



Dave Yost • Auditor of State

**BROOKLYN CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Brooklyn City School District, Cuyahoga County, Ohio, (the District), as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the Brooklyn City School District, Cuyahoga County, Ohio, as of June 30, 2011, 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.

As described in Note 3, the District implemented Governmental Accounting Standards Board Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions" and restated the June 30, 2010 fund balances of the Governmental Funds due to a change in fund structure.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 20, 2012, 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 expenditures 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 expenditures 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.



Dave Yost
Auditor of State

February 20, 2012

Brooklyn City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited

The discussion and analysis of the Brooklyn City School District's (the School District) financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2011. 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 2011 are as follows:

- The School District is committed to meeting the academic needs of our students by providing them with updated instructional materials to compete in a global environment. During fiscal year 2011, the School District replaced a fifteen year old computer operating system and provided professional development for staff members to facilitate their classroom utilization.
- 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, and contributions accounted for the remainder of all revenues.
- Overall expenses increased during fiscal year 2011 due to negotiated salary agreements as well as increased utility costs. Only \$2,177,324 of the School District's expenses was offset by program specific charges for services and sales, operating grants, contributions and interest. General revenues (primarily taxes and school foundation) of \$16,252,419 helped to provide for these programs.
- 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, 2011
Unaudited

Reporting the School District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains all of the funds used by the School District to provide programs and activities, the view of the School District as a whole considers all financial transactions and asks the question "How did we perform financially during 2011?" 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, 2011
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 2011 compared to the prior year.

Table 1
Net Assets

	Governmental Activities		
	2011	2010	Change
Assets			
Current and Other Assets	\$17,930,258	\$16,034,538	\$1,895,720
Capital Assets, Net	3,351,776	3,470,952	(119,176)
Total Assets	<u>21,282,034</u>	<u>19,505,490</u>	<u>1,776,544</u>
Liabilities			
Current Liabilities	10,097,960	9,931,417	166,543
Long-Term Liabilities:			
Due Within One Year	208,155	162,713	45,442
Due in More than One Year	1,007,577	993,242	14,335
Total Liabilities	<u>11,313,692</u>	<u>11,087,372</u>	<u>226,320</u>
Net Assets			
Invested in Capital Assets	3,351,776	3,470,952	(119,176)
Restricted For:			
Capital Projects	44,209	0	44,209
Other Purposes	474,514	342,483	132,031
Unrestricted	<u>6,097,843</u>	<u>4,604,683</u>	<u>1,493,160</u>
Total Net Assets	<u><u>\$9,968,342</u></u>	<u><u>\$8,418,118</u></u>	<u><u>\$1,550,224</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.

The increase in total net assets is attributable mainly to the increase in current and other assets which was due to the increases in property tax receivable and intergovernmental receivable. The increase in property tax receivable was due to increases in real property tax collections mainly due to emergency operating levy proceeds. The increase to grants and entitlements was caused by increases in grant receivable pending the receipt of the monies. The decrease in capital assets is due to the effect of depreciation on capital assets.

Brooklyn City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited

Table 2 shows the change in net assets for fiscal year 2011 for governmental activities compared to the prior year.

Table 2
Changes in Net Assets
Governmental Activities

	2011	2010	Change
Revenues			
Program Revenues:			
Charges for Services and Sales	\$716,976	\$787,543	(\$70,567)
Operating Grants, Contributions and Interest	1,460,348	1,524,866	(64,518)
<i>Total Program Revenues</i>	<u>2,177,324</u>	<u>2,312,409</u>	<u>(135,085)</u>
General Revenues:			
Property Taxes	11,398,960	10,579,029	819,931
Grant and Entitlements	4,543,423	4,549,525	(6,102)
Investment Earnings	0	319	(319)
Miscellaneous	310,036	166,528	143,508
<i>Total General Revenues</i>	<u>16,252,419</u>	<u>15,295,401</u>	<u>957,018</u>
Total Revenues	<u>18,429,743</u>	<u>17,607,810</u>	<u>821,933</u>
Program Expenses			
Instruction	9,730,428	9,464,252	(266,176)
Support Services:			
Pupil	1,647,776	1,406,570	(241,206)
Instructional Staff	118,158	92,702	(25,456)
Board of Education	38,511	33,659	(4,852)
Administration	1,534,206	1,631,179	96,973
Fiscal	722,418	649,478	(72,940)
Business	94,867	98,712	3,845
Operation and Maintenance of Plant	1,181,004	1,282,424	101,420
Pupil Transportation	344,044	306,132	(37,912)
Central	250,501	118,587	(131,914)
Operation of Non-Instructional Services:			
Food Service Operations	471,153	503,980	32,827
Other Non-Instructional Services	364,965	355,243	(9,722)
Extracurricular Activities	381,488	431,306	49,818
Total Program Expenses	<u>16,879,519</u>	<u>16,374,224</u>	<u>(505,295)</u>
Special Item - Impaired Asset	<u>0</u>	<u>(366,699)</u>	<u>366,699</u>
Change in Net Assets	1,550,224	866,887	683,337
<i>Net Assets Beginning of Year</i>	<u>8,418,118</u>	<u>7,551,231</u>	<u>866,887</u>
<i>Net Assets End of Year</i>	<u>\$9,968,342</u>	<u>\$8,418,118</u>	<u>\$1,550,224</u>

Brooklyn City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited

Governmental Activities

Several revenue sources primarily fund the School District's governmental activities. Property tax revenues brought the largest portion of general revenues having generated \$11,398,960 in fiscal year 2011. Grants and entitlements portion of the general revenues is the second largest source of revenues for the School District and includes monies received from the Ohio Department of Education, the State Foundation Program and property tax relief such as homestead exemptions and rollbacks provided by House Bill 920. 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 over the prior year reflecting increased costs mostly due to annual salary and related fringe benefit growth in accordance with negotiated collective bargaining agreements. Areas with budgetary growth included regular and special instruction, instructional staff support services due to negotiated increases in salaries as well as increases in healthcare costs. Operation and maintenance of plant expense decreased mainly due to the School District not doing upkeep on the buildings during fiscal year 2011.

