



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, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the Brooklyn City School District, Cuyahoga County, Ohio, as of June 30, 2008, and the respective changes in financial position and the budgetary comparison for the General fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, the District restated the June 30, 2007 net assets of the governmental activities and the General Fund and Other Governmental Funds fund balances due to an overstatement of an intergovernmental payable.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 17, 2009, 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 Schedule of Federal Awards Receipts and Expenditures 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 Schedule of Federal Awards Receipts and Expenditures 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 black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

Mary Taylor, CPA
Auditor of State

April 17, 2009

Brooklyn City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
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, 2008. 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 2008 are as follows:

- Total assets for fiscal year 2008 decreased \$768,430 from total assets for fiscal year 2007. This decrease was mainly due to a significant decrease in cash available at fiscal year-end. Total liabilities for fiscal year 2008 decreased by \$885,586 from fiscal year 2007.
- In total, net assets increased \$117,156 or 1.97 percent from fiscal year 2007. This increase was mainly in unrestricted net assets of governmental activities, an increase of \$212,341 over fiscal year 2007.
- Total revenues were \$17,322,012 for fiscal year 2008. General revenues accounted for \$15,221,047 or 87.87 percent of all revenues, with tax revenues representing 67.23 percent of total revenues. Specific program revenues in the form of charges for services and sales, operating and capital grants, contributions and interest, accounted for \$2,100,965 or 12.13 percent of all revenues.
- The School District had \$17,204,856 in expenses related to governmental activities; only \$2,100,965 of these expenses was offset by program specific charges for services and sales, operating and capital grants, contributions and interest. Although general revenues of \$15,221,047 were not adequate to provide for these programs during fiscal year 2008, management continues to strive for providing the best education to our students.
- The balance in the School District's governmental funds decreased by \$625,281 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, 2008
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 2008?" 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 9. 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.

Fiduciary Fund The School District has only one type of fiduciary fund, an agency fund. The agency fund is used to account for resources held for the benefit of parties outside the School District. The agency fund is not reflected on the government-wide statements because the resources from that fund are not available to support the School District's programs.

Brooklyn City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
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 2008 compared to the prior year:

Table 1
Net Assets

| | Governmental Activities | | |
|----------------------------|-------------------------|--------------------|------------------|
| | 2008 | Restated 2007 | Change |
| Assets | | | |
| Current and Other Assets | \$12,174,102 | \$12,879,382 | (\$705,280) |
| Capital Assets, Net | 3,874,410 | 3,937,560 | (63,150) |
| <i>Total Assets</i> | <u>16,048,512</u> | <u>16,816,942</u> | <u>(768,430)</u> |
| Liabilities | | | |
| Current Liabilities | 8,950,979 | 10,035,858 | (1,084,879) |
| Long-Term Liabilities: | | | |
| Due Within One Year | 80,094 | 34,224 | 45,870 |
| Due in More than One Year | 966,402 | 812,979 | 153,423 |
| <i>Total Liabilities</i> | <u>9,997,475</u> | <u>10,883,061</u> | <u>(885,586)</u> |
| Net Assets | | | |
| Invested in Capital Assets | 3,874,410 | 3,937,560 | (63,150) |
| Restricted For: | | | |
| Capital Projects | 61,146 | 0 | 61,146 |
| Other Purposes | 314,359 | 407,540 | (93,181) |
| Unrestricted | 1,801,122 | 1,588,781 | 212,341 |
| <i>Total Net Assets</i> | <u>\$6,051,037</u> | <u>\$5,933,881</u> | <u>\$117,156</u> |

The total assets decreased \$768,430. This decrease of 4.57 percent can be attributed to cash equivalents that comprises 99.83 percent of the 4.57 percent decrease over fiscal year 2007. The decrease is offset by decreases in accounts payable, accrued wages, intergovernmental payables, and matured compensated absences of \$25,769, \$54,906, \$8,162 and \$206,321, respectively.

Total liabilities decreased by \$885,586. The decrease is due to a decrease in deferred revenue which occurred because of an increase of more than \$1 million in real and personal property tax delinquencies which is part of the taxes receivable calculation.

Brooklyn City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

Table 2 shows the change in net assets for fiscal year 2008 for Governmental Activities compared to the prior year.

Table 2
Governmental Activities

| | 2008 | Restated 2007 | Change |
|--|---------------------------|---------------------------|-------------------------|
| Revenues | | | |
| Program Revenues: | | | |
| Charges for Services and Sales | \$829,311 | \$784,913 | \$44,398 |
| Operating Grants, Contributions and Interest | 1,259,418 | 1,035,541 | 223,877 |
| Capital Grants | 12,236 | 3,127 | 9,109 |
| <i>Total Program Revenues</i> | <u>2,100,965</u> | <u>1,823,581</u> | <u>277,384</u> |
| General Revenues: | | | |
| Property Taxes | 11,644,700 | 10,478,011 | 1,166,689 |
| Grants and Entitlements | 3,335,311 | 2,744,916 | 590,395 |
| Investment Earnings | 100,176 | 201,323 | (101,147) |
| Miscellaneous | 140,860 | 163,799 | (22,939) |
| <i>Total General Revenues</i> | <u>15,221,047</u> | <u>13,588,049</u> | <u>1,632,998</u> |
| <i>Total Revenues</i> | <u>17,322,012</u> | <u>15,411,630</u> | <u>1,910,382</u> |
| Program Expenses | | | |
| Instruction | 9,355,923 | 9,153,128 | 202,795 |
| Support Services: | | | |
| Pupil | 1,454,931 | 1,348,621 | 106,310 |
| Instructional Staff | 258,846 | 233,956 | 24,890 |
| Board of Education | 23,584 | 25,839 | (2,255) |
| Administration | 1,819,285 | 1,578,517 | 240,768 |
| Fiscal | 535,781 | 802,608 | (266,827) |
| Business | 107,629 | 152,225 | (44,596) |
| Operation and Maintenance of Plant | 1,554,683 | 1,333,868 | 220,815 |
| Pupil Transportation | 462,498 | 394,852 | 67,646 |
| Central | 171,946 | 291,634 | (119,688) |
| Operation of Non-Instructional Services | | | |
| Food Service Operations | 455,773 | 423,397 | 32,376 |
| Other Non-Instructional Services | 528,307 | 453,918 | 74,389 |
| Extracurricular Activities | 475,670 | 505,495 | (29,825) |
| <i>Total Program Expenses</i> | <u>17,204,856</u> | <u>16,698,058</u> | <u>506,798</u> |
| Change in Net Assets | 117,156 | (1,286,428) | 1,403,584 |
| <i>Net Assets Beginning of Year</i> | <u>5,933,881</u> | <u>7,220,309</u> | <u>(1,286,428)</u> |
| <i>Net Assets End of Year</i> | <u><u>\$6,051,037</u></u> | <u><u>\$5,933,881</u></u> | <u><u>\$117,156</u></u> |

