



**BROOKLYN CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2007



Mary Taylor, CPA
Auditor of State

**BROOKLYN CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Brooklyn City School District, Cuyahoga County, Ohio, (the District) as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of Brooklyn City School District, Cuyahoga County, Ohio, as of June 30, 2007, and the respective changes in financial position, thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 4, 2008, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

April 4, 2008

Brooklyn City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
Unaudited

The discussion and analysis of the Brooklyn City School District's (The School District) financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2007. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for 2007 are as follows:

- Total assets for fiscal year 2007 decreased \$1,992,385 from total assets for fiscal year 2006. This decrease was mainly due to a significant decrease in cash available at fiscal year-end. Total liabilities for fiscal year 2007 decreased by \$531,971 from fiscal year 2006.
- In total, net assets decreased \$1,460,414 or 20.23 percent from fiscal year 2006. This decrease was mainly in unrestricted net assets of governmental activities, a decrease of \$1,488,502 over fiscal year 2006.
- Total revenues were \$15,411,630 for fiscal year 2007. General revenues accounted for \$13,588,049 or 88.17 percent of all revenues, with tax revenues representing 77.11 percent of those revenues. Specific program revenues in the form of charges for services and sales, operating and capital grants and contributions, accounted for \$1,823,581 or 11.83 percent of all revenues.
- The School District had \$16,872,044 in expenses related to governmental activities; only \$1,823,581 of these expenses was offset by program specific charges for services, sales, operating and capital grants and contributions. General revenues (primarily taxes supplemented by grants and entitlements) of \$13,588,049 were not adequate to provide for these programs.
- The balance in the School District's governmental funds decreased by \$1,804,586 from the prior fiscal year.

Using this Annual Financial Report

This report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Brooklyn City School District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The *Statement of Net Assets* and *Statement of Activities* provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term and what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other non-major funds presented in total in one column. In the case of Brooklyn City School District, the general fund is by far the most significant fund.

Brooklyn City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
Unaudited

Reporting the School District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains all of the funds used by the School District to provide programs and activities, the view of the School District as a whole considers all financial transactions and asks the question "How did we perform financially during 2007?" The *Statement of Net Assets* and the *Statement of Activities* answer this question. These statements include *all assets and liabilities* using the *accrual basis of accounting* similar to the accounting used by most private sector companies. Accrual accounting takes into account all of the current year's revenue and expenses regardless of when cash is received or paid.

These two statements report the School District's net assets and changes in those assets. This change in net assets is important because it tells the reader that, for the School District as a whole, the *financial position* of the District has improved or diminished. The causes of this change may be the result of many financial or non-financial factors. Non-financial factors include the School District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

In the *Statement of Net Assets* and the *Statement of Activities*, all of the School District's activities are classified as governmental. The School District's programs and services reported here include instruction, support services, operation of non-instructional services and extracurricular activities.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page 14. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus upon the School District's most significant funds. The School District's only major governmental fund is the general fund.

Governmental Funds Most of the School District's activities are reported in governmental funds, which focus on how cash flows into and out of those funds and the balances remaining at fiscal year end available for spending in future periods. These funds are reported using an accounting method called *modified accrual accounting*, which measures cash and all other *financial assets* that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the School District's general government operations and the basic services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the *Statement of Net Assets* and the *Statement of Activities*) and governmental *funds* is reconciled in the financial statements.

Brooklyn City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
Unaudited

The School District as a Whole

You may recall that the *Statement of Net Assets* provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets for 2007 compared to the prior year:

Table 1
Net Assets

	Governmental Activities		
	2007	2006	Change
Assets			
Current and Other Assets	\$12,879,382	\$14,881,367	(\$2,001,985)
Capital Assets, Net	3,937,560	3,927,960	9,600
<i>Total Assets</i>	<u>16,816,942</u>	<u>18,809,327</u>	<u>(1,992,385)</u>
Liabilities			
Current Liabilities	10,209,844	10,808,889	(599,045)
Long-Term Liabilities:			
Due Within One Year	34,224	338,050	(303,826)
Due in More than One Year	812,979	442,079	370,900
<i>Total Liabilities</i>	<u>11,057,047</u>	<u>11,589,018</u>	<u>(531,971)</u>
Net Assets			
Invested in Capital Assets	3,937,560	3,927,960	9,600
Restricted For:			
Capital Projects	0	1	(1)
Other Purposes	395,201	376,712	18,489
Unrestricted	1,427,134	2,915,636	(1,488,502)
<i>Total Net Assets</i>	<u>\$5,759,895</u>	<u>\$7,220,309</u>	<u>(\$1,460,414)</u>

The net decrease in total assets of \$1,992,385 was mainly due to a decrease in cash of \$1,337,212. The decrease in cash is due mainly to expenses increasing by 6.75 percent over the prior fiscal year, compared to revenues only increasing by 3.47 percent. Cash also decreased because \$210,275 was expended for capital assets.

Total liabilities decreased by \$531,971. The decrease is due to a decrease in deferred revenue which occurred because of the increase in the amount available for advance which is part of the taxes receivable calculation.

Brooklyn City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
Unaudited

Table 2 shows the change in net assets for fiscal year 2007 for Governmental Activities compared to the prior year.

Table 2
Governmental Activities

	2007	2006	Change
Revenues			
Program Revenues:			
Charges for Services	\$784,913	\$769,761	\$15,152
Operating Grants and Contributions	1,035,541	741,114	294,427
Capital Grants	3,127	1,954	1,173
<i>Total Program Revenues</i>	<u>1,823,581</u>	<u>1,512,829</u>	<u>310,752</u>
General Revenues:			
Property Taxes	10,478,011	10,875,914	(397,903)
Grants and Entitlements	2,744,916	2,165,149	579,767
Investment Earnings	201,323	210,675	(9,352)
Miscellaneous	163,799	130,570	33,229
<i>Total General Revenues</i>	<u>13,588,049</u>	<u>13,382,308</u>	<u>205,741</u>
<i>Total Revenues</i>	<u>15,411,630</u>	<u>14,895,137</u>	<u>516,493</u>
Program Expenses			
Instruction	9,167,201	8,435,217	731,984
Support Services:			
Pupil	1,400,705	1,242,671	158,034
Instructional Staff	241,218	236,312	4,906
Board of Education	25,839	30,407	(4,568)
Administration	1,582,736	1,668,838	(86,102)
Fiscal	802,608	455,209	347,399
Business	152,225	149,468	2,757
Operation and Maintenance of Plant	1,357,726	1,501,451	(143,725)
Pupil Transportation	399,914	403,538	(3,624)
Central	291,634	304,340	(12,706)
Operation of Non-Instructional Services			
Food Service	460,191	423,547	36,644
Other Non-Instructional Services	466,257	402,688	63,569
Extracurricular Activities	523,790	551,937	(28,147)
<i>Total Program Expenses</i>	<u>16,872,044</u>	<u>15,805,623</u>	<u>1,066,421</u>
Excess of Revenues Over (Under) Expenditures	(1,460,414)	(910,486)	(549,928)
<i>Net Assets Beginning of Year</i>	<u>7,220,309</u>	<u>8,130,795</u>	<u>(910,486)</u>
<i>Net Assets End of Year</i>	<u>\$5,759,895</u>	<u>\$7,220,309</u>	<u>(\$1,460,414)</u>

Brooklyn City School District
Management's Discussion and Analysis
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Governmental Activities

Several revenue sources primarily fund the School District's governmental activities. Property taxes account for the largest portion of general revenues having generated \$10,478,011 in fiscal year 2007. The last increase in levied property tax authorized by the citizens of the School District was November 2000. Property tax revenues decreased by \$397,903 in fiscal year 2007 compared to fiscal year 2006. Program and general revenues from operating and capital grants and entitlements, such as the school foundation program, is the next largest source of revenue, having generated \$2,744,916 in fiscal year 2007. Through additional State support, the School District received \$495,210 as a direct result of Senate Bill 3 and \$540,331 in homestead and rollback. The combination of taxes and intergovernmental funding along with substantial beginning net assets have provided for coverage of all expenses in governmental activities in past years.