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	
	2011	2010	2011	2010
Instruction	\$9,730,428	\$9,464,252	(\$9,012,931)	(\$8,618,211)
Support Services:				
Pupil	1,647,776	1,406,570	(1,260,434)	(1,061,319)
Instructional Staff	118,158	92,702	(110,660)	(67,931)
Board of Education	38,511	33,659	(38,511)	(33,659)
Administration	1,534,206	1,631,179	(1,502,203)	(1,561,221)
Fiscal	722,418	649,478	(722,418)	(649,478)
Business	94,867	98,712	(94,867)	(98,712)
Operation and Maintenance of Plant	1,181,004	1,282,424	(1,170,675)	(1,272,163)
Pupil Transportation	344,044	306,132	(335,378)	(299,084)
Central	250,501	118,587	(240,256)	(113,587)
Operation of Non-Instructional Services				
Food Service Operations	471,153	503,980	46,283	(1,612)
Other Non-Instructional Services	364,965	355,243	(20,172)	(16,242)
Extracurricular Activities	381,488	431,306	(239,973)	(268,596)
Total Expenses	<u>\$16,879,519</u>	<u>\$16,374,224</u>	<u>(\$14,702,195)</u>	<u>(\$14,061,815)</u>

The dependence upon general revenues for governmental activities is apparent. 67.53 percent of total expenses are supported through taxes. Program revenues support 12.90 percent of expenses. Grants and entitlements not restricted to specific programs, investments, and other miscellaneous type revenues support the remaining expenses.

Brooklyn City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited

The School District's Funds

Information regarding the School District's major funds starts on page 12. 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 \$17,589,289 and expenditures of \$16,700,566. Other governmental funds had a 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 2011, the School District amended its general fund budget five 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 \$57 under actual revenues. The \$1,597,840 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 were \$17,281 less than the final budgeted expenditures. Final budget expenditures were \$426,154 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 general fund balance increased by \$325,016, which was attributable to favorable budget variances in both revenues and expenditures.

Capital Assets and Debt Administration

Capital Assets

Table 4 details fiscal year 2011 balances compared to prior year. More detailed information is presented in Note 8 of the notes to the basic financial statements.

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

	Governmental Activities	
	2011	2010
Land	\$33,000	\$33,000
Buildings and Improvements	2,613,645	2,774,942
Furniture and Equipment	590,668	628,374
Vehicles	114,463	34,636
Total	\$3,351,776	\$3,470,952

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. For fiscal year 2011, Ohio law required school districts to expend or otherwise reserve three percent of qualifying revenues for the purpose of

Brooklyn City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited

capital improvements and an additional three percent for textbooks and instructional materials. For fiscal year 2011, this amounted to \$200,380 for each purpose. The School District had qualifying disbursements for textbooks which exceeded these requirements. See Note 20 for additional set-aside information.

Debt

At June 30, 2011, the School District had no outstanding debt.

Current Financial Related Activities

Ohio House Bill 920 effectively freezes tax revenue to a specific dollar amount at the time a levy is passed. This House Bill also eliminates any growth from local revenue, therefore school districts dependent upon property taxes that are hampered by a lack of revenue growth and must regularly return to voters to maintain a constant level of academically excellent service.

During fiscal year 2011, the School District collected a second full year collection of the \$2,254,000 emergency levy proceeds, which the voters approved in 2008 that is dedicated to fund the day-to-day operations of the School District (e.g., salaries, utilities, textbooks, transportation, etc.).

The phase out of the tangible personal property tax revenues will have a profound effect on the School District. The tangible property tax had previously generated about \$2.9 million per year for the School District. As of the last known information from the Governor's office the tangible personal property tax loss make-up payments will decrease dramatically over the duration of the State's biennium budget and beyond. Also, included is the complete phase-out of reimbursements to the School District for revenues lost due to utilities deregulation.

During fiscal year 2011, employee benefits increased proportionally to salaries and staffing with a trend of 31 percent. Hospitalization costs increased by five percent due to increases in utilization and inflation. Supplies and materials increased as fee waivers increase due to House Bill 1. Capital expenditures increased as the School District upgraded the computer operating system that was fifteen years old.

In conclusion, the Brooklyn City School District is in a period posing both significant challenges and opportunities. Management is committed to providing the best available education for the community of Brooklyn by providing sound financial information and forecasting, exploring alternative methods of doing business and controlling costs.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the funds it receives. If you have any questions about this report or need additional financial information, please contact Marti A. Ferian, Treasurer, at the Brooklyn City School District, 9200 Biddulph Road, Brooklyn, Ohio 44144, or marti.ferian@brooklyn.k12.oh.us.

