>Excess of Revenue, Operating Transfers, and Advances Under Expenses</i>	(198,217)	(35,159)	163,058
<i>Fund Equity Beginning of Year</i>	189,575	189,575	0
Prior Year Encumbrances Appropriated	8,642	8,642	0
	<u>8,642</u>	<u>8,642</u>	<u>0</u>
<i>Fund Equity End of Year</i>	<u>\$0</u>	<u>\$163,058</u>	<u>\$163,058</u>

See accompanying notes to the general purpose financial statements

**Brooklyn City School District**  
**Cuyahoga County**  
*Combined Statement of Cash Flows*  
*Proprietary Fund Type*  
*For the Fiscal Year Ended June 30, 2002*

	<u>Enterprise</u>
<b><i>Increase (Decrease) in Cash and Cash Equivalents</i></b>	
<b>Cash Flows from Operating Activities</b>	
Cash Received from Customers	\$381,101
Cash Received from Other Operating Sources	10,152
Cash Payments to Suppliers for Goods and Services	(237,370)
Cash Payments to Employees for Services	(247,230)
Cash Payments for Employee Benefits	(67,172)
Cash Payments for Other Operating Uses	(1,447)
	<u>(161,966)</u>
 <b>Cash Flows from Noncapital Financing Activities</b>	
Operating Grants Received	107,371
Advances Out	(5,043)
Operating Transfers In	31,693
	<u>134,021</u>
 <b>Cash Flows from Capital And Related Financing Activities:</b>	
Payments for Capital Acquisitions	(5,483)
	<u>409</u>
 <b><i>Cash Flows from Investing Activities:</i></b>	
Interest on Investments	409
	<u>409</u>
 <i>Net Decrease in Cash and Cash Equivalents</i>	 (33,019)
 <i>Cash and Cash Equivalents Beginning of Year</i>	 <u>198,215</u>
 <i>Cash and Cash Equivalents End of Year</i>	 <u><u>\$165,196</u></u>

(continued)

**Brooklyn City School District**  
**Cuyahoga County**  
*Combined Statement of Cash Flows*  
*Proprietary Fund Type (continued)*  
*For the Fiscal Year Ended June 30, 2002*

	<u>Enterprise</u>
<b>Reconciliation of Operating Loss to Net Cash Used by Operating Activities</b>	
Operating Loss	(\$183,444)
<i>Adjustments:</i>	
Depreciation	9,838
Donated Commodities Received During Year	26,936
(Increase) Decrease in Assets:	
Accounts Receivable	(46)
Intergovernmental Receivable	(906)
Materials and Supplies Inventory	22
Inventory Held for Resale	5,294
Increase (Decrease) in Liabilities:	
Accounts Payable	(6,198)
Accrued Wages	94
Compensated Absences Payable	(4,259)
Intergovernmental Payable	(9,297)
<i>Total Adjustments</i>	21,478
<i>Net Cash Used by Operating Activities</i>	(\$161,966)

**Noncash Capital Financing Activities**

Federal donated commodities in the amount of \$38,807 were recorded as revenue in the food service enterprise fund.

See accompanying notes to the general purpose financial statements

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**Brooklyn City School District**  
**Cuyahoga County**  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 2002*

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**Note 1 – Description of the School District and Reporting Entity**

The Brooklyn City School District (School District) was formed on March 18, 1911 under provisions of Section 3311.02 of the Ohio Revised Code.

The Brooklyn City School District operates under a locally-elected five member board form of government and provides educational services as authorized and mandated by State and federal agencies. The Board controls the School District's two elementary schools, a middle school and a high, staffed by 63 non-certified, 104 certified teaching personnel, and 7 administrators, who provide services to community members and 1,372 students.

***Reporting Entity***

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements of the School District are not misleading. The primary government of the School District 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.

*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 schools by the Treasurer of the School District, as directed by the schools. 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.

**Brooklyn City School District**  
**Cuyahoga County**  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 2002*

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

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.