Instruction expenses comprise 54.33 percent of governmental program expenses. Building operations, administration, pupil support, staff support, food service, extracurricular activities and interest and fiscal charges make up the remaining 45.67 percent of governmental program expenses. The Board believes that the main focus of the School District should be to provide the best instruction to its pupils as possible and therefore a majority of the expenses of the School District are in the area of instruction, which increased \$731,984 over fiscal year 2006.

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

Table 3
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2007	2006	2007	2006
Instruction	\$9,167,201	\$8,435,217	(\$8,733,813)	(\$7,990,754)
Support Services:				
Pupil	1,400,705	1,242,671	(1,013,492)	(1,144,530)
Instructional Staff	241,218	236,312	(219,631)	(218,668)
Board of Education	25,839	30,407	(25,839)	(30,407)
Administration	1,582,736	1,668,838	(1,581,160)	(1,668,337)
Fiscal	802,608	455,209	(802,608)	(455,209)
Business	152,225	149,468	(152,225)	(149,468)
Operation and Maintenance of Plant	1,357,726	1,501,451	(1,331,452)	(1,484,548)
Pupil Transportation	399,914	403,538	(391,605)	(396,858)
Central	291,634	304,340	(286,544)	(299,340)
Operation of Non-Instructional Services				
Food Service	460,191	423,547	(43,563)	(7,501)
Other Non-Instructional Services	466,257	402,688	(67,105)	(42,189)
Extracurricular Activities	523,790	551,937	(399,426)	(404,985)
Total Expenses	<u>\$16,872,044</u>	<u>\$15,805,623</u>	<u>(\$15,048,463)</u>	<u>(\$14,292,794)</u>

Brooklyn City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
Unaudited

The dependence upon general revenues for governmental activities is apparent. Over 62.11 percent of total expenses are supported through taxes. Program revenues support 10.80 percent of expenses. Grants and entitlements not restricted to specific programs, investments, other miscellaneous type revenues support 18.44 percent. The remaining 8.65 percent came from the carryover balance.

The School District's Funds

Information regarding the School District's major fund starts on page 14. This fund is accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$15,009,984 and expenditures of \$16,814,570. The net change in governmental fund balance for the year was a decrease of \$1,804,586. The general fund fiscal year-end fund balance decreased by \$1,855,093 and other governmental funds increased by \$50,507.

General Fund Budgeting Highlights Information about the School District's budget is prepared in accordance with Ohio Law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the main operating fund of the School District, the general fund.

During the course of fiscal year 2007, the School District amended its general fund budget four times by the end of the fiscal year. Requests for budget changes are made by the Treasurer to reflect changes in projected revenues. With regard to the general fund, final budgeted revenue of \$13,519,650 was \$625,809 below original budget estimates of \$14,145,459. The difference between the original and final budgeted amounts is due to higher anticipated tax and intergovernmental revenues at the beginning of the fiscal year. The final budgeted revenues were \$8,657 lower than actual revenues received. Original budgeted expenditures were \$1,480,279 lower than final budgeted expenditures. Final budgeted expenditures were \$152,019 over actual expenditures. The School District monitors the budget on a monthly basis to keep it in line with current expenditures. The School District's non-obligated portion of its fund balance at the end of the year was \$1,128,271.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2007, the School District had \$3,937,560 invested in land, buildings and improvements, furniture and equipment, and vehicles. Table 4 details fiscal year 2007 balances compared to prior years. More detailed information is presented in Note 7 of the notes to the basic financial statement

Brooklyn City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
Unaudited

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

	Governmental Activities	
	2007	2006
Land	\$33,000	\$33,000
Buildings and Improvements	3,211,785	3,265,143
Furniture and Equipment	630,772	561,727
Vehicles	62,003	62,363
Textbooks	0	5,727
Totals	\$3,937,560	\$3,927,960

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

For fiscal year 2007, Ohio law required school districts to expend or otherwise reserve three percent of qualifying revenues for the purpose of capital improvements and an additional three percent for textbooks and instructional materials. For fiscal year 2007, this amounted to \$219,599 for each purpose. The School District had qualifying disbursements exceeding these requirements. See Note 18 for additional set-aside information.

Debt

At June 30, 2007, the School District had no outstanding debt.

Current Financial Related Activities

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

The School District has not requested an increase in voter-approved taxes for operating needs since 2000. The School District is anticipating future deficits based on House Bill 66, which eliminates personal tangible tax and eliminates the ability for the School District to generate comparable revenue from other sources, i.e. shared municipal income tax. Tangible personal property tax assessments decreased 25 percent for fiscal year 2007 and will decrease 25 percent in fiscal year 2008 and every succeeding year until it is eliminated. Total assessed value in fiscal year 2007 decreased from the prior year, due to decreasing personal property tax assessments. Since reappraisals are only done every six years, the decrease will not be offset in fiscal year 2008. The School District is currently educating the community and staff on the negative impact of House Bill 66 and future funding issues.

Brooklyn City School District
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Brooklyn City School District has maintained current level State revenue support over the past few years. The School District is a “guarantee school district”. A “guarantee school district” is a designation for the calculation in determining State revenue support. For fiscal year 2007, school districts were guaranteed the lesser of a per pupil or a total guarantee of formula aid from fiscal year 2006 and with a transitional aid guarantee which guarantees the previous year’s school foundation payment. When a School District has high assessed valuation compared with their ADM (average daily membership), the State revenue support is determined by the transitional aid guarantee formula instead of by the per pupil formula because the amount to be received is the lesser of the two.

In conclusion, Brooklyn City School District has committed itself to providing the best available education for the community of Brooklyn by: providing sound financial information and forecasting, exploring alternative methods of doing business and controlling costs.

Contacting the School District’s Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District’s finances and to show the School District’s accountability for the funds it receives. If you have any questions about this report or need additional financial information, please contact Marti A. Ferian, Treasurer, at the Brooklyn City School District, 9200 Biddulph Road, Brooklyn, Ohio 44144, or marti.ferian@lnoca.org.