Brooklyn City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

Governmental Activities

Several revenue sources primarily fund the School District's governmental activities. Property taxes account for the largest portion of general revenues having generated \$11,644,700 in fiscal year 2008. The last increase in levied property tax authorized by the citizens of the School District was November 2000. The School District opted not to renew the 3.8 mill levy that ended on December 31, 2003. Property tax revenues increased by \$1,166,689 in fiscal year 2008 compared to fiscal year 2007. 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 \$3,335,311 in fiscal year 2008. Through additional State support, the School District received \$497,671 as a direct result of Senate Bill 3, \$1,417,949 as a direct result of House Bill 66 and \$645,102 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 54.38 percent of governmental program expenses. Building operations, administration, pupil support, staff support, food service and extracurricular activities make up the remaining 45.62 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 instruction increased \$202,795 over fiscal year 2007.

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 | |
|---|------------------------|------------------|----------------------|------------------|
| | 2008 | Restated 2007 | 2008 | Restated 2007 |
| Instruction | \$9,355,923 | \$9,153,128 | (\$8,875,769) | (\$8,719,740) |
| Support Services: | | | | |
| Pupil | 1,454,931 | 1,348,621 | (1,022,688) | (961,408) |
| Instructional Staff | 258,846 | 233,956 | (232,625) | (212,369) |
| Board of Education | 23,584 | 25,839 | (23,584) | (25,839) |
| Administration | 1,819,285 | 1,578,517 | (1,815,188) | (1,576,941) |
| Fiscal | 535,781 | 802,608 | (535,781) | (802,608) |
| Business | 107,629 | 152,225 | (107,629) | (152,225) |
| Operation and Maintenance of Plant | 1,554,683 | 1,333,868 | (1,511,976) | (1,307,594) |
| Pupil Transportation | 462,498 | 394,852 | (452,433) | (386,543) |
| Central | 171,946 | 291,634 | (166,754) | (286,544) |
| Operation of Non-Instructional Services | | | | |
| Food Service Operations | 455,773 | 423,397 | 25,910 | (6,769) |
| Other Non-Instructional Services | 528,307 | 453,918 | (69,880) | (54,766) |
| Extracurricular Activities | 475,670 | 505,495 | (315,494) | (381,131) |
| Total Expenses | \$17,204,856 | \$16,698,058 | (\$15,103,891) | (\$14,874,477) |

Brooklyn City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

The dependence upon general revenues for governmental activities is apparent. 67.68 percent of total expenses are supported through taxes. Program revenues support 12.21 percent of expenses. Grants and entitlements not restricted to specific programs, investments, and other miscellaneous type revenues support the remaining 20.11 percent of expenses.

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 \$16,317,132 and expenditures of \$16,942,413. The net change in governmental fund balance for the year was a decrease of \$625,281. The general fund fiscal year-end fund balance decreased by \$623,607 and other governmental funds decreased by \$1,674.

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 2008, 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 \$13,925,799 was \$1,921 under actual revenues of \$13,927,720. The \$279,881 difference between the original and final budgeted amounts of \$13,645,918 and \$13,925,799, respectively, is due to conservative tax and intergovernmental revenue estimates at the beginning of the fiscal year. Actual expenditures had no dollar variance with the final budgeted expenditures. Final budget expenditures were \$451,390 less than the original budgeted 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 \$715,515.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2008, the School District had \$3,874,410 invested in land, buildings and improvements, furniture and equipment and vehicles. Table 4 details fiscal year 2008 balances compared to prior years. More detailed information is presented in Note 8 of the notes to the basic financial statements.

Brooklyn City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

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

| | Governmental Activities | |
|----------------------------|-------------------------|-------------|
| | 2008 | 2007 |
| Land | \$33,000 | \$33,000 |
| Buildings and Improvements | 3,150,317 | 3,211,785 |
| Furniture and Equipment | 642,493 | 630,772 |
| Vehicles | 48,600 | 62,003 |
| Totals | \$3,874,410 | \$3,937,560 |

All capital assets, except land, are reported net of depreciation. The School District had additions of \$72,112 to furniture and equipment which was offset by \$60,391 in depreciation for a net increase of \$11,721. Additions to buildings and improvements totaled \$54,904 but were offset by \$116,372 in depreciation for a net decrease of \$61,468. Total net capital assets decreased from fiscal year 2007 by \$63,150.

For fiscal year 2008, 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 2008, this amounted to \$231,288 for each purpose. The School District had qualifying disbursements exceeding these requirements. See Note 19 for additional set-aside information.

Debt

At June 30, 2008, the School District had no outstanding debt.

Current Financial Related Activities

Brooklyn City School District, like many school districts, is faced with some financial uncertainty due to economic times. Since 2001 the Board of Education has saved more than \$2,600,000 by combining positions and finding more efficient ways of doing business in order to reduce spending. The Board of Education adopted additional reduction plan that implemented reductions totaling \$1,814,819 for fiscal year 2009. The Board is in the process of reviewing other cost savings such as closing an elementary school, combining the high school and middle school schedules and to charge a fee for participation in athletics.

House Bill 66 eliminates tangible personal property tax, i.e. shared municipal income tax. Tangible personal property tax assessments decreased 25 percent for fiscal year 2008 and will decrease 25 percent in fiscal year 2009. Total assessed value in fiscal year 2008 decreased from the prior year, due to decreasing personal property tax assessments. The School District is currently educating the community and staff on the negative impact of House Bill 66 and future funding issues.

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.

Brooklyn City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

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@brooklyn.k12.oh.us.