***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).

**Brooklyn City School District**  
**Cuyahoga County**  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 2002*

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**Proprietary Fund Type** Proprietary funds are used to account for the School District's ongoing activities which are similar to those found in the private sector. Following is the School District's proprietary fund type:

**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.

**Fiduciary Fund Type** 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.

**Brooklyn City School District**  
**Cuyahoga County**  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 2002*

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**Revenue Recognition** 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.

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 5). 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** 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, 2002, but which were levied to finance fiscal year 2003 operations, have been recorded as deferred revenue. Grants and entitlements received before eligibility requirements are met are also recorded as deferred revenue. On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

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

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

### **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, by fund, cannot exceed estimated resources, as certified.



**Brooklyn City School District**  
**Cuyahoga County**  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 2002*

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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 general fund, and at the fund level for all other funds. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

**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 amended certificate of estimated resources that were in effect at the time the fund appropriation were passed by the Board of Education.

**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. 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. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.

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.

**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.

**Brooklyn City School District**  
**Cuyahoga County**  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 2002*

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**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.

During fiscal year 2002, investments were limited to Victory Federal Money Market Mutual Fund, which is reported at cost.

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 2002 amounted to \$96,566, which includes \$9,962 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, 2002, 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 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**

Assets are reported as restricted when limitations on their use change in nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, laws of other governments, or imposed by enabling legislation. Restricted assets include amounts required by statute to be set aside by the School District for the purchase of textbooks and capital improvements. See Note 18 for additional information regarding set-asides.

**Brooklyn City School District**  
**Cuyahoga County**  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 2002*

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***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 maintains a capitalization threshold of \$1,000. 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 ten to twenty 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.

Sick leave benefits are accrued as a liability using the vesting payment 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.

**Brooklyn City School District**  
**Cuyahoga County**  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 2002*

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***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. After fiscal year 2000, capital contributions from other governments and private sources are recorded as revenues and reported as retained earnings. Capital contributions from other funds are still reported as additions to contributed capital.

***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 for 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 taxes, textbooks 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.

**Brooklyn City School District**  
**Cuyahoga County**  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 2002*

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**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 - 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 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).
4. Unrecorded cash, which consists of unrecorded interest, is not reported by the School District on the budget basis operating statements, but is reported on the GAAP basis operating statements.

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

**Brooklyn City School District**  
**Cuyahoga County**  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 2002*

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

	General	Special Revenue	Capital Projects
GAAP Basis	\$4,013,778	\$31,824	(\$241,302)
Net Adjustment for Revenue Accruals	(1,940,552)	32,815	(29,149)
Unrecorded Cash	(1,118)	0	0
Advance In	10,575	0	0
Advance Out	0	(5,532)	0
Net Adjustment for Expenditure Accruals	(34,094)	(31,965)	36,728
Debt Principal Retirement	(462,000)	0	0
Adjustment for Encumbrances	(93,924)	(27,242)	(12,790)
Budget Basis	\$1,492,665	(\$100)	(\$246,513)

Net Income/Excess of Revenues Under Expenses  
Proprietary Fund Type

	Enterprise
GAAP Basis	\$11,175
Net Adjustment for Revenue Accruals	(221,712)
Net Adjustment for Expenditure Accruals	183,500
Donated Commodities	(5,294)
Depreciation	9,838
Advance Out	(5,043)
Capital Outlay	(5,483)
Adjustment for Encumbrances	(2,140)
Budget Basis	(\$35,159)

**Note 4 - 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.

**Brooklyn City School District**  
**Cuyahoga County**  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 2002*

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

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

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;
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.

**Brooklyn City School District**  
**Cuyahoga County**  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 2002*

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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.

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 year-end, the carrying amount of the School District's deposits was (\$305,114) and the bank balance was \$711. The entire balance was covered by federal depository insurance.

*Investments:* The School District's investments are required to be categorized below to give an indication of the level of custodial credit 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 counter party'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 counter party, or by its trust department or agent but not in the School District's name. The Victory Money Market Mutual Fund is unclassified since it is not evidenced by securities that exist in physical or book entry form.