Brooklyn City School District*Statement of Net Assets**June 30, 2007*

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$1,898,357
Accounts Receivable	8,495
Prepaid Items	21,393
Materials and Supplies Inventory	31,552
Inventory Held for Resale	2,867
Property Taxes Receivable	10,916,718
Non-depreciable Capital Assets	33,000
Depreciable Capital Assets, Net	<u>3,904,560</u>
<i>Total Assets</i>	<u>16,816,942</u>
Liabilities	
Accounts Payable	65,921
Accrued Wages and Benefits	1,063,984
Intergovernmental Payable	567,615
Deferred Revenue	8,512,324
Long-Term Liabilities:	
Due Within One Year	34,224
Due In More Than One Year	<u>812,979</u>
<i>Total Liabilities</i>	<u>11,057,047</u>
Net Assets	
Invested in Capital Assets	3,937,560
Restricted for:	
Special Trust	45,157
Uniform School Supplies	59,772
Public School Support	19,980
Latchkey "Kats"	40,049
Athletics and Music	24,698
Auxiliary Services	109,273
Other Purposes	96,272
Unrestricted	<u>1,427,134</u>
<i>Total Net Assets</i>	<u><u>\$5,759,895</u></u>

See accompanying notes to the basic financial statements

Brooklyn City School District
Statement of Activities
For the Fiscal Year Ended June 30, 2007

	Program Revenues			Governmental Activities	Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services and Sales	Operating Grants and Contributions		
Governmental Activities					
Instruction:					
Regular	\$7,395,072	\$240,442	\$52,763	\$0	(\$7,101,867)
Special	1,665,913	9,148	128,503	0	(1,528,262)
Vocational	106,216	2,532	0	0	(103,684)
Support Services:					
Pupil	1,400,705	0	387,213	0	(1,013,492)
Instructional Staff	241,218	0	21,587	0	(219,631)
Board of Education	25,839	0	0	0	(25,839)
Administration	1,582,736	0	1,576	0	(1,581,160)
Fiscal	802,608	0	0	0	(802,608)
Business	152,225	0	0	0	(152,225)
Operation and Maintenance of Plant	1,357,726	11,574	14,700	0	(1,331,452)
Pupil Transportation	399,914	5,182	0	3,127	(391,605)
Central	291,634	0	5,090	0	(286,544)
Operation of Non-Instructional Services:					
Food Service Operations	460,191	254,609	162,019	0	(43,563)
Other Non-Instructional Services	466,257	137,137	262,015	0	(67,105)
Extracurricular Activities	523,790	124,289	75	0	(399,426)
<i>Totals</i>	<u>\$16,872,044</u>	<u>\$784,913</u>	<u>\$1,035,541</u>	<u>\$3,127</u>	<u>(15,048,463)</u>
 General Revenues					
Property Taxes Levied for:					
General Purposes					10,312,768
Capital Projects					165,243
Grants and Entitlements not Restricted to Specific Programs					2,744,916
Investment Earnings					201,323
Miscellaneous					163,799
<i>Total General Revenues</i>					<u>13,588,049</u>
Change in Net Assets					(1,460,414)
<i>Net Assets Beginning of Year</i>					<u>7,220,309</u>
<i>Net Assets End of Year</i>					<u>\$5,759,895</u>

See accompanying notes to the basic financial statements

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Brooklyn City School District*Balance Sheet**Governmental Funds**June 30, 2007*

	General	Other Governmental Funds	Total Governmental Funds
Assets			
Equity in Pooled Cash and Cash Equivalents	\$1,270,550	\$619,092	\$1,889,642
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	8,715	0	8,715
Accounts Receivable	4,450	4,045	8,495
Prepaid Items	21,393	0	21,393
Materials and Supplies Inventory	29,652	1,900	31,552
Inventory Held for Resale	0	2,867	2,867
Interfund Receivable	221,121	0	221,121
Property Taxes Receivable	10,760,792	155,926	10,916,718
<i>Total Assets</i>	<u>\$12,316,673</u>	<u>\$783,830</u>	<u>\$13,100,503</u>
Liabilities and Fund Balances			
Liabilities			
Accounts Payable	\$37,282	\$28,639	\$65,921
Accrued Wages and Benefits	1,050,960	13,024	1,063,984
Intergovernmental Payable	486,490	81,125	567,615
Interfund Payable	0	221,121	221,121
Deferred Revenue	9,497,232	129,806	9,627,038
<i>Total Liabilities</i>	<u>11,071,964</u>	<u>473,715</u>	<u>11,545,679</u>
Fund Balances			
Reserved for Encumbrances	120,161	198,343	318,504
Reserved for Property Taxes	1,203,788	24,567	1,228,355
Reserved for Bus Purchases	8,715	0	8,715
Unreserved, Undesignated			
Reported in:			
General Fund (Deficit)	(87,955)	0	(87,955)
Special Revenue Funds	0	160,998	160,998
Capital Projects Funds (Deficit)	0	(73,793)	(73,793)
<i>Total Fund Balances</i>	<u>1,244,709</u>	<u>310,115</u>	<u>1,554,824</u>
 <i>Total Liabilities and Fund Balances</i>	 <u>\$12,316,673</u>	 <u>\$783,830</u>	 <u>\$13,100,503</u>

See accompanying notes to the basic financial statements

Brooklyn City School District
Reconciliation of Total Governmental Fund Balances to
Net Assets of Governmental Activities
June 30, 2007

Total Governmental Fund Balances \$1,554,824

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

Capital assets used in governmental activities are not financial
resources and therefore are not reported in the funds 3,937,560

Other long-term assets are not available to pay for current-
period expenditures and therefore are deferred in the funds:
 Delinquent Property Taxes 1,114,714

Long-term liabilities such as compensated absences are
not due and payable in the current period and therefore
are not reported in the funds. (847,203)

Net Assets of Governmental Activities \$5,759,895

See accompanying notes to the basic financial statements

Brooklyn City School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2007

	General	Other Governmental Funds	Total Governmental Funds
Revenues			
Property Taxes	\$9,912,249	\$161,740	\$10,073,989
Intergovernmental	2,742,222	1,010,483	3,752,705
Interest	192,027	9,296	201,323
Tuition and Fees	193,190	80,923	274,113
Extracurricular Activities	0	123,334	123,334
Contributions and Donations	0	33,255	33,255
Charges for Services	0	373,463	373,463
Rentals	11,574	0	11,574
Miscellaneous	130,274	35,954	166,228
<i>Total Revenues</i>	<u>13,181,536</u>	<u>1,828,448</u>	<u>15,009,984</u>
Expenditures			
Current:			
Instruction:			
Regular	7,068,739	126,423	7,195,162
Special	1,562,846	87,756	1,650,602
Vocational	102,568	2,979	105,547
Support Services:			
Pupil	1,071,277	316,398	1,387,675
Instructional Staff	227,374	24,359	251,733
Board of Education	25,839	0	25,839
Administration	1,590,303	2,975	1,593,278
Fiscal	801,411	386	801,797
Business	152,225	0	152,225
Operation and Maintenance of Plant	1,384,738	15,509	1,400,247
Pupil Transportation	404,948	0	404,948
Central	283,251	8,058	291,309
Operation of Non-Instructional Services:			
Food Service Operations	0	452,449	452,449
Other Non-Instructional Services	0	465,049	465,049
Extracurricular Activities	356,681	162,580	519,261
Capital Outlay	4,429	113,020	117,449
<i>Total Expenditures</i>	<u>15,036,629</u>	<u>1,777,941</u>	<u>16,814,570</u>
<i>Net Change in Fund Balances</i>	(1,855,093)	50,507	(1,804,586)
<i>Fund Balances Beginning of Year</i>	<u>3,099,802</u>	<u>259,608</u>	<u>3,359,410</u>
<i>Fund Balances End of Year</i>	<u>\$1,244,709</u>	<u>\$310,115</u>	<u>\$1,554,824</u>