Brooklyn City School District

Statement of Net Assets

June 30, 2011

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$3,920,348
Accounts Receivable	2,036
Intergovernmental Receivable	959,172
Prepaid Items	3,227
Materials and Supplies Inventory	16,384
Inventory Held for Resale	6,043
Property Taxes Receivable	13,023,048
Non-depreciable Capital Assets	33,000
Depreciable Capital Assets, Net	3,318,776
<i>Total Assets</i>	<u>21,282,034</u>
Liabilities	
Accounts Payable	77,590
Accrued Wages and Benefits	1,066,845
Intergovernmental Payable	423,488
Deferred Revenue	8,530,037
Long-Term Liabilities:	
Due Within One Year	208,155
Due In More Than One Year	1,007,577
<i>Total Liabilities</i>	<u>11,313,692</u>
Net Assets	
Invested in Capital Assets	3,351,776
Restricted for:	
Capital Projects	44,209
Special Trust	72,785
Latchkey "Kats"	52,992
Athletics and Music	56,277
Auxiliary Services	33,232
Set Asides	26,565
Other Purposes	217,307
Unclaimed Funds	15,356
Unrestricted	6,097,843
<i>Total Net Assets</i>	<u><u>\$9,968,342</u></u>

See accompanying notes to the basic financial statements

Brooklyn City School District
Statement of Activities
For the Fiscal Year Ended June 30, 2011

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities				
Instruction:				
Regular	\$7,021,844	\$183,229	\$148,325	(\$6,690,290)
Special	2,589,546	30,269	355,379	(2,203,898)
Vocational	119,038	295	0	(118,743)
Support Services:				
Pupil	1,647,776	0	387,342	(1,260,434)
Instructional Staff	118,158	7,400	98	(110,660)
Board of Education	38,511	0	0	(38,511)
Administration	1,534,206	0	32,003	(1,502,203)
Fiscal	722,418	0	0	(722,418)
Business	94,867	0	0	(94,867)
Operation and Maintenance of Plant	1,181,004	2,875	7,454	(1,170,675)
Pupil Transportation	344,044	8,666	0	(335,378)
Central	250,501	0	10,245	(240,256)
Operation of Non-Instructional Services:				
Food Service Operations	471,153	211,571	305,865	46,283
Other Non-Instructional Services	364,965	132,974	211,819	(20,172)
Extracurricular Activities	381,488	139,697	1,818	(239,973)
Totals	\$16,879,519	\$716,976	\$1,460,348	(14,702,195)
 General Revenues				
Property Taxes Levied for:				
General Purposes				11,278,857
Capital Projects				120,103
Grants and Entitlements not Restricted to Specific Programs				4,543,423
Miscellaneous				310,036
<i>Total General Revenues</i>				<u>16,252,419</u>
Change in Net Assets				1,550,224
<i>Net Assets Beginning of Year</i>				<u>8,418,118</u>
<i>Net Assets End of Year</i>				<u><u>\$9,968,342</u></u>

See accompanying notes to the basic financial statements

Brooklyn City School District*Balance Sheet**Governmental Funds**June 30, 2011*

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets			
Equity in Pooled Cash and Cash Equivalents	\$3,403,408	\$475,019	\$3,878,427
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	41,921	0	41,921
Accounts Receivable	2,036	0	2,036
Intergovernmental Receivable	10,030	949,142	959,172
Prepaid Items	2,255	972	3,227
Materials and Supplies Inventory	13,801	2,583	16,384
Inventory Held for Resale	0	6,043	6,043
Interfund Receivable	824,453	0	824,453
Property Taxes Receivable	12,895,065	127,983	13,023,048
<i>Total Assets</i>	<u>\$17,192,969</u>	<u>\$1,561,742</u>	<u>\$18,754,711</u>
 Liabilities and Fund Balances			
Liabilities			
Accounts Payable	\$46,447	\$31,143	\$77,590
Accrued Wages and Benefits	1,030,822	36,023	1,066,845
Intergovernmental Payable	386,277	37,211	423,488
Interfund Payable	0	824,453	824,453
Deferred Revenue	11,097,799	1,018,982	12,116,781
<i>Total Liabilities</i>	<u>12,561,345</u>	<u>1,947,812</u>	<u>14,509,157</u>
 Fund Balances			
Nonspendable	31,412	9,598	41,010
Restricted	26,565	320,881	347,446
Unassigned (Deficit)	4,573,647	(716,549)	3,857,098
<i>Total Fund Balances (Deficit)</i>	<u>4,631,624</u>	<u>(386,070)</u>	<u>4,245,554</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$17,192,969</u>	<u>\$1,561,742</u>	<u>\$18,754,711</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, 2011*

Total Governmental Fund Balances		\$4,245,554
 <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.		3,351,776
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.		
Property Taxes	2,681,999	
Intergovernmental	<u>904,745</u>	
Total		3,586,744
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>(1,215,732)</u>
<i>Net Assets of Governmental Activities</i>		<u><u>\$9,968,342</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, 2011