At June 30, 2002, the School District's investment in Victory Money Market Mutual Fund had a fair value of \$3,977,119.

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	\$3,672,005	\$0
Investment which are part of a cash management pool:		
Victory Money Market Mutual Fund	(3,977,119)	3,977,119
GASB Statement No. 3	(\$305,114)	\$3,977,119



**Brooklyn City School District**  
**Cuyahoga County**  
*Notes to the General Purpose Financial Statements*  
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**Note 5 - 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 2002 for real and public utility property taxes represents collections of calendar 2001 taxes. Property tax payments received during calendar 2002 for tangible personal property (other than public utility property) are for calendar 2002 taxes.

2002 real property taxes are levied after April 1, 2002, on the assessed value as of January 1, 2002, the lien date. Assessed values are established by State law at 35 percent of appraised market value.

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. 2002 public utility property taxes became a lien December 31, 2001, are levied after April 1, 2002 and are collected in 2003 with real property taxes.

2002 tangible personal property taxes are levied after April 1, 2001, on the value as of December 31, 2001. Collections are made in 2002. Tangible personal property assessments are 25 percent of true value.

The assessed values upon which fiscal year 2002 taxes were collected are:

	2001 First		2002 First	
	Half Collections		Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$278,237,680	74.16 %	\$283,815,680	74.60 %
Tangible Personal Property	67,099,234	17.88	75,714,966	19.90
Public Utility Personal	29,854,130	7.96	20,934,340	5.50
	<u>\$375,191,044</u>	<u>100.00 %</u>	<u>\$380,464,986</u>	<u>100.00 %</u>
Tax rate per \$1,000 of assessed valuation	\$43.40		\$43.40	

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. This year, the June 2002 tangible personal property tax settlement was not received until July of 2002.

**Brooklyn City School District**  
**Cuyahoga County**  
*Notes to the General Purpose Financial Statements*  
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The County Treasurer collects property taxes on behalf of all taxing districts in the County, including Brooklyn City School District. 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, 2002, are available to finance fiscal year 2003 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable as of June 30, 2002 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 was levied to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current fiscal year operations. The amount available to the School District as an advance at June 30, 2002, was \$1,803,224 in the general fund, and \$28,944 in the permanent improvement capital projects fund. The 2002 tax year closed earlier than 2001. 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 6 - Receivables**

Receivables at June 30, 2002, 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
<b>General Fund</b>	
Tuition	\$35,896
<b>Special Revenue Funds</b>	
EMIS Grant	5,000
School Net - Professional Development Grant	3,450
Eisenhower Grant	565
Title VI-B	6,358
Title I	1,743
Title VI	3,873
Title VI-R	12,055
<i>Total Special Revenue</i>	33,044
<b>Enterprise Funds</b>	
Food Service	16,339
Latchkey	906
<i>Total Enterprise Funds</i>	17,245
Grand Total	\$86,185

**Brooklyn City School District**  
**Cuyahoga County**  
*Notes to the General Purpose Financial Statements*  
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**Note 7 - Fixed Assets**

A summary of the enterprise funds' fixed assets at June 30, 2002, follows:

	Enterprise
Furniture and Equipment	\$213,542
Less accumulated depreciation	(162,572)
Net Fixed Assets	\$50,970

A summary of the changes in general fixed assets during fiscal year 2002 follows:

	Balance 6/30/01	Additions	Deletions	Balance 6/30/02
Land and Improvements	\$764,026	\$0	\$0	\$764,026
Buildings	5,634,141	0	0	5,634,141
Furniture and Equipment	2,289,763	127,584	0	2,417,347
Vehicles	655,669	16,161	0	671,830
Total	\$9,343,599	\$143,745	\$0	\$9,487,344

**Note 8 - 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 2002, the School District contracted with Harcum Nationwide Insurance Company for comprehensive property insurance (boiler and machinery) and auto fleet coverage. The property insurance coverage was \$39,301,401 for property and \$28,949,000 for boiler and machinery. Automobile liability has a \$1,000,000 combined single limit of liability.