See accompanying notes to the basic financial statements

Brooklyn City School District
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2007*

Net Change in Fund Balances - Total Governmental Funds (\$1,804,586)

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

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

Capital Asset Additions	210,275	
Current Year Depreciation	<u>(200,675)</u>	
 Total		 9,600

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

Delinquent Property Taxes	404,022	
Grants	<u>(2,376)</u>	
 Total		 401,646

Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Compensated Absences		<u>(67,074)</u>
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Change in Net Assets of Governmental Activities (\$1,460,414)

See accompanying notes to the basic financial statements

Brooklyn City School District
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2007

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Property Taxes	\$11,339,450	\$10,321,175	\$10,260,647	(\$60,528)
Intergovernmental	2,354,804	2,684,162	2,742,222	58,060
Interest	164,898	187,961	192,027	4,066
Tuition and Fees	166,519	189,809	193,915	4,106
Rentals	9,939	11,329	11,574	245
Miscellaneous	109,849	125,214	127,922	2,708
<i>Total Revenues</i>	<u>14,145,459</u>	<u>13,519,650</u>	<u>13,528,307</u>	<u>8,657</u>
Expenditures				
Current:				
Instruction:				
Regular	6,840,947	6,963,238	6,996,958	(33,720)
Special	1,694,622	1,516,651	1,540,882	(24,231)
Vocational	98,912	101,706	101,707	(1)
Support Services:				
Pupil	1,071,216	1,079,972	1,081,699	(1,727)
Instructional Staff	232,373	224,625	224,626	(1)
Board of Education	26,246	26,100	26,589	(489)
Administration	1,752,293	1,596,271	1,606,008	(9,737)
Fiscal	771,722	788,896	788,896	0
Business	151,453	152,226	152,627	(401)
Operation and Maintenance of Plant	1,638,609	1,474,363	1,491,595	(17,232)
Pupil Transportation	404,382	404,098	417,105	(13,007)
Central	267,111	284,389	331,861	(47,472)
Extracurricular Activities	479,139	336,781	336,782	(1)
Capital Outlay	4,999	4,429	8,429	(4,000)
<i>Total Expenditures</i>	<u>15,434,024</u>	<u>14,953,745</u>	<u>15,105,764</u>	<u>(152,019)</u>
<i>Excess of Revenues Under Expenditures</i>	<u>(1,288,565)</u>	<u>(1,434,095)</u>	<u>(1,577,457)</u>	<u>(143,362)</u>
Other Financing Sources (Uses)				
Advances In	128,243	128,243	128,243	0
Transfers Out	(1,000,000)	0	0	0
Advances Out	0	(1,121)	(1,121)	0
<i>Total Other Financing Sources (Uses)</i>	<u>(871,757)</u>	<u>127,122</u>	<u>127,122</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	<u>(2,160,322)</u>	<u>(1,306,973)</u>	<u>(1,450,335)</u>	<u>(143,362)</u>
<i>Fund Balance Beginning of Year</i>	<u>2,074,029</u>	<u>2,074,029</u>	<u>2,074,029</u>	<u>0</u>
Prior Year Encumbrances Appropriated	<u>504,577</u>	<u>504,577</u>	<u>504,577</u>	<u>0</u>
<i>Fund Balance (Deficit) End of Year</i>	<u><u>\$418,284</u></u>	<u><u>\$1,271,633</u></u>	<u><u>\$1,128,271</u></u>	<u><u>(\$143,362)</u></u>

See accompanying notes to the basic financial statements

Brooklyn City School District
Statement of Fiduciary Assets and Liabilities
Agency Fund
June 30, 2007

Assets

Equity in Pooled Cash and Cash Equivalents	<u>\$22,186</u>
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Liabilities

Due to Students	<u>\$22,186</u>
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See accompanying notes to the basic financial statements

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Brooklyn City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

Note 1 - Description of the School District and Reporting Entity

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

The Brooklyn City School District operates under a locally-elected five member board form of government and provides educational services as authorized and mandated by State and federal agencies. The Board controls the School District's two elementary schools, a middle school and a high school, staffed by 68 non-certified, 111 certified teaching personnel, 11 administrators and 4 exempted employees, who provide services to community members and 1,413 students.

Reporting Entity

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the School District consists of all funds, agencies, departments and offices that are not legally separate from the School District. For the School District, the agencies and departments provide the following services: general operations, food service, preschool and student related activities.

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

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt or the levying of taxes. The School District does not have any component units.

The School District participates in one insurance purchasing pool and three jointly governed organizations. These organizations are the Ohio School Boards Association Workers' Compensation Group Rating Program, Polaris Career Center, Ohio Schools Council Association and Lakeshore Northeast Ohio Computer Association. These organizations are presented in Notes 14 and 15 of the basic financial statements.

Note 2 - Summary of Significant Accounting Policies

The financial statements of the School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental

Brooklyn City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

activities unless those pronouncements conflict with or contradict GASB pronouncements. The more significant of the School District's accounting policies are described below.

A. Basis of Presentation

The School District's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-wide Financial Statements The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. These statements usually distinguish between those activities of the School District that are governmental and those that are considered business-type. The School District, however, does not have business-type activities.

The statement of net assets presents the financial condition of the governmental activities of the School District at fiscal year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore are clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental activity is self-financing or draws from the general revenues of the School District.

Fund Financial Statements During the fiscal year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The fiduciary fund is reported by type.

B. Fund Accounting

The School District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. The funds of the School District are divided into two categories, governmental and fiduciary.

Governmental Funds Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The general fund is the School District's only major governmental fund:

General Fund The general fund is the operating fund of the School District and is used to account for all financial resources except those required to be accounted for in another fund.

Brooklyn City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

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

Fiduciary Fund Type Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. The School District has no trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's only fiduciary fund is an agency fund which reports resources that belong to the student activities of the various schools.

C. Measurement Focus

Government-wide Financial Statements The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the School District are included on the statement of net assets. The statement of activities presents increases (i.e., revenues) and decreases (i.e., expenses) in total net assets.

Fund Financial Statements All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds also use the accrual basis of accounting. Differences between the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

Revenues - Exchange and Non-Exchange Transactions Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within sixty days of fiscal year-end.

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. (See Note 6). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year

Brooklyn City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: property taxes available as an advance, interest, tuition, grants, fees and rentals.

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

Property taxes for which there is an enforceable legal claim as of June 30, 2007, but which were levied to finance fiscal year 2008 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

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

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

E. Budgetary Data

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and set annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund and function level for the general fund and at the fund level for all other funds. The Treasurer has been given the authority to allocate appropriations to the function and object level within all funds but the general fund.

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

The appropriation resolution is subject to amendment by the Board throughout the fiscal year with the restriction that appropriations may not exceed estimated resources by fund. The amounts reported as the

Brooklyn City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

original budgeted amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior fiscal years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year.