	General	Other Governmental Funds	Total Governmental Funds
Revenues			
Property Taxes	\$11,142,083	\$118,698	\$11,260,781
Intergovernmental	4,537,182	751,238	5,288,420
Tuition and Fees	224,960	20,439	245,399
Extracurricular Activities	0	139,697	139,697
Contributions and Donations	3,801	9,275	13,076
Charges for Services	4,899	324,106	329,005
Rentals	2,875	0	2,875
Miscellaneous	298,664	11,372	310,036
<i>Total Revenues</i>	<u>16,214,464</u>	<u>1,374,825</u>	<u>17,589,289</u>
Expenditures			
Current:			
Instruction:			
Regular	6,779,939	105,718	6,885,657
Special	2,172,161	357,354	2,529,515
Vocational	117,455	0	117,455
Support Services:			
Pupil	1,338,288	301,073	1,639,361
Instructional Staff	106,058	12,100	118,158
Board of Education	38,511	0	38,511
Administration	1,494,164	32,003	1,526,167
Fiscal	719,554	0	719,554
Business	94,867	0	94,867
Operation and Maintenance of Plant	1,181,079	257	1,181,336
Pupil Transportation	326,670	0	326,670
Central	232,094	15,000	247,094
Operation of Non-Instructional Services:			
Food Service Operations	0	485,892	485,892
Other Non-Instructional Services	0	318,064	318,064
Extracurricular Activities	240,380	138,254	378,634
Capital Outlay	2,845	90,786	93,631
<i>Total Expenditures</i>	<u>14,844,065</u>	<u>1,856,501</u>	<u>16,700,566</u>
<i>Net Change in Fund Balances</i>	1,370,399	(481,676)	888,723
<i>Fund Balances Beginning of Year - Restated (See Note 3)</i>	<u>3,261,225</u>	<u>95,606</u>	<u>3,356,831</u>
<i>Fund Balances (Deficit) End of Year</i>	<u>\$4,631,624</u>	<u>(\$386,070)</u>	<u>\$4,245,554</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, 2011*

Net Change in Fund Balances - Total Governmental Funds	\$888,723
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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	129,342	
Current Year Depreciation	(193,745)	
Total		(64,403)

Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal.

(54,773)

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

Property Taxes	138,179	
Intergovernmental	702,275	
Total		840,454

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.

(59,777)

<i>Change in Net Assets of Governmental Activities</i>	<u><u>\$1,550,224</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, 2011

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Property Taxes	\$9,441,846	\$10,537,119	\$10,537,616	\$497
Intergovernmental	4,065,376	4,536,968	4,537,182	214
Tuition and Fees	173,560	181,332	166,128	(15,204)
Contributions and Donations	3,406	3,801	3,551	(250)
Rentals	2,576	2,875	2,875	0
Miscellaneous	236,568	259,077	273,877	14,800
<i>Total Revenues</i>	<u>13,923,332</u>	<u>15,521,172</u>	<u>15,521,229</u>	<u>57</u>
Expenditures				
Current:				
Instruction:				
Regular	6,772,371	6,624,890	6,616,511	8,379
Special	2,214,046	2,143,193	2,140,634	2,559
Vocational	119,361	111,499	111,498	1
Support Services:				
Pupil	1,348,639	1,306,651	1,305,469	1,182
Instructional Staff	109,901	102,373	102,236	137
Board of Education	41,391	40,118	40,066	52
Administration	1,567,287	1,518,348	1,516,392	1,956
Fiscal	741,705	718,888	717,964	924
Business	94,000	91,108	90,992	116
Operation and Maintenance of Plant	1,229,570	1,191,172	1,190,210	962
Pupil Transportation	341,224	330,727	330,300	427
Central	237,672	230,361	230,064	297
Extracurricular Activities	244,446	226,229	225,944	285
Capital Outlay	3,193	3,095	3,091	4
<i>Total Expenditures</i>	<u>15,064,806</u>	<u>14,638,652</u>	<u>14,621,371</u>	<u>17,281</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(1,141,474)</u>	<u>882,520</u>	<u>899,858</u>	<u>17,338</u>
Other Financing Sources (Uses)				
Advances In	199,611	199,611	199,611	0
Advances Out	0	(774,453)	(774,453)	0
<i>Total Other Financing Sources (Uses)</i>	<u>199,611</u>	<u>(574,842)</u>	<u>(574,842)</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	(941,863)	307,678	325,016	17,338
<i>Fund Balance Beginning of Year</i>	<u>3,038,024</u>	<u>3,038,024</u>	<u>3,038,024</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$2,096,161</u></u>	<u><u>\$3,345,702</u></u>	<u><u>\$3,363,040</u></u>	<u><u>\$17,338</u></u>

See accompanying notes to the basic financial statements

Brooklyn City School District
Statement of Fiduciary Assets and Liabilities
Agency Fund
June 30, 2011

Assets

Equity in Pooled Cash and Cash Equivalents	<u><u>\$13,353</u></u>
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Liabilities

Due to Students	<u><u>\$13,353</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, 2011

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, 101 certified teaching personnel, 11 administrators, and 1 supervisor and 2 exempted employees who provide services to community members and 1,456 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 17 and 18 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, 2011

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. The 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, 2011

General Fund The general fund is the operating fund of the School District and is used to account and report for all financial resources except those required to be accounted for and reported 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, committed or assigned 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, 2011

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, 2011, but which were levied to finance fiscal year 2012 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.

Brooklyn City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

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 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.

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. The School District had no investments during the fiscal year or at fiscal year end.

Following Ohio statutes, the Board of Education has, by resolution, identified the funds to receive an allocation of interest earnings. For fiscal year 2011, the School District did not receive any interest revenue.