Professional and general liability is protected by Marsh USA with a \$1,000,000 single occurrence limit and \$3,000,000 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.

**Brooklyn City School District**  
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***C. Workers' Compensation***

The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 16). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP.

Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings 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 9 - 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 2002, 5.46 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2001, 4.2 percent of annual covered salary 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, 2002, 2001, and 2000 were \$92,416, \$69,086 and \$100,699, respectively; 52.95 percent has been contributed for fiscal year 2002 and 100 percent for fiscal years 2001 and 2000. \$43,480 representing the unpaid contribution for fiscal year 2002, is recorded as a liability within the respective funds and the general long-term obligations account group.

**Brooklyn City School District**  
**Cuyahoga County**  
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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, 2002, 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. 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, 2002, 2001 and 2000 were \$515,634, \$464,607 and \$532,951, respectively; 79.11 percent has been contributed for fiscal year 2002 and 100 percent for the fiscal years 2001 and 2000. \$107,740 representing the unpaid contribution for fiscal year 2002, is recorded as a liability within the respective funds.

**Note 10 - 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-certificated 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 funded on a pay-as-you-go basis.

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care cost will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2002, 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 \$244,248 for fiscal year 2002.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2001, (the latest information available) the balance in the Fund was \$3.256 billion. For the year ended June 30, 2001, net health care costs paid by STRS were \$300,772,000 and STRS had 102,132 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 the premium.

**Brooklyn City School District**  
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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, 2002, employer contributions to fund health care benefits were 8.54 percent of covered payroll, a decrease of 1.26 percent from fiscal year 2001. 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 2002, the minimum pay has been established at \$12,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2002 fiscal year equaled \$169,496.

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 annual health care expenses. Expenses for health care at June 30, 2001, (the latest information available), were \$161,439,934 and the target level was \$242.2 million. At June 30, 2001, SERS had net assets available for payment of health care benefits of \$315.7 million. SERS has approximately 50,000 participants receiving health care benefits.

**Note 11 - 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:

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

Each professional staff member is entitled to fifteen days sick leave with pay for each year under contract. The sick leave accrues at the rate of one and one fourth days for each calendar month under contract. Upon retirement, an employee is paid a severance benefit equal to 32 percent of the value of their accumulative sick leave, 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 who resign can be paid for accumulated sick leave after 15 years. After 15 years of service, an employee is paid 30 percent of their value of their accumulative sick leave, calculated at the current wage rates, up to a maximum of 50 days.

**Brooklyn City School District**  
**Cuyahoga County**  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 2002*

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**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 cannot 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 judgment, it is not deemed financially feasible. For the year ended June 30, 2002, the School District made the final payments to the early retirement incentive plan.

**Note 12 - Long-Term Obligations**

The changes in the School District's long-term obligations during fiscal year 2002 were as following:

	Outstanding 6/30/01	Additions	Reductions	Outstanding 6/30/02
Energy Conservation Loan Payable	\$1,985,000	\$0	\$455,000	\$1,530,000
Early Retirement Incentive	211,819	21,971	233,790	0
Compensated Absences	1,014,687	0	86,900	927,787
Intergovernmental Payable	76,614	98,240	76,614	98,240
<i>Total Long Term Obligations</i>	<u>\$3,288,120</u>	<u>\$120,211</u>	<u>\$852,304</u>	<u>\$2,556,027</u>

The School District's overall legal debt margin was \$34,241,849 with an unvoted debt margin of \$380,465 at June 30, 2002.

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

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.

Principal and interest requirements to retire Energy Conservation Loan outstanding at June 30, 2002, are as follows:

**Brooklyn City School District**  
**Cuyahoga County**  
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Fiscal Year Ending June 30,	Principal	Interest	Totals
2003	\$480,000	\$72,240	\$552,240
2004	510,000	43,680	553,680
2005	540,000	14,280	554,280
Total	<u>\$1,530,000</u>	<u>\$130,200</u>	<u>\$1,660,200</u>

**Note 13 - Notes Payable**

The State solvency assistance loan was paid in full during fiscal year 2002. The amount of the payment was for \$462,000 in the general fund.

