



**BROOKLYN CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 1999



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**BROOKLYN CITY SCHOOL DISTRICT
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REPORT OF INDEPENDENT ACCOUNTANTS

Members of the Board of Education
Brooklyn City School District
Cuyahoga County
9200 Biddulph Road
Brooklyn, Ohio 44144

To the Board of Education:

We have audited the accompanying general-purpose financial statements of the Brooklyn City School District, Cuyahoga County, Ohio, (the District) as of and for the year ended June 30, 1999, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Brooklyn City School District, Cuyahoga County, Ohio, as of June 30, 1999, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 8, 2000 on our consideration of the Government's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Our audit was performed for the purpose of forming an opinion on the general-purpose financial statements of the District, taken as a whole. The accompanying schedule of federal awards expenditures is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

A handwritten signature in black ink, appearing to read "Jim Petro".

Jim Petro
Auditor of State

September 8, 2000

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BROOKLYN CITY SCHOOL DISTRICT
CUYAHOGA COUNTY
COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS
June 30, 1999

ASSETS	Governmental Fund Types				Proprietary Fund Type		Fiduciary Fund Types			Account Groups			TOTALS
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Expendable Trust	Agency	General Fixed Assets	Long - Term Obligations	(Memorandum Only)			
Equity in pooled cash and cash equivalents	\$ 729,824	\$ 213,539	\$ -	\$ 322,017	\$ 155,255	\$ 8,030	\$ 9,799	\$ -	\$ -	\$ -	\$ 1,438,464		
Receivables													
Taxes - current	10,261,986	-	-	194,220	-	-	-	-	-	-	10,456,206		
Taxes - delinquent	541,692	-	-	5,503	-	-	-	-	-	-	547,195		
Accounts	7,043	3,483	-	-	240	-	-	-	-	-	10,766		
Intergovernmental	623,522	20,646	-	12,028	29,729	-	-	-	-	-	685,925		
Due from other funds	45,939	-	-	-	-	-	-	-	-	-	45,939		
Materials and supplies inventory	12,265	-	-	-	9,937	-	-	-	-	-	22,202		
Prepaid items and other assets	11,724	-	-	-	-	-	-	-	-	-	11,724		
Restricted assets:													
Equity in pooled cash and cash equivalents	59,825	-	-	-	-	-	-	-	-	-	59,825		
Fixed assets (net, where applicable, of accumulated depreciation)	-	-	-	-	41,837	-	-	10,519,686	-	-	10,564,523		
Amount to be provided for retirement of general long term obligations	-	-	-	-	-	-	-	-	4,619,009	-	4,619,009		
Total Assets	\$ 12,293,820	\$ 237,668	\$ -	\$ 533,768	\$ 239,998	\$ 8,030	\$ 9,799	\$ 10,519,686	\$ 4,619,009	\$ -	\$ 28,461,778		

LIABILITIES, FUND EQUITY (DEFICIT), AND OTHER CREDITS

Accounts payable	\$ 195,294	\$ 14,761	\$ -	\$ -	\$ 701	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 210,756
Accrued wages and benefits	803,664	10,353	-	-	7,043	52	-	-	-	-	821,112
Due to other funds	-	939	-	-	45,000	-	-	-	-	-	45,939
Due to students	-	-	-	-	-	-	9,799	-	-	-	9,799
Deferred revenue											
Taxes	9,954,470	-	-	191,096	-	-	-	-	-	-	10,145,566
Intergovernmental	623,522	-	-	12,028	-	-	-	-	-	-	635,550
Other	2,063	-	-	-	348	-	-	-	-	-	4,736
State solvency assistance advance	2,493,000	-	-	-	-	-	-	-	2,825,000	-	2,493,000
Notes payable	-	-	-	-	-	-	-	-	1,794,009	-	2,825,000
Compensated absences	504,079	-	-	-	18,188	-	-	-	-	-	2,316,276
Total liabilities	14,576,092	26,053	-	203,124	71,280	2,377	9,799	-	4,619,009	-	19,507,734
Fund equity (deficit) and other credits											
Contributed capital	-	-	-	-	20,036	-	-	-	-	-	20,036
Investment in general fixed assets	-	-	-	-	-	-	-	10,519,686	-	-	10,519,686
Retained earnings	-	-	-	-	141,682	-	-	-	-	-	141,682
Fund balances (deficits)											
Reserved for property taxes	849,208	-	-	8,627	-	-	-	-	-	-	857,835
Reserved for textbooks	59,825	-	-	-	-	-	-	-	-	-	59,825
Reserved for materials and supplies inventories	12,265	-	-	-	-	-	-	-	-	-	12,265
Reserved for prepaid items and other assets	11,724	-	-	-	-	-	-	-	-	-	11,724
Reserved for advances	-	939	-	-	-	-	-	-	-	-	939
Reserved for nonpublic schools	-	6,675	-	-	-	-	-	-	-	-	6,675
Reserved for encumbrances	48,838	70,532	-	-	-	-	-	-	-	-	119,370
Unreserved - undesignated	(3,264,132)	133,469	-	322,017	-	-	-	-	-	-	(2,802,993)
Total fund equity (deficit) and other credits	(2,282,272)	211,615	-	322,017	168,718	5,653	-	10,519,686	-	-	8,954,044
Total Liabilities, Fund Equity (Deficit), and Other Credits	\$ 12,293,820	\$ 237,668	\$ -	\$ 533,768	\$ 239,998	\$ 8,030	\$ 9,799	\$ 10,519,686	\$ 4,619,009	\$ -	\$ 28,461,778

The accompanying notes are an integral part of this statement.

BROOKLYN CITY SCHOOL DISTRICT
CUYAHOGA COUNTY
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES AND SIMILAR TRUST FUND
For the Fiscal Year Ended June 30, 1999

	Governmental Fund Types			Fiduciary Fund Type Expendable Trust	TOTALS (Memorandum Only)
	General	Special Revenue	Debt Service		
Revenues					
Taxes	\$ 10,221,295	\$ -	\$ -	\$ -	\$ 10,441,477
Tuition and fees	169,001	-	-	725	169,726
Interest	72,018	4,633	-	-	76,651
Intergovernmental	1,661,965	493,495	-	-	2,168,238
Extracurricular activities	-	203,378	-	-	203,378
Miscellaneous	531,607	2,587	-	6,967	541,161
Total Revenues	<u>12,655,886</u>	<u>704,093</u>	<u>-</u>	<u>7,692</u>	<u>13,600,631</u>
Expenditures					
Current					
Instruction	6,292,984	175,576	-	-	6,504,766
Support services					
Pupil	(3,156)	79,714	-	4,217	80,775
Instructional staff	355,094	3,069	-	-	358,163
Board of education	1,359,222	-	-	-	1,359,222
Administrative	31,505	5,659	-	-	37,164
Fiscal	471,684	-	-	-	471,684
Business	116,815	-	-	-	116,815
Operation and maintenance of plant	1,338,697	-	-	-	1,338,697
Pupil transportation	1,344,860	-	-	-	1,344,860
Central	378,894	5,589	-	-	384,483
Community services	(7,952)	3,440	-	2,164	(2,348)
Extracurricular activities	262,998	211,573	-	-	474,571
Operations of non-instructional services - community services	-	225,193	-	-	225,193
Capital outlay	1,930	-	-	101,193	103,405
Debt Service					
Principal	-	-	385,000	-	385,000
Interest	50,651	-	168,980	-	219,631
Total Expenditures	<u>11,994,226</u>	<u>709,813</u>	<u>553,980</u>	<u>6,663</u>	<u>13,402,081</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	661,660	(5,720)	(553,980)	1,029	198,550
Other Financing Sources (Uses)					
Operating transfers in	-	16,769	553,980	4,078	609,650
Operating transfers out	(609,650)	-	-	-	(609,650)
Proceeds from sale of assets	700,850	-	-	-	700,850
Total Other Financing Sources (Uses)	<u>91,200</u>	<u>16,769</u>	<u>553,980</u>	<u>4,078</u>	<u>700,850</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	752,860	11,049	-	5,107	899,400
Fund Balances (Deficit) - Beginning of Year - Restated	(1,035,132)	200,566	-	546	(2,633,760)
Fund Balances (Deficit) - End of Year	\$ (2,282,272)	\$ 211,615	\$ -	\$ 5,653	\$ (1,734,360)

The accompanying notes are an integral part of this statement.

BROOKLYN CITY SCHOOL DISTRICT
CUYAHOGA COUNTY

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
ALL GOVERNMENTAL FUND TYPES AND SIMILAR TRUST FUND

For the Fiscal Year Ended June 30, 1999

	Governmental Fund Types									
	General Fund				Special Revenue Funds				Debt Service Funds	
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)	
Revenues										
Taxes	\$ 7,379,968	\$ 8,175,432	\$ 795,464	\$ -	\$ -	\$ -	\$ 362,946	\$ 1,791,591	\$ 1,428,645	
Tuition and fees	114,270	126,794	12,524	-	-	-	-	-	-	
Intergovernmental	1,485,516	1,646,901	161,385	377,254	600,650	223,396	59,035	59,035	-	
Interest	66,658	72,018	5,360	2,910	4,633	1,723	-	-	-	
Extracurricular activities	-	-	-	127,494	202,992	75,498	-	-	-	
Miscellaneous	476,127	529,452	53,325	57,510	2,558	(54,952)	-	-	-	
Total Revenues	9,522,539	10,550,597	1,028,058	565,168	810,833	245,665	421,981	1,850,626	1,428,645	
Expenditures										
Current										
Instruction										
Regular	5,334,824	5,334,824	-	35,550	42,793	(7,243)	-	-	-	
Special	609,460	609,460	-	114,707	137,820	(23,113)	-	-	-	
Vocational	47,476	47,476	-	-	-	-	-	-	-	
Other	334,779	334,779	-	-	-	-	-	-	-	
Support Services										
Pupil	856,095	856,095	-	81,679	81,679	-	-	-	-	
Instructional staff	292,125	292,125	-	10,162	10,162	-	-	-	-	
Board of Education	19,932	19,932	-	-	-	-	-	-	-	
School administration	1,362,560	1,362,560	-	-	5,683	(5,683)	-	-	-	
Fiscal	467,223	467,223	-	-	-	-	-	-	-	
Business	116,815	116,815	-	-	-	-	-	-	-	
Operation and maintenance of plant	1,372,140	1,372,140	-	-	-	-	-	-	-	
Pupil transportation	471,116	471,116	-	-	-	-	-	-	-	
Central	444,565	444,565	-	-	5,589	(5,589)	-	-	-	
Facilities acquisition and construction	4,030	4,030	-	154,606	214,319	(59,713)	-	-	-	
Extracurricular activities	277,907	277,907	-	-	3,440	(3,440)	-	-	-	
Community services	-	-	-	250,000	284,624	(34,624)	-	-	-	
Operation of non-instructional services - community services	-	-	-	-	-	-	-	-	-	
Debt Service	553,980	553,980	-	646,704	786,109	(139,405)	1,897,207	1,908,517	(11,310)	
Total Expenditures	12,565,027	12,565,027	-	646,704	786,109	(139,405)	1,897,207	1,908,517	(11,310)	
Excess of Revenues Over (Under) Expenditures	(3,042,488)	(2,014,430)	1,028,058	(81,536)	24,724	106,260	(1,475,226)	(57,891)	1,417,335	
Other Financing Sources (Uses)										
Operating transfers in	-	-	-	25,132	25,132	-	35,639	-	(35,639)	
Operating transfers out	(7,007)	(64,033)	(57,026)	-	-	-	-	-	-	
Advance from state solvency assistance	2,493,000	2,493,000	(45,000)	-	-	-	-	-	-	
Advances out	700,000	700,850	850	-	-	-	-	-	-	
Sale and loss of assets	3,185,993	3,084,817	(101,176)	25,132	25,132	-	35,639	-	(35,639)	
Total Other Financing Sources (Uses)				25,132	25,132	-	35,639	-	(35,639)	
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	143,505	1,070,387	926,882	(56,404)	49,856	106,240	(1,439,587)	(57,891)	1,381,696	
Unencumbered Fund Balance - Beginning of Year - Restated	(572,546)	(572,546)	-	62,789	62,789	-	46,581	46,581	-	
Prior Year Encumbrances Appropriated	245,738	245,738	-	24,484	24,484	-	-	-	-	
Unencumbered Fund Balance (Deficit) - End of Year	\$ (181,303)	\$ 743,579	\$ 926,882	\$ 30,869	\$ 137,129	\$ 106,240	\$ (1,993,006)	\$ (11,310)	\$ 1,381,696	

(continued)

The accompanying notes are an integral part of this statement.