F. Cash and Cash Equivalents

To improve cash management, cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through School District records. Interest in the pool is presented as "equity in pooled cash and cash equivalents" on the financial statements.

During fiscal year 2007, investments were limited to a Mutual Fund Investment Sweep Account, which is reported at fair value based on the current share price.

Following Ohio statutes, the Board of Education has, by resolution, identified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2007 amounted to \$192,027, which includes \$57,927 assigned from other School District funds.

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

G. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature of normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or the laws of other governments, or imposed by law through constitutional provisions or enabling legislation. Restricted assets on the balance sheet represent cash and cash equivalents required by State statute to be set aside for bus purchases.

H. Prepaids

Payments made to vendors for services that will benefit periods beyond June 30, 2007, are reported as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the fiscal year in which services are consumed.

I. Inventory

Inventories are presented at cost on a first-in, first-out basis and are expended/expensed when used.

Inventories consist of donated food, purchased food and school supplies held for resale, and materials and supplies held for consumption.

J. Capital Assets

All of the School District's capital assets are general capital assets. General capital assets are those assets related to activities reported in the governmental funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

Brooklyn City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The School District was able to estimate the historical cost for the initial reporting of assets by backtrending (i.e., estimating the current replacement cost of the asset to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of one thousand five hundred dollars. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets except land are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Description	Estimated Lives
Buildings and Improvements	25-80 years
Furniture and Equipment	5-20 years
Vehicles	5-10 years
Textbooks	5-15 years

K. Interfund Balances

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

L. Compensated Absences

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

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy. The School District records a liability for accumulated unused sick leave for employees after ten years of current service with the School District.

M. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, compensated absences and contractually required pension contributions that will be paid from

Brooklyn City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for the payment during the current fiscal year.

N. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed by law on their use either through constitutional provisions or enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The government-wide statement of net assets reports \$395,201 of restricted net assets, none of which is restricted by enabling legislation.

Net assets restricted for other purposes include resources restricted for food service, early year programs, data communications, school-net professional development, disadvantaged pupil impact aid, preschool grant programs, miscellaneous federal grant programs and student activities.

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

O. Internal Activity

Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the statement of activities.

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

P. Fund Balance Reserves

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

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

Q. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. There were no extraordinary or special items.

Brooklyn City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

R. Estimates

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

Note 3 - Compliance

A. Accountability

At June 30, 2007, the following funds had deficit fund balances:

	<u>Amounts</u>
<i>Special Revenue Funds:</i>	
Food Service	\$60,501
Title IV - B	4,483
Preschool Grant	1,351
Class Size Reduction	408
 <i>Capital Projects Fund:</i>	
Permanent Improvement	20,806

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

B. Legal Compliance

Contrary to Section 5705.41 (B), Ohio Revised Code, the following accounts had expenditures plus encumbrances in excess of appropriations.

Fund/Function	Appropriations	Expenditures Plus Encumbrances	Excess
General Fund:			
Instruction:			
Regular	\$6,963,238	\$6,996,958	\$33,720
Special	1,516,651	1,540,882	24,231
Support Services:			
Pupils	1,079,972	1,081,699	1,727
Board of Education	26,100	26,589	489
Administrative	1,596,271	1,606,008	9,737

Brooklyn City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

Fund/Function	Appropriations	Expenditures Plus Encumbrances	Excess
General Fund (continued):			
Support Services (continued):			
Business	\$152,226	\$152,627	\$401
Operation and Maintenance of Plant	1,474,363	1,491,595	17,232
Pupil Transportation	404,098	417,105	13,007
Central	284,389	331,861	47,472
Architecture and Engineering	0	4,000	4,000
Special Revenue Funds:			
Auxilliary Services	308,794	341,265	32,471
Title IIA	47,482	74,584	27,102
Title I	137,740	142,536	4,796
Title VI	7,877	8,144	267
Preschool Grant	14,559	15,300	741

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

Note 4 - Budgetary Basis of Accounting

While the School District is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).
4. Unrecorded cash, which consists of unrecorded interest, is not reported by the School District on the budget basis operating statements, but is reported on the GAAP basis operating statements.
5. Advances-In and Advances-Out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements on a fund type basis for the general fund.

Brooklyn City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

Net Change in Fund Balance

GAAP Basis	\$ (1,855,093)
Net Adjustment for Revenue Accruals	344,976
Beginning Unrecorded Cash	777
Ending Unrecorded Cash	1,018
Advances In	128,243
Net Adjustment for Expenditure Accruals	82,877
Advances Out	(1,121)
Adjustment for Encumbrances	<u>(152,012)</u>
Budget Basis	<u><u>\$ (1,450,335)</u></u>

Note 5 - Deposits and Investments

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

Active monies are public monies determined to be necessary to meet current demands upon the School District treasury. Active monies must be maintained either as cash in the School District Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

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

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

Interim monies held by the School District can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio;

Brooklyn City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2);
7. The State Treasurer's investment pool (STAROhio); and,
8. Commercial paper and bankers acceptances if training requirements have been met.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. Investments may only be made through specified dealers and institutions.

Deposits

At year-end, the School District had a carrying amount of (\$114,074) and a bank balance of \$78.

The School District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the School District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Investments

As of June 30, 2007, the School District had invested in the KeyBank Victory Federal Money Market mutual fund investment sweep account. The fair value of the investment at June 30, 2007 was \$2,034,617 with an average maturity of one month.

Interest Rate Risk The School District has no investment policy that addresses interest rate risk. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School District, and that an investment must be purchased with the expectation that it will be held to maturity.

Credit Risk The Victory Federal Money Market Mutual Fund carries a rating of AAAM by Standard & Poor's. The School District has no investment policy that addresses credit risk.

Note 6 - Property Taxes

Property taxes are levied and assessed on a calendar year basis while the School District fiscal year runs from July through June. First half tax collections are received by the School District in the second half of the fiscal year. Second half tax distributions occur in the first half of the following fiscal year.

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar year 2007 represents collections of calendar year 2006 taxes. Real property taxes received in calendar year 2007 were levied after April 1, 2006, on the assessed value listed as of January 1, 2006, the lien date. Assessed

Brooklyn City School District
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values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2007 represents collections of calendar year 2006 taxes. Public utility real and tangible personal property taxes received in calendar year 2007 became a lien December 31, 2005, were levied after April 1, 2006 and are collected in 2007 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar year 2007 (other than public utility property) represents the collection of 2007 taxes. Tangible personal property taxes received in calendar year 2007 were levied after April 1, 2006, on the value as of December 31, 2006. In prior years, tangible personal property was assessed at twenty-five percent of true value for capital assets and twenty-three percent of true value for inventory. The tangible personal property tax is being phased out – the assessment percentage for all property including inventory for 2007 is 12.50 percent. This will be reduced to 6.25 percent for 2008, and zero for 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30. This year, the June 2007 tangible personal property tax settlement was not fully received until July 2007.

The School District receives property taxes from Cuyahoga County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2007, are available to finance fiscal year 2007 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2007, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 and the late personal property tax settlement were levied to finance current fiscal year operations and are reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2007, was \$1,203,788 in the general fund and \$24,567 in the permanent improvement capital projects fund. The amount available as an advance at June 30, 2006, was \$1,065,948 in the general fund and \$21,754 in the permanent improvements capital projects fund.