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 monies set aside for unclaimed monies and amounts required by State statute to be set aside for the acquisition or construction of capital assets. See Note 20 for additional information regarding set-asides.

Prepays

Payments made to vendors for services that will benefit periods beyond June 30, 2011, 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.

Brooklyn City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

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.

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

Brooklyn City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

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.

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, and auxiliary services.

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

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash.

Restricted Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions.

Committed The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the School District Board of Education. Those committed amounts cannot be used for any other purpose unless the School District Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Brooklyn City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Assigned Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by the School District Board of Education.

Unassigned Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The School District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

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.

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 and Restatement of Prior Year’s Fund Balance

Changes in Accounting Principles

For fiscal year 2011, the School District has implemented Governmental Accounting Standard Board (GASB) Statement No. 54, “Fund Balance Reporting and Governmental Fund Type Definitions” and GASB Statement No. 59, “Financial Instruments Omnibus”.

GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that compromise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The implementation of this statement resulted in the reclassification of certain funds and restatement of the School District’s financial statements.

GASB Statement No. 59 addresses significant practice issues that have arisen when accounting for financial instruments by updating and improving existing standards regarding financial reporting of certain financial instruments and external investment pools. The implementation of this statement did not result in any change in the School District’s financial statements.

Brooklyn City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Restatement of Prior Year's Fund Balance

The implementation of GASB Statement No. 54 had the following effect on fund balances of the major and nonmajor funds as they were previously reported:

	General	Other Governmental Funds	Total Governmental Funds
Fund Balance at June 30, 2010	\$3,187,539	\$169,292	\$3,356,831
Change in Fund Structure	73,686	(73,686)	0
Adjusted Fund Balance at June 30, 2010	\$3,261,225	\$95,606	\$3,356,831

Note 4 – Fund Deficits

At June 30, 2011, the following funds had deficit fund balances:

	Amounts
<i>Special Revenue Funds:</i>	
Title VI-B	\$402,412
Title I	250,369
Classroom Size Reduction	42,836
Preschool	9,329
Limited English Proficiency	8,680
Race to the Top	2,702
Title II-D Technology	221

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).

Brooklyn City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

3. Unrecorded cash, which consists of unrecorded interest, is not reported by the School District on the budget basis operating statements, but is reported on the GAAP basis operating statements.
4. Advances-In and Advances-Out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).
5. Encumbrances are treated as expenditures (budget) rather than restricted, committed or assigned fund balance (GAAP).
6. Budgetary revenues and expenditures of the public school support, uniform school supplies, and unclaimed funds are reclassified to the general fund for GAAP Reporting.

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	\$1,370,399
Net Adjustment for Revenue Accruals	(693,157)
Beginning Unrecorded Cash	(1,649)
Ending Unrecorded Cash	1,571
Advances In	199,611
Net Adjustment for Expenditure Accruals	222,694
Excess of revenues and other financing sources and under expenditures and other financing uses:	
Public School Support	1,967
Unclaimed Funds	500
Uniform School Supplies	(2,467)
Advances Out	(774,453)
Budget Basis	<u><u>\$325,016</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.

Brooklyn City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

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

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

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

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 collections are received by the School District in the second half of the fiscal year. Second half tax distributions occur in the first half of the following fiscal year.

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar year 2011 represents collections of calendar year 2010 taxes. Real property taxes received in calendar year 2011 were levied after April 1, 2010, on the assessed value listed as of January 1, 2010, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Brooklyn City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Public utility property tax revenue received in calendar year 2011 represents collections of calendar year 2010 taxes. Public utility real and tangible personal property taxes received in calendar year 2011 became a lien December 31, 2009, were levied after April 1, 2010 and are collected in calendar year 2011 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar year 2010 (other than public utility property tax) represents the collection of 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing and equipment, furniture and fixtures is no longer levied and collected. 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. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Cuyahoga County. The County Fiscal Officer 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, 2011, are available to finance fiscal year 2011 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2011 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 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2011, was \$1,662,611 in the general fund, and \$10,831 in the permanent improvement capital projects fund. 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 late tax settlement made by the County for fiscal year 2011 was \$134,655 in the general fund, and \$2,915 in the permanent improvement capital projects fund. 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 difference was in the timing and collection by the County Fiscal Officer.

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

Brooklyn City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

The assessed values upon which fiscal year 2011 taxes were collected are:

	2010 Second Half Collections		2011 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$313,790,010	94.89 %	\$314,171,426	94.89 %
Public Utility Personal	16,902,930	5.11	16,902,930	5.11
Total	\$330,692,940	100.00 %	\$331,074,356	100.00 %
 Tax rate per \$1,000 of assessed valuation	 \$47.00		 \$47.00	

Note 8 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2011, was as follows:

	Balance June 30, 2010	Additions	Deletions	Balance June 30, 2011
Governmental Activities:				
Land	\$33,000	\$0	\$0	\$33,000
<i>Capital Assets being Depreciated:</i>				
Buildings and Improvements	7,673,902	0	79,000	7,594,902
Furniture and Equipment	3,280,360	27,796	129,428	3,178,728
Vehicles	702,481	101,546	398,928	405,099
Total Capital Assets being Depreciated	11,656,743	129,342	607,356	11,178,729
<i>Less: Accumulated Depreciation:</i>				
Buildings and Improvements	(4,898,960)	(106,524)	(24,227)	(4,981,257)
Furniture and Equipment	(2,651,986)	(65,502)	(129,428)	(2,588,060)
Vehicles	(667,845)	(21,719)	(398,928)	(290,636)
Total Accumulated Depreciation	(8,218,791)	(193,745)*	(552,583)	(7,859,953)
Total Capital Assets being Depreciated, Net	3,437,952	(64,403)	54,773	3,318,776
Governmental Activities Capital Asset, Net	\$3,470,952	(\$64,403)	\$54,773	\$3,351,776

