



**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 Brooklyn City School District, Cuyahoga County, Ohio (the District), as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of Brooklyn City School District, Cuyahoga County, Ohio, as of June 30, 2010, and the respective changes in financial position thereof and the budgetary comparison for the General fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2010, 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.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements taken as a whole. The federal awards receipts and expenditure schedule provides additional information required by the 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. The federal awards receipts and expenditure schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



**Mary Taylor, CPA**  
Auditor of State

December 2, 2010

**Brooklyn City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2010*  
*Unaudited*

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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, 2010. 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 2010 are as follows:

- The School District has faced declining enrollment the past few years. Enrollment dropped by 43 students in fiscal year 2010 from the prior year; however, it was offset by increased State Foundation revenue and State Fiscal Stabilization funding that took place at the beginning of the fiscal year.
- General revenues accounted for the majority of all revenues, with tax revenues representing the largest share of those revenues. Specific program revenues in the form of charges for services and sales, operating grants, contributions and interest, accounted for the remainder of all revenues.
- Overall expenses increased during fiscal year 2010 due to negotiated salary agreements as well as increased utility costs. Only \$2,312,409 of the School District's expenses was offset by program specific charges for services and sales, operating grants, contributions and interest. Although general revenues were not adequate alone to provide for these programs during fiscal year 2010, management is committed to continue to provide the best education to our students.
- The balance in the School District's governmental funds increased from the prior 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 the School District, the general fund is the most significant fund.

**Brooklyn City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2010*  
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## **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 2010?" 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 School 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 8. 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, 2010*  
*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 2010 compared to the prior year:

Table 1  
Net Assets

	Governmental Activities		
	2010	2009	Change
<b>Assets</b>			
Current and Other Assets	\$16,034,538	\$14,179,186	\$1,855,352
Capital Assets, Net	3,470,952	3,895,494	(424,542)
Total Assets	<u>19,505,490</u>	<u>18,074,680</u>	<u>1,430,810</u>
<b>Liabilities</b>			
Current Liabilities	9,931,417	9,431,544	499,873
Long-Term Liabilities:			
Due Within One Year	162,713	156,541	6,172
Due in More than One Year	993,242	935,364	57,878
Total Liabilities	<u>11,087,372</u>	<u>10,523,449</u>	<u>563,923</u>
<b>Net Assets</b>			
Invested in Capital Assets	3,470,952	3,895,494	(424,542)
Restricted For:			
Other Purposes	342,483	251,136	91,347
Unrestricted	<u>4,604,683</u>	<u>3,404,601</u>	<u>1,200,082</u>
Total Net Assets	<u><u>\$8,418,118</u></u>	<u><u>\$7,551,231</u></u>	<u><u>\$866,887</u></u>

By comparing assets and liabilities, one can see the overall position of the School District has improved as evidenced by the increase in net assets. Management continues to diligently plan expenses, staying carefully within the School District's revenues in an effort to maintain the durations between its levy requests.

Total liabilities increased due to an increase in deferred revenue which occurred because of an increase of real and personal property tax due to full year collection of \$2,254,000 emergency levy money, which is part of the taxes receivable calculation and also grants receivable pending the receipt of the money.

**Brooklyn City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2010*  
*Unaudited*

Table 2 shows the change in net assets for fiscal year 2010 for governmental activities compared to the prior year.

Table 2  
Changes in Net Assets  
Governmental Activities

	2010	2009	Change
<b>Revenues</b>			
Program Revenues:			
Charges for Services and Sales	\$787,543	\$811,591	(\$24,048)
Operating Grants, Contributions and Interest	1,524,866	970,384	554,482
Capital Grants and Contributions	0	2,558	(2,558)
<i>Total Program Revenues</i>	<u>2,312,409</u>	<u>1,784,533</u>	<u>527,876</u>
General Revenues:			
Property Taxes	10,579,029	10,881,834	(302,805)
Grant and Entitlements	4,549,525	4,076,393	473,132
Investment Earnings	319	17,640	(17,321)
Miscellaneous	166,528	145,454	21,074
<i>Total General Revenues</i>	<u>15,295,401</u>	<u>15,121,321</u>	<u>174,080</u>
<b>Total Revenues</b>	<u>17,607,810</u>	<u>16,905,854</u>	<u>701,956</u>
<b>Program Expenses</b>			
Instruction	9,464,252	8,838,389	(625,863)
Support Services:			
Pupil	1,406,570	1,291,121	(115,449)
Instructional Staff	92,702	82,267	(10,435)
Board of Education	33,659	27,572	(6,087)
Administration	1,631,179	1,407,142	(224,037)
Fiscal	649,478	521,367	(128,111)
Business	98,712	86,450	(12,262)
Operation and Maintenance of Plant	1,282,424	1,397,671	115,247
Pupil Transportation	306,132	395,243	89,111
Central	118,587	127,738	9,151
Operation of Non-Instructional Services:			
Food Service Operations	503,980	461,218	(42,762)
Other Non-Instructional Services	355,243	393,735	38,492
Extracurricular Activities	431,306	375,747	(55,559)
<b>Total Program Expenses</b>	<u>16,374,224</u>	<u>15,405,660</u>	<u>(968,564)</u>
Special Item - Impaired Asset	<u>(366,699)</u>	<u>0</u>	<u>(366,699)</u>
<b>Change in Net Assets</b>	866,887	1,500,194	(633,307)
<i>Net Assets Beginning of Year</i>	<u>7,551,231</u>	<u>6,051,037</u>	<u>1,500,194</u>
<i>Net Assets End of Year</i>	<u>\$8,418,118</u>	<u>\$7,551,231</u>	<u>\$866,887</u>

**Brooklyn City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2010*  
*Unaudited*

***Governmental Activities***

Several revenue sources primarily fund the School District's governmental activities. Although property tax revenues brought the largest portion of general revenues having generated \$10,579,029 in fiscal year 2010, taxes decreased compared to fiscal year 2009 as the County Auditor applied a nine percent reduction in assessed valuation effective April 2010. The decrease was partially offset by two commercial property case settlements and a full collection of the \$2,254,000 emergency levy that voters approved on November 4, 2008. Program and general revenues from operating and capital grants and entitlements, such as the school foundation program, is the next largest source of revenue. Through additional Federal and State support, the School District received \$473,132 in grant and entitlements more than the prior fiscal year. 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.