BROOKLYN CITY SCHOOL DISTRICT
CUYAHOGA COUNTY

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) (Continued)
ALL GOVERNMENTAL FUND TYPES AND SIMILAR TRUST FUND

For the Fiscal Year Ended June 30, 1999

	Governmental Fund Types (continued)			Fiduciary Fund Types			Totals (Memorandum Only)		
	Capital Projects Fund	Expendable Trust Funds		Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues									
Taxes	\$ 237,770	\$ 217,624	\$ (20,146)	\$ -	\$ -	\$ -	\$ 7,980,684	\$ 10,184,647	\$ 2,203,963
Tuition and fees	-	-	-	3,050	3,050	-	117,320	129,844	12,524
Intergovernmental	12,778	12,778	-	-	-	-	1,934,583	2,319,364	384,781
Interest	-	-	-	-	-	-	69,568	76,651	7,083
Extracurricular activities	-	-	-	-	-	-	127,494	202,992	75,498
Miscellaneous	-	-	-	6,967	6,967	-	540,604	538,977	(1,627)
Total Revenues	250,548	230,402	(20,146)	10,017	10,017	-	10,770,253	13,452,475	2,682,222
Expenditures									
Current									
Instruction	-	-	-	-	-	-	5,370,374	5,377,617	(7,243)
Regular	-	-	-	-	-	-	724,167	747,280	(23,113)
Special	-	-	-	-	-	-	47,476	47,476	-
Vocational	-	-	-	-	-	-	334,779	334,779	-
Other	-	-	-	-	-	-	-	-	-
Support Services	-	-	-	-	-	-	946,437	941,938	4,499
Pupil	-	-	-	8,663	4,164	4,499	302,287	302,287	-
Instructional staff	-	-	-	-	-	-	19,932	19,932	-
Board of Education	-	-	-	-	-	-	1,362,560	1,368,243	(5,683)
School administration	-	-	-	-	-	-	467,223	467,223	-
Fiscal	-	-	-	-	-	-	1,372,140	1,372,140	-
Business	-	-	-	-	-	-	471,116	471,116	-
Operation and maintenance of plant	-	-	-	-	-	-	444,565	450,154	(5,589)
Pupil transportation	-	-	-	-	-	-	144,048	142,615	1,433
Central	138,818	138,303	515	1,200	282	918	432,513	492,226	(59,713)
Facilities acquisition and construction	-	-	-	2,500	2,164	336	250,000	284,624	(34,624)
Extracurricular activities	-	-	-	-	-	-	2,451,187	2,462,497	(11,310)
Community services	-	-	-	-	-	-	15,260,119	15,404,566	(144,447)
Operation of non-instructional services - community services	-	-	-	-	-	-	(4,489,866)	(1,952,091)	2,537,775
Debt Service	138,818	138,303	515	12,363	6,610	5,753	64,295	64,033	(262)
Total Expenditures	111,730	92,099	(19,631)	(2,346)	3,407	5,753	(7,007)	(64,033)	(57,026)
Excess of Revenues Over (Under) Expenditures	-	-	-	3,524	4,078	554	2,493,000	2,493,000	-
Other Financing Sources (Uses)							(45,000)	(45,000)	850
Operating transfers in	-	34,823	34,823	-	-	-	700,000	700,850	(850)
Operating transfers out	-	-	-	-	-	-	3,250,288	3,148,850	(101,438)
Advance from state solvency assistance	-	-	-	-	-	-	-	-	-
Advances out	-	-	-	-	-	-	-	-	-
Other	-	-	-	3,524	4,078	554	-	-	-
Total Other Financing Sources (Uses)	-	34,823	34,823	3,524	4,078	554	3,250,288	3,148,850	(101,438)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	111,730	126,922	15,192	1,178	7,485	6,307	(1,239,578)	1,196,759	2,436,337
Unencumbered Fund Balances (Deficit) - Beginning of Year - Restated	194,191	194,191	-	546	546	-	(268,439)	(268,439)	-
Prior Year Encumbrances Appropriated	904	904	-	-	-	-	271,126	271,126	-
Unencumbered Fund Balances (Deficit) - End of Year	\$ 306,825	\$ 322,017	\$ 15,192	\$ 1,724	\$ 8,031	\$ 6,307	\$ (1,236,891)	\$ 1,199,446	\$ 2,436,337

The accompanying notes are an integral part of this statement.

BROOKLYN CITY SCHOOL DISTRICT
CUYAHOGA COUNTY

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN RETAINED EARNINGS
PROPRIETARY FUND TYPE

For the Fiscal Year Ended June 30, 1999

	<u>Enterprise Funds</u>
Operating Revenues	
Sales	\$ 224,406
Tuition and fees	23,694
Other	84,637
<i>Total Operating Revenues</i>	<u>332,737</u>
 Operating Expenses	
Salaries and wages	228,943
Fringe benefits	15,660
Purchased services	4,364
Materials and supplies	185,444
Depreciation	5,790
<i>Total Operating Expenses</i>	<u>440,201</u>
Operating Loss	(107,464)
 Non-Operating Revenues:	
Grants	93,972
Donated Commodities	17,296
<i>Total Non-Operating Revenues</i>	<u>111,268</u>
NET INCOME	3,804
 Depreciation on fixed assets acquired by contributed capital	2,383
Retained earnings - beginning of year - restated	142,495
Retained earnings - end of year	148,682
 Contributed capital - beginning of year	22,419
Fixed assets acquired by contributed capital	-
Depreciation on contributed fixed assets	(2,383)
Contributed capital - end of year	<u>20,036</u>
Total Retained Earnings and Contributed Capital - End of Year	<u><u>\$ 168,718</u></u>

The accompanying notes are an integral part of this statement.

BROOKLYN CITY SCHOOL DISTRICT
CUYAHOGA COUNTY

COMBINED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND EQUITY
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
PROPRIETARY FUND TYPE

For the Fiscal Year Ended June 30, 1999

	Enterprise Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Sales	\$ 192,475	\$ 224,406	\$ 31,931
Tuition and fees	20,323	23,694	3,371
Operating grants	64,515	75,218	10,703
Other	72,687	84,746	12,059
<i>Total Revenues</i>	350,000	408,064	58,064
Operating expenses			
Salaries and wages	245,905	235,367	10,538
Fringe benefits	25,257	24,175	1,082
Purchased services	5,105	4,886	219
Materials and supplies	174,513	167,034	7,479
Equipment	3,036	2,906	130
<i>Total Expenses</i>	453,816	434,368	19,448
Excess of Revenues Over (Under) Expenses	(103,816)	(26,304)	77,512
Advances in	45,000	45,000	-
Excess of Revenues Over (Under) Expenses Advances, and Operating Transfers	(58,816)	18,696	77,512
Unencumbered Fund Equity - Beginning of Year - Restated	133,141	133,141	-
Prior Year Encumbrances Appropriated	2,413	2,413	-
Unencumbered Fund Equity - End of Year	\$ 76,738	\$ 154,250	\$ 77,512

The accompanying notes are an integral part of this statement.

BROOKLYN CITY SCHOOL DISTRICT
CUYAHOGA COUNTY

STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE

For the Year Ended June 30, 1999

	<u>Enterprise Funds</u>
Cash Flows from Operating Activities	
Cash received from operations	\$ 332,846
Cash paid to employees	(235,367)
Cash paid for employee benefits	(24,175)
Cash paid to suppliers for goods and services	(173,821)
	<hr/>
Net Cash Used in Operating Activities	(100,517)
 Cash Flows from Non-Capital Financing Activities	
Advances in	45,000
Cash from grants	75,218
Interfund loan to general fund	90,000
	<hr/>
Net Cash Provided by Non-Capital Financing Activities	210,218
	<hr/>
NET INCREASE IN CASH AND CASH EQUIVALENTS	109,701
 Cash and Cash Equivalents - Beginning of Year	45,554
	<hr/>
Cash and Cash Equivalents - End of Year	<u><u>\$ 155,255</u></u>
 Reconciliation of Operating Loss to Net Cash from Operating Activities	
Operating loss	\$ (107,464)
 Adjustments to Reconcile Operating Loss to Net Cash from Operating Activities	
Depreciation expense	5,790
Donated commodities used	17,296
Increase in accounts receivable	(240)
Increase in inventory	(1,599)
Increase in accounts payable	49
Decrease in accrued wages and benefits	(7,527)
Increase in deferred revenue	348
Decrease in compensated absences	(7,170)
	<hr/>
<i>Total adjustments</i>	6,947
	<hr/>
Net Cash Used in Operating Activities	<u><u>\$ (100,517)</u></u>

The accompanying notes are an integral part of this statement.

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BROOKLYN CITY SCHOOL DISTRICT
CUYAHOGA COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 1999

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Brooklyn City School District (the "District") have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for establishing governmental accounting and financial reporting principles, which are primarily set forth in the GASB's *Codification of Governmental Accounting and Financial Reporting Standards* (the "GASB Codification"). The District's significant accounting policies are described below.

1. Description of the District

Brooklyn City School District is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. Brooklyn City School District is a city school district created under provisions of Section 3311.02 of the Ohio Revised Code. The District operates under an elected Board of Education (five members) and is responsible for the provision of public education to residents of the District.

The District operates two elementary schools, a middle school, and a high school. The average daily membership as of October 31, 1998 was 1,349. The District employed 109 certified and 88 non-certified employees.

2. The Reporting Entity

In evaluating how to define the governmental reporting entity, the District follows the provisions of GASB Statement No. 14, *The Financial Reporting Entity*, under which the financial statements include all the organizations, activities, functions, and component units for which the District is financially accountable. Financial accountability is defined as the appointment of a voting majority of the component unit's board and either (1) the District's ability to impose its will over the component unit, or (2) the possibility that the component will provide a financial benefit to or impose a financial burden on the District. On this basis, the District's financial reporting entity has no component units but includes all funds and account groups that are part of the District.