* Depreciation expense was charged to governmental activities as follows:

Instruction:	
Regular	\$115,464
Support Services:	
Administration	3,009
Operation and Maintenance of Plant	49,976
Pupil Transportation	16,226
Central	1,437
Food Service Operations	3,814
Non-Instructional Services	965
Extracurricular Activities	2,854
Total Depreciation Expense	193,745

Brooklyn City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Note 9 – Fund Balances

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Fund Balances	General	Other Governmental Funds	Total
<i>Nonspendable</i>			
Inventory	\$13,801	\$8,626	\$22,427
Prepays	2,255	972	3,227
Unclaimed Funds	15,356	0	15,356
<i>Total Nonspendable</i>	<u>31,412</u>	<u>9,598</u>	<u>41,010</u>
<i>Restricted for</i>			
Food Service Operations	0	65,960	65,960
College Scholarships	0	72,785	72,785
Wellness Center	0	55	55
Professional Development	0	1,974	1,974
Latchkey "Kats"	0	53,609	53,609
Technology Improvements	0	6,825	6,825
Athletics and Music	0	56,277	56,277
Auxiliary Services	0	33,232	33,232
Parent Mentor Grant	0	4,286	4,286
Capital Improvements	26,565	25,878	52,443
<i>Total Restricted</i>	<u>26,565</u>	<u>320,881</u>	<u>347,446</u>
<i>Unassigned (Deficit)</i>	<u>4,573,647</u>	<u>(716,549)</u>	<u>3,857,098</u>
<i>Total Fund Balances (Deficit)</i>	<u>\$4,631,624</u>	<u>(\$386,070)</u>	<u>\$4,245,554</u>

Brooklyn City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Note 10- Interfund Balances

Interfund balances at June 30, 2011, consist of the following individual fund receivables and payables:

	Interfund Receivable
Interfund Payable	General Fund
Other Governmental Funds	
Race to the Top	\$2,747
Title VI-B	440,738
Title II-D Technology	497
Limited English Proficiency	8,937
Title I	262,047
Preschool	16,595
Classroom Size Reduction	42,892
Permanent Improvements	50,000
Total	\$824,453

The interfund payables are advances from the general fund to the special revenue funds to support the funds programs pending the receipts of grant money. The advance to permanent improvements capital project fund for \$50,000 was made to provide additional resources for current operations and is outstanding from prior fiscal years. All are payable to the general fund and are expected to be repaid in fiscal year 2012.

Note 11 - Receivables

Receivables at June 30, 2011, consisted of taxes, accounts (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.

Brooklyn City School District
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For the Fiscal Year Ended June 30, 2011

A summary of the principal items of intergovernmental receivables follows:

Governmental Activities	Amount
Title VI-B	\$493,075
Title I	307,324
Classroom Size Reduction	46,183
Federal Lunch Reimbursement	38,570
Race to the Top	34,770
Preschool	11,019
Limited English Proficiency	10,958
Cuyahoga County Refund	8,998
Federal Breakfast Reimbursement	5,827
Title II-D Technology	1,416
Alternative Schools	1,032
<i>Total Intergovernmental Receivables</i>	\$959,172

Note 12 - 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 2011. 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 2011, the School District participated in the Ohio School Boards' Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (see Note 17). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping

Brooklyn City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

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 13 - Pension Plans

School Employee Retirement System

Plan Description – The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For the fiscal year ended June 30, 2011, the allocation to pension and death benefits is 11.81 percent. The remaining 2.19 percent of the 14 percent employer contributions rate is allocated to the Health Care and Medicare B funds. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2011, 2010, and 2009 were \$236,266, \$232,478, and \$135,746, respectively. For fiscal year 2011, 37.02 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2010 and 2009.

State Teachers Retirement System

Plan Description - The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at www.strsoh.org.

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on 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

Brooklyn City School District
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For the Fiscal Year Ended June 30, 2011

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 Ohio Revised Code Chapter 3307.

A DB or Combined Plan member with five or more years of 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 - Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. For the fiscal year ended June 30, 2011, 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.

The School District's required contributions for pension obligations to STRS Ohio for DB Plan and for the defined benefit portion of Combined Plan were \$982,245 and \$27,765 for the fiscal year ended June 30, 2011, \$969,913 and \$27,034 for the fiscal year ended June 30, 2010, and \$921,008 for the fiscal year ended June 30, 2009. For fiscal year 2011, 82.34 percent has been contributed for the DB Plan and the Combined Plan, with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2010 and 2009.

Contributions made to the STRS Ohio for DC Plan for fiscal year 2011 were \$14,177 made by the School District and \$10,126 made by the plan members. In addition, member contributions of \$19,832 were made during fiscal year 2011 for the defined contribution portion of the Combined Plan.

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, 2011, four members of the Board of Education have elected Social Security. The contribution rate is 6.2 percent of wages.