Overall expenses increased due to negotiated increases in salaries as well as increases in healthcare costs. All instructional and administration services expenses increased due to three percent negotiated wage increase given to classified staff coupled with one step increase. Operation and maintenance of plant and pupil transportation expenses decreased mainly due to the closing of Radoan Elementary school.

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	
	2010	2009	2010	2009
Instruction	\$9,464,252	\$8,838,389	(\$8,618,211)	(\$8,401,009)
Support Services:				
Pupil	1,406,570	1,291,121	(1,061,319)	(957,259)
Instructional Staff	92,702	82,267	(67,931)	(55,687)
Board of Education	33,659	27,572	(33,659)	(27,572)
Administration	1,631,179	1,407,142	(1,561,221)	(1,404,667)
Fiscal	649,478	521,367	(649,478)	(521,367)
Business	98,712	86,450	(98,712)	(86,450)
Operation and Maintenance of Plant	1,282,424	1,397,671	(1,272,163)	(1,378,617)
Pupil Transportation	306,132	395,243	(299,084)	(385,782)
Central	118,587	127,738	(113,587)	(122,738)
Operation of Non-Instructional Services				
Food Service Operations	503,980	461,218	(1,612)	10,056
Other Non-Instructional Services	355,243	393,735	(16,242)	(34,419)
Extracurricular Activities	431,306	375,747	(268,596)	(255,616)
Total Expenses	<u>\$16,374,224</u>	<u>\$15,405,660</u>	<u>(\$14,061,815)</u>	<u>(\$13,621,127)</u>

**Brooklyn City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2010*  
*Unaudited*

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The dependence upon general revenues for governmental activities is apparent. 64.61 percent of total expenses are supported through taxes. Program revenues support 14.12 percent of expenses. Grants and entitlements not restricted to specific programs, investments, and other miscellaneous type revenues support the remaining expenses.

**The School District's Funds**

Information regarding the School District's major funds starts on page 13. All governmental funds are accounted for using the modified accrual basis of accounting. The School District's only major fund is the general fund. All governmental funds had total revenues of \$16,451,671 and expenditures of \$16,252,331. The general fund had an increase in fund balance mainly due to an increase in property tax collections due to full year collection of the emergency levy. Other governmental funds had a slight decrease in fund balance from the School District using grant money to provide students with an outstanding education.

**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 2010, 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, the final budgeted revenue was \$20 under actual revenues. The \$664,551 difference between the original and final budgeted amounts 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 \$679,214 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 \$3,038,024.

**Capital Assets and Debt Administration**

*Capital Assets*

Table 4 details fiscal year 2010 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, 2010*  
*Unaudited*

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

	Governmental Activities	
	2010	2009
Land	\$33,000	\$33,000
Buildings and Improvements	2,774,942	3,208,070
Furniture and Equipment	628,374	604,828
Vehicles	34,636	49,596
Total	\$3,470,952	\$3,895,494

All capital assets, except land, are reported net of depreciation. The decrease in capital assets was due to current year depreciation outpacing acquisitions of capital assets, and the impairment of capital assets related to Rodoan Elementary school.

For fiscal year 2010, 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 2010, this amounted to \$235,816 for each purpose. The School District had qualifying disbursements exceeding these requirements. See Note 19 for additional set-aside information.

**Debt**

At June 30, 2010, 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. Although the School District collected a full year of the \$2,254,000 emergency levy proceeds in fiscal year 2010 and approved closing of Rodoan Elementary school at the beginning of fiscal year 2010 to increase utilization of facilities and to offset overall expenditures, these were offset by a nine percent decrease in property tax valuation applied by the County Auditor and decreases in tuition and interest revenues.

During fiscal year 2010, employee benefits increased proportionally to salaries and staffing with a trend of 33 percent. Furthermore, hospitalization costs have increased by 14 percent due to dramatic increase in utilization and inflation. Supplies and materials increased as instructional materials and computers were purchased.

H.B. 66 eliminated the tangible personal property tax. The tax had previously generated about \$2.9 million per year for the School District. At the same time the tangible personal property tax phase-out occurred, the phase-in of the H.B. 66 personal property tax loss reimbursement mechanism began to make payments to school districts to help offset the loss of personal property tax collections. The phase-out period has been extended to 2018. The reimbursement rate will drop to 52 percent for 2014, 41 percent for 2015, 29 percent for 2016, 17 percent for 2017, and 6 percent for 2018.

**Brooklyn City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2010*  
*Unaudited*

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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. Under the leadership of the Superintendent and the Board of Education, the School District placed a 29.7 million dollar bond issue on the November 2, 2010 ballot. The bond issue levy failed. The purpose of the bond issue was to construct and renovate a “multi usage-multi” generational k-12 school facility. The new facility would have increased revenue from business partners, while decreasing maintenance cost on aging facilities.

**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](mailto:marti.ferian@brooklyn.k12.oh.us).

# Brooklyn City School District

## Statement of Net Assets

June 30, 2010

	Governmental Activities
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$3,584,997
Accounts Receivable	68
Intergovernmental Receivable	226,765
Prepaid Items	3,055
Materials and Supplies Inventory	16,148
Inventory Held for Resale	3,770
Property Taxes Receivable	12,199,735
Non-depreciable Capital Assets	33,000
Depreciable Capital Assets, Net	3,437,952
<i>Total Assets</i>	<u>19,505,490</u>
<b>Liabilities</b>	
Accounts Payable	57,564
Accrued Wages and Benefits	992,090
Intergovernmental Payable	426,251
Deferred Revenue	8,455,512
Long-Term Liabilities:	
Due Within One Year	162,713
Due In More Than One Year	993,242
<i>Total Liabilities</i>	<u>11,087,372</u>
<b>Net Assets</b>	
Invested in Capital Assets	3,470,952
Restricted for:	
Special Trust	96,754
Uniform School Supplies	34,713
Public School Support	24,117
Latchkey "Kats"	38,860
Athletics and Music	51,221
Other Purposes	96,818
Unrestricted	4,604,683
<i>Total Net Assets</i>	<u><u>\$8,418,118</u></u>