Basic Financial Statements

Brooklyn City School District

Statement of Net Assets

June 30, 2008

| | Governmental Activities |
|--|----------------------------|
| Assets | |
| Equity in Pooled Cash and Cash Equivalents | \$1,131,258 |
| Accounts Receivable | 1,496 |
| Intergovernmental Receivable | 3,298 |
| Prepaid Items | 1,933 |
| Materials and Supplies Inventory | 22,670 |
| Inventory Held for Resale | 3,436 |
| Property Taxes Receivable | 11,010,011 |
| Non-depreciable Capital Assets | 33,000 |
| Depreciable Capital Assets, Net | 3,841,410 |
| <i>Total Assets</i> | <u>16,048,512</u> |
| Liabilities | |
| Accounts Payable | 40,152 |
| Accrued Wages and Benefits | 1,009,078 |
| Intergovernmental Payable | 385,467 |
| Matured Compensated Absences Payable | 206,321 |
| Deferred Revenue | 7,309,961 |
| Long-Term Liabilities: | |
| Due Within One Year | 80,094 |
| Due In More Than One Year | 966,402 |
| <i>Total Liabilities</i> | <u>9,997,475</u> |
| Net Assets | |
| Invested in Capital Assets | 3,874,410 |
| Restricted for: | |
| Capital Projects | 61,146 |
| Special Trust | 93,575 |
| Uniform School Supplies | 65,535 |
| Public School Support | 27,703 |
| Latchkey "Kats" | 35,380 |
| Athletics and Music | 33,065 |
| Auxiliary Services | 7,495 |
| Other Purposes | 51,606 |
| Unrestricted | 1,801,122 |
| <i>Total Net Assets</i> | <u><u>\$6,051,037</u></u> |

See accompanying notes to the basic financial statements

Brooklyn City School District
Statement of Activities
For the Fiscal Year Ended June 30, 2008

| | Program Revenues | | | | Net (Expense) Revenue and Changes in Net Assets |
|---|---------------------|-----------------------------------|--|-------------------------------------|--|
| | Expenses | Charges for Services and Sales | Operating Grants, Contributions and Interest | Capital Grants and Contributions | Governmental Activities |
| Governmental Activities | | | | | |
| Instruction: | | | | | |
| Regular | \$7,526,379 | \$207,151 | \$99,834 | \$0 | (\$7,219,394) |
| Special | 1,722,788 | 73,648 | 95,071 | 0 | (1,554,069) |
| Vocational | 106,756 | 4,450 | 0 | 0 | (102,306) |
| Support Services: | | | | | |
| Pupil | 1,454,931 | 0 | 432,243 | 0 | (1,022,688) |
| Instructional Staff | 258,846 | 9,015 | 17,206 | 0 | (232,625) |
| Board of Education | 23,584 | 0 | 0 | 0 | (23,584) |
| Administration | 1,819,285 | 0 | 4,097 | 0 | (1,815,188) |
| Fiscal | 535,781 | 0 | 0 | 0 | (535,781) |
| Business | 107,629 | 0 | 0 | 0 | (107,629) |
| Operation and Maintenance of Plant | 1,554,683 | 2,520 | 30,019 | 10,168 | (1,511,976) |
| Pupil Transportation | 462,498 | 7,997 | 0 | 2,068 | (452,433) |
| Central | 171,946 | 0 | 5,192 | 0 | (166,754) |
| Operation of Non-Instructional Services: | | | | | |
| Food Service Operations | 455,773 | 248,402 | 233,281 | 0 | 25,910 |
| Other Non-Instructional Services | 528,307 | 119,066 | 339,361 | 0 | (69,880) |
| Extracurricular Activities | 475,670 | 157,062 | 3,114 | 0 | (315,494) |
| <i>Totals</i> | <u>\$17,204,856</u> | <u>\$829,311</u> | <u>\$1,259,418</u> | <u>\$12,236</u> | <u>(15,103,891)</u> |
| General Revenues | | | | | |
| Property Taxes Levied for: | | | | | |
| General Purposes | | | | | 11,480,840 |
| Capital Projects | | | | | 163,860 |
| Grants and Entitlements not Restricted to Specific Programs | | | | | 3,335,311 |
| Investment Earnings | | | | | 100,176 |
| Miscellaneous | | | | | 140,860 |
| <i>Total General Revenues</i> | | | | | <u>15,221,047</u> |
| Change in Net Assets | | | | | 117,156 |
| <i>Net Assets Beginning of Year - Restated (See Note 3)</i> | | | | | <u>5,933,881</u> |
| <i>Net Assets End of Year</i> | | | | | <u><u>\$6,051,037</u></u> |

See accompanying notes to the basic financial statements

Brooklyn City School District*Balance Sheet**Governmental Funds**June 30, 2008*

| | General | Other Governmental Funds | Total Governmental Funds |
|--|---------------------|--------------------------------|--------------------------------|
| Assets | | | |
| Equity in Pooled Cash and Cash Equivalents | \$703,826 | \$416,649 | \$1,120,475 |
| Restricted Assets: | | | |
| Equity in Pooled Cash and Cash Equivalents | 10,783 | 0 | 10,783 |
| Accounts Receivable | 1,062 | 434 | 1,496 |
| Intergovernmental Receivable | 0 | 3,298 | 3,298 |
| Prepaid Items | 1,933 | 0 | 1,933 |
| Materials and Supplies Inventory | 21,393 | 1,277 | 22,670 |
| Inventory Held for Resale | 0 | 3,436 | 3,436 |
| Interfund Receivable | 20,163 | 0 | 20,163 |
| Property Taxes Receivable | 10,865,855 | 144,156 | 11,010,011 |
| <i>Total Assets</i> | <u>\$11,625,015</u> | <u>\$569,250</u> | <u>\$12,194,265</u> |
| Liabilities and Fund Balances | | | |
| Liabilities | | | |
| Accounts Payable | \$20,204 | \$19,948 | \$40,152 |
| Accrued Wages and Benefits | 996,987 | 12,091 | 1,009,078 |
| Intergovernmental Payable | 353,586 | 31,881 | 385,467 |
| Matured Compensated Absences Payable | 206,321 | 0 | 206,321 |
| Interfund Payable | 0 | 20,163 | 20,163 |
| Deferred Revenue | 9,301,962 | 127,593 | 9,429,555 |
| <i>Total Liabilities</i> | <u>10,879,060</u> | <u>211,676</u> | <u>11,090,736</u> |
| Fund Balances | | | |
| Reserved for Encumbrances | 0 | 100 | 100 |
| Reserved for Property Taxes | 1,515,612 | 15,309 | 1,530,921 |
| Reserved for Bus Purchases | 10,783 | 0 | 10,783 |
| Unreserved, Undesignated | | | |
| Reported in: | | | |
| General Fund (Deficit) | (780,440) | 0 | (780,440) |
| Special Revenue Funds | 0 | 324,277 | 324,277 |
| Capital Projects Funds | 0 | 17,888 | 17,888 |
| <i>Total Fund Balances</i> | <u>745,955</u> | <u>357,574</u> | <u>1,103,529</u> |
| <i>Total Liabilities and Fund Balances</i> | <u>\$11,625,015</u> | <u>\$569,250</u> | <u>\$12,194,265</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, 2008*