Note 14 - 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

Brooklyn City School District
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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 can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

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 105(e). For the fiscal year ended June 30, 2011, 1.43 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 the year ended June 30, 2011, this amount was \$35,800. During fiscal year 2011, the School District paid \$30,008 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, 2011, 2010, and 2009 were \$58,616, \$35,654, and \$91,991, respectively. For fiscal year 2011, 37.02 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2010 and 2009.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For the fiscal year ended June 30, 2011, 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, 2011, 2010, and 2009 were \$15,204, \$13,825, and \$11,200, respectively. For fiscal year 2011, 37.02 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2010 and 2009.

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. Ohio law authorizes STRS to offer this plan. 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 or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 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, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2011, 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, 2011, 2010, and 2009 were \$75,557, \$74,609, and \$70,847, respectively. For fiscal year 2011, 82.34 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal year 2010 and 2009.

Brooklyn City School District
Notes to the Basic Financial Statements
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Note 15 - 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:

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

Each 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 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 School Claims Service, PSBA Insurance Trust 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.

Brooklyn City School District
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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, 2011.

Note 16 - 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 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, 2011.

Litigation

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

Note 17 - Insurance Purchasing Pool

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

Brooklyn City School District
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Note 18 - 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 2011. 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 2011, 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 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.

Lakeshore Northeast Ohio Computer Association

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

Brooklyn City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

packages used. Brooklyn City School District paid \$51,502 to LNOCA during fiscal year 2011. Financial information can be obtained by contacting the Treasurer of the fiscal agent at 5700 West Canal Road, Valley View, Ohio 44125.

Note 19 - Long-Term Obligations

The changes in the School District's long-term obligation during fiscal year 2011 were as follows:

	Balance 6/30/2010	Additions	Deletions	Balance 6/30/2011	Due In One Year
Governmental Activities:					
Compensated Absences	\$1,155,955	\$114,622	\$54,845	\$1,215,732	\$208,155

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 \$29,796,692 with an unvoted debt margin of \$331,074 at June 30, 2011.

Note 20 - Set-Aside Calculations

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

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

	Textbooks/ Instructional Materials	Capital Improvements
Set-aside Reserve Balance as of June 30, 2010	(\$1,143,525)	\$0
Current Year Set-aside Requirement	200,380	200,380
Permanent Improvement Levy Offset During the Fiscal Year	0	(112,556)
Qualifying Disbursements	(260,629)	(61,259)
Total	(\$1,203,774)	\$26,565
Set-aside Balance Carried Forward to Future Fiscal Years	(\$1,203,774)	\$26,565
Set-aside Reserve Balance as of June 30, 2011	\$0	\$26,565

The School District had qualifying disbursements during the fiscal year that reduced the textbook set-aside amount below zero. Effective July 1, 2011, the textbooks set aside is no longer required and has been removed from the existing law. Therefore, this negative balance is not presented as being carried forward to the future fiscal year. The total reserve balance for the two set-asides at the end of the fiscal year was \$26,565.

**BROOKLYN CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2011**

FEDERAL GRANTOR <i>Pass Through Grantor</i>	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
Program Title					
U.S. DEPARTMENT OF AGRICULTURE					
<i>Passed Through Ohio Department of Education</i>					
Nutrition Cluster:					
School Breakfast Program	10.553	\$38,191	\$0	\$38,191	\$0
National School Lunch Program	10.555	226,137	30,075	226,137	30,075
Total Nutrition Cluster		264,328	30,075	264,328	30,075
Total U.S. Department of Agriculture		<u>264,328</u>	<u>30,075</u>	<u>264,328</u>	<u>30,075</u>
U.S. DEPARTMENT OF EDUCATION					
<i>Passed Through Ohio Department of Education</i>					
Special Education Cluster:					
Special Education - Grants to States (IDEA, Part B) - 2010	84.027	39,074	0	28,848	0
Special Education - Grants to States (IDEA, Part B) - 2011	84.027	31,662	0	287,253	0
ARRA - Special Education - Grants to States (IDEA, Part B) - 2010	84.391	31,864	0	7,284	0
ARRA - Special Education - Grants to States (IDEA, Part B) - 2011	84.391	0	0	134,295	0
Total Special Education Grants to States		102,600	0	457,680	0
Special Education - Preschool Grants (IDEA Preschool) - 2011	84.173	1,041	0	10,460	0
ARRA - Special Education - Preschool Grants (IDEA Preschool) - 2010	84.392	5,119	0	0	0
ARRA - Special Education - Preschool Grants (IDEA Preschool) - 2011	84.392	0	0	1,600	0
Total Special Education - Preschool Grants		6,160	0	12,060	0
Total Special Education Cluster		<u>108,760</u>	<u>0</u>	<u>469,740</u>	<u>0</u>
Title I, Part A Cluster:					
Title I Grants to Local Educational Agencies (Title I, Part A of the ESEA) - 2010	84.010	41,798	0	24,235	0
Title I Grants to Local Educational Agencies (Title I, Part A of the ESEA) - 2011	84.010	21,865	0	217,876	0
ARRA - Title I Grants to Local Educational Agencies, Recovery Act - 2010	84.389	8,616	0	5,168	0
ARRA - Title I Grants to Local Educational Agencies, Recovery Act - 2011	84.389	0	0	65,047	0
Total Title I, Part A Cluster		72,279	0	312,326	0
Title II-D Technology Literacy Challenge Funds - FY 2010	84.318	1,197	0	0	0
Title II-D Technology Literacy Challenge Funds - FY 2011	84.318	75	0	141	0
Total Title II-D Technology Literacy Challenge Funds		1,272	0	141	0
English Language Acquisition Grants - 2010	84.365	1,526	0	234	0
English Language Acquisition Grants - 2011	84.365	0	0	4,904	0
Total English Language Acquisition Grants		1,526	0	5,138	0
Improving Teacher Quality State Grants - 2010	84.367	394	0	150	0
Improving Teacher Quality State Grants - 2011	84.367	5,129	0	47,969	0
Total Improving Teacher Quality State Grants		5,523	0	48,119	0
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act (Education Stabilization Fund) - 2011	84.394	61,429	0	61,429	0
Safe and Drug-Free Schools and Communities - State Grants - 2010	84.186	559	0	199	0
ARRA - Race to the Top	84.395	0	0	2,703	0
Total U.S. Department of Education		<u>251,348</u>	<u>0</u>	<u>899,795</u>	<u>0</u>
TOTAL FEDERAL AWARDS RECEIPTS AND EXPENDITURES		<u>515,676</u>	<u>30,075</u>	<u>1,164,123</u>	<u>30,075</u>