See accompanying notes to the basic financial statements

**Brooklyn City School District**  
*Statement of Activities*  
For the Fiscal Year Ended June 30, 2010

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services and Sales	Operating Grants, Contributions and Interest	Governmental Activities
<b>Governmental Activities</b>				
Instruction:				
Regular	\$7,098,922	\$188,625	\$124,114	(\$6,786,183)
Special	2,248,610	45,898	484,177	(1,718,535)
Vocational	116,720	3,227	0	(113,493)
Support Services:				
Pupil	1,406,570	0	345,251	(1,061,319)
Instructional Staff	92,702	8,244	16,527	(67,931)
Board of Education	33,659	0	0	(33,659)
Administration	1,631,179	0	69,958	(1,561,221)
Fiscal	649,478	0	0	(649,478)
Business	98,712	0	0	(98,712)
Operation and Maintenance of Plant	1,282,424	1,820	8,441	(1,272,163)
Pupil Transportation	306,132	7,048	0	(299,084)
Central	118,587	0	5,000	(113,587)
Operation of Non-Instructional Services:				
Food Service Operations	503,980	227,471	274,897	(1,612)
Other Non-Instructional Services	355,243	143,524	195,477	(16,242)
Extracurricular Activities	431,306	161,686	1,024	(268,596)
<i>Totals</i>	<u>\$16,374,224</u>	<u>\$787,543</u>	<u>\$1,524,866</u>	<u>(14,061,815)</u>
<b>General Revenues</b>				
Property Taxes Levied for:				
General Purposes				10,473,604
Capital Projects				105,425
Grants and Entitlements not Restricted to Specific Programs				4,549,525
Investment Earnings				319
Miscellaneous				166,528
<i>Total General Revenues</i>				<u>15,295,401</u>
Special Item - Impaired Asset				<u>(366,699)</u>
<i>Total General Revenues and Special Item</i>				<u>14,928,702</u>
Change in Net Assets				866,887
<i>Net Assets Beginning of Year</i>				<u>7,551,231</u>
<i>Net Assets End of Year</i>				<u><u>\$8,418,118</u></u>

See accompanying notes to the basic financial statements



**Brooklyn City School District***Balance Sheet**Governmental Funds**June 30, 2010*

	General	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$3,023,034	\$548,622	\$3,571,656
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	13,341	0	13,341
Accounts Receivable	68	0	68
Intergovernmental Receivable	14,301	212,464	226,765
Prepaid Items	2,089	966	3,055
Materials and Supplies Inventory	13,060	3,088	16,148
Inventory Held for Resale	0	3,770	3,770
Interfund Receivable	249,611	0	249,611
Property Taxes Receivable	12,072,848	126,887	12,199,735
<i>Total Assets</i>	<u>\$15,388,352</u>	<u>\$895,797</u>	<u>\$16,284,149</u>
 <b>Liabilities and Fund Balances</b>			
<b>Liabilities</b>			
Accounts Payable	\$21,604	\$35,960	\$57,564
Accrued Wages and Benefits	944,325	47,765	992,090
Intergovernmental Payable	354,835	71,416	426,251
Interfund Payable	0	249,611	249,611
Deferred Revenue	10,880,049	321,753	11,201,802
<i>Total Liabilities</i>	<u>12,200,813</u>	<u>726,505</u>	<u>12,927,318</u>
 <b>Fund Balances</b>			
Reserved for Encumbrances	0	20,985	20,985
Reserved for Property Taxes	1,187,872	7,497	1,195,369
Reserved for Bus Purchases	13,341	0	13,341
Unreserved, Undesignated			
Reported in:			
General Fund	1,986,326	0	1,986,326
Special Revenue Funds	0	179,403	179,403
Capital Projects Fund (Deficit)	0	(38,593)	(38,593)
<i>Total Fund Balances</i>	<u>3,187,539</u>	<u>169,292</u>	<u>3,356,831</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$15,388,352</u>	<u>\$895,797</u>	<u>\$16,284,149</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, 2010*

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<b>Total Governmental Fund Balances</b>		<b>\$3,356,831</b>
 <i>Amounts reported for governmental activities in the statement of net assets are different because</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		3,470,952
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.		
Property Taxes	2,543,820	
Grants	<u>202,470</u>	
Total		2,746,290
Long-term liabilities, such as compensated absences, are not due and payable in the current period and therefore are not reported in the funds.		<u>(1,155,955)</u>
<i>Net Assets of Governmental Activities</i>		<u><u>\$8,418,118</u></u>

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, 2010*

	General	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>			
Property Taxes	\$9,523,277	\$102,083	\$9,625,360
Intergovernmental	4,543,432	1,316,362	5,859,794
Interest	319	11	330
Tuition and Fees	187,184	96,120	283,304
Extracurricular Activities	0	161,686	161,686
Contributions and Donations	0	12,116	12,116
Charges for Services	0	340,733	340,733
Rentals	1,820	0	1,820
Miscellaneous	124,509	42,019	166,528
<i>Total Revenues</i>	<u>14,380,541</u>	<u>2,071,130</u>	<u>16,451,671</u>
<b>Expenditures</b>			
Current:			
Instruction:			
Regular	6,802,755	188,574	6,991,329
Special	1,901,771	341,431	2,243,202
Vocational	110,579	7,217	117,796
Support Services:			
Pupil	1,056,097	333,230	1,389,327
Instructional Staff	90,507	8,040	98,547
Board of Education	33,659	0	33,659
Administration	1,535,346	67,079	1,602,425
Fiscal	653,480	0	653,480
Business	98,712	0	98,712
Operation and Maintenance of Plant	1,170,309	77,455	1,247,764
Pupil Transportation	283,705	0	283,705
Central	121,211	3,000	124,211
Operation of Non-Instructional Services:			
Food Service Operations	0	474,058	474,058
Other Non-Instructional Services	0	338,987	338,987
Extracurricular Activities	267,482	161,124	428,606
Capital Outlay	42,788	83,735	126,523
<i>Total Expenditures</i>	<u>14,168,401</u>	<u>2,083,930</u>	<u>16,252,331</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>212,140</u>	<u>(12,800)</u>	<u>199,340</u>
<b>Other Financing Sources (Uses)</b>			
Transfers In	0	19,323	19,323
Transfers Out	0	(19,323)	(19,323)
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	212,140	(12,800)	199,340
<i>Fund Balances Beginning of Year</i>	<u>2,975,399</u>	<u>182,092</u>	<u>3,157,491</u>
<i>Fund Balances End of Year</i>	<u><u>\$3,187,539</u></u>	<u><u>\$169,292</u></u>	<u><u>\$3,356,831</u></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, 2010*

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<b>Net Change in Fund Balances - Total Governmental Funds</b>	<b>\$199,340</b>
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*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 Outlay	142,940	
Current Year Depreciation	(200,783)	
Depreciation - Impaired Asset	(366,699)	
Total		(424,542)

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

Property Taxes	953,669	
Grants	202,470	
Total		1,156,139

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.