Total Governmental Fund Balances \$1,103,529

*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. 3,874,410

Other long-term assets are not available to pay for current-
period expenditures and therefore are deferred in the funds:
These revenues were attributed to property taxes. 2,119,594

Long-term liabilities such as compensated absences are
not due and payable in the current period and therefore
are not reported in the funds. (1,046,496)

Net Assets of Governmental Activities \$6,051,037

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, 2008

| | General | Other Governmental Funds | Total Governmental Funds |
|--|-------------------|--------------------------------|--------------------------------|
| Revenues | | | |
| Property Taxes | \$10,483,103 | \$156,717 | \$10,639,820 |
| Intergovernmental | 3,332,222 | 1,202,491 | 4,534,713 |
| Interest | 100,176 | 5,229 | 105,405 |
| Tuition and Fees | 213,059 | 104,144 | 317,203 |
| Extracurricular Activities | 0 | 157,062 | 157,062 |
| Contributions and Donations | 0 | 67,023 | 67,023 |
| Charges for Services | 0 | 352,526 | 352,526 |
| Rentals | 2,520 | 0 | 2,520 |
| Miscellaneous | 93,585 | 47,275 | 140,860 |
| <i>Total Revenues</i> | <u>14,224,665</u> | <u>2,092,467</u> | <u>16,317,132</u> |
| Expenditures | | | |
| Current: | | | |
| Instruction: | | | |
| Regular | 7,188,031 | 159,958 | 7,347,989 |
| Special | 1,571,549 | 138,654 | 1,710,203 |
| Vocational | 104,499 | 4,133 | 108,632 |
| Support Services: | | | |
| Pupil | 1,013,699 | 430,616 | 1,444,315 |
| Instructional Staff | 257,788 | 24,474 | 282,262 |
| Board of Education | 23,584 | 0 | 23,584 |
| Administration | 1,688,069 | 3,791 | 1,691,860 |
| Fiscal | 531,136 | 0 | 531,136 |
| Business | 107,629 | 0 | 107,629 |
| Operation and Maintenance of Plant | 1,482,603 | 54,364 | 1,536,967 |
| Pupil Transportation | 452,312 | 0 | 452,312 |
| Central | 151,581 | 5,800 | 157,381 |
| Operation of Non-Instructional Services: | | | |
| Food Service Operations | 0 | 446,951 | 446,951 |
| Other Non-Instructional Services | 0 | 525,443 | 525,443 |
| Extracurricular Activities | 297,869 | 167,392 | 465,261 |
| Capital Outlay | 5,495 | 104,993 | 110,488 |
| <i>Total Expenditures</i> | <u>14,875,844</u> | <u>2,066,569</u> | <u>16,942,413</u> |
| <i>Excess of Revenues Over (Under) Expenditures</i> | <u>(651,179)</u> | <u>25,898</u> | <u>(625,281)</u> |
| Other Financing Sources (Uses) | | | |
| Transfers In | 27,572 | 0 | 27,572 |
| Transfers Out | 0 | (27,572) | (27,572) |
| <i>Total Other Financing Sources (Uses)</i> | <u>27,572</u> | <u>(27,572)</u> | <u>0</u> |
| <i>Net Change in Fund Balances</i> | <u>(623,607)</u> | <u>(1,674)</u> | <u>(625,281)</u> |
| <i>Fund Balances Beginning of Year - Restated (See Note 3)</i> | <u>1,369,562</u> | <u>359,248</u> | <u>1,728,810</u> |
| <i>Fund Balances End of Year</i> | <u>\$745,955</u> | <u>\$357,574</u> | <u>\$1,103,529</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, 2008*

Net Change in Fund Balances - Total Governmental Funds (\$625,281)

*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 depreciation exceeded capital outlay in the current period.

| | | |
|---------------------------|-----------|----------|
| Capital Asset Additions | 127,016 | |
| Current Year Depreciation | (190,166) | |
| | | |
| Total | | (63,150) |

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

| | | |
|---------------------------|--|-----------|
| Delinquent Property Taxes | | 1,004,880 |
|---------------------------|--|-----------|