There is one non-public school located within the boundaries of the District. This non-public school is operated independently of the District. The District receives auxiliary services money from the State for the support of this non-public school and serves as the primary recipient having administrative responsibilities with respect to this grant. The accounting for these receipts and disbursements is reflected in a special revenue fund in accordance with GASB Statement No. 24, *Accounting and Financial Reporting for Certain Grants and Other Financial Assistance*, but the non-public school's operations are not reflected in the accompanying financial statements.

BROOKLYN CITY SCHOOL DISTRICT
CUYAHOGA COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS - CONTINUED

For the Fiscal Year Ended June 30, 1999

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -- CONTINUED

2. The Reporting Entity (continued)

The following entities which perform activities within the District's boundaries for the benefit of its residents are excluded from the accompanying financial statements because the District is not financially accountable for these entities nor are they fiscally dependent on the District.

City of Brooklyn – the city government of Brooklyn is a separate body politic and corporate. A mayor and council are elected independent of any District relationships and administer the provision of traditional city services. Council acts as the taxing and budgeting authority for these city services.

Cuyahoga County Public Library – The Library is a distinct political subdivision of the State of Ohio governed by a board of trustees. The board of trustees possesses its own contracting and budgeting authority, hires and fires personnel and does not depend on the District for operational subsidies.

Parent Teacher Association – The District is not involved in budgeting or managing the association, is not responsible for any debt of the association and has no influence over the association.

The District is associated with three jointly governed organizations (see Note Q) and one public entity risk pool (see Note N). These organizations are:

Jointly Governed Organizations:

Polaris Career Center

Ohio School's Council

Lakeshore Northeast Ohio Computer Association

Public Entity Risk Pool:

Ohio School Boards Association Workers'
Compensation Group Rating Program

BROOKLYN CITY SCHOOL DISTRICT
CUYAHOGA COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS - CONTINUED

For the Fiscal Year Ended June 30, 1999

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -- CONTINUED

3. Basis of Presentation - Fund Accounting

The District uses funds and account groups to report its financial position and the results of its operations. The various funds and account groups are reported by type in the general purpose financial statements. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to District activities or functions.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulation, restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

For financial statement presentation purposes, the various funds of the District are grouped into the following generic fund types under the broad fund categories, governmental, proprietary and fiduciary.

Governmental Fund Types

Governmental Funds are those through which most governmental functions of the District are financed. The acquisition, use and balances of the District's expendable financial resources and the related current liabilities (except those accounted for in proprietary funds) are accounted for through governmental funds. The following are the District's Governmental Fund Types:

General Fund

The General Fund is the general operating fund of the District. It is used to account for all financial resources except those required by law or contract to be accounted for in another fund.

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditure for specified purposes.

BROOKLYN CITY SCHOOL DISTRICT
CUYAHOGA COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS - CONTINUED

For the Fiscal Year Ended June 30, 1999

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -- CONTINUED

3. Basis of Presentation - Fund Accounting (continued)

Debt Service Fund

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs. According to governmental accounting principles, the Debt Service Fund accounts for the payment of long-term debt for governmental funds only. Under Ohio law, the Debt Service Fund might also be used to account for the payment of the long-term debt of proprietary funds and the short-term debt of both governmental and proprietary funds. For purposes of this report, the accumulation of resources for the payment of short-term debt of the General Fund has been recorded in that fund.

Capital Projects Funds

Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

Proprietary Fund Type

Proprietary Funds are used to account for the District's ongoing activities which are similar to those often found in the private sector where the determination of net income is necessary or useful to sound financial administration. The following is the District's Proprietary Fund Type:

Enterprise Funds

Enterprise Funds are used to account for operations: (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

BROOKLYN CITY SCHOOL DISTRICT
CUYAHOGA COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS - CONTINUED

For the Fiscal Year Ended June 30, 1999

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -- CONTINUED

3. Basis of Presentation - Fund Accounting (continued)

Fiduciary Fund Types

Fiduciary Funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. The following are the District's Fiduciary Fund Types:

Expendable Trust Funds

Expendable Trust Funds are used to account for assets held by the District in a trustee capacity for individuals, private organizations, or other governmental units with specific trust agreements as to how the funds will be disbursed. Expendable trust funds are those whose principal and income may be expended in the course of their designated operations.

Agency Funds

Agency Funds are used to account for assets held by the District as an agent for individuals, private organizations, other governments, or other funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Account Groups

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of a general nature, the following account groups are used.

General Fixed Assets Account Group

This group of accounts is established to account for capital assets used in the general government operations with a useful life of greater than one year (other than those accounted for in proprietary funds).

General Long-Term Obligations Account Group

This group of accounts is established to account for all long-term obligations of the District, except those accounted for in proprietary funds. These obligations are secured by the credit of the District as a whole and are payable from general government resources or assessments against property owners.

BROOKLYN CITY SCHOOL DISTRICT
CUYAHOGA COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS - CONTINUED

For the Fiscal Year Ended June 30, 1999

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -- CONTINUED

4. *Measurement Focus and Basis of Accounting*

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Government Fund Types and Expendable Trust Funds are accounted for on a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet.

Proprietary fund types are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operations of these funds are included on the balance sheet.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The modified accrual basis of accounting is followed for Governmental, Expendable Trust, and Agency Funds. Under this basis of accounting, revenues are recognized when they become both measurable and available to finance expenditures for the current period. Revenues accrued at the end of the fiscal year include property taxes, tuition, and state and federal grants. Expenditures are recognized in the period in which the related fund liability is incurred with certain exceptions, including the portion of compensated absences which is not payable from current expendable financial resources and general long-term obligation interest which is reported when due. The available period for the District is 30 days after year end.

The District reports deferred revenues on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 1999, which are intended to finance fiscal year 2000 operations, and delinquent property taxes, whose availability is indeterminable, have been recorded as deferred revenue.

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.

BROOKLYN CITY SCHOOL DISTRICT
CUYAHOGA COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS - CONTINUED

For the Fiscal Year Ended June 30, 1999

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

4. Measurement Focus and Basis of Accounting (continued)

Proprietary funds are accounted for on the accrual basis of accounting. Their revenues are recognized in the period earned, and expenses are recognized in the period incurred. Under the guidelines of GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting*, the District has elected not to apply Financial Accounting Standards Board Statements and Interpretations issued after November 30, 1989 to its proprietary activities.

5. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are required to be budgeted and appropriated. The primary level of budgetary control is at the object code level within each fund. Budgetary modifications may only be made by resolution of the Board of Education.

Tax Budget

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed tax budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are announced and conducted to obtain taxpayers' comments. The express purpose of this tax budget document is to reflect the need for existing (or increased) tax rates and to provide a basis for the development of the first permanent appropriations for the coming fiscal year.

By no later than January 20, the Board-adopted budget is filed with the Cuyahoga County Budget Commission (the "Budget Commission") for determination of tax rates. The Budget Commission will determine the appropriate tax rates and will prepare a certificate of estimated resources for the District. A hearing may be held by the Budget Commission where the Budget Commission members discuss the proposed budget with District officials.

BROOKLYN CITY SCHOOL DISTRICT
CUYAHOGA COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS - CONTINUED

For the Fiscal Year Ended June 30, 1999

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -- CONTINUED

5. Budgetary Process (continued)

Estimated Resources

The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Commission certifies its actions to the District by April 1. As part of this certification, the District receives the official certificate of estimated resources, which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure. On or about July 1, the certificate of estimated resources is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or actual receipts exceed current estimates. The budget figures which appear in the statement of budgetary comparison reflect the amounts in the final amended official certificate of estimated resources issued during the year.

Appropriations

A temporary appropriation resolution to control expenditures may be passed on or about July 1 of each year for the period of July 1 to September 30. An annual appropriation resolution must be passed by October 1 of each year for the period July 1 to June 30. The appropriation resolution fixes spending authority at the fund, object level. The appropriation resolution may be amended during the year as new information becomes available, provided that total fund appropriations do not exceed current estimated resources, as certified. The allocation of appropriations among functions within a fund may be modified during the year by a resolution of the Board of Education. Several supplemental appropriation resolutions were legally enacted by the Board of Education during the year. The budget figures which appear in the statements of budgetary comparison represent the final appropriation amounts including all amendments and modifications.

BROOKLYN CITY SCHOOL DISTRICT
CUYAHOGA COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS - CONTINUED

For the Fiscal Year Ended June 30, 1999

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -- CONTINUED

5. Budgetary Process (continued)

Encumbrances

As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. Expenditures plus encumbrances may not legally exceed appropriations. On the GAAP basis, encumbrances outstanding at year-end are reported as a reservation of fund balance for subsequent year expenditures for governmental funds and reported in the notes to the financial statements for proprietary funds.

Lapsing of Appropriations

At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be reappropriated.

Budgetary Accounting

While reporting financial position, results of operations, and changes in fund balance/retained earnings on the basis of GAAP, the budgetary basis as provided by law and described above is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances.

BROOKLYN CITY SCHOOL DISTRICT
CUYAHOGA COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS - CONTINUED

For the Fiscal Year Ended June 30, 1999

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -- CONTINUED

5. Budgetary Process (continued)

Budgetary Accounting (continued)

The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Non-GAAP Budgetary Basis) - All Governmental Fund Types and Similar Trust Funds and the Combined Statement of Revenues, Expenses and Changes in Fund Equity - Budget and Actual (Non-GAAP Budgetary Basis) - Proprietary Fund Type are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budgetary basis and the GAAP basis are that:

- (a) Revenues are recorded when received in cash (non-GAAP budgetary basis) as opposed to when susceptible to accrual (GAAP basis).
- (b) Expenditures are recorded when paid in cash (non-GAAP budgetary basis) as opposed to when the liability is incurred (GAAP basis).
- (c) Outstanding year-end encumbrances are treated as expenditures/expenses for all funds (non-GAAP budgetary basis) rather than as a reservation of fund balance for governmental funds and as note disclosures for proprietary funds (GAAP basis).
- (d) For proprietary funds, the acquisition and construction of capital assets are reported on the operating statement (non-GAAP budgetary basis) rather than as balance sheet transactions (GAAP basis).