(64,050)
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<i>Change in Net Assets of Governmental Activities</i>	<u><u>\$866,887</u></u>
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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, 2010*

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Revenues</b>				
Property Taxes	\$10,783,480	\$11,247,414	\$11,247,427	\$13
Intergovernmental	4,356,019	4,543,426	4,543,432	6
Interest	306	319	319	0
Tuition and Fees	180,774	188,552	188,552	0
Rentals	1,745	1,820	1,820	0
Miscellaneous	124,224	129,568	129,569	1
<i>Total Revenues</i>	<u>15,446,548</u>	<u>16,111,099</u>	<u>16,111,119</u>	<u>20</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	7,115,978	6,788,207	6,788,207	0
Special	1,972,741	1,881,874	1,881,874	0
Vocational	115,167	109,862	109,862	0
Support Services:				
Pupil	1,082,721	1,032,849	1,032,849	0
Instructional Staff	87,774	83,731	83,731	0
Board of Education	35,222	33,600	33,600	0
Administration	1,560,756	1,488,865	1,488,865	0
Fiscal	663,764	633,190	633,190	0
Business	106,348	101,449	101,449	0
Operation and Maintenance of Plant	1,241,173	1,182,593	1,182,593	0
Pupil Transportation	311,792	297,430	297,430	0
Central	133,007	126,596	126,596	0
Extracurricular Activities	276,319	263,592	263,592	0
Capital Outlay	43,078	42,788	42,788	0
<i>Total Expenditures</i>	<u>14,745,840</u>	<u>14,066,626</u>	<u>14,066,626</u>	<u>0</u>
<i>Excess of Revenues Over Expenditures</i>	<u>700,708</u>	<u>2,044,473</u>	<u>2,044,493</u>	<u>20</u>
<b>Other Financing Sources (Uses)</b>				
Advances In	101,111	101,111	101,111	0
Advances Out	(99,611)	(99,611)	(99,611)	0
<i>Total Other Financing Sources (Uses)</i>	<u>1,500</u>	<u>1,500</u>	<u>1,500</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	702,208	2,045,973	2,045,993	20
<i>Fund Balance Beginning of Year</i>	<u>992,031</u>	<u>992,031</u>	<u>992,031</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$1,694,239</u>	<u>\$3,038,004</u>	<u>\$3,038,024</u>	<u>\$20</u>

See accompanying notes to the basic financial statements

**Brooklyn City School District**  
*Statement of Fiduciary Assets and Liabilities*  
*Agency Fund*  
*June 30, 2010*

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**Assets**

Equity in Pooled Cash and Cash Equivalents	<u><u>\$15,503</u></u>
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**Liabilities**

Due to Students	<u><u>\$15,503</u></u>
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See accompanying notes to the basic financial statements

**Brooklyn City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2010*

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

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

The Brooklyn City School District operates under a locally-elected five member board form of government and provides educational services as authorized and mandated by State and federal agencies. The Board controls the School District's one elementary school, a middle school and a high school, staffed by 8 full-time and 57 part-time classified personnel, 98 certified teaching personnel, 11 administrators, and 1 supervisor and 2 exempted employees who provide services to community members and 1,463 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 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

**Brooklyn City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2010*

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Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental activities unless those pronouncements conflict with or contradict GASB pronouncements. The more significant of the School District's accounting policies are described below.

***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 (primarily supported by taxes and intergovernmental revenues) and those that are considered business-type activities (primarily supported by fees and charges). 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.

***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, 2010*

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**General Fund** The general fund is the operating fund of the School District and is used to account for all financial resources except those required to be accounted for in another fund. The general fund balance is available to the School District for any purpose provided it is expended or transferred according to the general laws of Ohio.

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.

**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.

**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.

**Brooklyn City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2010*

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Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. (See Note 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, 2010, but which were levied to finance fiscal year 2011 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.

***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, except the general fund, without resolution by the Board of Education.

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. Prior to year-end, the School District requested and received an amended certificate of estimated resources that closely reflects actual revenue for the fiscal year. The amounts reported as the original and final budgeted amounts in the budgetary

**Brooklyn City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2010*

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statements reflect the amounts in the amended certificate that was in effect at the time the original and final appropriations were passed by the Board of Education.

The appropriation resolution is subject to amendment by the Board throughout the fiscal year with the restriction that appropriations may not exceed estimated resources by fund. The amounts reported as the 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 fiscal year-end, the School District passed an amended appropriation measure which matched appropriations to expenditures plus encumbrances in the majority of categories.

***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.

Effective March 22, 2010, the Board of Education approved suspending the Key Bank Victory Federal Money Market Mutual fund account; therefore, the School District had no investments at June 30, 2010.

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 2010 amounted to \$319, which includes \$41 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.

***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.

***Prepays***

Payments made to vendors for services that will benefit periods beyond June 30, 2010, 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.

***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, 2010*

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***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

***Interfund Balances***

On fund financial statements, outstanding interfund loans and unpaid amounts for interfund services are reported as "interfund receivables/payables". Interfund balances are eliminated in the governmental activities column of the statement of net assets.

***Compensated Absences***

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

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

**Brooklyn City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2010*

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***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.

***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.

Net assets restricted for other purposes include resources restricted for wellness center, local grant programs, auxiliary services, and education management information systems (EMIS).

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

***Internal Activity***

Transfers between governmental activities are eliminated on the government-wide financial statements. 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 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 to the funds that initially paid for them are not presented on the financial statements.

***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.

**Brooklyn City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2010*

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***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.

The School District is reporting a special item during fiscal year 2010 in the amount of \$366,699. The School District closed Rodoan Elementary school at the beginning of fiscal year 2010 due to declining revenues and open enrollment, and was one of the several cost-saving ways to reduce the overall School District's expenditures. Since Rodoan Elementary school was closed during fiscal year 2010, it was deemed to be impaired under guidelines of GASB Statement No.42 "Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries". Due to the impairment of Rodoan Elementary school, the carrying value of this asset as of June 30, 2010 was \$114,300 and the impairment of \$366,699 is shown as a special item. For more information see Note 8, Capital Assets.