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 | | (199,293) |
| | | |

Change in Net Assets of Governmental Activities \$117,156

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, 2008

| | <u>Budgeted Amounts</u> | | | Variance with Final Budget Positive (Negative) |
|--|-------------------------|-------------------|-------------------|---|
| | <u>Original</u> | <u>Final</u> | <u>Actual</u> | |
| Revenues | | | | |
| Property Taxes | \$9,976,515 | \$10,181,364 | \$10,182,770 | \$1,406 |
| Intergovernmental | 3,264,727 | 3,331,762 | 3,332,222 | 460 |
| Interest | 98,147 | 100,162 | 100,176 | 14 |
| Tuition and Fees | 206,340 | 210,577 | 213,047 | 2,470 |
| Rentals | 2,469 | 2,520 | 2,520 | 0 |
| Miscellaneous | 97,720 | 99,414 | 96,985 | (2,429) |
| <i>Total Revenues</i> | <u>13,645,918</u> | <u>13,925,799</u> | <u>13,927,720</u> | <u>1,921</u> |
| Expenditures | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular | 7,109,970 | 7,065,423 | 7,065,423 | 0 |
| Special | 1,515,561 | 1,600,011 | 1,600,011 | 0 |
| Vocational | 103,280 | 104,582 | 104,582 | 0 |
| Support Services: | | | | |
| Pupil | 1,094,872 | 1,006,001 | 1,006,001 | 0 |
| Instructional Staff | 236,409 | 258,567 | 258,567 | 0 |
| Board of Education | 34,962 | 23,518 | 23,518 | 0 |
| Administration | 1,722,502 | 1,708,507 | 1,708,507 | 0 |
| Fiscal | 546,928 | 529,861 | 529,861 | 0 |
| Business | 100,195 | 105,086 | 105,086 | 0 |
| Operation and Maintenance of Plant | 1,473,690 | 1,420,543 | 1,420,543 | 0 |
| Pupil Transportation | 496,172 | 434,349 | 434,349 | 0 |
| Central | 246,834 | 161,661 | 161,661 | 0 |
| Extracurricular Activities | 484,033 | 297,414 | 297,414 | 0 |
| Capital Outlay | 7,000 | 5,495 | 5,495 | 0 |
| <i>Total Expenditures</i> | <u>15,172,408</u> | <u>14,721,018</u> | <u>14,721,018</u> | <u>0</u> |
| <i>Excess of Revenues Under Expenditures</i> | <u>(1,526,490)</u> | <u>(795,219)</u> | <u>(793,298)</u> | <u>1,921</u> |
| Other Financing Sources (Uses) | | | | |
| Advances In | 226,121 | 221,121 | 221,121 | 0 |
| Transfers In | 27,572 | 27,572 | 27,572 | 0 |
| Advances Out | 0 | (20,163) | (20,163) | 0 |
| <i>Total Other Financing Sources (Uses)</i> | <u>253,693</u> | <u>228,530</u> | <u>228,530</u> | <u>0</u> |
| <i>Net Change in Fund Balance</i> | <u>(1,272,797)</u> | <u>(566,689)</u> | <u>(564,768)</u> | <u>1,921</u> |
| <i>Fund Balance Beginning of Year</i> | 1,128,271 | 1,128,271 | 1,128,271 | 0 |
| Prior Year Encumbrances Appropriated | 152,012 | 152,012 | 152,012 | 0 |
| <i>Fund Balance End of Year</i> | <u>\$7,486</u> | <u>\$713,594</u> | <u>\$715,515</u> | <u>\$1,921</u> |

See accompanying notes to the basic financial statements

Brooklyn City School District
Statement of Fiduciary Assets and Liabilities
Agency Fund
June 30, 2008

Assets

| | |
|--|-----------------|
| Equity in Pooled Cash and Cash Equivalents | <u>\$24,227</u> |
|--|-----------------|

Liabilities

| | |
|-----------------|-----------------|
| Due to Students | <u>\$24,227</u> |
|-----------------|-----------------|

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, 2008

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 65 non-certified personnel, 110 certified teaching personnel, 12 administrators and 3 exempted employees who provide services to community members and 1,462 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. These transactions are reported in a special revenue fund and as a governmental activity of the School District.

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance 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 15 and 16 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, 2008

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, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental activity is self-financing or draws from the general revenues of the School District.

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

B. Fund Accounting

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

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:

Brooklyn City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

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

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

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

C. Measurement Focus

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

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

D. Basis of Accounting

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

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

Brooklyn City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

property taxes is recognized in the fiscal year for which the taxes are levied. (See Note 7). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

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

Property taxes for which there is an enforceable legal claim as of June 30, 2008, but which were levied to finance fiscal year 2009 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, function and object level for the general fund and at the fund level for all other funds. The Treasurer has been given the authority to allocate appropriations to the function and object level within all funds but the general fund.

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

Brooklyn City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

The appropriation resolution is subject to amendment by the Board throughout the fiscal year with the restriction that appropriations may not exceed estimated resources by fund. The amounts reported as the original budgeted amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior fiscal years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year. Prior to June 30, the Board passed an appropriation resolution which matched actual expenditures during the fiscal year plus encumbrances outstanding at fiscal year end.

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 2008, 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 2008 amounted to \$100,176, which includes \$34,988 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 unspent resources restricted for the purchase of buses.

H. Prepaids

Payments made to vendors for services that will benefit periods beyond June 30, 2008, 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.

Brooklyn City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

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.

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

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

| <u>Description</u> | <u>Estimated Lives</u> |
|----------------------------|------------------------|
| Buildings and Improvements | 25-80 years |
| Furniture and Equipment | 5-20 years |
| Vehicles | 5-10 years |

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 non-teaching 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.

The entire compensated absence liability is reported on the government-wide financial statements.

Brooklyn City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

On the governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "matured compensated absences payable" in the fund(s) from which the employees who have resigned or retired will be paid.

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 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 \$375,505 of restricted net assets, none of which is restricted by enabling legislation.

Net assets restricted for other purposes include resources restricted for wellness center, local grant programs, education management information systems (EMIS), data communications, school-net professional development, miscellaneous state grant programs, title I, drug free school, preschool grant programs and miscellaneous federal grant programs.

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. Interfund payments for services provided and used are not eliminated.

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.

Brooklyn City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

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.

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 – Change in Accounting Principles and Restatement of Prior Year’s Fund Balance/Net Assets

For fiscal year 2008, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 45, “Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions”, GASB Statement No. 48, “Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues”, and GASB Statement No. 50, “Pension Disclosures”.

GASB Statement No. 45 improves the relevance and usefulness of financial reporting by requiring systematic, accrual-basis measurement and recognition of OPEB costs over a period that approximates employees’ years of service and providing information about actuarial accrued liabilities associated with OPEB and whether and to what extent progress is being made in funding the plan. An OPEB liability at transition was determined in accordance with this Statement for both the SERS and STRS post-employment healthcare plans in the amounts of \$174,970 and \$1,007,492, respectively, which are the same as the previous reported liabilities.

GASB Statement No. 48 addresses how to account for the exchange of an interest in expected cash flows from collecting specific receivables or specific future revenues for immediate cash payments. The statement established criteria used to determine whether the transaction should be recorded as revenue or as a liability (a sale or a collateralized borrowing). The implementation of this Statement did not result in any change to the financial statements.

GASB Statement No. 50 requires employers contributing to defined pension plans to include the legal or contractual maximum contribution rates in the notes to the financial statements. The implementation of this Statement did not result in any change to the financial statements.