The late tax settlement made by the County for fiscal year 2007 was \$59,772 in the general fund, and \$1,553 in the permanent improvement capital projects fund. The late tax settlement made by the County for fiscal year 2006 was \$546,010 in the general fund, and \$14,182 in the permanent improvement capital projects fund.

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

Brooklyn City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

The assessed values upon which the fiscal year 2007 taxes were collected are:

	2006 Second - Half Collections		2007 First - Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$328,843,750	77.76 %	\$328,843,750	82.32 %
Public Utility	17,787,020	4.86	17,787,020	4.45
Tangible Personal Property	52,837,854	17.38	35,242,848	13.23
Total Assessed Value	<u>\$399,468,624</u>	<u>100.00 %</u>	<u>\$381,873,618</u>	<u>100.00 %</u>
Tax rate per \$1,000 of assessed valuation	\$39.50		\$39.50	

Note 7 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2007, was as follows:

	Balance June 30, 2006	Additions	Deletions	Balance June 30, 2007
<i>Governmental Activities:</i>				
Land	\$33,000	\$0	\$0	\$33,000
<i>Capital Assets being Depreciated:</i>				
Buildings and Improvements	7,325,638	61,522	0	7,387,160
Furniture and Equipment	2,969,111	133,669	0	3,102,780
Vehicles	671,831	15,084	0	686,915
Textbooks	686,641	0	686,641	0
<i>Total Capital Assets being Depreciated</i>	<u>11,653,221</u>	<u>210,275</u>	<u>686,641</u>	<u>11,176,855</u>
<i>Less: Accumulated Depreciation:</i>				
Buildings and Improvements	(4,060,495)	(114,880)	0	(4,175,375)
Furniture and Equipment	(2,407,384)	(64,624)	0	(2,472,008)
Vehicles	(609,468)	(15,444)	0	(624,912)
Textbooks	(680,914)	(5,727)	(686,641)	0
<i>Total Accumulated Depreciation</i>	<u>(7,758,261)</u>	<u>(200,675) *</u>	<u>(686,641)</u>	<u>(7,272,295)</u>
Total Capital Assets, being depreciated, Net	<u>3,894,960</u>	<u>9,600</u>	<u>0</u>	<u>3,904,560</u>
Governmental Activities, Net	<u>\$3,927,960</u>	<u>\$9,600</u>	<u>\$0</u>	<u>\$3,937,560</u>

The School District has decided to no longer track textbook capital assets.

Brooklyn City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

* Depreciation expense was charged to governmental activities as follows:

Instruction:	
Regular	\$128,466
Support Services:	
Administration	5,674
Operation and Maintenance of Plant	34,834
Pupil Transportation	19,751
Food Service Operations	6,213
Non-Instructional Services	1,208
Extracurricular Activities	4,529
	<u>\$200,675</u>

Note 8 - Receivables

Receivables at June 30, 2007, consisted of taxes, accounts (rent and tuition), and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. All receivables are expected to be collected within one year, except delinquent property taxes.

Note 9 - Risk Management

A. Insurance

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The School District contracted with Indiana Insurance Company for comprehensive property insurance (which also includes inland marine, crime, and equipment breakdown). The property insurance coverage was \$39,940,672 with a \$1,000 deductible (equipment breakdown has a \$1,000 deductible). Professional liability, general liability and auto fleet coverage is protected by Netherlands Insurance Company with a \$2,000,000 aggregate and no deductible. Automobile liability has a \$1,000,000 combined single limit of liability.

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

B. Bonding

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

C. Workers' Compensation

For fiscal year 2007, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (see Note 14). 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

Brooklyn City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP.

Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

Note 10 - Defined Benefit Pension Plan

A. School Employees Retirement System

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476 or by calling (800) 878-5853, or by visiting the SERS website at www.ohsers.org.

Plan members are required to contribute 10 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 2007, 10.68 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2007, 2006, and 2005 were \$207,107, \$211,906 and \$199,546 respectively; 71.69 percent has been contributed for fiscal year 2007, and 100 percent for fiscal year 2006 and 2005.

B. State Teachers Retirement System

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

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account.

Brooklyn City School District
Notes to the Basic Financial Statements
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Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

For the fiscal year ended June 30, 2007, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2006, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to the STRS Ohio for the fiscal years ended June 30, 2007, 2006, and 2005 were \$952,505, \$918,476 and \$826,475, respectively; 97.29 percent has been contributed for fiscal year 2007 and 100 percent for fiscal years 2006 and 2005. Contributions to the DC and Combined Plans for fiscal year 2007 were \$5,780 made by the School District and \$27,458 made by the plan members.

Note 11 - Postemployment Benefits

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

All STRS Ohio retirees who participated in the DB or Combined Plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2007, the STRS Board allocated employer contributions equal to one percent of covered payroll to the Health Care Stabilization Fund. For the School District, this amount equaled \$73,270 for fiscal year 2007.

Brooklyn City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2006, the balance in the Fund was \$3.5 billion. For the fiscal year ended June 30, 2006, net health care costs paid by STRS Ohio were \$282,743,000 and STRS Ohio had 119,184 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their premium for health care. The portion is based on years of service, Medicare eligibility, and retirement status.

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, 2007, employer contributions to fund health care benefits were 3.32 percent of covered payroll, compared to 3.42 percent of covered payroll for fiscal year 2006. 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 2007, the minimum pay was established at \$35,800. However, the surcharge is capped at two percent of each employer's SERS salaries. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2007 fiscal year equaled \$277,154.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2006 were \$158,751,207. At June 30, 2006, SERS had net assets available for payment of health care benefits of \$295.6 million. SERS has approximately 59,492 participants currently receiving health care benefits.

Note 12 - Other Employee Benefits

Compensated Absences

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

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

Each professional staff member is entitled to fifteen days sick leave with pay for each year under contract. The sick leave accrues at the rate of one and one fourth days for each calendar month under contract. Upon retirement, an employee is paid a severance benefit equal to 32 percent of the value of their accumulative sick leave up to 99.2 days, calculated at current wage rates, with the balance being forfeited.

Brooklyn City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

An employee receiving such payment must meet the retirement provisions set by STRS Ohio or SERS, however, classified employees who resign can be paid for accumulated sick leave after 5 years. After 5 years of service, an employee is paid 32 percent of the value of their accumulative sick leave, calculated at the current wage rates. For fiscal years 2005 and 2006, classified employees retiring prior to June 30, 2006 were paid 50 percent of their accumulated sick leave. At June 30, 2007, there was no liability for classified employee accumulated sick leave.

Special Termination Benefits

The School District offered employees participation in a Lump Sum Retirement Buyout. Participation is open to full-time certified employees between July 1, 2004 through June 30, 2007 who qualify for retirement and have 25 years of service (15 years of service must be with Brooklyn City School District) and are 55 years of age or older on or before June 30 in the school year of retirement, or have 30 years of service and can be any age in the school year of retirement. The plan offers 28 percent of base pay as determined by employee actual placement on the negotiated salary schedule. Those employees who seek to participate in this Plan must submit a letter of resignation to the Board to retire by 4:00 p.m. March 15 of the school year of retirement. Employees participating in the Plan are paid the last pay of the fiscal year and therefore there was no liability at June 30, 2007 because employees submitting resignations by March 15th were paid by June 30, 2007.