***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 – Changes in Accounting Principles**

For fiscal year 2010, the School District has implemented Governmental Accounting Standard Board (GASB) Statement No. 51, "Accounting and Reporting for Intangible Assets", Statement No. 53, "Accounting and Financial Reporting for Derivative Instruments", Statement No. 57, "OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans", and Statement No. 58, "Accounting and Financial Reporting for Chapter 9 Bankruptcies".

GASB Statement No. 51 establishes accounting and financial reporting requirements for intangible assets to reduce inconsistencies thereby enhancing the comparability of accounting and financial reporting of such assets among state and local governments. The implementation of this statement did not result in any change to the School District's financial statements.

GASB Statement No. 53 enhances the usefulness and comparability of derivative instrument information reported by state and local governments. This Statement provides a comprehensive framework for the measurement, recognition, and disclosure of derivative instrument transactions. The implementation of this statement did not result in any change to the School District's financial statements.

GASB Statement No. 57 addresses issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit (OPEB) plans (that is, agent employers). The requirements in this Statement will allow more agent employers to use the alternative measurement method to produce actuarially based information for purposes of financial reporting and clarify that OPEB measures reported by agent multiple-employer OPEB plans and their participating employers should be determined at the same minimum frequency and as of a common date to improve the consistency of reporting with regard to funded status and funding progress information. The implementation of this statement did not result in any change in the School District's financial statements.

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GASB Statement No. 58 provides accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. The requirements in this Statement will provide more consistent recognition, measurement, display, and disclosure guidance for governments that file for Chapter 9 bankruptcy. The implementation of this statement did not result in any change in the School District's financial statements.

**Note 4 – Fund Deficits**

At June 30, 2010, the following funds had deficit fund balances:

	<u>Amounts</u>
<i>Special Revenue Funds:</i>	
Title VI-B	\$98,610
Title II-D Technology	347
Title III	1,525
Title I	16,602
Drug Free Schools	598
Preschool	3,429
Classroom Size Reduction	7,392
 <i>Capital Projects Fund:</i>	
Permanent Improvement	31,096

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.

**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.

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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.

Net Change in Fund Balance	
GAAP Basis	\$212,140
Net Adjustment for Revenue Accruals	1,729,884
Beginning Unrecorded Cash	(955)
Ending Unrecorded Cash	1,649
Advances In	101,111
Net Adjustment for Expenditure Accruals	101,775
Advances Out	<u>(99,611)</u>
Budget Basis	<u><u>\$2,045,993</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



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

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

### ***Deposits***

***Custodial Credit Risk*** Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year-end, \$3,411,651 of the School District's bank balance of \$3,602,149 was uninsured and uncollateralized. Although collateral securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

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

### **Note 7 - Property Taxes**

Property taxes are levied and assessed on a calendar year basis while the School District's fiscal year runs from July through June. First-half tax distributions are received by the School District in the second half of the fiscal year. Second-half tax distributions are received 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 2010 represents collections of calendar year 2009 taxes. Real property taxes received in calendar year 2010 were levied after April 1, 2009, on the assessed value listed as of January 1, 2009, the lien date. Assessed values for real property taxes are established by State statute at thirty-five percent of appraised market

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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 revenues received in calendar year 2010 represent the collections of calendar year 2009 taxes. Public utility real and tangible personal property taxes received in calendar year 2010 became a lien December 31, 2008, were levied after April 1, 2009 and are collected with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenues received in calendar year 2010 (other than public utility property) represent the collection of calendar year 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property taxes received from telephone companies in calendar year 2010 were levied after October 1, 2009, on the value as of December 31, 2009. Amounts paid 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.

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, 2010, are available to finance fiscal year 2010 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents the late personal property tax settlement, real property, public utility property, and tangible personal property taxes which were measurable as of June 30, 2010, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 and the late personal property tax settlement were levied to finance current fiscal year operations and are reflected 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, 2010, was \$1,187,872 in the general fund and \$7,497 in the permanent improvement capital projects fund. The amount available as an advance at June 30, 2009, was \$2,189,510 in the general fund and \$22,116 in the permanent improvement capital projects fund. The difference was in the timing and collection by the County Auditor.

The late tax settlement made by the County for fiscal year 2010 was \$4,927 in the general fund, and \$107 in the permanent improvement capital projects fund. The late tax settlement made by the County for fiscal year 2009 was \$727,439 in the general fund, and \$16,023 in the permanent improvement capital projects fund. The difference was in the timing and collection by the County Auditor.

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

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The assessed values upon which fiscal year 2010 taxes were collected are:

	2009 Second		2010 First	
	Half Collections		Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$330,470,180	92.63 %	\$313,790,010	94.89 %
Public Utility Personal	16,554,810	4.64	16,902,930	5.11
Tangible Personal Property	9,750,984	2.73	0	0.00
<b>Total</b>	<b>\$356,775,974</b>	<b>100.00 %</b>	<b>\$330,692,940</b>	<b>100.00 %</b>
 Tax rate per \$1,000 of assessed valuation	 \$46.40		 \$47.00	

Effective April 2010, the Cuyahoga County Auditor applied a nine percent decrease in property tax values for the School District; therefore, the School District's millage rates were increased in order to generate the approved emergency levy dollar amount.

**Note 8 - Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2010, was as follows:

	Balance June 30, 2009	Additions	Deletions	Balance June 30, 2010
<b><i>Governmental Activities:</i></b>				
Land	\$33,000	\$0	\$0	\$33,000
<b><i>Capital Assets being Depreciated:</i></b>				
Buildings and Improvements	7,618,489	55,413	0	7,673,902
Furniture and Equipment	3,196,526	87,527	3,693	3,280,360
Vehicles	702,481	0	0	702,481
<b><i>Total Capital Assets being Depreciated</i></b>	<b>11,517,496</b>	<b>142,940</b>	<b>3,693</b>	<b>11,656,743</b>
<b><i>Less: Accumulated Depreciation:</i></b>				
Buildings and Improvements	(4,410,419)	(488,541)	0	(4,898,960)
Furniture and Equipment	(2,591,698)	(63,981)	(3,693)	(2,651,986)
Vehicles	(652,885)	(14,960)	0	(667,845)
<b><i>Total Accumulated Depreciation</i></b>	<b>(7,655,002)</b>	<b>(567,482)*</b>	<b>(3,693)</b>	<b>(8,218,791)</b>
<b>Total Assets being Depreciated, Net</b>	<b>3,862,494</b>	<b>(424,542)</b>	<b>0</b>	<b>3,437,952</b>
<b>Governmental Activities, Net</b>	<b>\$3,895,494</b>	<b>(\$424,542)</b>	<b>\$0</b>	<b>\$3,470,952</b>

The School District closed Rodoan Elementary school at the beginning of fiscal year 2010, moving the students to Brookridge Elementary school. The intent of the building closing was to offset the effects of lost revenues due to the decrease in property tax valuation and also to increase utilization of facilities and reduce overall expenditures. As a result, Rodoan Elementary school is considered an impaired asset according to GASB Statement No. 42 "Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries". Due to the impairment of Rodoan Elementary, the carrying value

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of this asset as of June 30, 2010 was reduced from \$480,999 to \$114,300. The impairment of \$366,699 is shown as a special item and added to accumulated depreciation.