**Notes 14 - 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, 2002.

***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, 2002.

**Note 15 - 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.



**Brooklyn City School District**  
**Cuyahoga County**  
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***B. Ohio Schools Council***

The Ohio Schools Council Association (Council) is a jointly governed organization among ninety-one 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 2002, the School District paid \$1,856 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 School District participates in the Council's electric purchase program which was implemented during fiscal year 1998 and the natural gas program which was implemented during fiscal year 2001.

The electric purchase program allows school districts to purchase electricity at reduced rates, if the school districts will commit to participating for an eight year period. The participants make monthly payments based on estimated usage. Each June these estimated payments are compared to their actual usage for the year and any necessary adjustments are made.

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

The natural gas program allows school districts to purchase natural gas at reduced rates, if the school districts will commit to participating for a twelve year period. The participants make monthly payments based on estimated usage. Each November these estimates are compared to their actual usage for the year and any necessary adjustments are made.

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

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

The Lakeshore Northeast Ohio Computer Association (LNOCA) is a jointly governed computer service bureau owned and operated by sixteen school district. The primary function of LNOCA is to provide data services to the sixteen school districts. Major areas of services provided by LNOCA include accounting, payroll, inventory, career guidance, student tracking, pupil scheduling, attendance and grade reporting. Each school is represented on the LNOCA Board of Directors by its superintendent. Each year, the Board of Directors elects a Chairman, a Vice Chairman, and a Recording Secretary. The Treasurer of the fiscal agent is a nonvoting, ex-officio member of the Board of Directors. The Cuyahoga County Educational Service Center serves as the fiscal agent of LNOCA. Each school district supports LNOCA based upon a per pupil charge dependent upon the software package used. Brooklyn City School District paid \$28,137 to LNOCA during fiscal year 2002. Financial information can be obtained by contacting the Treasurer of the fiscal agent, 5700 West Canal Road, Valley View, Ohio 44125.

**Brooklyn City School District**  
**Cuyahoga County**  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 2002*

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**Note 16 - 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 17 - 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, 2002.

	Food Service	Uniform School Supplies	Wellness Clinic	Latchkey	Total Enterprise Funds
Operating Revenues	\$245,872	\$50,427	\$677	\$95,229	\$392,205
Depreciation	9,290	0	0	548	9,838
Operating Loss	(162,120)	(8,613)	(105)	(12,606)	(183,444)
Donated Commodities	38,807	0	0	0	38,807
Operating Grants	123,710	0	0	0	123,710
Transfer In	31,693	0	0	0	31,693
Net Income (Loss)	32,499	(8,613)	(105)	(12,606)	11,175
Fixed Assets Additions	0	0	0	5,483	5,483
Long-term Compensated					
Absences	1,082	0	0	0	1,082
Net Working Capital	16,749	58,875	526	103,628	179,778
Total Assets	77,690	61,015	526	109,544	248,775
Total Equity	61,702	58,875	526	103,628	224,731
Encumbrances, June 30, 2002	0	2,140	0	0	2,140

**Brooklyn City School District**  
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*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 2002*

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**Note 18 - 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 and capital acquisitions. Disclosure of this information is required by the State statute.

	Capital Improvements	Textbooks
Set-Aside Reserve Balance as of June 30, 2001	\$228,829	\$46,389
Current Year Set-Aside Requirement	351,891	351,891
Qualifying Disbursements	(386,539)	(318,618)
Totals	\$194,181	\$79,662
Set-Aside Balance Carried Forward to Future Fiscal Years	\$194,181	\$79,662
Set-Aside Reserve Balance as of June 30, 2002	\$194,181	\$79,662

The total reserve balance for the two set-asides at the end of the fiscal year was \$273,843.