Note 13 - Long-Term Obligations

The changes in the School District's long-term obligations during fiscal year 2007 were as follows:

	Balance 6/30/2006	Additions	Deletions	Balance 6/30/2007	Due In One Year
Governmental-Type Activities:					
Compensated Absences	\$780,129	\$107,525	\$40,451	\$847,203	\$34,224

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

The School District's overall legal debt margin was \$34,368,626 with an unvoted debt margin of \$381,874 at June 30, 2007.

Note 14 - Insurance Purchasing Pool

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

Brooklyn City School District
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For the Fiscal Year Ended June 30, 2007

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. The School District did not contribute to Polaris Career Center during fiscal year 2007. Financial information can be obtained by contacting the Treasurer at the Polaris Career Center, 7285 Old Oak Boulevard, Middleburg Heights, Ohio 44130.

B. Ohio Schools Council Association

The Ohio Schools Council Association (Council) is a jointly governed organization among 108 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 2007, the School District paid \$3,716 to the Council. Financial information can be obtained by contacting Dr. David A. Cottrell, the Executive Director 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. This program allows school districts to purchase electricity at reduced rates.

In 2005, Energy Acquisition Corporation II, a non-profit corporation with a self-appointing board, issued \$246,355,000,000 in bonds and on the same date an electricity prepayment of \$241,685,363 covering the period May 2005 through December 2008 was made by Energy Acquisition Corporation II on behalf of 249 Ohio school districts and county boards of mental retardation and developmental disabilities (MR/DD) to the supplier, First Energy, Inc. This created a program for the Ohio Schools Council called Energy for Education II. The Council provides 238 school districts and 11 MR/DD boards in the First Energy territory (Cleveland Electric Illuminating, Ohio Edison, Toledo Edison) the ability to purchase electricity at reduced rates if the school district committed to participating in either a thirty-six month (Cleveland Electric Illuminating Company) or a forty-four month (Ohio Edison and Toledo Edison) program beginning either May 1, 2005 or January 1, 2006 and ending December 31, 2008. Each month, the Council invoices participants based on estimated usage that was determined when the program was established. Each September, these estimated payments are compared to their actual usage for the year (July to June). Refund checks are issued to districts that consumed less than their projected usage of electrical energy and districts that over-consumed are invoiced. A trustee uses the payments to make principal and interest payments on the bonds. If a participating school district terminates its agreement, the district is required to repay the savings to First Energy and First Energy will refund the remaining prepayment for that participant to Energy Acquisition Corporation II to be used to redeem a portion of the outstanding bonds.

The School District also participates in the Council's prepaid natural gas program which was implemented during fiscal year 2000. This program allows school districts to purchase natural gas at reduced rates, if the school districts will commit to participating for a twelve year period. The participants make monthly

Brooklyn City School District
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payments based on estimated usage. Each month these estimated payments are compared to their actual usage and any necessary adjustments are made.

The Ohio Schools Council entered into a contract with CMS Energy Corporation, of Jackson, Michigan in 1999 to supply natural gas to participating school districts for 12 years. Under the agreement, the City of Hamilton, Ohio prepaid CMS for 44 billion cubic feet of gas to be delivered from November 1, 1999 to October 31, 2011 by issuing \$89,450,000 in bonds. This transaction locked in a twelve-year firm supply of natural gas at favorable market rates for the benefit of all participants. In August 2006 CMS Energy Corporation opted to no longer participate in the prepaid gas program and defeased the outstanding bonds. \$58,455,232 was placed on deposit with US Bank a sufficient amount of government securities to pay off all the outstanding bonds as they come due through November 2011. This prepaid gas program was terminated during fiscal year 2007.

An interim supply agreement was approved with Exelon Energy for one year beginning August 2006 that was renewed in October 2007 and is effective until August 31, 2008.

The Council provides participating school districts the ability to purchase natural gas at reduced rates, if the school districts will commit to participating for a twelve year period. There are currently 137 districts in the Program. The participants make monthly payments based on estimated usage. Each September, these estimated payments are compared to their actual usage for the year (July to June). Districts that paid more in estimated billings than their actual billings are issued credits on future billings beginning in September until the credits are exhausted and districts that did not pay enough on estimated billings are invoiced for the difference on the September monthly estimated billing.

C. Lakeshore Northeast Ohio Computer Association (LNOCA)

LNOCA is a jointly governed organization among fifteen school districts and the Cuyahoga County Educational Service Center in Cuyahoga County. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. Each of the districts supports LNOCA based on a per pupil charge. The School District paid \$21,144 to LNOCA during the fiscal year 2007.

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

Brooklyn City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

Note 16 - Interfund Transactions

A. Balances

At the end of the fiscal year, the School District advanced money from the general fund to other funds to provide additional resources for current operations. Interfund balances at June 30, 2007, consist of the following individual fund receivables and payables:

<u>Interfund Payable</u>	<u>Interfund Receivable General</u>
Nonmajor Funds	
Food Service	\$20,000
Preschool Grant	1,121
Permanent Improvement	<u>200,000</u>
<i>Total</i>	<u><u>\$221,121</u></u>

All interfund balances are expected to be repaid within one year.

Note 17 - Contingencies

A. Grants

The School District received financial assistance from federal and State agencies in the form of grants. The disbursement of funds received under these programs generally require compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2007.

B. Litigation

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

Note 18 - Set-Aside Calculations

The School District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by fiscal year end or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year end and carried forward to be used for the same purposes in future fiscal years. In prior fiscal years, the School District was also required to set aside money for budget stabilization.

Brooklyn City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

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

	Textbooks	Capital Improvements
Set-aside Reserve Balance as of June 30, 2006	(\$905,419)	\$0
Current Year Set-aside Requirement	219,599	219,599
Permanent Improvement Levy Offset During the Fiscal Year	0	(171,557)
Qualifying Disbursements	(420,414)	(111,949)
Total	(\$1,106,234)	(\$63,907)
Set-aside Balance Carried Forward to Future Fiscal Years	(\$1,106,234)	\$0
Set-aside Reserve Balance as of June 30, 2007	(\$1,106,234)	\$0