\* Depreciation expense was charged to governmental activities as follows:

Instruction:	
Regular	\$119,502
Support Services:	
Administration	3,150
Operation and Maintenance of Plant	55,121
Pupil Transportation	17,082
Central	240
Food Service Operations	1,935
Non-Instructional Services	1,053
Extracurricular Activities	2,700
Total Depreciation Expense	200,783
Depreciation: Impaired Asset - Special Item	366,699
Total Current Year Depreciation	\$567,482

**Note 9 - Receivables**

Receivables at June 30, 2010, consisted of taxes, accounts (extracurricular, tuition and other), 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.

A summary of the principal items of intergovernmental receivables follows:

Governmental Activities	Amount
Title VI-B	\$97,814
Title I	96,476
Educational Service Center	7,275
Federal Lunch Reimbursement	7,234
Cuyahoga County Refund	6,458
Auxiliary Services	3,376
Title II-D Technology	1,961
Title III	1,768
Federal Breakfast Reimbursement	1,285
Department of Jobs and Services	1,193
Preschool	906
Drug Free Schools	575
Classroom Size Reduction	444
<i>Total Intergovernmental Receivables</i>	\$226,765

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**Note 10 - Risk Management**

***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 Ohio Casualty Insurance Company for comprehensive property, inland marine coverage, crime coverage, general liability and automobile liability. The property insurance coverage was \$53,768,090 with a \$1,000 deductible for fiscal year 2010. The inland marine coverage was \$20,000 with a \$250 deductible for computer hardware and software, \$5,000 with a \$250 deductible for extra computer expenses, \$100,000 aggregate or \$10,000 per occurrence for computer property in transit, \$100,000 with a \$1,000 deductible for musical instruments and \$66,973 with a \$1,000 deductible for miscellaneous school property which included band uniforms, athletic equipment, cameras and audio-visual equipment, fine arts, signs and wellings under construction in vocational classes. Crime coverage was \$25,000 with a \$1,000 deductible for public employee dishonesty blanket bonds, forgery, theft, safe burglary, disappearance, destruction and computer fraud. General liability coverage was \$2,000,000 aggregate with no deductible and included violent event response coverage. Automobile liability coverage had 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.

***Bonding***

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

***Workers' Compensation***

For fiscal year 2010, 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 - Pension Plans**

***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

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information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

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 2010, 12.78 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended 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, 2010, 2009, and 2008 were \$232,478, \$135,746, and \$174,970, respectively; 30.53 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

***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](http://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, 2010, 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 2009, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers

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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, 2010, 2009, and 2008 were \$969,913, \$921,008, and \$1,007,492, respectively; 83.92 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008. Contributions to the DC and Combined Plans for fiscal year 2010 were \$46,209 made by the School District and \$33,006 made by the plan members.

***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, 2010, four members of the Board of Education have elected Social Security. The contribution rate is 6.2 percent of wages.

**Note 12 - Post Employment Benefits**

***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 the year ended June 30, 2010, 0.46 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 2010, this amount was \$35,800. During fiscal year 2010, the School District paid \$27,286 in surcharge.

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, 2010, 2009, and 2008 were \$35,654, \$91,991, and \$79,844, respectively; 30.53 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

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The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2010, this actuarially required allocation was 0.76 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2010, 2009, and 2008 were \$13,825, \$11,200, and \$12,607, respectively; 30.53 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

***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 Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting [www.strsoh.org](http://www.strsoh.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 2010, 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, 2010, 2009, and 2008 were \$74,609, \$70,847, and \$77,499, respectively; 83.92 percent has been contributed for fiscal year 2010, and 100 percent for fiscal years 2009 and 2008.

**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 two exempt employees earn three weeks vacation leave per fiscal year. School support personnel earn annual vacation leave as follows:

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

Each staff member is entitled to fifteen days sick leave with pay each year. The sick leave accrues at the rate of one and one fourth days for each calendar month. Upon retirement, an employee is paid a severance benefit, calculated at current wage rates, for the value of thirty-two percent of their accumulative sick leave up to a maximum of 310 accumulated days for certified employees with the balance being forfeited and an unlimited number of accumulated days for classified employees. The severance benefit for classified employees who retire the first year they become eligible and who have at least five years of service with the School District may elect to receive a cash payment equal to fifty percent of their accumulated, unused sick leave to an unlimited number of days. The severance benefit for



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employees who retire after June 30th of the first year they become eligible and who have at least five years of service with the School District shall receive a cash payment equal to thirty-two percent of their accumulated, unused sick leave to an unlimited number of days. Employees receiving such payments must meet the retirement provisions set by STRS Ohio or SERS.

***Life Insurance Benefits***

Life insurance is offered to all full-time employees in the amount of \$50,000 through Assurant Life Insurance Company with payment of \$6.50 per month. The administration is covered for \$100,000 with payments of \$13.00 per month.

***Health Insurance Benefits***

The School District provides medical and hospitalization, prescription drug, dental and vision insurance to all full-time employees through Medical Mutual of Ohio. For medical and hospitalization insurance provided by network providers, the deductible is \$100 for single and \$200 for family with a twenty percent co-payment and an out-of-pocket maximum of \$400 for single and \$800 for family. For non-network providers, the deductible is \$200 for single and \$400 for family with a thirty six percent co-payment and an out-of-pocket maximum of \$2,500 for single and \$5,000 for family.

For prescription drug insurance, employees pay \$5 for generic and \$10 for brand name drugs purchased from retail establishments. They pay \$10 for generic and \$20 for brand name drugs purchased from mail order drug companies.