Brooklyn City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

During fiscal year 2008, it was determined that the intergovernmental payable, for the general fund, food service and latchkey special revenue funds was overstated. This restatement had the following effect on fund balance/net assets at June 30, 2007:

| | General Fund | Other Governmental Funds | Total Governmental Funds |
|---------------------------------------|-----------------|--------------------------------|--------------------------------|
| Fund Balances, June 30, 2007 | \$1,244,709 | \$310,115 | \$1,554,824 |
| Intergovernmental Payable | 124,853 | 49,133 | 173,986 |
| Restated Fund Balances, June 30, 2007 | \$1,369,562 | \$359,248 | \$1,728,810 |

| | Governmental Activities |
|------------------------------------|----------------------------|
| Net Assets, June 30, 2007 | \$5,759,895 |
| Intergovernmental Payable | 173,986 |
| Restated Net Assets, June 30, 2007 | \$5,933,881 |

Note 4 – Accountability and Compliance

A. Accountability

At June 30, 2008, the following funds had deficit fund balances:

| | Amounts |
|-------------------------------|---------|
| <i>Special Revenue Funds:</i> | |
| Title VI-B | \$3,028 |
| Title VI | 174 |
| Class Size Reduction | 1,387 |

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

Brooklyn City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

B. Legal Compliance

Contrary to Section 5705.39, Ohio Revised Code, the following funds had final appropriations in excess of final estimated resources plus carryover balance for the fiscal year 2008:

| | Estimated Revenues Plus Carryover Balance | Appropriations | Excess |
|-------------------------------|---|----------------|---------|
| <i>Special Revenue Funds:</i> | | | |
| Title VI-B | \$528,590 | \$536,431 | \$7,841 |
| Title VI | 9,898 | 10,000 | 102 |
| Miscellaneous Federal Grants | 4,316 | 4,401 | 85 |

Contrary to Section 5705.41 (B), Ohio Revised Code, the uniform School Supplies fund expenditures plus encumbrances of \$65,251 exceeded the appropriations by \$10,078.

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

Note 5 - Budgetary Basis of Accounting

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. 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.
4. 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, 2008

Net Change in Fund Balance

| | |
|---|---------------------------|
| GAAP Basis | (\$623,607) |
| Net Adjustment for Revenue Accruals | (297,057) |
| Beginning Unrecorded Cash | 1,018 |
| Ending Unrecorded Cash | (906) |
| Advances In | 221,121 |
| Net Adjustment for Expenditure Accruals | 154,826 |
| Advances Out | <u>(20,163)</u> |
| Budget Basis | <u><u>(\$564,768)</u></u> |

Note 6 - 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, 2008

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.

Investments

As of June 30, 2008, 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, 2008 was \$1,209,295 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 7 - Property Taxes

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar year 2008 represents collections of calendar year 2007 taxes. Real property taxes received in calendar year 2008 were levied after April 1, 2007, on the assessed value listed as of January 1, 2007, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2008 represents collections of calendar year 2007 taxes. Public utility real and tangible personal property taxes received in calendar year 2008 became a lien December 31, 2006, were levied after April 1, 2007 and are collected in 2008 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.

Brooklyn City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

Tangible personal property tax revenue received during calendar year 2008 (other than public utility property) represents the collection of 2008 taxes. Tangible personal property taxes received in calendar year 2008 were levied after April 1, 2007, on the value as of December 31, 2007. 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 2008 is 6.25 percent. This will be reduced to 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; however this year the settlement was late.

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, 2008, are available to finance fiscal year 2008 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, 2008, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the late settlement of tangible personal property taxes and the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is 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, 2008, was \$1,515,612 in the general fund and \$15,309 in the permanent improvement capital projects fund. 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 late tax settlement made by the County for fiscal year 2008 was \$48,281 in the general fund, and \$1,254 in the permanent improvement 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.

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.

The assessed values upon which the fiscal year 2008 taxes were collected are:

| | 2007 Second Half Collections | | 2008 First Half Collections | |
|---|---------------------------------|-----------------|--------------------------------|-----------------|
| | Amount | Percent | Amount | Percent |
| Agricultural/Residential and Other Real Estate | \$328,843,750 | 86.11 % | \$329,987,180 | 90.24 % |
| Public Utility Personal | 17,787,020 | 4.66 | 16,502,840 | 4.51 |
| Tangible Personal Property | 35,242,848 | 9.23 | 19,201,489 | 5.25 |
| Total | \$381,873,618 | 100.00 % | \$365,691,509 | 100.00 % |
| Tax rate per \$1,000 of assessed valuation | \$39.50 | | \$39.50 | |

Brooklyn City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

Note 8 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2008, was as follows:

| | Balance June 30, 2007 | Additions | Deletions | Balance June 30, 2008 |
|---|--------------------------|--------------------|------------|--------------------------|
| Governmental Activities: | | | | |
| Land | \$33,000 | \$0 | \$0 | \$33,000 |
| Capital Assets being Depreciated: | | | | |
| Buildings and Improvements | 7,387,160 | 54,904 | 0 | 7,442,064 |
| Furniture and Equipment | 3,102,780 | 72,112 | 0 | 3,174,892 |
| Vehicles | 686,915 | 0 | 0 | 686,915 |
| <i>Total Capital Assets being Depreciated</i> | <u>11,176,855</u> | <u>127,016</u> | <u>0</u> | <u>11,303,871</u> |
| <i>Less: Accumulated Depreciation:</i> | | | | |
| Buildings and Improvements | (4,175,375) | (116,372) | 0 | (4,291,747) |
| Furniture and Equipment | (2,472,008) | (60,391) | 0 | (2,532,399) |
| Vehicles | (624,912) | (13,403) | 0 | (638,315) |
| <i>Total Accumulated Depreciation</i> | <u>(7,272,295)</u> | <u>(190,166) *</u> | <u>0</u> | <u>(7,462,461)</u> |
| Total Assets being Depreciated, Net | <u>3,904,560</u> | <u>(63,150)</u> | <u>0</u> | <u>3,841,410</u> |
| Governmental Activities, Net | <u>\$3,937,560</u> | <u>(\$63,150)</u> | <u>\$0</u> | <u>\$3,874,410</u> |

* Depreciation expense was charged to governmental activities as follows:

| | |
|------------------------------------|------------------|
| Instruction: | |
| Regular | \$120,006 |
| Support Services: | |
| Administration | 5,082 |
| Operation and Maintenance of Plant | 34,723 |
| Pupil Transportation | 17,082 |
| Food Service Operations | 1,656 |
| Non-Instructional Services | 1,208 |
| Extracurricular Activities | 10,409 |
| Total Depreciation Expense | <u>\$190,166</u> |

Note 9 - Receivables

Receivables at June 30, 2008, 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. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

The School District had an intergovernmental receivable for federal breakfast and lunch grants in the Food Service special revenue fund for \$3,298.