BROOKLYN CITY SCHOOL DISTRICT
CUYAHOGA COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS - CONTINUED

For the Fiscal Year Ended June 30, 1999

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -- CONTINUED

5. Budgetary Process (continued)

Budgetary Accounting (continued)

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

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

	General Fund	Special Revenue Funds	Debt Service Fund	Capital Projects Funds	Expendable Trust Fund
GAAP basis	\$ 752,860	\$ 11,049	\$ -	\$130,384	\$5,107
Net adjustments for revenue accruals	387,711	115,103	1,296,646	(2,558)	2,325
Net adjustments for expenditure accruals	(13,304)	115	(1,354,537)	(904)	53
Adjustments for encumbrances	(56,880)	(76,411)	-	-	-
Budget Basis	\$1,070,387	\$49,856	\$(57,891)	\$126,922	\$7,485

BROOKLYN CITY SCHOOL DISTRICT
CUYAHOGA COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS - CONTINUED

For the Fiscal Year Ended June 30, 1999

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -- CONTINUED

5. Budgetary Process (continued)

Budgetary Accounting (continued)

Net Loss/Excess of Revenues Over (Under) Expenses
and Operating Transfers - Proprietary Fund Type

	Enterprise Funds
GAAP basis	\$ 3,804
Net adjustment for revenue accruals	9,059
Net adjustment for expenditure accruals	1,048
Depreciation expense	5,790
Adjustment for encumbrances	(1,005)
Budget Basis	\$18,696

6. Cash and Cash Equivalents

To improve cash management, all cash received by the District is pooled. Amounts for all funds, including proprietary funds, are maintained in a central bank account or temporarily used to purchase short-term investments. Individual fund integrity is maintained through District records. Each fund's interest in the pooled account is presented as "equity in pooled cash and cash equivalents" on the Combined Balance Sheet. During fiscal year 1999, investments were limited to money market funds. All investments of the District had a maturity of less than ninety days. Investments are stated at cost or amortized cost which approximates fair value due to the short-term nature of these investments. Under existing Ohio statutes, the Board of Education may, by resolution, identify the funds to receive an allocation of interest earnings. During 1999, the District elected to distribute interest to the general fund and auxiliary services special revenue fund. Interest income earned for the year ended June 30, 1999 totaled \$76,651.

BROOKLYN CITY SCHOOL DISTRICT
CUYAHOGA COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS - CONTINUED

For the Fiscal Year Ended June 30, 1999

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -- CONTINUED

6. Cash and Cash Equivalents (continued)

For purposes of the Statement of Cash Flows - Proprietary Fund Type, 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 District are considered to be cash equivalents.

7. Materials and Supplies Inventory

Inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. Inventories of proprietary funds primarily consist of purchased food, and school supplies held for resale. The cost of inventory items is recognized as an expenditure when used (consumption method). Reported material and supplies inventory in the general fund is equally offset by a fund balance reserve which indicates that it does not constitute available spendable resources even though it is a component of net current assets.

8. Fixed Assets and Depreciation

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the General Fixed Assets Account Group. All purchased fixed assets are valued at cost where historical records are available and at an estimated historical cost where historical records are not available. Donated fixed assets are valued at their estimated fair market value on the date received. The District maintains a capitalization threshold of five hundred dollars. The District does not possess any infrastructure.

Assets in the General Fixed Assets Account Group are not depreciated. Depreciation of furniture and equipment in the Proprietary Fund Type is computed using the straight-line method over an estimated useful life of ten years.

9. Compensated Absences

In conformity with the provisions of GASB Statement No. 16, *Accounting for Compensated Absences*, the District accrues vacation and sick pay related severance benefits as earned by its employees. For Governmental Fund Types, the liability not currently due and payable at June 30, 1999 is recorded in the General Long-Term Obligations Account Group. For Proprietary Fund Types, the entire liability for compensated absences is reported as a fund liability.

BROOKLYN CITY SCHOOL DISTRICT
CUYAHOGA COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS - CONTINUED

For the Fiscal Year Ended June 30, 1999

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -- CONTINUED

9. Compensated Absences (continued)

Vacation Pay

Only administrative and school support personnel accumulate annual vacation leave. Administrative personnel, the Superintendent, and the Treasurer accumulate 25 days vacation leave. School support personnel accumulate annual vacation leave as follows:

<u>Completed Service</u>	<u>Vacation Leave</u>
After 1 year	10 days
9 or more years	15 days
14 or more years	20 days
23 or more years	25 days

Included in the accrual for compensated absences at June 30, 1999 is a vacation leave liability of \$45,641 in the General Fund.

Sick Leave

Each professional staff member is entitled to fifteen (15) days sick leave with pay for each year under contract. The sick leave accrues at the rate of one and one-fourth (1-1/4) days for each calendar month under contract. Sick leave is cumulative to 310 days. Upon retirement, as described below, an employee is paid a severance benefit equal to 32% of the value of their accumulated sick leave, calculated at current wage rates, with the balance being forfeited.

Employees meet the eligibility requirements for retirement with either (a) twenty-five years of service and age 55 or over, (b) five years of service and age 60 or over, or (c) any age with thirty years of service. Included in the accrual for compensated absences at June 30, 1999 is a \$5,488 fund liability of the Enterprise Fund and a \$1,107,412 liability in the General Long-Term Obligations Account Group for sick pay-related severance benefits.

BROOKLYN CITY SCHOOL DISTRICT
CUYAHOGA COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS - CONTINUED

For the Fiscal Year Ended June 30, 1999

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -- CONTINUED

9. Compensated Absences (continued)

Early Retirement Incentive

The District provides early retirement incentive plans for its certified and non-certified employees. These plans became available for the year ending June 30, 1997 and shall continue in effect until June 30, 2000. Participation is open to all employees who are at least fifty years of age, qualify for retirement with the years of service credit purchased by the District, and submit an irrevocable letter of resignation to the Superintendent specifying the employee's effective date of retirement. The credit purchased shall not exceed the lesser of three years or one-fifth of each employee's total service credit. Employees electing to participate in these plans receive any accrued vacation or sick pay related severance benefits over a three-year period. On an annual basis, the District has the option of limiting or not implementing the early retirement incentive plans if, in its judgment, it is not deemed financially feasible.

As of June 30, 1999, seven non-certified and 14 certified employees have elected to participate in their respective plans. Included in the accrual for compensated absences at June 30, 1999 is a \$448,305 fund liability of the General Fund, a \$12,413 fund liability of the Enterprise Fund and a \$686,597 liability in the General Long-Term Obligations Account Group related to the early retirement incentive option.

10. Long-Term Obligations

Long-term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the General Long-Term Obligations Account Group. Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds.

11. Fund Balance Reserves

Reserved fund balances indicate that portion of fund equity which is not available for current appropriation or is legally segregated for a specific future use. Fund equity reserves are established for textbooks, encumbrances, materials and supplies inventories, prepaid items and other assets, advances and nonpublic schools. The unreserved portions of fund equity reflected for the governmental funds are available for use within the specific purposes of those funds.

BROOKLYN CITY SCHOOL DISTRICT
CUYAHOGA COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS - CONTINUED

For the Fiscal Year Ended June 30, 1999

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -- CONTINUED

12. Contributed Capital

Contributed capital represents resources from other funds, other governments, and private sources provided to proprietary funds that is not subject to repayment. These assets are recorded at their fair market value on the date donated.

13. Intergovernmental Revenues

For governmental funds, intergovernmental revenues, such as entitlements and grants awarded on a non-reimbursement basis, are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Other than commodities, grants and entitlements for proprietary fund operations are recognized as non-operating revenues in the accounting period in which they are earned and became measurable.

The District currently participates in several State and federal programs, categorized as follows:

Entitlements

General Fund

State Foundation Program

Special Revenue Funds

Disadvantaged Pupil Impact Aid

BROOKLYN CITY SCHOOL DISTRICT
CUYAHOGA COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS - CONTINUED

For the Fiscal Year Ended June 30, 1999

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -- CONTINUED

13. Intergovernmental Revenues (continued)

Non-Reimbursable Grants

Special Revenue Funds

Title VI-B: Special Education:

Assistance to States for Education of Handicapped Children Fund

Disadvantaged Pupils Program

Eisenhower

Title I: Special Education:

Assistance to States for Education of Handicapped Children Fund

Drug Free

Pre School Grant

Educational Management Information System

Venture Capital

Auxiliary Services (NPSS) Fund

Excellence in Education Fund

NBA Team-Up Community Service Grant

School Security Equipment Grant

Chapter II - Consolidation of Federal Programs for

Elementary and Secondary Education Fund

Learn and Serve

Capital Projects Funds

Schoolnet Plus (N-S)

Reimbursable Funds

National School Lunch Program

Government Donated Commodities

Grants and entitlements received in governmental funds amounted to approximately 14% of governmental fund revenue during the 1999 fiscal year.

BROOKLYN CITY SCHOOL DISTRICT
CUYAHOGA COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS - CONTINUED

For the Fiscal Year Ended June 30, 1999

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -- CONTINUED

14. Interfund Transactions

During the course of normal operations, the District has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets, and service debt. Operating subsidies are recorded as operating transfers. The classification of amounts recorded as subsidies, advances, or equity contributions is based on the intent of the District at the time of the transaction.

Quasi-external transactions are accounted for as revenues, expenditures, or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

15. 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.

16. Memorandum Only - Total Columns

Total columns on the general purpose financial statements are captioned "Totals (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles, nor is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

BROOKLYN CITY SCHOOL DISTRICT
CUYAHOGA COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS - CONTINUED

For the Fiscal Year Ended June 30, 1999

NOTE B - EQUITY IN POOLED CASH AND CASH EQUIVALENTS

The District maintains a cash and investment pool used by all funds. Individual fund integrity is maintained through the District's records. Each fund type's portion of this pool is displayed on the Combined Balance Sheet as "Equity in Pooled Cash and Cash Equivalents".

Legal Requirements

Statutes require the classification of monies held by the District into three categories.

Active deposits are public deposits necessary to meet current demands on the District. Such deposits must, by law, be maintained either as cash in the 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 the District has identified as not required for use within the current two year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts, including, but not limited to passbook accounts.

Interim deposits are those deposits 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 accounts, including passbook accounts.

Interim monies may be invested in the following securities:

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

BROOKLYN CITY SCHOOL DISTRICT
CUYAHOGA COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS - CONTINUED

For the Fiscal Year Ended June 30, 1999

NOTE B - EQUITY IN POOLED CASH AND CASH EQUIVALENTS - CONTINUED

Legal Requirements (continued)

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAROhio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

BROOKLYN CITY SCHOOL DISTRICT
CUYAHOGA COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS - CONTINUED

For the Fiscal Year Ended June 30, 1999

NOTE B - EQUITY IN POOLED CASH AND CASH EQUIVALENTS - CONTINUED

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, *Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements*.

Deposits

At June 30, 1999, the carrying amount of the District's deposits was \$(346,132) and the bank balance was zero.

Investments

The District's investments are categorized to give an indication of the level of risk assumed by the entity at year-end. Category 1 includes investments that are insured and registered or for which the securities are held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty or by its trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty or by its trust department, but not in the District's name.

Investments at June 30, 1999 consisted of a Money Market Mutual Fund Account (Category 2) investing solely in government securities with a carrying value of \$1,843,921 which approximates its market value. This investment has been classified on the Combined Balance Sheet as equity in pooled cash and cash equivalents in accordance with the provisions of GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Non-expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*.

At June 30, 1999, the carrying value of the District's deposits and investments, classified in accordance with GASB Statement No. 3, are as follows:

Demand Deposits	\$ (346,132)
Cash on Hand	500
Investments	1,843,921
	<hr/>
	\$1,498,289

BROOKLYN CITY SCHOOL DISTRICT
CUYAHOGA COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS - CONTINUED

For the Fiscal Year Ended June 30, 1999

NOTE B - EQUITY IN POOLED CASH AND CASH EQUIVALENTS - CONTINUED

The classification of cash and cash equivalents, and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Non-expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*. Using that criteria, the above amounts are included on the Combined Balance Sheet under the following captions:

Equity in Pooled Cash and Cash Equivalents	\$1,438,464
Restricted Assets - Equity in Pooled Cash and Cash Equivalents	59,825
	\$1,498,289

NOTE C - PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real, public utility and tangible personal (used in business) property located in the District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31 of the prior year were levied April 1 and are collected with real property taxes. Assessed values for real property taxes are established by State law at 35% of appraised market value. The county auditor reappraises all real property every six years with a triennial update. The last update was completed for tax year 1996. Public utility property taxes are assessed on tangible personal property at 88% of true value (with certain exceptions) and on real property at thirty-five percent of true value. Tangible personal property taxes are levied after April 1 on the value listed as of December 31 of the current year. Tangible personal property assessments are twenty-five percent of true value.