**Note 19 – State School Funding Decision**

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State’s school funding plan. The decision reaffirmed earlier decisions that Ohio’s current school funding plan is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed “. . .the Ohio General Assembly to enact a school funding scheme that is thorough and efficient. . .”. The School District is currently unable to determine what effect, if any, this decision will have on its future State funding and its financial operations.

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**BROOKLYN CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY  
SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FISCAL YEAR ENDED JUNE 30, 2002**

Federal Grantor Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<b>U.S. Department of Agriculture</b>						
<i>Passed Through the Ohio Department of Education:</i>						
<b>Child Nutrition Cluster:</b>						
Food Distribution	N/A	10.550	\$0	\$25,307	\$0	\$26,889
School Breakfast Program	043653-05-PU-00	10.553	1,262	0	1,262	0
	043653-05-PU-01		7,768	0	7,768	0
Subtotal			9,030	0	9,030	26,889
National School Lunch Program	043653-LLP1-01	10.555	7,804	0	7,804	0
	043653-LLP4-01		13,892	0	13,892	0
	043653-LLP4-02		71,308	0	71,308	0
Subtotal			93,004	0	93,004	0
Total U. S. Department of Agriculture - Nutrition Cluster			102,034	25,307	102,034	26,889
<b>U.S. Department of Education</b>						
<i>Passed Through the Ohio Department of Education</i>						
<b>Special Education Cluster</b>						
Title VI-B	043653-6B-SF-01	84.027	0	0	713	0
Title VI-B	043653-6B-SF-02	84.027	114,943	0	93,590	0
Subtotal			114,943	0	94,303	0
Preschool	043653-PG-S1-02	84.173	9,791	0	9,791	0
Total Special Education Cluster			124,734	0	104,094	0
<b>Grants to Local Educational Agencies</b>						
Title I	043653-C1-S1-01	84.010	44,685	0	36,850	0
Title I	043653-C1-S1-02	84.010	95,137	0	85,519	0
Subtotal			139,822	0	122,369	0
<b>Drug Free Schools</b>						
Drug Free	043653-DR-S1-01	84.186	0	0	240	0
Drug Free	043653-DR-S1-02	84.186	5,312	0	5,243	0
Subtotal			5,312	0	5,483	0
<b>Entry Year Training</b>	043653-G253-01	84.276	4,369	0	200	0
<b>Eisenhower Professional Development State Grant</b>						
Eisenhower Grant	043653-MS-S1-00	84.281	0	0	140	0
Eisenhower Grant	043653-MS-S1-01	84.281	485	0	2,328	0
Eisenhower Grant	043653-MS-S1-02	84.281	5,086	0	707	0
Subtotal			5,571	0	3,175	0
<b>Innovative Education Program Strategies</b>						
Title VI	043653-C2-S1-00	84.298	0	0	1,916	0
Title VI	043653-C2-S1-01	84.298	4,806	0	8,020	0
Title VI	043653-C2-S1-02	84.298	5,571	0	4,165	0
Subtotal			10,377	0	14,101	0
<b>Title VI-R Reducing Class Size Reduction</b>						
Title VI-R	043653-CR-S1-00	84.340	3,059	0	2,020	0
Title VI-R	043653-CR-S1-01	84.340	17,640	0	17,817	0
Title VI-R	043653-CR-S1-02	84.340	16,646	0	15,171	0
Subtotal			37,345	0	35,008	0
<b>Family School Partnership</b>	043653-G2-S8-00	84.352A	0	0	500	0
<b>Assistive Technology</b>	043653-AT-S1-02	84.352A	6,786	0	6,640	0
Subtotal			6,786	0	7,140	0
Total U.S. Department of Education			334,316	0	291,570	0
<i>Passed Through the Cleveland Municipal School District</i>						
<b>Grants to Local Educational Agencies</b>						
Title I	N/A	84.010	19,968	0	18,491	0
Subtotal			19,968	0	18,491	0
<b>Total Federal Assistance</b>			\$456,318	\$25,307	\$412,095	\$26,889

The accompanying notes are an integral part of the Schedule of Federal Awards Expenditures.