Dental insurance is provided on a calendar year basis with a \$1,000 maximum and \$50 deductible for single and \$150 deductible for family. Preventative service is reimbursed one hundred percent with no deductible, essential service is reimbursed eighty percent, complex services are reimbursed sixty percent and orthodontics is reimbursed sixty percent with a lifetime maximum of \$1,200.

***Special Termination Benefits***

The School District offers employees participation in a Lump Sum Retirement Buyout. Participation is open to full-time employees who qualify for retirement under contract and have 25 years of service (15 years of service must be with the 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 to certified employees and 8 percent of base pay to classified employees 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. on March 15 of the school year of retirement. Employees participating in the Plan are usually paid the last pay of the fiscal year and therefore, there is no liability at June 30, 2010.

**Note 14 - Contingencies**

***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

**Brooklyn City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2010*

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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, 2010.

***Litigation***

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

**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**

***Polaris Career Center***

The Polaris Career Center is a separate body politic and corporate, established by the Ohio Revised Code to provide for the vocational and special education needs of the students. The Board of Education is comprised of representatives from the board of each participating school district. The Board is responsible for approving its own budgets, appointing personnel and accounting and finance related activities. Brooklyn City School District students may attend the vocational school. Each school district's control is limited to its representation on the board. The School District did not contribute to Polaris Career Center during fiscal year 2010. Financial information can be obtained by contacting the Treasurer at the Polaris Career Center, 7285 Old Oak Boulevard, Middleburg Heights, Ohio 44130.

***Ohio Schools' Council***

The Ohio Schools Council (Council) is a jointly governed organization among 126 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's 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 to 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 2010, the School District paid \$400 to the Council. Financial information can be obtained by contacting Dr. David A. Cottrell, the Executive Director of the Ohio Schools Council at 6133 Rockside Road, Suite 10, Independence, Ohio 44131.

The School District participates in the natural gas purchase program. This program allows the School District to purchase natural gas at reduced rates. Energy USA served as the natural gas supplier and program manager from October 1, 2008 to September 30, 2010. Compass Energy has been selected as the new supplier and program manager for the period from October 1, 2010 through March 31, 2013. There

**Brooklyn City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2010*

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are currently 143 participants in the program including the Brooklyn School District. 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, 2008 or January 1, 2009 and ending December 31, 2011. 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.

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

The Lakeshore Northeast Ohio Computer Association (LNOCA) is a jointly governed computer service bureau owned and operated by eleven public school districts. The primary function of LNOCA is to provide data services to the eleven member districts. Major areas of service provided by LNOCA include accounting, payroll, inventory, career guidance services, handicapped student tracking, pupil scheduling, attendance reporting and grade reporting. Each school is represented on the LNOCA Board of Directors by its superintendent. Each year, the Board of Directors elects a Chairman, a Vice Chairman and a Recording Secretary. The Treasurer of the fiscal agent is a nonvoting, ex-officio member of the Board of Directors. The Cuyahoga County Educational Service Center serves as the fiscal agent of LNOCA. Each school district supports LNOCA based upon a per pupil charge dependent upon the software packages used. Brooklyn City School District paid \$54,461 to LNOCA during fiscal year 2010. Financial information can be obtained by contacting the Treasurer of the fiscal agent at 5700 West Canal Road, Valley View, Ohio 44125.

**Note 17 - Interfund Activities**

***Interfund Transfer***

A transfer of \$19,323 was made from the preschool tuition special revenue fund into the latchkey "Kats" special revenue fund for preschool program fees as the result of the closing of Roodan Elementary School.

***Interfund Balances***

The School District advanced money from the general fund to the special revenue funds in the amount of \$99,611 to support the funds programs pending the receipts of grant money. All are payable to the general fund and are expected to be repaid in fiscal year 2011.

**Brooklyn City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2010*

**Note 18 - Long-Term Obligations**

The changes in the School District's long-term obligation during fiscal year 2010 were as follows:

	<u>Balance</u> <u>6/30/2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>6/30/2010</u>	<u>Due In</u> <u>One Year</u>
Governmental-Type Activities:					
Compensated Absences	\$1,091,905	\$142,857	\$78,807	\$1,155,955	\$162,713

Compensated absences will be paid from the general fund, food service, Latchkey "KATS", and Title I special revenue funds.

The School District's overall legal debt margin was \$28,195,353 with an unvoted debt margin of \$313,282 at June 30, 2010.

**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.

	<u>Textbooks</u>	<u>Capital</u> <u>Improvements</u>
Set-aside Reserve Balance as of June 30, 2009	(\$1,133,173)	\$0
Current Year Set-aside Requirement	235,816	235,816
Permanent Improvement Levy Offset During the Fiscal Year	0	(132,618)
Qualifying Disbursements	(246,168)	(137,930)
Total	<u>(\$1,143,525)</u>	<u>(\$34,732)</u>
Set-aside Balance Carried Forward to Future Fiscal Years	<u>(\$1,143,525)</u>	<u>\$0</u>
Set-aside Reserve Balance as of June 30, 2010	<u>\$0</u>	<u>\$0</u>

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**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2010*

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**Note 20 – Subsequent Events**

In response to commercial properties filing for decreases for tax year 2009, the Board of Education has filed over 37 counter-complaints with the Cuyahoga County Board of Revision. The total amount of tax dollars that could be lost by the School District exceeds \$877,000.

The Board of Education placed a 29.7 million dollar bond issue on the November 2, 2010 ballot. The bond issue levy failed. The bond issue levy was an attempt to construct and renovate a “multi usage-multi” generational k-12 school facility. The new facility would have increased revenue from business partners, while decreasing maintenance cost on aging facilities.