Since property taxes are assessed and levied on a calendar year basis, the District receives property taxes from two taxing years during the District's fiscal year. The assessed values upon which the fiscal year 1999 taxes were collected are as follows:

	1999	1998
Real Property		
Residential/Agricultural	\$124,180,240	\$123,688,500
Commercial/Industrial	115,633,850	111,577,710
Tangible Personal Property		
General	78,470,390	81,459,237
Public Utilities	32,734,320	33,266,860
Total Valuation	\$351,018,800	\$349,992,307

BROOKLYN CITY SCHOOL DISTRICT
CUYAHOGA COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS - CONTINUED

For the Fiscal Year Ended June 30, 1999

NOTE C - PROPERTY TAXES -- CONTINUED

The full tax rate applied to real property for the 1999 collection year was \$40.00 per \$1,000 of assessed valuation. After adjustment of the rate for inflationary increases in property values, the effective tax rate was \$26.57 per \$1,000 of assessed valuation for real property classified as residential/agricultural and \$29.12 per \$1,000 of assessed valuation for all other real property. Real property owners' tax bills are further reduced by homestead and rollback deductions, when applicable. The amount of these homestead and rollback reductions is reimbursed to the District by the State of Ohio.

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. Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20.

The Cuyahoga County Treasurer collects property tax on behalf of all taxing districts within the county. The Cuyahoga County Auditor periodically remits to the taxing districts their portions of the taxes collected. Second-half real property tax payments collected by the county by June 30, 1999 are available to finance fiscal year 1999 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represent delinquent taxes outstanding, the late settlement of personal property taxes, and real property, tangible personal property, and public utility tangible taxes which became measurable as of June 30, 1999. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for the portion not intended to finance current year operations. The amount available as an advance at June 30, 1999 was \$849,208 for the General Fund and \$8,627 for the Capital Projects Fund.

An emergency renewal tax levy in the aggregate amount of \$2,175,000 was passed by the electorate of the District on May 4, 1999 and becomes effective on January 2000.

NOTE D - RECEIVABLES

Receivables at June 30, 1999, consisted of taxes, accounts (billings for user charged services), and intergovernmental receivables arising from grants, entitlements, and shared revenues. 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 year guarantee of federal funds.

BROOKLYN CITY SCHOOL DISTRICT
CUYAHOGA COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS - CONTINUED

For the Fiscal Year Ended June 30, 1999

NOTE E - FIXED ASSETS

The following is a summary of changes in the General Fixed Assets Account Group during the fiscal year:

	Original Balance 6/30/98	Adjustments	Adjusted Balance 6/30/98	Additions	Reductions	Balance 6/30/99
Land	\$ 70,000	\$ 695,644	\$ 765,644	\$ -	\$37,000	\$ 728,644
Buildings and improvements	9,530,534	(3,921,123)	5,609,411	1,125	-	5,610,536
Furniture, fixtures and equipment	2,928,837	570,535	3,499,372	102,936	-	3,602,308
Vehicles	354,230	198,655	552,885	38,410	13,097	578,198
	<u>\$12,883,601</u>	<u>\$(2,456,289)</u>	<u>\$10,427,312</u>	<u>\$142,471</u>	<u>\$50,097</u>	<u>\$10,519,686</u>

The District's June 30, 1998 balances were adjusted to reflect the estimated original historical cost by reverse inflation indexing current replacement costs back to an estimated year of purchase on assets physically inventoried. The reappraisal represents the best available data for the District's general fixed assets.

The following is a summary of the Enterprise Funds' fixed assets at June 30, 1999:

Furniture and equipment	\$153,776
Less accumulated depreciation	<u>108,939</u>
Net fixed assets	<u>\$ 44,837</u>

NOTE F - TAX ANTICIPATORY NOTES

On March 23, 1998, the District issued a \$1,401,230 tax anticipatory note. Proceeds from the note were used to pay for general operating expenses of the District. The note matured on December 31, 1998 and bore interest at 4.59%.

On May 10, 1994, the District issued tax anticipatory notes aggregating \$2,175,000. Proceeds from the notes were used to pay for general operating expenses of the District. Notes in the principal amount of \$435,000 matured on May 1, 1995, 1996, 1997, 1998 and 1999 and were retired by the District. The notes bore interest at 5.20%.

In accordance with GASB Codification Section B50.101, the District's tax anticipatory notes were reported as a liability of the general fund.

BROOKLYN CITY SCHOOL DISTRICT
CUYAHOGA COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS - CONTINUED

For the Fiscal Year Ended June 30, 1999

NOTE G - STATE SOLVENCY ASSISTANCE ADVANCE

The District borrowed \$2,493,000 on May 7, 1999 from the Ohio School Districts 1998 B Cash Flow Borrowing Program to assist in alleviating negative cash balances in the General Fund. The loan is non-interest bearing. The repayment of the advance is completed by the Ohio Department of Education making substantially equal deductions from the District's school foundation settlements each month for twenty-four months beginning July 1, 1999. The District reports the state solvency assistance advance as a liability of the general fund.

NOTE H - NOTES PAYABLE

Notes payable aggregating \$4,249,000 were issued August 10, 1994. Proceeds from the notes were used for capital purchases of energy conservation improvements. The notes bear interest at 5.60 percent per annum. Interest is payable semi-annually on February 1 and August 1 of each year with principal payments due on August 1. The notes are obligations of the District's Capital Projects fund, however, the full faith and credit of the District is pledged for repayment. Outstanding notes payable are accounted for in the General Long-Term Obligations Account Group. The following is a summary of the notes payable outstanding at June 30, 1999:

<u>Due</u> <u>August 1</u>	<u>Amount</u>
1999	\$ 410,000
2000	430,000
2001	455,000
2002	480,000
2003	510,000
2004	<u>540,000</u>
	<u>\$2,825,000</u>

NOTE I - INTERFUND BALANCES

The composition of amounts due to and from other funds as of June 30, 1999 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Enterprise - Food Service	\$ 45,000
General	Special Revenue - Chapter II	<u>939</u>
		<u>\$ 45,939</u>

BROOKLYN CITY SCHOOL DISTRICT
CUYAHOGA COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS - CONTINUED

For the Fiscal Year Ended June 30, 1999

NOTE J - SEGMENT INFORMATION - ENTERPRISE FUNDS

The District maintains four enterprise funds which are intended to be self-supporting through user fees charged for services. The table below reflects, in a summarized format, the more significant financial data relating to the enterprise funds of the District:

	Food Services	Uniform School Supplies	Latch Key	Wellness Center	Total
Operating revenues	\$224,406	\$ 24,237	\$ 79,439	\$4,655	\$ 332,737
Operating expenses before depreciation	349,194	20,445	60,310	4,462	434,411
Depreciation expense	4,565	-	1,225	-	5,790
Operating profit (loss)	(129,353)	3,792	17,904	193	(107,464)
Net income (loss)	(18,085)	3,792	17,904	193	3,804
Net cash flow	(401)	4,166	105,743	193	109,701
Total assets	83,438	42,103	113,577	880	239,998
Total equity	15,505	41,730	110,603	880	168,718
Outstanding encumbrances	-	-	-	304	304

BROOKLYN CITY SCHOOL DISTRICT
CUYAHOGA COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS - CONTINUED

For the Fiscal Year Ended June 30, 1999

NOTE K - ACCOUNTABILITY AND COMPLIANCE

Deficit Fund Balances

Fund balances at June 30, 1999 included the following individual fund deficits:

<u>General Fund Class</u>	
General Fund	<u>\$2,282,272</u>

The deficits primarily resulted from expenditures made in excess of available revenues and adjustments for accounts payable and accrued liabilities.

Contrary to Ohio Revised Code Section 5705.10, the following fund had a negative cash fund balance at June 30, 1999:

<u>Debt Service Fund Class</u>	
G.O. Bond Retirement	<u>\$11,310</u>

Legal Compliance

Contrary to Ohio Revised Code Section 5705.41(B) and (D), expenditures plus encumbrances exceeded appropriations at the legal level of control in the following individual funds at June 30, 1999:

<u>Special Revenue Fund Class</u>	<u>Appropriations</u>	<u>Expenditures</u>
Student Activity		
Other	\$80,627	\$180,650

**BROOKLYN CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS - CONTINUED

For the Fiscal Year Ended June 30, 1999

NOTE K - ACCOUNTABILITY AND COMPLIANCE – CONTINUED

Contrary to Ohio Revised Section 5705.39, the following funds had appropriations in excess of estimated revenues and carryover balances at June 30, 1999:

Fund	Appropriations	Estimated Resources	Difference
General Fund	\$12,326,296	\$12,142,993	(\$183,303)
Debt Service Fund	1,897,207	504,201	(1,393,006)
Special Revenue Funds			
DPIA	19,500	16,022	(3,478)
Title VIB	84,033	18,850	(65,183)
Title I	109,460	70,405	(39,055)
Drug Free	6,968	2,704	(4,264)
Auxiliary Services	245,616	206,675	(38,941)
Enterprise Funds			
Food Service	351,612	249,318	(102,294)
Uniform School Supply	25,000	18,944	(6,056)
Wellness	4,943	687	(4,256)

NOTE L - PENSION AND RETIREMENT PLANS

The employees of the District are covered by either the School Employees Retirement System of Ohio (SERS) or the State Teachers Retirement System of Ohio (STRS). The State of Ohio accounts for the activities of these retirement systems and the amounts of the funds are not reflected in the accompanying financial statements. Under both SERS and STRS, a member is eligible for retirement when the member reaches age 60 and has five or more years of service credit; reaches age 55 and has 25 years or more of service credit; or has 30 or more years of service credit at any age.

BROOKLYN CITY SCHOOL DISTRICT
CUYAHOGA COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS - CONTINUED

For the Fiscal Year Ended June 30, 1999

NOTE L - PENSION AND RETIREMENT PLANS -- CONTINUED

School Employees Retirement System

The District contributes to the School Employees Retirement System of Ohio, a cost-sharing multiple-employer defined benefit pension plan administered by the School Employees Retirement Board. All employees of the District performing duties that do not require a certificate issued by the Ohio Department of Education are required to contribute to SERS. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State Statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current rate is 14% of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 1999, 7.7% of annual covered salary was the portion used to fund pension obligations. For fiscal year 1998, 9.02% was used to fund pension obligations. For certain employees, the District pays the 9% member contribution as an employee benefit. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The District's contributions to SERS for the years ended June 30, 1999, 1998 and 1997 were \$322,780, \$300,894 and \$296,844, respectively, equal to the required contributions for each year.