Brooklyn City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

Note 10 - Risk Management

A. Insurance

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The School District contracted with Indiana Insurance Company for comprehensive property insurance (which also includes inland marine, crime, and equipment breakdown). The property insurance coverage was \$48,500,000 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.

C. Workers' Compensation

For fiscal year 2008, the School District participated in the Ohio School Boards' Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (see Note 15). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

Note 11 - Defined Benefit Pension Plans

A. School Employee Retirement System

Plan Description - The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer 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 43215-3746, or by visiting the SERS website at www.oh.sers.org.

Funding Policy - 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 2008, 9.16 percent of annual covered salary was the portion used to fund pension obligations. The contribution

Brooklyn City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2008, 2007 and 2006 were \$174,970, \$193,920 and \$197,633 respectively; 42.58 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

B. State Teachers Retirement System

Plan Description - The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement plan. 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, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at www.strsoh.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 a member's lifetime 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. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. 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. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. 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 of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - For the fiscal year ended June 30, 2008, 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 2007, 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 STRS Ohio for the fiscal years ended June 30, 2008, 2007, and 2006 were \$1,007,492, \$952,505, and \$918,476 respectively; 96.16 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006. Contributions to the DC and Combined Plans for fiscal year 2008 were \$8,125 made by the School District and \$29,210 made by the plan members.

Brooklyn City School District
Notes to the Basic Financial Statements
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C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Retirement System. As of June 30, 2008, three members of the Board of Education have elected Social Security. The contribution rate is 6.2 percent of wages.

Note 12 - Post Employment Benefits

A. School Employee Retirement System

Plan Description – The School District participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746.

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2008, 4.18 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2008, this amount was \$38,202.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The School District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$79,844, \$64,382, and \$68,499 respectively; 42.58 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2008, this actuarially required allocation was 0.66 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2008, 2007, and 2006 were \$12,607, \$13,187, and \$14,273 respectively; 42.58 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

B. State Teachers Retirement System

Plan Description – The School District contributes to the cost sharing multiple employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly

Brooklyn City School District
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For the Fiscal Year Ended June 30, 2008

Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting www.strosoh.org or by calling (888) 227-7877.

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2008, STRS Ohio allocated employer contributions equal to one percent of covered payroll to the Health Care Stabilization Fund. The School District’s contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$77,499, \$73,270, and \$70,652 respectively; 96.16 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

Note 13 - Other Employee Benefits

Compensated Absences

The criteria for determining vacation, personal and sick leave benefits are derived from negotiated agreements and State laws. Only administrative and school support personnel 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. 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.

Brooklyn City School District
Notes to the Basic Financial Statements
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Special Termination Benefits

The School District offers employees participation in a Lump Sum Retirement Buyout. Participation is open to full-time certified employees who qualify for retirement under contract 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 is no liability at June 30, 2008.

Note 14 - Long-Term Obligations

The changes in the School District's long-term obligations during fiscal year 2008 were as follows:

| | Balance 6/30/2007 | Additions | Deletions | Balance 6/30/2008 | Due In One Year |
|-------------------------------|----------------------|-----------|-----------|----------------------|--------------------|
| Governmental-Type Activities: | | | | | |
| Compensated Absences | \$847,203 | \$416,119 | \$216,826 | \$1,046,496 | \$80,094 |

Compensated absences will be paid from the general fund, food service and title I special revenue funds.

The School District's overall legal debt margin was \$32,832,458 with an unvoted debt margin of \$364,805 at June 30, 2008.

Note 15 - Insurance Purchasing Pool

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

Note 16 - Jointly Governed Organizations

A. Polaris Career Center

The Polaris Career Center is a separate body politic and corporate, established by the Ohio Revised Code to provide for the vocational and special education needs of the students. The Board of Education is comprised of representatives from the board of each participating school district. The board is responsible for approving its own budgets, appointing personnel and accounting and finance related activities. Brooklyn City School District students may attend the vocational school. Each school district's control is limited to its representation on the board. The School District did not contribute to Polaris

Brooklyn City School District
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Career Center during fiscal year 2008. 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 121 school districts. The jointly governed organization was created by school districts for the purpose of saving money through volume purchases. Each district supports the Council by paying an annual participation fee. Each school district member superintendent serves as a representative of the Assembly. The Assembly elects five of the Council's Board members and the remaining four are representatives of the Greater Cleveland School Superintendents' Association. The Council operates under a nine-member Board of Directors (the Board). The Board is the policy making authority of the Council. The Board meets monthly September through June. The Board appoints an Executive Director who is responsible for receiving and disbursing funds, investing available funds, preparing financial reports for the Board and Assembly and carrying out such other responsibilities as designated by the Board. In fiscal year 2008, the School District paid \$3,727 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 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.

The School District also participates in the Council's electric purchase program. 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.

C. Lakeshore Northeast Ohio Computer Association (LNOCA)

LNOCA is a jointly governed organization among sixteen school districts and the Cuyahoga County Educational Service Center in Cuyahoga County. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. Each of the districts supports LNOCA based on a per pupil charge and other fee's. The School District paid \$7,229 to LNOCA during the fiscal year 2008.

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

Brooklyn City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

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.

Note 17 - Interfund Transfers and Balances

A. Interfund Transfers

Interfund transfers for the fiscal year ended June 30, 2008 consisted of the following:

| Transfer From | Transfer To General Fund |
|--------------------------|-----------------------------|
| Governmental Activities: | |
| Nonmajor Funds: | |
| Entry Year for Teachers | \$7,600 |
| DPIA | 18,972 |
| Ohio Reads Volunteer | 1,000 |
| Total | \$27,572 |

The transfers to the general fund from the nonmajor special revenue funds were made to refund the general fund for expenditures paid by the general fund on behalf of the special revenue funds.

