STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

Brooklyn City School District

Cuyahoga County

Fiscal Emergency Termination

Local Government Services Division

BROOKLYN CITY SCHOOL DISTRICT
CUYAHOGA COUNTY

FISCAL EMERGENCY TERMINATION

Table of Contents

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STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490
www.auditor.state.oh.us

CERTIFICATION

Pursuant to a request to the Auditor of State by the Brooklyn City School District Board of Education, the Auditor of State has determined that the Brooklyn City School District no longer meets the fiscal emergency conditions set forth in Section 3316.03(B), Revised Code, and the Brooklyn City School District has met the requirements of Section 3316.16, Revised Code, for termination of the Brooklyn City School District Financial Planning and Supervision Commission. Therefore, the existence of the Brooklyn City School District Financial Planning and Supervision Commission and its role in the operation of the Brooklyn City School District is terminated as of April 4, 2002.

At the time of termination of the Commission, an effective financial accounting and reporting system has not been fully implemented. Section 3316.16(E), Revised Code, requires the Auditor of State to monitor the progress of implementation and exercise authority under this section and Chapter 117, Revised Code, to secure full implementation within two years.

Accordingly, on behalf of the Auditor of State, this report is hereby submitted to the Brooklyn City School District Board of Education, the Financial Planning and Supervision Commission, Bob Taft, Governor, Thomas W. Johnson, Director of the Office of Budget and Management, Kenneth Patton, Brooklyn City Mayor, Frank Russo, Secretary of the Cuyahoga County Budget Commission, and Susan Tave Zelman, State Superintendent of Public Instruction.

JIM PETRO
Auditor of State

April 4, 2002

BROOKLYN CITY SCHOOL DISTRICT
CUYAHOGA COUNTY

Report on Termination of the Brooklyn City School District
Financial Planning and Supervision Commission

At the request of the Financial Planning and Supervision Commission (the Commission) of the Brooklyn City School District (the School District), Cuyahoga County, the Auditor of State has performed an analysis to determine whether this Commission and its functions should be terminated.

The Declaration of Fiscal Emergency

The Auditor of State conducted an analysis of the Brooklyn City School District, dated April 16, 1999, to determine whether the School District met the conditions for fiscal watch. The results of the analysis were as follows:

1. The Auditor of State certified an operating deficit for the general fund in the amount of $2,493,000, which exceeded eight percent of the general fund revenues of the prior fiscal year;

2. The Brooklyn City School District's unencumbered cash balance for the preceding fiscal year was $614,000, which was less than eight percent of the preceding fiscal year expenditures; and,

3. The School District had not passed a levy that would eliminate the first two conditions.

Section 3316.02(B)(2) of the Ohio Revised Code requires the Auditor of State to declare a school district to be in a state of fiscal emergency if the district board of education fails, pursuant to Section 3316.04 of the Ohio Revised Code, to submit a financial plan acceptable to the State Superintendent of Public Instruction within 120 days of the Auditor's declaration of a fiscal watch.

On April 28, 1999, the Auditor of State declared the Brooklyn City School District in Fiscal Emergency based on the Board of Education's resolution, dated March 24, 1999, which declared that the Brooklyn City Board of Education would not be able to submit a financial plan acceptable to the State Superintendent of Public Instruction within 120 days of the Auditor's declaration of a fiscal watch made pursuant to Section 3316.03 of the Ohio Revised Code.

Under Section 3316.16 of the Ohio Revised Code, a school district financial planning and supervision commission, once established, will continue in existence until the Auditor of State, or the commission itself, determines the following:

1. An effective financial accounting and reporting system is in the process of being implemented, and is expected to be completed within two years;

2. All of the fiscal emergency conditions have been corrected or eliminated, and no new emergency conditions have occurred;

3. The objectives of the financial recovery plan are being met; and,

4. The school district has prepared a financial forecast for a five-year period in accordance with standards issued by the Auditor of State, and such forecast is, in the Auditor's opinion, "nonadverse."

The results of the analysis performed by the Auditor of State in determining if the Commission will continue to exist are as follows:

Report on Termination of the Brooklyn City School District Financial Planning and Supervision Commission

The Financial Accounting and Reporting Systems

The Auditor of State, in accordance with Section 3316.10, Revised Code, assessed the methods, accuracy, and legality of the accounts, records, files and reports of the Brooklyn City School District (the School District) and issued an Accounting Report, dated January 28, 2000. The report identified areas where the School District's financial accounting and reporting system were not in compliance with Section 117.43, Revised Code, and the requirements of the Auditor of State. The Board of Education was required to promptly bring its existing financial accounting and reporting system into compliance with Section 117.43 of the Ohio Revised Code.