State Teachers Retirement System

All full-time certified District employees participate in STRS, a cost-sharing multiple-employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

BROOKLYN CITY SCHOOL DISTRICT
CUYAHOGA COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS - CONTINUED

For the Fiscal Year Ended June 30, 1999

NOTE L - PENSION AND RETIREMENT PLANS - CONTINUED

State Teachers Retirement System - continued

Plan members are required to contribute 9.3% of their annual covered salary and the District is required to contribute 14%, an actuarially determined rate. Of the 14% District portion, 6% was the portion used to fund pension obligations. For fiscal year 1998, the portion used to fund pension obligations was 10.5%. For certain employees, the District pays the 9.3% member contribution as an employee benefit. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. The District's contributions to STRS for the years ended June 30, 1999, 1998 and 1997 were \$795,351, \$816,665 and \$725,669, respectively. The full amount has been contributed for 1998 and 1997, 91.2 percent has been contributed for 1999 with the remainder reported as a liability.

NOTE M - POSTEMPLOYMENT BENEFITS

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

School Employees Retirement System

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, and disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium. For this fiscal year, employer contributions to fund health care benefits were 6.30% of covered payroll, an increase from 4.98% for fiscal year 1998. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for the partial service credit. For fiscal year 1999, the minimum pay has been established at \$12,400. The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund. For the District, the amount to fund health care benefits, including the surcharge, equaled \$145,251 during the 1999 fiscal year.

The target level for the health care reserve is 125% of annual health care expenses. Expenses for health care at June 30, 1998 (the latest information available) were \$111,900,575 and the target level was \$139.9 million. At June 30, 1998, SERS had net assets available for payment of health care benefits of \$160.3 million. SERS has approximately 50,000 participants currently receiving health care benefits.

BROOKLYN CITY SCHOOL DISTRICT
CUYAHOGA COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS - CONTINUED

For the Fiscal Year Ended June 30, 1999

NOTE M - POSTEMPLOYMENT BENEFITS - CONTINUED

State Teachers Retirement System

The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of health care costs in the form of a monthly premium. By Ohio Law, the cost of coverage paid from STRS funds shall be included in the overall employer contribution rate, currently 14% of covered payroll. For the fiscal year ended June 30, 1999, the STRS board allocated employer contributions equal to 8% of covered payroll to the Health Care Reserve Fund, an increase from 3.5% for fiscal 1998. For the District, this amount equaled \$454,486 for fiscal year 1999. The balance in the Health Care Reserve Fund was \$2,156 million at June 30, 1998 (the latest information available). For the year ended June 30, 1998, net health care costs paid by STRS were \$219,224,000 and STRS had 91,999 eligible benefit recipients.

NOTE N - RISK MANAGEMENT

Insurance

The 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 District has a comprehensive property (including boiler and machinery) and auto fleet policy with Harcum Nationwide. The deductible is \$1,000 per incident on property and \$500 per incident on vehicles. All board members, administrators and employees are covered under a school district liability policy with Harcum Nationwide with a \$1,000,000 limit per occurrence and \$5,000,000 per aggregate limit. The District also has an employee benefits liability endorsement with a \$300,000 limit. Settlement claims have not exceeded this commercial coverage in any of the past four years. There has not been a significant reduction in coverage from the prior year.

Bonding

The Treasurer is covered by a surety bond in the amount of \$50,000. Remaining employees who handle money are covered with a public employees' blanket bond in amounts ranging from \$10,000 to \$20,000. These bonds are provided by the Nationwide Mutual Insurance Company.

Workers' Compensation

The 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 his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

BROOKLYN CITY SCHOOL DISTRICT
CUYAHOGA COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS - CONTINUED

For the Fiscal Year Ended June 30, 1999

NOTE N - RISK MANAGEMENT - CONTINUED

The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "equity pooling fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

NOTE O - CONTINGENCIES

Grants

The District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 1999.

Litigation

In July 1997, a District employee was involved in a fatal accident while using maintenance equipment at the District. On July 17, 1998, an intentional tort wrongful death action was filed by the decedent's estate seeking unspecified damages in excess of \$25,000. On October 1, 1998, the District filed a motion to dismiss and is awaiting order by the court. This matter is in its preliminary stages and the District is unable, at this time, to evaluate the likelihood or the amount of liability, if any, to which the District is exposed as a result of this suit.

As of June 30, 1999, the District was party to various other legal proceedings, seeking damages or injunctive relief, arising in the ordinary course of business. The ultimate disposition of these proceedings is not presently determinable. The District carries adequate insurance coverage for most risks including property damage and personal liability and the District's management does not believe that any potential claims not covered by such insurance would materially affect the financial condition of the District.

BROOKLYN CITY SCHOOL DISTRICT
CUYAHOGA COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS - CONTINUED

For the Fiscal Year Ended June 30, 1999

NOTE O - CONTINGENCIES - CONTINUED

School Finance

As of June 30, 1999, there was pending several challenges to real estate market valuation filed by property owners within the District. If successful, these challenges will result in a decrease of real property market valuation and therefore real estate property tax revenue received by the District. However, in the opinion of management, the disposition of all valuation challenges is not expected in the aggregate to have a material adverse effect on the financial position of the District.

NOTE P - STATE SCHOOL FUNDING DECISION

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in the system. Declared unconstitutional was the State's "school foundation program," which provides significant amounts of monetary support to the School District. During the fiscal year ended June 30, 1999, the School District received \$791,637 of school foundation support in total (all funds).

The Court also declared the emergency school loan assistance program unconstitutional. The emergency school loan program allowed the School District to borrow money from a commercial financial institution with repayment going directly to the lender from the State through withholding a portion of the School District's future school foundation payments. As of June 30, 1999, the School District has an outstanding balance due of \$2,493,000 borrowed under this program; the final payment of this note will be made in fiscal year 2001/2002. The terms of the debt are further described in Note G to these financial statements.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State General Assembly in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. On May 11, 2000, the Ohio Supreme Court rendered an opinion on this issue. The Court concluded, "... the mandate of the [Ohio] Constitution has not been fulfilled." The Court's majority recognized efforts by the Ohio General Assembly taken in response to the Court's March 24, 1997 decision, however, it found seven "... major areas warranting further attention, study, and development by the General Assembly..." including the State's reliance on local property tax funding, the state's basic aid formula, the school foundation program, as discussed above, the mechanism for, and adequacy of, funding for school facilities, and the existence of the State's School Solvency Assistance Fund, which the Court found took the place of the unconstitutional emergency school loan assistance program.

BROOKLYN CITY SCHOOL DISTRICT
CUYAHOGA COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS - CONTINUED

For the Fiscal Year Ended June 30, 1999

NOTE P - STATE SCHOOL FUNDING DECISION - CONTINUED

The Court decided to maintain jurisdiction over these issues and continued the case at least until June 15, 2001.

As of the date of these financial statements, the School District is unable to determine what effect, if any, this ongoing litigation will have on its future State funding under these programs and on its financial operations.

NOTE Q - JOINTLY GOVERNED ORGANIZATIONS

Polaris Career Center

The Polaris Career Center (a joint vocational school district) is a distinct political subdivision of the State of Ohio operated under the direction of a Board, consisting of one representative from each participating school district's elected board, which possesses its own budgeting and taxing authority. Accordingly, Polaris Career Center is not part of the District and its operations are not included as part of the reporting entity. Financial information can be obtained by contacting the Treasurer at the Polaris Career Center, 7285 Old Oak Boulevard, Middleburg Heights, Ohio.

Ohio Schools Council

The Ohio Schools Council (the "Council") is a jointly governed organization among eighty-two school districts. The jointly governed organization was formed to purchase quality products and services at the lowest possible cost to the member districts. Each district supports the Council by paying an annual participation fee. The Council's Board consists of seven superintendents of the participating districts whose terms rotate every year. The degree of control exercised by any school district is limited to its representation on the Board. In fiscal year 1999, the District paid \$700 to the Council. Financial information can be obtained by contacting Joseph Lesak, the Executive Secretary of the Ohio Schools Council at 155 Center Road, Bedford, Ohio 44146.

The District participates in the Council's electric purchase program which was implemented during fiscal year 1998. This program allows school districts to purchase electricity at reduced rates, if the school district will commit to participating for an eight-year period. The participants make monthly payments based on estimated usage. Each June, these estimated payments are compared to their actual usage for the year and any necessary adjustments are made.

BROOKLYN CITY SCHOOL DISTRICT
CUYAHOGA COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS - CONTINUED

For the Fiscal Year Ended June 30, 1999

NOTE Q - JOINTLY GOVERNED ORGANIZATIONS -- CONTINUED

Ohio Schools Council (continued)

In 1997, Energy Acquisition Corporation, a non-profit corporation with a self-appointing board, issued \$119,140,000 in debt to pre-purchase eight years of electricity from Cleveland Electric Illuminating (CEI) for the participants. The participating school districts are not obligated in any manner for this debt. If a participating school district terminates its agreement, that district is required to repay savings to CEI and CEI will refund the remaining prepayment related to that participant to Energy Acquisition Corporation.

Lakeshore Northeast Ohio Computer Association

The Lakeshore Northeast Ohio Computer Association (LNOCA) is a jointly governed computer service bureau among eighteen public school districts. The primary function of LNOCA is to provide data services to the eighteen 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 or designated representative. Each year, the Board of Directors elects a Chairman, a Vice Chairman and a Recording Secretary. The Treasurer of the fiscal agent is a nonvoting, ex-officio member of the Board of Directors. The Cuyahoga County Educational Service Center serves as the fiscal agent of LNOCA. Each school district supports LNOCA based upon a per pupil charge dependent upon the software packages used. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained by contacting the Treasurer of the fiscal agent at 7800 Wall Street, Valley View, Ohio 44104.

NOTE R - FISCAL EMERGENCY

In accordance with Section 3316.03 of the Ohio Revised Code, a fiscal watch was declared at the District by the Auditor of State on March 24, 1999. Since the District was unable to submit an acceptable financial plan to the State Superintendent of Public Instruction, the Auditor of State declared the District to be in a state of fiscal emergency as defined by Section 3316.03(B) of the Ohio Revised Code on April 27, 1999.

BROOKLYN CITY SCHOOL DISTRICT
CUYAHOGA COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS - CONTINUED

For the Fiscal Year Ended June 30, 1999

NOTE 5 - STATUTORY RESERVES

Substitute House Bill 412, as amended, required the District to "set-aside" certain percentages of defined revenues for (1) textbooks and instructional material purchases, (2) capital and maintenance expenditures, and (3) to establish a budget reserve. It also required five-year budget projections, amended the Fiscal Watch and Fiscal Emergency Statutes, created a State School District Solvency Fund, and amended "spending reserve" provisions. During the fiscal year ended June 30, 1999, the reserve activity (cash basis) was as follows:

	Textbook Reserve	Capital Maintenance Reserve	Budget Stabilization Reserve	Total
Set-Aside Cash Balance July 1, 1998	\$ -	\$ -	\$ -	\$ -
Required Set-Aside	199,513	199,513	99,757	498,783
Offset Credits	-	-	(100,474)	(100,474)
Qualifying Disbursements	(139,688)	(216,193)	-	(355,881)
Total	\$ 59,825	\$ (16,680)	\$ (717)	\$ 42,428
 Cash Balance Carried Forward to FY 2000	 \$ 59,825	 \$ -	 \$ -	 \$ 59,825

Although the District had offsets and qualifying expenditures during the fiscal year that reduced the set-aside below zero, these extra amounts may not be used to reduce the set-aside requirements of future years. Negative amounts are therefore not presented as being carried forward to the next fiscal year.