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

**BROOKLYN CITY SCHOOL DISTRICT
CUYAHOGA COUNTY
SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

Federal Grantor Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. Department of Agriculture						
<i>Passed Through the Ohio Department of Education:</i>						
Food Distribution	N/A	10.550	\$ 0	\$ 15,260	\$ 0	\$ 15,260
Child Nutrition Cluster:						
School Breakfast Program	043653-05PU-06	10.553	2,936	0	2,936	0
	043653-05PU-07		15,106	0	15,106	0
			<u>18,042</u>	<u>0</u>	<u>18,042</u>	<u>0</u>
National School Lunch Program	043653-LLP4-06	10.555	28,573	0	28,573	0
	043653-LLP4-07		117,195	0	117,195	0
Subtotal for National School Lunch Program			<u>145,768</u>	<u>0</u>	<u>145,768</u>	<u>0</u>
Total Child Nutrition Cluster			<u>163,810</u>	<u>0</u>	<u>163,810</u>	<u>0</u>
Total U.S. Department of Agriculture			<u>163,810</u>	<u>15,260</u>	<u>163,810</u>	<u>15,260</u>
U.S. Department of Education						
<i>Passed Through the Ohio Department of Education</i>						
Special Education Cluster:						
Special Education-Grants to States	043653-6BSF-06	84.027	(12,446)	0	0	0
	043653-6BSF-07		384,379	0	363,935	0
Subtotal for Special Education-Grants to States			<u>371,933</u>	<u>0</u>	<u>363,935</u>	<u>0</u>
Special Education-Preschool Grants	043653-PGS1-06	84.173	(741)	0	0	0
	043653-PGS1-07		13,438	0	14,559	0
Total Special Education Cluster			<u>12,697</u>	<u>0</u>	<u>14,559</u>	<u>0</u>
			<u>384,630</u>	<u>0</u>	<u>378,494</u>	<u>0</u>
Title I Grants to Local Education Agencies	043653-C1S1-06	84.010	(5,009)	0	0	0
	043653-C1S1-07		114,549	0	108,609	0
			<u>109,540</u>	<u>0</u>	<u>108,609</u>	<u>0</u>
Safe and Drug-Free Schools and Communities State Grants	043653-DRS1-06	84.186	400	0	0	0
	043653-DRS1-07		4,635	0	4,611	0
			<u>5,035</u>	<u>0</u>	<u>4,611</u>	<u>0</u>
State Grants for Innovative Programs	043653-C2S1-06	84.298	(475)	0	0	0
	043653-C2S1-07		2,276	0	1,906	0
			<u>1,801</u>	<u>0</u>	<u>1,906</u>	<u>0</u>
Education Technology State Grants	043653-TJS1-06	84.318	(4)	0	322	0
	043653-TJS1-07		450	0	118	0
			<u>446</u>	<u>0</u>	<u>440</u>	<u>0</u>
Improving Teacher Quality State Grants	043653-TRS1-04	84.367	0	0	(39)	0
	043653-TRS1-06		27,194	0	0	0
	043653-TRS1-07		47,430	0	47,430	0
			<u>74,624</u>	<u>0</u>	<u>47,391</u>	<u>0</u>
<i>Passed Through the Cleveland Municipal School District</i>						
Title I Grants to Local Education Agencies	N/A	84.010	23,191	0	22,440	0
Total U.S. Department of Education			<u>599,267</u>	<u>0</u>	<u>563,891</u>	<u>0</u>
Total Federal Assistance			<u>\$ 763,077</u>	<u>\$ 15,260</u>	<u>\$ 727,701</u>	<u>\$ 15,260</u>

See accompanying notes to this schedule.

**BROOKLYN CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2007**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) summarizes activity of the District's federal award programs. The Schedule has been prepared on the cash basis of accounting. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE B – FOOD DISTRIBUTION PROGRAM

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

NOTE C – CHILD NUTRITION CLUSTER

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

NOTE D – NEGATIVE RECEIPTS

The negative receipts reflected on the Schedule represent the Ohio Department of Education's authorization to transfer unexpended grant monies from one grant year to another.

CFDA – Catalog of Federal Domestic Assistance

N/A – Not Applicable



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

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

To the Board of Education

We have audited the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Brooklyn City School District, Cuyahoga County, Ohio, (the District) as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements and have issued our report thereon dated April 4, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the District's internal control will not prevent or detect a more than inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the District's internal control will not prevent or detect a material financial statement misstatement.

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

We noted certain matters that we reported to the District's management in a separate letter dated April 4, 2008.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2007-001.

The District's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the District's response and, accordingly, we express no opinion on it.

We also noted certain noncompliance or other matters that we reported to the District's management in a separate letter dated April 4, 2008.

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



Mary Taylor, CPA
Auditor of State

April 4, 2008



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO ITS MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

To the Board of Education:

Compliance

We have audited the compliance of the Brooklyn City School District, Cuyahoga County, Ohio, (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to its major federal program for the year ended June 30, 2007. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal program. The District's management is responsible for complying with the requirements of laws, regulations, contracts and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the types of compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended June 30, 2007.

Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could directly and materially affect a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance.

A *control deficiency* in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood that the District's internal control will not prevent or detect more than inconsequential noncompliance with a federal program compliance requirement.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that the District's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements.

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

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



Mary Taylor, CPA
Auditor of State

April 4, 2008

**BROOKLYN CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2007**

1. SUMMARY OF AUDITOR'S RESULTS

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

**BROOKLYN CITY SCHOOL DISTRICT
CUYAHOGA COUNTY
SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2007
(CONTINUED)**

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

FINDING NUMBER 2007-001

Noncompliance Finding – Obligations were Entered Into Prior to Obtaining Treasurer’s Certification

Ohio Revised Code § 5705.41 (D)(1) prohibits a subdivision or taxing unit from making any contract or order any expenditure of money unless the certificate of the fiscal officer is attached thereto. The fiscal officer must certify the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

There are several exceptions to the standard requirement stated above that a fiscal officer’s certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: “then and now” certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. “Then and Now” certificate – If the fiscal officer can certify that both at the time the contract or order was made (“then”), and at the time the fiscal officer is completing the certification (“now”), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Board of Education can authorize the drawing of a warrant for the payment of the amount due. The Board has thirty days from the receipt of the “then and now” certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the “then and now” certificate, provided the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the District.

2. Blanket Certificate – Fiscal officers may prepare “blanket” certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any particular line item appropriation.
3. Super Blanket Certificate – The District may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

During a test of 60 expenditures we noted 11 (18%) of the purchase orders were dated after the date of the invoice. Additionally, there was no evidence of “then and now” certificates. As a result, the District did not record a reservation of the applicable appropriation (encumber) at the time a commitment for the expenditure of funds was made. Failure to properly certify the availability of funds can result in overspending funds, negative cash fund balances, and understating of encumbrances.

**BROOKLYN CITY SCHOOL DISTRICT
CUYAHOGA COUNTY
SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2007
(CONTINUED)**

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

FINDING NUMBER 2007-001 (Continued)

Unless the District uses the exceptions noted above, prior certification is not only required by statute but also is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the District's funds exceeding budgetary spending limitations, we recommend the Treasurer certify that funds are or will be available prior to obligation by the District. When prior certification is not possible, "then and now" certification should be used.

We recommend the District officials and employees obtain the Treasurer's certification of the availability of funds prior to the commitment being incurred. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The Treasurer should sign the certification at the time the District incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The Treasurer should post approved purchase orders to the proper appropriation code to reduce the available appropriation.

Official's Response

The District has established procedures to utilize the "Then and Now" certificate to correct this situation.

3. FINDINGS FOR FEDERAL AWARDS

None.

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BROOKLYN CITY SCHOOL DISTRICT
CUYAHOGA COUNTY
SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 2007

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2006-001	Appropriations were in excess of total estimated resources contrary to Ohio Revised Code § 5705.39.	Yes	



Mary Taylor, CPA
Auditor of State

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
MAY 22, 2008**