The criteria for termination of the Commission and the fiscal emergency condition includes a determination of whether an effective financial accounting and reporting system has been implemented or is in the process of being implemented, and is expected to be completed within two years. This determination included management providing a written assessment of the issues that were identified in the Financial Accounting Report. Our responsibility is to determine, based on inquiries, observations and a review of other financial reports, whether management has in place an effective financial accounting and reporting system, which includes the correction of those issues in the Financial Accounting Report. A summary of management's assessment of those issues is presented below:

Budgetary Process

- The School District has implemented a procedure that will stop the processing of purchase orders by May 1, to allow adequate time for appropriation adjustments. The Treasurer is updating the appropriations on a monthly basis throughout the year and entering them into the School District's Accounting System on a timely basis.
- All required information is now being included on the certificate of total amount from all sources available for expenditures, and balances.
- Supplemental appropriations and/or amendments are passed prior to making expenditures.
- The Treasurer reviews the available appropriations prior to the approval of any purchase order.
- The School District has filed the tax budget by the statutory deadline of January 20, each year.
- The Board of Education has submitted a resolution to accept and authorize the necessary tax levies (tax millage rates) to the county auditor prior to April 1.

Not Implemented

- The School District is not matching the most current amended certificate of estimated resources to the accounting system.
- The Treasurer has not requested a final amended certificate of estimated resources from the Cuyahoga County Auditor prior to fiscal year-end which includes adjustments to increase or decrease revenue which will be appropriated.

- The Treasurer has not submitted the certificate of total amount from all sources available for expenditures, and balances shortly after the close of the fiscal year.

<u>Revenue Activity</u>

- The Assistant Treasurer and the Depositor of all monies are counting the deposits together. A receipt is completed and signed by both parties.

- The Board of Education passed a resolution to allow the Treasurer to hold deposits overnight if under $1,000; otherwise, all other money received is deposited daily.

- The Treasurer has implemented a procedure that the building secretary and one other individual will count the money and place it in a secured bag with the deposit ticket. A receipt, bag tag and copy of the deposit slip are sent to the Treasurer's office daily for counting and depositing.

- Procedures have been developed between the Treasurer's office and the Business Manager's office regarding access to the safe and these procedures have been reviewed with all necessary personnel. The combination of the safe has been changed and only the Treasurer's staff has the combination.

- The custodial personnel now have to contact the Treasurer for access to the safe since the breaker box cannot be moved out of its current location.

- The procedures relating to student activities have been reviewed and updated to require approval sheets and activity budgets. All items must be submitted and approved prior to incurring expenditures.

<u>Purchasing Process</u>

- Purchase orders are entered into the computer system on a daily basis.

- With the daily entry of purchase orders and weekly payment of bills, the use of manual reports has been eliminated. The Accounts Payable person is now relying on the computer system to determine the status of an account.

- The Treasurer has implemented procedures that prohibit the authorization and encumbrance of purchase orders if the appropriations are not sufficient to cover the amount of the purchase order. The Treasurer is able to pull up current information, which enables him to sign purchase orders with confidence that sufficient appropriations are available.

- The vendor list has been reviewed for accuracy and duplication. It is updated regularly. All information required for new vendors is included on the purchase order at the time it is submitted to the Treasurer's office for approval.

- The School District has developed a budget modification form that is completed by the Business Manager to transfer appropriations within the same fund.

- All transfers and advances are approved by the Board, thus eliminating the negative fund balances.

- The filing process for approved purchase orders has been reviewed and updated to eliminate the loss of purchase orders. After a purchase order is approved, it is entered into the system. Once it is entered into the system, the green copy is sent back to the originator immediately, the pink copy is filed and the white copy is mailed to the vendor.

- A memo expenditure log has been implemented which indicates the transaction, date and program used to process the transaction. The use of this log has eliminated the use of the receipt book for non-receipt type activity.

- The School District is now using blanket purchase orders to account for utility payments and food purchases for the cafeteria.

<u>Cash Disbursements</u>

- Bills are now paid on a weekly basis and discounts are taken advantage of whenever possible.