Under Ohio law, a reserve for budget stabilization must be established and cannot be expended without the permission of the State Superintendent of Public Instruction. During fiscal year 1998, the District received a \$67,109 refund from the Bureau of Workers' Compensation which state statute required to be included in this reserve. During fiscal year 1998, the District expended the refund amount on current operating expenditures without prior approval from the State Superintendent of Public Instruction.

BROOKLYN CITY SCHOOL DISTRICT
CUYAHOGA COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS - CONTINUED

For the Fiscal Year Ended June 30, 1999

NOTE T - RECEIVABLES

Receivables at June 30, 1999 consisted of taxes, accounts, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds.

Intergovernmental receivables consisted of \$623,522 in the General Fund, \$20,646 in the Special Revenue Funds, \$12,028 in the Capital Projects Fund and \$29,729 in the Enterprise Funds.

NOTE U - RESTATEMENT OF FUND BALANCES

In prior years, the School District recognized a receivable for all property taxes levied prior to fiscal year end. This year, a receivable for property taxes was established for the amount of estimated tax settlements for fiscal year 2000. The effect of this change on the excess of revenues and other financing sources over (under) expenditures and other uses as previously reported for the year ended June 30, 1998 is as follows:

	General	Capital Projects
Excess as previously reported	\$(1,286,552)	\$(172,799)
Restatement for tax revenue	(59,494)	(607)
Restated amounts for the year ended June 30, 1998	\$(1,346,046)	\$(173,406)

The change in reporting for taxes receivable and adjustments for prior period accounting errors had the following effects on fund balance as they were previously reported as of June 30, 1998:

	General	Special Revenue	Capital Projects
Fund balance as previously reported	\$(2,973,811)	\$202,301	\$211,202
Restatement for tax revenue	(59,494)	-	(607)
Restatement for accounting errors	(1,827)	(1,735)	(10,335)
Restated balances as of July 1, 1998	\$(3,035,132)	\$200,566	\$200,260

	Enterprise
Retained earnings as previously reported	\$144,230
Restatement for accounting errors	(1,735)
Restated retained earnings as of June 30, 1998	\$142,495

**BROOKLYN CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS - CONTINUED

For the Fiscal Year Ended June 30, 1999

NOTE U - RESTATEMENT OF FUND BALANCES - CONTINUED

Cash fund balances were also restated for prior period accounting errors and had the following effects on cash fund balances as they were previously reported as of June 30, 1998:

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>	<u>Enterprise</u>
Cash fund balance as previously reported	\$ (884,175)	\$(21,690)	\$35,639	\$ 202,701	\$399	\$126,591
Restatement for accounting errors	311,629	84,479	10,942	(8,510)	147	6,550
Restated cash fund balances as of July 1, 1998	\$(572,546)	\$ 62,789	\$46,581	\$ 194,191	\$546	\$133,141

NOTE V - SUBSEQUENT EVENTS

The District received \$924,000 from the Ohio Solvency Assistance Fund in May 2000.

BROOKLYN CITY SCHOOL DISTRICT
CUYAHOGA COUNTY
SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FISCAL YEAR ENDED JUNE 30, 1999 (A)

Federal Grantor Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<u>U.S. Department of Agriculture</u> <i>Passed Through the Ohio Department of Education</i>						
Child Nutrition Cluster						
Food Distribution (B)	N/A	10.550	\$0	\$18,548	\$0	\$24,348
School Breakfast Program	N/A	10.553	3,035	0	3,035	0
National School Lunch Program	043653-03/04-PU-00	10.555	68,370	0	68,370	0
Total U.S. Department of Agriculture - Child Nutrition Cluster			71,405	18,548	71,405	24,348
<u>U.S. Department of Education</u> <i>Passed Through the Ohio Department of Education</i>						
Special Education Cluster						
Special Education - Title VIB	043653-6B-SF-97	84.027	0	0	95	0
Special Education - Title VIB	043653-6B-SF-98	84.027	47,628	0	2,538	0
Special Education - Title VIB	043653-6B-SF-99	84.027	79,588	0	71,885	0
Subtotal			127,216	0	74,518	0
Special Education - Preschool	043653-PG-S1-99	84.173	9,126	0	9,126	0
Total Special Education Cluster			136,342	0	83,644	0
Grants to Local Educational Agencies						
Title I FY 96	043653-C1-S1-96	84.010	0	0	477	0
Title I FY 97	043653-C1-S1-97	84.010	16,339	0	11,855	0
Title I FY 98	043653-C1-S1-98	84.010	68,320	0	23,751	0
Title I FY 99	043653-C1-S1-99	84.010	76,317	0	76,890	0
Subtotal			160,976	0	112,973	0
Drug Free Schools						
Drug Free FY 98	043653-DR-S1-98	84.186	0	0	(1,061)	0
Drug Free FY 99	043653-DR-S1-99	84.186	6,941	0	6,744	0
Subtotal			6,941	0	5,683	0
Goals 2000						
Family and School Partnership Initiative	043653-G2-S4-99	84.276	3,000	0	2,184	0
Family and School Partnership Initiative	043653-G2-A2-00	84.276	490	0	0	0
Subtotal			3,490	0	2,184	0
Eisenhower Professional Development State Grant						
Eisenhower Grant FY98	043653-MS-S1-98	84.281	0	0	1,746	0
Eisenhower Grant FY 99	043653-MS-S1-99	84.281	4,512	0	1,126	0
Subtotal			4,512	0	2,872	0
Chapter 2 FY 96	043653-C2-S1-96	84.151	0	0	4,954	0
Vocational Education Continuous Improvement Grant	043653-WK-BE-00	17.249	5,000	0	0	0
Innovative Education Program Strategy						
Title VI FY 98	043653-C2-S1-98	84.298	0	0	2,754	0
Title VI FY 99	043653-C2-S1-99	84.298	6,959	0	2,861	0
Subtotal			6,959	0	5,615	0
Total U.S. Department of Education			324,220	0	217,925	0
Total Federal Assistance			\$395,625	\$18,548	\$289,330	\$24,348

Note A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of awards expenditures is a summary of the activity of the District's federal award programs. The schedule has been prepared on the cash basis of accounting.

Note B - FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. Monies are commingled with State grants. It is assumed federal monies are expended first. At June 30, 1999, the District had no significant food commodities in inventory.

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JIM PETRO, AUDITOR OF STATE

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS

Members of the Board of Education
Brooklyn City School District
Cuyahoga County
9200 Biddulph Road
Brooklyn, Ohio 44144

We have audited the financial statements of the Brooklyn City School District, Cuyahoga County, Ohio, (the District) as of and for the year ended June 30, 1999, and have issued our report thereon dated September 8, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 1999-10818-001 and 1999-10818-002. We also noted certain immaterial instances of noncompliance that we have reported to the management of the District in a separate letter dated September 8, 2000.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 1999-10818-003 through 1999-10818-006.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However we believe none of the reportable conditions described is a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to the management of the District in a separate letter dated September 8, 2000.

This report is intended for the information and use of the Board of Education, management, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro", with a large, stylized flourish at the end.

Jim Petro
Auditor of State

September 8, 2000



**STATE OF OHIO
OFFICE OF THE AUDITOR**

JIM PETRO, AUDITOR OF STATE

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**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR
FEDERAL PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

Members of the Board of Education
Brooklyn City School District
Cuyahoga County
9200 Biddulph Road
Brooklyn, Ohio 44144

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 are applicable to each of its major federal programs for the year ended June 30, 1999. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 1999. However, we noted certain instances of noncompliance that do not require inclusion in this report that we have reported to the management of the District in a separate letter dated September 8, 2000.

Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the District's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. Reportable conditions are described in the accompanying schedule of findings as items 1999-10818-003, 1999-10818-005 and 1999-10818-007.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness. We also noted other matters involving the internal control over federal compliance that do not require inclusion in this report, that we have reported to the management of the District in a separate letter dated September 8, 2000.

This report is intended for the information and use of the Board of Education, management, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.



Jim Petro
Auditor of State

September 8, 2000

**BROOKLYN CITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 1999**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	Yes
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	Yes
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	Yes
(d)(1)(vii)	Major Programs (list):	Special Education Cluster: Special Education to States, CFDA #84.027; Special Education Preschool Grant CFDA #84.173; and Title I, CFDA #84.010
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

**BROOKLYN CITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 1999
(Continued)**

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

Finding Number	1999 - 10818 - 001
-----------------------	--------------------

APPROPRIATIONS EXCEEDING ESTIMATED RESOURCES

Ohio Revised Code Section 5705.39 requires that the total appropriation from each fund shall not exceed the total estimated revenue. No appropriation measure is to become effective until the County Auditor files a certificate that the total appropriations from each fund do not exceed the total Certificate of Estimated Resources or the Amended Certificate of Estimated Resources.

We compared the Board approved appropriation measure with the final amended Certificate of Estimated Resources from each fund and determined that appropriations exceeded the final estimate of resources by the amount presented in the following table:

FUND	APPROPRIATIONS	ESTIMATED RESOURCES	DIFFERENCE
Debt Service Fund	\$1,897,207	\$504,201	(\$1,393,006)
Special Revenue Funds			
DPIA	19,500	16,022	(3,478)
Title VIB	84,033	18,850	(65,183)
Title I	109,460	70,405	(39,055)
Drug Free	6,968	2,704	(4,264)
Auxiliary Services	245,616	206,675	(38,941)
Enterprise Funds			
Food Service	351,612	249,318	(102,294)
Uniform School Supply	25,000	18,944	(6,056)
Wellness	4,943	687	(4,256)

No appropriation measure is to become effective until the County Auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate of resources. Amendments were not made on a timely basis to the Certificate of Estimated Resources by the District.

We recommend the District monitor budgetary reports to ensure that appropriation measures do not exceed estimated resources. Also, the District should make timely amendments to the Certificate of Estimated Resources with the County as needed to prevent this from occurring in the future.

**BROOKLYN CITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 1999
(Continued)**

Finding Number	1999 - 10818 - 002
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EXPENDITURES EXCEEDING APPROPRIATIONS

Ohio Revised Code Section 5705.41 (B) states that no subdivision or taxing unit is to expend money unless it has been appropriated. The District's legal level of budget adoption is at the fund, object level. The following table specifies the fund and line item within that fund where expenditures materially exceeded appropriations for the fiscal year 1999:

FUND	APPROPRIATIONS	EXPENDITURES	DIFFERENCE
Special Revenue Funds			
<i>Student Activity</i>			
Other	\$80,627	\$180,650	(\$100,023)

Our review of the revenue and expenditure ledgers maintained by the District for fiscal year end indicated 20 smaller violations where expenditures exceeded appropriations at the object or function level.

We recommend the Treasurer and Board of Education review budget to actual financial reports on a monthly basis and request amendments to appropriations as needed to ensure no line items violate these Revised Code sections. All District employees should also be aware that no purchases requiring a purchase order may be made until it has been approved by the appropriate District employees.