B. Interfund 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, 2008, consist of an interfund payable from the food service and title VI nonmajor special revenue funds of \$20,000 and \$163, respectively. Both are payable to the general fund and are expected to be repaid within one year.

Note 18 - Contingencies

A. Grants

The School District received financial assistance from federal and State agencies in the form of grants. The disbursements of funds received under these programs generally require compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2008.

B. Litigation

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

Brooklyn City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

Note 19 - 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.

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, 2007 | (\$1,106,234) | \$0 |
| Current Year Set-aside Requirement | 231,288 | 231,288 |
| Permanent Improvement Levy Offset During the Fiscal Year | 0 | (166,274) |
| Qualifying Disbursements | (369,384) | (118,026) |
| Total | (\$1,244,330) | (\$53,012) |
| Set-aside Balance Carried Forward to Future Fiscal Years | (\$1,244,330) | \$0 |
| Set-aside Reserve Balance as of June 30, 2008 | \$0 | \$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 YEAR ENDED JUNE 30, 2008**

| FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title | Federal CFDA Number | Receipts | Non-Cash Receipts | Expenditures | Non-Cash Expenditures |
|---|---------------------------|-------------------------|------------------------|-------------------------|--------------------------|
| U.S. DEPARTMENT OF AGRICULTURE <i>Passed through the Ohio Department of Education</i> | | | | | |
| Nutrition Cluster: | | | | | |
| School Breakfast Program | 10.553 | \$25,935 | | \$25,935 | |
| National School Lunch Program - Commodities | 10.555 | | \$19,472 | | \$19,472 |
| National School Lunch Program | 10.555 | 193,236 | | 193,236 | |
| Total - Nutrition Cluster | | <u>219,171</u> | <u>19,472</u> | <u>219,171</u> | <u>19,472</u> |
| Total U.S. Department of Agriculture - Nutrition Cluster | | <u>219,171</u> | <u>19,472</u> | <u>219,171</u> | <u>19,472</u> |
| U.S. DEPARTMENT OF EDUCATION <i>Passed through the Ohio Department of Education</i> | | | | | |
| Special Education Cluster: | | | | | |
| Special Education Grants | 84.027 | 508,146 | | 525,345 | |
| Preschool Special Education Grants | 84.173 | <u>13,959</u> | | <u>13,766</u> | |
| Total Special Education Cluster | | 522,105 | | 539,111 | |
| Title I | 84.010 | 138,176 | | 143,599 | |
| Safe and Drug-Free Schools and Communities State Grants | 84.186 | 5,467 | | 5,058 | |
| Innovative Education Program Strategies | 84.298 | 5,045 | | 8,408 | |
| Improving Teacher Quality State Grants | 84.367 | 45,158 | | 45,156 | |
| Technology Literacy Challenge Fund Grants | 84.318 | 3,704 | | 3,937 | |
| Total U.S. Department of Education | | <u>719,655</u> | <u>0</u> | <u>745,269</u> | <u>0</u> |
| TOTAL FEDERAL AWARDS RECEIPTS AND EXPENDITURES | | <u>\$938,826</u> | <u>\$19,472</u> | <u>\$964,440</u> | <u>\$19,472</u> |

The accompanying notes are an integral part of this schedule.

**BROOKLYN CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FISCAL YEAR ENDED JUNE 30, 2008**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER

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

NOTE C – FOOD DONATION 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 non-monetary assistance (expenditures) is reported in the Schedule at the fair value of the commodities received.

CFDA – Catalog of Federal Domestic Assistance



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, 2008, which collectively comprise the District's basic financial statements and have issued our report thereon dated April 17, 2009, wherein we noted the District restated their net assets of the governmental activities and the General Fund and Other Governmental Funds fund balances as of June 30, 2007 due to an overstatement of intergovernmental payables. 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 17, 2009.

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 2008-001.

We also noted certain noncompliance or other matters that we reported to the District's management in a separate letter dated April 17, 2009.

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 intend this report solely for the information and use of management, the Board of Education, audit committee, 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 17, 2009



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 Brooklyn City School District (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, 2008. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal program. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the Brooklyn City School District complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended June 30, 2008.

Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the 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 in order 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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www.auditor.state.oh.us

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 management, the Board of Education, audit committee, 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 17, 2009

**BROOKLYN CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2008**

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 Programs (list): | Special Education Cluster: Special Education – Grants to States (IDEA, Part B) – CFDA 84.027 Special Education Preschool Grants – CFDA 84.173 |
| <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? | Yes |

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

FINDING NUMBER 2008-001

Material Noncompliance

Expenditures Exceeding Appropriations Authority

Ohio Rev. Code Section 5705.41(B) prohibits a subdivision or taxing unit from making an expenditure unless it has been properly appropriated.

At March 31, 2008, the following fund had expenditures plus encumbrances in excess of appropriations:

**BROOKLYN CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2008
(CONTINUED)**

FINDING NUMBER 2008-001

Material Noncompliance

Expenditures Exceeding Appropriations Authority (Continued)

| Fund | Total Appropriations | Total Expenditures Plus Encumbrances | Excess |
|-------------------------|---------------------------------|---|---------------|
| Uniform School Supplies | \$55,173 | \$65,251 | (\$10,078) |

Although this violation was corrected by fiscal year end, monitoring appropriations is vital for maintaining sound budgetary practices. By not monitoring appropriations, expenditures plus encumbrances could result in funds exceeding the total available fund balance.

This condition was corrected by fiscal year end.

We recommend the District verify all expenditures and encumbrances have proper appropriation authority prior to expending funds or certifying encumbrances. Further, the District should compare appropriations to expenditures plus encumbrances in all funds which are legally required to be budgeted to maintain compliance with the above requirement.

Official's Response:

The citation is the result of timing differences in filing the amended certificate with the County Budget Commission.

| |
|--|
| 3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS |
|--|

None

**BROOKLYN CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 2008**

| Finding Number | Finding Summary | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i> |
|----------------|---|------------------|--|
| 2007-001 | Ohio Rev. Code Section 5705.41(D) – Obligations were entered into prior to obtaining the treasurer’s certification. | Yes | N/A |



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
JUNE 23, 2009**