- All invoices to be paid are reviewed by the Treasurer prior to the check run, eliminating the need to void checks for bills not to be paid and to help clean up the reconciliation process.

- The ability to do weekly check runs has nearly eliminated the use of manual checks. A manual check would only be processed if a payment had to be made during the month-end closing process.

- The Accounts Payable process has been reviewed and updated to rely on the computer to make the job more efficient.

- All purchase orders and invoices are processed on a daily basis and check runs are made every Friday.

<u>Payroll</u>

- A status and change form has been implemented to account for any new employees and any changes to the current employees' payroll.

- A schedule has been established listing the dates payroll will be processed and when the changes to payroll information are due to the payroll clerk.

- A shared database has been established to track all current employees, their job titles, current rate of pay and the account they are paid from. This list is used to verify the information being entered before the payroll is processed, thus reducing the adjustments and corrections at a later date.

- Payroll is being processed on Monday before a Friday's payroll. An error log is run, reviewed and corrected before the date to transmit the payroll data to the "A" Site.

<u>Not Implemented</u>

- The Treasurer has not implemented the use of a lost check affidavit.

Debt Activity

- The Treasurer has developed a debt schedule which identifies the debt obligations of the School District and the fund the debt is reported in. This was used to verify the accuracy of the information contained in the cash report (Form 4502) prior to submission to the Department of Education for fiscal year 2001.

Fixed Assets and Supplies Inventories

- The School District has received a copy of the Auditor of State's Fixed Asset Policy Manual and has used it as a reference in developing their current policy.

Not Implemented

- The Treasurer and the Business Manager have not updated the Board of Education's current Fixed Asset Policy to address the following items:

    - Specific accounting procedures to be followed by personnel to account for fixed assets, including the addition, disposal, or transfer of fixed assets;

    - Formal policies and procedures to identify the processes for recording of acquired or disposed items, tagging assets, performing annual physical inventories, maintaining original purchase documentation and the procedures for addressing any discrepancies;

    - Valuation of donated assets, assigning salvage values and a definition of private property (items belonging to staff and students);

    - Adequate controls over fixed assets in the possession of the School District to prevent theft or loss of those fixed assets. This is to include a physical inventory of fixed assets to be taken by the School District at least once a year. A physical inventory is scheduled to occur at the end of fiscal year 2002; and,

    - Implementation of proper consumable supplies inventory policies and procedures at all levels.

Cash Management and Investing

- The Treasurer and Assistant Treasurer complete the monthly bank reconciliations by the second week after month-end closing. All adjustments are documented and posted to the system. The Treasurer then includes a copy of the reconciliation with the financial information for the next Board meeting.

- The Treasurer reviews and signs off on all reconciliations.

- The Board adopted a resolution that requires interest to be allocated in accordance with Sections 135.21 and 5705.10 of the Ohio Revised Code.

- The Board adopted a policy for petty cash funds in January, 2002. This policy encompasses the procedures to establish a petty cash account, the monitoring of the uses and the reconciliation of the account.

Financial Reporting

- The Treasurer has developed a debt schedule to track the debt obligations of the School District and uses it verify the accuracy of the information contained in the cash report.

In Process of Implementation

- The Treasurer is in the process of developing a comprehensive Financial and Accounting Policies and Procedures Manual covering all aspects and functions of the Treasurer's office and how other departments are to account for monies, supplies and property.

Management Letter

- As of July 1, 2001, the School District has taken the following steps to ensure proper certification of purchase orders prior to purchasing the items needed:
  - Staff was notified by the Administration that if a purchase occurs prior to proper authorization, then staff is responsible for the purchase.
  - Accounts Payable is entering purchase orders on a daily basis to improve turnaround time.
  - The Treasurer reviews the purchase order detail report each afternoon for accuracy.
- The School District is using the proper USAS coding on all purchase orders. The Treasurer will complete the coding when certifying the purchase order if an account number is missing.
- As of July 1, 2001, the Board established the legal level of budgetary control at the fund, function, and major object level for the general fund and at the fund level for all other funds.

Not Implemented

- The Treasurer has not requested a new amended certificate of estimated resources to reflect the increase or decrease in revenue, when necessary.
- The Treasurer has not been properly monitoring appropriations to make certain they do not exceed estimated resources. Beginning in February, he will start monitoring appropriations and submitting for Board approval any adjustments to the appropriation measure.
- The Treasurer and Board of Education have not reviewed the budget to actual financial reports on a monthly basis and have not made requests for amendments to appropriations as needed to ensure that expenditures do not exceed appropriations.