**BROOKLYN CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

**NOTE A – SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Federal Awards Expenditures (the Schedule) is a summary of the activity of the District's federal awards programs. The schedule has been prepared on the cash basis of accounting.

**NOTE B – FOOD DISTRIBUTION**

Nonmonetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2002, the District had no significant food commodities in inventory.

**CFDA** – Catalog of Federal Domestic Assistance

**N/A** – Not applicable



## **Auditor of State Betty Montgomery**

### **INDEPENDENT ACCOUNTANTS' REPORT 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, 2002, and have issued our report thereon dated April 17, 2003. 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 no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated April 17, 2003.

#### **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 2002-001 and 2002-002.

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 April 17, 2003.

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.

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

**Betty Montgomery**  
Auditor of State

April 17, 2003





## **Auditor of State Betty Montgomery**

### **INDEPENDENT ACCOUNTANTS' REPORT OF COMPLIANCE WITH REQUIREMENTS APPLICABLE TO ITS MAJOR FEDERAL PROGRAM 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 its major federal program for the year ended June 30, 2002. The District's major federal program is 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 its major federal program for the year ended June 30, 2002.

#### **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.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a 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. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. We 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 April 17, 2003.

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.

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

**Betty Montgomery**  
Auditor of State

April 17, 2003

**BROOKLYN CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY  
JUNE 30, 2002**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A -133 § .505**

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

**BROOKLYN CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY  
JUNE 30, 2002**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A -133 § .505  
(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.

<b>Finding Number</b>	2002 - 001
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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. Additionally, the advisor is required to complete the following forms:

- The *Budget Form* is to outline anticipated receipts by source and expenditures by need for each school year.
- A *Policy and Purpose Statement* is to be filed at the beginning of each school year that states the purpose of the activity or club.
- Activity advisors must obtain permission to hold a fund-raising activity via a *Fund-Raising Application*.
- 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.

Additional requirements of the Board policy manual included the following:

- 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.

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*.
- Contracts signed with a supplier were not always 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.

**BROOKLYN CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY  
JUNE 30, 2002**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A -133 § .505  
(Continued)**

<b>Finding Number</b>	2002 - 001 (Continued)
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- 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.
- Only three of eleven organizations properly completed a *Fund-Raising Profit and Loss Statement* and filed it with the Treasurer 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.

<b>Finding Number</b>	2002 - 002
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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 2001 and 2002, 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 were adopted by Board resolution 00-11-357, this resolution clearly identifies 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 also identify individual responsibilities for fixed asset management. However, it is evident that these policies and procedures are not being followed by the District operating personnel. 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.

**BROOKLYN CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY  
JUNE 30, 2002**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A -133 § .505  
(Continued)**

<b>Finding Number</b>	2002 - 002 (Continued)
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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.

<b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS</b>
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NONE

**BROOKLYN CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY  
JUNE 30, 2002**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
OMB CIRCULAR A -133 § .505**

Finding <u>Number</u>	Finding <u>Summary</u>	Fully <u>Corrected?</u>	Not Corrected, Partially Corrected; Significant Different Corrective Action Taken; or Finding No Longer Valid; <b><u>Explain:</u></b>
2001- 10818-001	Appropriations Exceeding Estimated Resources	Yes	
2001- 10818-002	Expenditures Exceeding Appropriations	Yes	
2001- 10818-003	Cash Reconciliations	Yes	
2001- 10818-004	Student Activities/other Fund Raising Activities	No	Partially Corrected. Re-issued as 2002-001.
2001- 10818-005	Budgetary Monitoring Process	Yes	
2001- 10818-006	Fixed Assets	No	Not Corrected. Re-issued as 2002-002.
2001- 10818-007	Prom Negative Fund Balance	Yes	







**Auditor of State  
Betty Montgomery**

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**BROOKLYN CITY SCHOOL DISTRICT**

**CUYAHOGA COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JULY 3, 2003**