**Brooklyn City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2010*

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**BROOKLYN CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2010**

<b>FEDERAL GRANTOR Pass Through Grantor Program Title</b>	<b>Federal CFDA Number</b>	<b>Receipts</b>	<b>Non-Cash Receipts</b>	<b>Expenditures</b>	<b>Non-Cash Expenditures</b>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>					
<i>Passed Through Ohio Department of Education</i>					
Nutrition Cluster:					
School Breakfast Program	10.553	\$39,384	\$0	\$39,384	\$0
National School Lunch Program	10.555	232,834	17,821	232,834	17,821
<b>Total U.S. Department of Agriculture</b>		<u>272,218</u>	<u>17,821</u>	<u>272,218</u>	<u>17,821</u>
<b>U.S. DEPARTMENT OF EDUCATION</b>					
<i>Passed Through Ohio Department of Education</i>					
Special Education Cluster:					
Special Education Grants - FY 2009	84.027	0	0	8	0
Special Education Grants - FY 2010	84.027	255,865	0	228,994	0
Special Education Grants - FY 2010 - ARRA	84.391	143,686	0	142,206	0
Subtotal Special Education Grants		<u>399,551</u>	<u>0</u>	<u>371,208</u>	<u>0</u>
Preschool Grants - FY 2010	84.173	10,053	0	10,053	0
Preschool Grants - FY 2010 - ARRA	84.392	5,000	0	5,000	0
Subtotal Preschool Grant		<u>15,053</u>	<u>0</u>	<u>15,053</u>	<u>0</u>
Total Special Education Cluster		<u>414,604</u>	<u>0</u>	<u>386,261</u>	<u>0</u>
Safe and Drug-Free Schools and Communities Safe Grants - FY 2010	84.186	4,366	0	4,167	0
Title I Cluster:					
Title I - FY 2009	84.010	102,637	0	107,747	0
Title I - FY 2010	84.010	175,031	0	87,270	0
Title I - FY 2010 - ARRA	84.389	44,061	0	44,061	0
Total Title I Cluster		<u>321,729</u>	<u>0</u>	<u>239,078</u>	<u>0</u>
Technology Literacy Fund Grants - FY 2010	84.318	207	0	207	0
English Language Acquisition Grants - FY 2010	84.365	10,036	0	9,802	0
Improving Teacher Quality - FY 2010	84.367	51,418	0	51,268	0
Education Stabilization Fund - FY 2010 - ARRA	84.394	51,320	0	51,320	0
<b>Total U.S. Department of Education</b>		<u>853,680</u>	<u>0</u>	<u>742,103</u>	<u>0</u>
<b>TOTAL FEDERAL AWARDS RECEIPTS AND EXPENDITURES</b>		<u>1,125,898</u>	<u>17,821</u>	<u>1,014,321</u>	<u>17,821</u>

*The accompanying notes to this schedule 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, 2010**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) reports the Brooklyn City School District's (the District's) federal award programs' receipts and disbursements. The schedule has been prepared on the cash basis of accounting.

**NOTE B - CHILD NUTRITION CLUSTER**

The District commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the District assumes it expends federal monies first.

**NOTE C - FOOD DONATION PROGRAM**

The District reports commodities consumed on the Schedule at the entitlement value. The District allocated donated food commodities to the respective programs that benefitted from the use of those donated food commodities.

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 Brooklyn City School District, Cuyahoga County, (the District) as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 2, 2010. 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 the purpose of expressing our opinions on the financial statements, but not for the purpose of opining 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 *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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.

### **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 we must report under *Government Auditing Standards*, which is described in the accompanying schedule of findings as item 2010-01.

We also noted certain matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated December 2, 2010.

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 audit committee, Board of Education, and federal awarding agencies and pass-through entities, and others within the District. We intend it for no one other than these specified parties.



**Mary Taylor, CPA**  
Auditor of State

December 2, 2010



# Mary Taylor, CPA

## Auditor of State

### INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY 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 could directly and materially affect each of Brooklyn City School District's major federal programs for the year ended June 30, 2010. 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 included in the Comptroller General of the United States' *Government Auditing Standards*; 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 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 could directly and materially affect each of its major federal programs for the year ended June 30, 2010.

#### 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 to determine our auditing procedures for the purpose of opining on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

### **Internal Control Over Compliance (Continued)**

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

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 over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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



**Mary Taylor, CPA**  
Auditor of State

December 2, 2010

**BROOKLYN CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2010**

**1. SUMMARY OF AUDITOR'S RESULTS**

<i>(d)(1)(i)</i>	<b>Type of Financial Statement Opinion</b>	Unqualified
<i>(d)(1)(ii)</i>	<b>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(ii)</i>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(iii)</i>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	Yes
<i>(d)(1)(iv)</i>	<b>Were there any material internal control weaknesses reported for major federal programs?</b>	No
<i>(d)(1)(iv)</i>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	No
<i>(d)(1)(v)</i>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<i>(d)(1)(vi)</i>	<b>Are there any reportable findings under § .510(a)?</b>	No
<i>(d)(1)(vii)</i>	<b>Major Programs (list):</b>	Special Education Cluster: Special Education Grants – CFDA 84.027 and 84.391 Preschool Grant – CFDA 84.173 and 84.392
<i>(d)(1)(viii)</i>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	<b>Low Risk Auditee?</b>	No

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

**FINDING 2010-01**

**Material Noncompliance - Timely Depositing**

Ohio Revised Code Section 9.38 indicates that monies should be deposited with the Treasurer or designated depository within 24 hours of collection and requires that monies be deposited on the next business day if the daily receipt amounts exceed \$1,000. If daily receipts do not exceed \$1,000 and the receipts can be safeguarded, the public office may adopt a policy permitting their officials who receive money to hold it past the next business day, but the deposit must be made no later than three business days after receiving it.

**BROOKLYN CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2010**

**FINDING 2010-01**

**Material Noncompliance - Timely Depositing (Continued)**

During our examination of latchkey receipts, we noted 10 out of 16, or \$69,023 out of \$102,745 tested, receipts relating to latchkey were not deposited with the Treasurer or designated depository for a period ranging between four and 17 days after initial receipt of the money. Delays of this nature could result in daily receipts being lost or misplaced without being detected in a timely manner.

We recommend the District properly safeguard receipts in accordance with the above Ohio Revised Code Section.

**Official's Response:** Although the KATS (latchkey) program only accepts checks or money orders, non-timely deposits are not acceptable. As Treasurer, I have been working with the Program Coordinator to improve the timeliness of deposits.

<b>3. FINDINGS FOR FEDERAL AWARDS</b>
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**None.**

**BROOKLYN CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
OMB CIRCULAR A -133 § .315 (b)  
JUNE 30, 2010**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2009-001	Ohio Revised Code Section 5705.41(D) – Fiscal Officer Certification	Yes	Fully Corrected.
2009-002	Ohio Revised Code Section 9.38 – Timely Depositing	No	Not Corrected; Reissued as Finding 2010-01.

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**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  
DECEMBER 30, 2010**