Report on Termination of the Brooklyn City School District
Financial Planning and Supervision Commission

In a resolution adopted February 7, 2002, the Brooklyn City School District Board of Education directed the Treasurer to implement all of the "In Process of Implementation" and "Not Implemented" items noted above.

The Fiscal Emergency Conditions

The Auditor of State shall issue an order, under Section 3316.03, Revised Code, declaring a school district to be in a state of fiscal emergency if the Auditor of State determines a school district meets any of the criteria for fiscal emergency. The criteria are as follows:

1. An operating deficit has been certified for the current fiscal year, and the certified operating deficit exceeds 15 percent of the school district's general fund revenue for the preceding fiscal year and a levy has not been passed by the voters that will raise enough additional revenue to eliminate the first condition in the succeeding fiscal year.

2. The school district board fails to submit a plan acceptable to the State Superintendent of Public Instruction within 120 days of the declaration of fiscal watch, or an updated plan no later than the anniversary of the date on which the first such plan was approved.

3. The Superintendent of Public Instruction has reported to the Auditor of State that the School District is not materially complying with the provisions of an original or updated plan as approved by the State Superintendent, and that the State Superintendent has determined the declaration of a state of fiscal emergency necessary to prevent further fiscal decline, and the Auditor of State finds that the determination of the Superintendent is reasonable.

4. A declaration is made under Section 3316.04 of the Ohio Revised Code for a school district that has restructured or refinanced an emergency operating loan under Section 3316.041 of the Ohio Revised Code; and,

5. The Auditor of State may issue an order declaring a school district to be in a state of fiscal emergency if (1) an operating deficit has been certified for the current fiscal year, and the certified operating deficit exceeds 10 percent, but does not exceed 15 percent, of the school district's general fund revenue for the preceding fiscal year; (2) a levy has not been passed by the voters that will raise enough additional revenue to eliminate the first condition in the succeeding fiscal year; and, (3) the Auditor of State determines that a declaration of fiscal emergency is necessary to correct the School District's fiscal problems and to prevent further fiscal decline.

The results of our analysis of the fiscal emergency conditions are as follows:

1. The School District no longer has an operating deficit in the general fund.

2. The State Superintendent of Public Instruction has not reported to the Auditor of State any material noncompliance with the original or amended financial recovery plan.

3. The School District has not restructured or refinanced an emergency operating loan under Section 3316.041 of the Ohio Revised Code.

The Financial Recovery Plan

We obtained a copy of the latest financial recovery plan of the School District, dated June 24, 1999, and interviewed the Treasurer of the School District and received information from the Chairperson of the Financial Planning and Supervision Commission. The key provisions of the financial plan are as follows:

1. Passage of a 6.2 mill renewal five-year emergency operating levy.
2. Reduction of non-personnel operating expenditures.
3. Personnel reductions.
4. Transportation reductions.
5. Efficient operation of the transportation department.
6. Investigation of different types of levy options to place on a ballot, including a possible combination renewal/new levy.

Actions taken to achieve the provisions of the plan include the following:

1. Renewal of the existing 6.0 mill five-year operating levy and passage of the 3.80 mill emergency operating levy in March and November 2000, respectively, as shown below:

Date	Type	Amount	Term
March 2000	Renewal Levy	6.00 Mills	5 Years
November 2000	Emergency Operating Levy	3.80 Mills	3 Years

2. Personnel reductions.

Fiscal Year 1999	- reduction in salaries and benefits	$450,000
Fiscal Year 2000	- reduction of 5 full-time administrative staff	234,000
	- reduction of 9 full-time classified staff	307,000
	- reduction of 11 full-time certified staff	517,000
	- reduction of 3 full-time contracted staff	122,000
	- replaced 7 positions with new personnel at lower rate	45,000
	- elimination of supplemental contracts	133,000
Total		$1,808,000

3. Reduction of non-personnel operating expenditures.

Fiscal Year 1999	- reduction in contracted services	$400,000
	- reduction in supplies purchasing	300,000
	- reduction in new equipment purchases	70,000
	- reduction in replacement equipment purchases	70,000
Fiscal Year 2000	- reductions in staff development	35,000
	- elimination of after-school elementary band lessons pool	5,000
Total		$880,000

The Five Year Forecast

The Auditor of State examined the School District's financial forecast for the fiscal years ending June 30, 2002 through 2006, for the purpose of determining whether the fiscal emergency conditions have been eliminated and whether any new fiscal emergency conditions are expected to occur during the forecast period.