Finding Number	1999 - 10818 - 003
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CASH RECONCILIATIONS

Reconciliation of the District's cash accounts with its cash ledgers is a necessary control procedure to adequately safeguard cash and to provide an accurate financial picture of the District. Although reconciliations were performed, several unexplained variances existed, which were not investigated and disposed of on a timely basis. The District has not been able to accurately reconcile its books for any month during the audit period. The unreconciled difference on these monthly attempts at reconciliation reached a high of \$12,030. book over bank for the month of January, 1999. None of the reconciliations prepared during the audit period contained a signature by the person who prepared them, nor did they contain the initials of anyone reviewing them for accuracy. Failure to timely reconcile bank accounts and resolve discrepancies has created errors in budgeting and financial reporting. We also found that checks returned to the District as non-sufficient funds (NSF) were not being tracked by the District, which further complicated the reconciliation process. The District has no set policy for handling the collection of these funds so each NSF check was handled differently in regards to its redeposit and subsequent posting of revenue. Additionally, Medicare and Social Security payroll deductions for all of fiscal year 1998 through January 31, 1999 had not been posted to the general ledger of the District until March, 1999. Also complicating the bank reconciliation process was the fact that bank service charges for the fiscal year 1999 had not been posted until February, 1999. Therefore, expenditures were not matched with the period they were incurred resulting in incorrect fund balances for the fiscal year ending June 30, 1999.

**BROOKLYN CITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 1999
(Continued)**

Finding Number	1999 - 10818 - 003 - (Continued)
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Bank reconciliations should be prepared on a monthly basis and signed by the preparer. Following preparation, the reconciliation should be reviewed for accuracy and initialed by someone other than the preparer. Reconciling items, which are needed to agree the monthly bank balances to the month end fund balances, should be explained and supported by proper documentation. Non-sufficient fund check activity should be properly tracked and supported by evidential matter in order to validate the adjustments for reconciliation purposes. A method for the tracking, subsequent redeposit, and adjustment to revenue should be developed by the District and strictly adhered to. Additionally, payroll deductions should be accurately posted immediately after a payroll run. This will allow for a monthly bank to book reconciliation without the need to adjust for these items.

Finding Number	1999 - 10818 - 004
-----------------------	--------------------

STUDENT ACTIVITIES and OTHER FUND-RAISING ACTIVITY

The Brooklyn City School District policy manual includes several policies that address Co-Curricular and Extracurricular activities, Student Fund-Raising activities, and Student Activities Fund Management. These policies address the need to raise funds to conduct school activities and procedures required to conduct a fund raising activity. The Board policies state in part that:

- All student activities in the District shall be approved annually by the Superintendent and the Board of Education. The advisor must file a *Policy and Purpose Statement* at the beginning of each school year that states the purpose of the activity or club.
- The *Budget Form* is to outline anticipated receipts by source and expenditures by need for each school year.
- Activity advisors must obtain permission to hold a fund-raising activity via a *Fund-Raising Application*.
- All contracts signed with a supplier must be approved by the Board of Education before they are considered in effect, and requests for purchases from student activity funds must be approved in writing by the school principal.
- Funds derived from approved student fund-raising activities will be handled by the Treasurer's office.
- An accounting of all student funds will be made monthly, and a report of all accounts will be made by the Treasurer to the Superintendent and the Board.
- Upon completion of the fund-raising activity, the *Fund-Raising Profit and Loss Statement* must be filed with the Treasurer through the principal's office.

Our review of student fund-raising activities noted that student activities were not being consistently managed and/or supervised, by the building principals and District administrators, in accordance with established Board policy. The following violations and internal control failures were noted:

- *Policy and Purpose Statements* were not prepared by the advisors at the beginning of the school year. They were also not presented to the Superintendent and the Board for approval as required.

**BROOKLYN CITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 1999
(Continued)**

Finding Number	1999 - 10818 - 004 (Continued)
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- *Budget Forms* for the various student activities were not prepared and presented to the Superintendent and the Board as required.
- Permission to hold fund-raising activities was not obtained by the activity advisors from the principals as evidenced by the lack of *Fund-Raising Application Forms*.
- Various student activity purchases were not supported by a purchase order documenting purchasing authorization and the certification of availability of funds.
- Student activity advisors circumvented the District's established procedures and accounted for fund-raisers in accounts at the Brooklyn City School Employee's Credit Union.
- Determination of the type of fund raising activity, the number of activities during the year and the profit/loss on those activities was not possible because student activity advisors did not maintain sufficient documentation.
- Fund-raisers conducted by non-school organizations (i.e. Booster Club activity, summer sports camps, pre-game meals, 50/50 raffles, t-shirt sales) were not clearly distinguished from the District's allowable student activities.
- Accurate monthly reporting of all student activity accounts was not made by the Treasurer to the Superintendent and the Board.
- Activity reports to be prepared at the conclusion of the school year were not prepared and presented to the Superintendent and Board.
- *Fund-Raising Profit and Loss Statements* were not complete and filed with the Treasurer by the activity advisor upon completion of the fund-raising activity.
- Donations to the District that were made by non-school organizations were not accepted by Board resolution.

Circumvention of the established Board policies and procedures resulted in untimely reconciliations, numerous undocumented student activity transactions, unauthorized purchases, and inadequate accounting for these funds.

We recommend the District administrators take immediate action to enforce the policies and procedures established by the Board in order to ensure a proper accounting of the student activities and the integrity of the financial reporting by the District. All student activity advisors should be required to review the Board policies concerning the management of student activities and formally acknowledge their understanding of their financial and reporting responsibilities

The District should clearly identify activities that are appropriate student fund-raisers and those that should be conducted by non-school organizations (i.e. booster clubs, parent/teacher organizations, alumni groups). Immediate action should be taken to ensure the cash and cash activity of non-school organizations are not recorded on the books of the District. Donations made by non-school organizations should be recognized by Board resolution.

**BROOKLYN CITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 1999
(Continued)**

Finding Number	1999 - 10818 - 004 (Continued)
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In addition to enforcing the established board policies, a routine review of the documents supporting each fund-raiser should be performed by an individual other than the advisor to ensure that proper documentation exists for both the collection of revenues and the purchase of items to be sold. Purchases that are initiated by activity advisors without obtaining a properly approved purchase order should be submitted to the Board of Education for their review and approval.

Finding Number	1999 - 10818 - 005
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BUDGETARY MONITORING PROCESS

The District's legal level of budget adoption is at the fund, object level. We noted numerous instances where expenditures exceeded appropriations and where appropriations exceeded estimated resources throughout the year. (See related findings 1999-10818-001 and 1999-10818-002.) These budgetary violations resulted from the improper updating of the revenue and expenditure ledgers by District personnel. Consequently, reports compiled and derived from the data did not represent the actual budgetary position of the District.

The District should review its procedures for posting amendments to appropriations and estimated resources to its accounting records. The Board of Education should also enhance its monitoring procedures over budgetary activity by anticipating the District's needs and amending the appropriations and estimated resources to prevent any budgetary violations from occurring that would significantly impact the District's financial statements.

Finding Number	1999 - 10818 - 006
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FIXED ASSETS

The District does not have a written policy that clearly defines the accounting procedures for the addition/deletion of fixed assets nor has it officially established a threshold for capitalization of assets for financial statement purposes. Although an appraisal company provided the District with reports dated September 4, 1997 and September 10, 1998 which listed all of the District's fixed assets, these listings were not reconciled with the amounts previously reported in the financial statements by the district. At June 30, 1998 the general fixed assets estimated historical cost per independent appraisal firm is \$2,456,289 less than the amount previously reported in the district's financial statements. Differences between the two different independent appraisals have not been reconciled or adjusted and employees of the District have failed to update the listings for any recent acquisitions or disposals of assets.

Fixed asset testing has shown the following:

- Original documents were not always available for assets that were previously acquired. Therefore when these assets were disposed of incorrect values were removed.
- The District did not complete all required inventories nor were random audits done of those which had been completed.
- Six out of 20 items listed on the appraisal were not able to be identified or found. Three out of the 14 items found were either broken or obsolete.
- The original title for a recent vehicle purchase was not found.

**BROOKLYN CITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 1999
(Continued)**

Finding Number	1999 - 10818 - 006 (Continued)
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- The District does not have the originals or copies of land deeds which are needed to support the historical fixed asset values of the land.
- No one employee has been given the responsibility to maintain and update the fixed asset listing for additions and deletions.
- The District has not tagged all fixed assets and in some cases where they have tagged computer items those tag numbers do not agree with the Technology Coordinator's records.

The District should compile a complete listing of fixed assets that can be traced to the actual fixed assets via a tag or serial number. In order to complete this task the District must first establish a policy which should define a threshold for the capitalization of assets. It should also establish procedures for the recording of recently acquired or disposed items, performing annual physical inventories, maintaining original purchase documentation, and reconciling any differences between fixed asset listings. Procedures should also identify a District employee responsible for fixed asset management. Ohio Revised Code Section 3319.04 identifies the business manager as being entrusted with the care and custody of all property of the school district whether real or personal.

3. FINDINGS FOR FEDERAL AWARDS

CASH RECONCILIATIONS

Finding Number	1999-10818-003
CFDA Title and Number	All Programs-Schedule of Federal Awards Expenditures
Federal Award Number / Year	Fiscal Year Ending June 30, 1999
Federal Agency	U.S. Dept. of Education and U.S. Dept. of Agriculture
Pass-Through Agency	Ohio Department of Education

See finding #1999-10818-003 above; this finding is also required to be reported in accordance with OMB Circular A-133.

BUDGETARY MONITORING PROCESS

Finding Number	1999-10818-005
CFDA Title and Number	All Programs- Schedule of Federal Awards Expenditures
Federal Award Number / Year	Fiscal Year Ending June 30, 1999
Federal Agency	U.S. Dept. of Education and U.S. Dept. of Agriculture
Pass-Through Agency	Ohio Department of Education

See finding #1999-10818-005 above; this finding is also required to be reported in accordance with OMB Circular A-133.

**BROOKLYN CITY SCHOOL DISTRICT
 SCHEDULE OF FINDINGS
 OMB CIRCULAR A -133 § .505
 JUNE 30, 1999
 (Continued)**

FEDERAL GRANT ADMINISTRATION

Finding Number	1999-10818-007
CFDA Title and Number	All Programs-Schedule of Federal Awards Expenditures
Federal Award Number / Year	Fiscal Year Ending June 30,1999
Federal Agency	U.S. Dept. of Education and U.S. Dept. of Agriculture
Pass-Through Agency	Ohio Department of Education

The roles and responsibilities of the District's administrators with regards to the administration of federal programs is not clearly defined. As a result, inappropriate grant expenditures may have been submitted for reimbursement, requests for reimbursements have been delayed, grant applications have not been submitted timely, and reliable final expenditure reports may not have been filed.

The District should assign each Federal program to an administrator. That administrator should be responsible for the following:

1. Maintaining the most recent versions of regulations applicable to the program.
2. Understanding compliance requirements applicable to the program.
3. Approving that payment requests are allowable within program guidelines.
4. Preparing required financial reports for the program, and submitting them within the required deadlines. The administrator should retain the information used to prepare the report.
5. Monitoring cash balances in the program and requesting reimbursements when required, consistent with the Cash Management requirements applicable to the program.



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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
OCTOBER 24, 2000**