The accompanying notes to this schedule are an integral part of this schedule.

**BROOKLYN CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2011**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Receipts and Expenditures Schedule (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



Dave Yost • Auditor of State

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Brooklyn City School District, Cuyahoga County, Ohio, (the District) as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 20, 2012, wherein we noted the District implemented Governmental Accounting Standards Board Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions" and restated the June 30, 2010 fund balances of the Governmental Funds due to a change in fund structure. 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 2011-01.

We also noted certain matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated February 20, 2012.

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, the 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.



Dave Yost
Auditor of State

February 20, 2012



Dave Yost • 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 the Brooklyn City School District, Cuyahoga County, Ohio, (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the Brooklyn City School District's major federal programs for the year ended June 30, 2011. The *summary of auditor's results* section of the accompanying schedule of findings identifies the District's major federal programs. 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 opine on the District's compliance based on our audit.

Our compliance audit followed 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*. These 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 these 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, Cuyahoga County, Ohio, 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, 2011.

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.

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, the 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.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

February 20, 2012

**BROOKLYN CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2011**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510(a)?	No
(d)(1)(vii)	Major Programs (list):	<p>1. Special Education Cluster (IDEA): Special Education – Grants to States (IDEA, Part B), / CFDA #84.027 ARRA – Special Education – Grants to States (IDEA, Part B), / CFDA #84.391 Special Education – Preschool Grants (IDEA Preschool), / CFDA #84.173 ARRA - Special Education – Preschool Grants (IDEA Preschool), / CFDA #84.392</p> <p>2. Title I, Part A Cluster: Title I Grants to Local Educational Agencies (Title I, Part A of the ESEA) / CFDA #84.010 ARRA – Title I Grants to Local Educational Agencies, Recovery Act / CFDA #84.389</p>
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

**BROOKLYN CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS (Continued)
OMB CIRCULAR A -133 § .505
JUNE 30, 2011**

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

FINDING 2011-01

Material Noncompliance - Timely Depositing

Ohio Rev. Code Section 9.38 states public money must be deposited with the Treasurer or to a designated depository on the business day following the day of receipt. If the amount of daily receipts does not exceed \$1,000 and the receipts can be safeguarded, the legislative body may adopt a policy permitting their money to be held past the next business day, but the deposit must be made no later than three business days after receiving the deposit. The policy must include provisions and procedures to safeguard the money during the intervening period. If the amount exceeds \$1,000 or a lesser amount cannot be safeguarded, the public official must then deposit the money on the next business day.

Board Policy "Deposit of Public Funds: Cash Collection Points" (No. 6600), states monies received at cash collection points throughout the District must be deposited in accordance with the policy. Cash collection points are any areas within a school where money flows into the District. Persons who receive monies at cash collection points in the District are required to deposit all monies received with the Treasurer on the same business day of the day of receipt. Persons who receive money at cash collection points are responsible for its safekeeping until the money is deposited with the Treasurer. The Treasurer will deposit monies within forty-eight (48) hours.

During our testing of the Latchkey "KATS" receipts, 12 out of 25 receipts (or \$20,446 out of \$52,863) tested were not deposited with the Treasurer on the same business day of the day of receipt. Once the Treasurer received the monies, the deposit of those monies was made within 48 hours to a designated depository. Failure to deposit money in a timely manner increases the potential for loss or theft.

We recommend that all receipts collected from Latchkey "KATS" program be safeguarded and deposited with the Treasurer or designated depository, in accordance with law and the Board Policy.

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

3. FINDINGS FOR FEDERAL AWARDS

None.

**BROOKLYN CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 2011**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2010-01	Ohio Rev. Code Section 9.38, Timely Depositing – Latchkey receipts were not deposited in a timely manner.	No	Not Corrected. Reissued as FINDING 2011-01.

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Independent Accountants' Report on Applying Agreed-Upon Procedure

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

To the Board of Education:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedure enumerated below, which was agreed to by the Board, solely to assist the Board in evaluating whether the Brooklyn City School District (the District) has updated its anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of this procedure is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board amended its anti-harassment policy at its meeting on December 14, 2010, to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

February 20, 2012

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BROOKLYN CITY SCHOOL DISTRICT

CUYAHOGA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 13, 2012**