The School District's five year forecast (see Appendix A) presents a positive unencumbered and unreserved general fund balance for the forecast period. The Auditor of State, in a report dated January 30, 2002 rendered a "nonadverse" opinion on the financial forecast.

Conclusion

Based on our review, the Auditor of State has determined the following:

1. The School District has adopted and implemented, or is in the process of implementing, policies for a sound accounting and reporting system; however, the Auditor of State will monitor the progress to insure full implementation within a two year period;

2. The School District has corrected or eliminated all the fiscal emergency conditions and it appears that, based on the five year financial forecast, the School District will remain out of fiscal emergency;

3. The School District has met the major objectives of the Financial Recovery Plan; and,

4. The School District has prepared a financial forecast for a five-year period in accordance with standards issued by the Auditor of State, and the opinion expressed by the Auditor of State is "nonadverse".

Therefore, the Auditor of State has determined that the Financial Planning and Supervision Commission of the Brooklyn City School District and its functions may be terminated.

It is understood that this report's determination is for the use of the Brooklyn City School District Board of Education, the Financial Planning and Supervision Commission, Bob Taft, Governor, Thomas W. Johnson, Director of the Office of Budget and Management, Kenneth Patton, Mayor of the City of Brooklyn, and Susan Tave Zelman, State Superintendent of Public Instruction, and others as designated by the Auditor of State, and is not to be used for any other purpose.

DISCLAIMER

Because the preceding procedures were not sufficient to constitute an audit made in accordance with generally accepted auditing standards, we do not express an opinion on any of the specific accounts and fund balances referred to above. Had we performed additional procedures or had we made an audit of the financial statements in accordance with generally accepted auditing standards, other matters might have come to our attention that would have been reported herein.

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APPENDIX A

Brooklyn City School District
Cuyahoga County

Financial Forecast

For the Fiscal Years Ending June 30, 2002 Through 2006

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Brooklyn City School District
Cuyahoga County

Table of Contents

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OFFICE OF THE AUDITOR
JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490
www.auditor.state.oh.us

Board of Education
Brooklyn City School District
9200 Biddulph Road
Brooklyn, Ohio 44144

Independent Accountant's Report

We have examined the accompanying forecasted schedule of revenues, expenditures, and changes in fund balance of the general fund of the Brooklyn City School District for the fiscal years ending June 30, 2002 through 2006. The Brooklyn City School District's management is responsible for the forecast. Our responsibility is to express an opinion on the forecast based on our examination.

Our examination was conducted in accordance the attestation standards established by the American Institute of Certified Public Accountants, and accordingly, included such procedures as we considered necessary to evaluate both the assumptions used by management and the preparation and presentation of the forecast. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the accompanying forecast is presented in conformity with guidelines for presentation of a forecast established by the American Institute of Certified Public Accountants, and the underlying assumptions provide a reasonable basis for managements forecast. However, there will usually be differences between the forecasted and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

The financial statements for the years ended June 30, 1999, 2000, and 2001 were audited by the Auditor of State's Office and we rendered an unqualified opinion on those financial statements in reports dated September 8, 2000, May 29, 2001, and January 11, 2002, respectively. We have not performed any auditing procedures since.

JIM PETRO
Auditor of State

January 30, 2002

BROOKLYN CITY SCHOOL DISTRICT
CUYAHOGA COUNTY
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE FISCAL YEARS ENDED JUNE 30, 1999, 2000 AND 2001 ACTUAL;
FOR THE FISCAL YEARS ENDING JUNE 30, 2002 THROUGH 2006 FORECASTED
GENERAL FUND

	Fiscal Year 1999 Actual	Fiscal Year 2000 Actual	Fiscal Year 2001 Actual	Fiscal Year 2002 Forecasted
Revenues				
General Property Tax	$7,066,000	$7,334,000	$7,748,000	$8,081,000
Tangible Personal Property Tax	2,948,000	2,923,000	2,883,000	3,733,000
Unrestricted Grants-in-Aid	783,000	815,000	790,000	1,056,000
Restricted Grants-in-Aid	32,000	28,000	25,000	27,000
Property Tax Allocation	858,000	817,000	929,000	973,000
All Other Revenues	773,000	482,000	567,000	401,000
Total Revenues	12,460,000	12,399,000	12,942,000	14,271,000
Other Financing Sources				
Proceeds from Sale of Notes	2,493,000	924,000	0	0
Solvency Assistance Advance	700,000	0	0	0
Operating Transfers In	44,000	45,000	36,000	0
Advances In	3,000	2,000	11,000	47,000
Total Other Financing Sources	3,240,000	971,000	47,000	47,000
Total Revenues and Other Financing Sources	15,700,000	13,370,000	12,989,000	14,318,000
Expenditures				
Personal Services	7,938,000	7,040,000	6,314,000	6,925,000
Employees' Retirement/Insurance Benefits	2,420,000	2,345,000	2,086,000	2,132,000
Purchased Services	1,244,000	974,000	1,386,000	1,639,000
Supplies and Materials	210,000	216,000	245,000	481,000
Capital Outlay	1,000	88,000	170,000	110,000
Debt Service:				
Principal-Notes	435,000	0	0	0
Principal-Solvency Assistance Advance	1,401,000	1,247,000	1,709,000	462,000
Principal-HB 264 Loans	385,000	410,000	430,000	455,000
Interest and Fiscal Charges	230,000	147,000	123,000	98,000
Other Objects	226,000	243,000	215,000	467,000
Total Expenditures	14,490,000	12,710,000	12,678,000	12,769,000
Other Financing Uses				
Operating Transfers Out	65,000	35,000	40,000	0
Advances Out	45,000	52,000	11,000	47,000
All Other Financing Uses	0	3,000	0	0
Total Other Financing Uses	110,000	90,000	51,000	47,000
Total Expenditures and Other Financing Uses	14,600,000	12,800,000	12,729,000	12,816,000
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	1,100,000	570,000	260,000	1,502,000
Cash Balance July 1	(253,000)	805,000	1,375,000	1,639,000
Auditor's Adjustment to Beginning Cash	(42,000)	0	4,000	0
Cash Balance June 30	805,000	1,375,000	1,639,000	3,141,000
Less Encumbrances and Reserves:				
Actual/Estimated Encumbrances June 30	79,000	245,000	285,000	263,000
Reservations of Fund Balance				
Textbooks and Instructional Materials	40,000	118,000	229,000	200,000
Capital Improvements	0	0	46,000	0
Budget Reserve	67,000	67,000	0	0
DPIA	5,000	5,000	11,000	11,000
Bus Purchases	16,000	44,000	0	0
Total Reservations of Fund Balance	128,000	234,000	286,000	211,000
Unreserved Fund Balance at June 30	598,000	896,000	1,068,000	2,667,000
Revenue from Renewal Levies				
Property Tax	0	0	0	0
Unencumbered/Unreserved Fund Balance June 30	$598,000	$896,000	$1,068,000	$2,667,000

See accompanying summary of significant forecast assumptions and accounting policies.

Fiscal Year 2003 Forecasted	Fiscal Year 2004 Forecasted	Fiscal Year 2005 Forecasted	Fiscal Year 2006 Forecasted
$8,323,000	$7,866,000	$6,327,000	$4,605,000
3,658,000	3,585,000	3,514,000	3,443,000
1,297,000	1,297,000	1,297,000	1,297,000
28,000	29,000	30,000	31,000
993,000	943,000	773,000	704,000
381,000	361,000	341,000	321,000
14,680,000	14,081,000	12,282,000	10,401,000
0	0	0	0
0	0	0	0
0	0	0	0
47,000	47,000	47,000	47,000
47,000	47,000	47,000	47,000
14,727,000	14,128,000	12,329,000	10,448,000
7,202,000	7,490,000	7,790,000	8,101,000
2,217,000	2,306,000	2,398,000	2,494,000
1,688,000	1,739,000	1,687,000	1,737,000
495,000	511,000	526,000	542,000
116,000	121,000	128,000	134,000
0	0	0	0
0	0	0	0
480,000	510,000	540,000	0
72,000	44,000	15,000	0
486,000	471,000	456,000	443,000
12,756,000	13,192,000	13,540,000	13,451,000
0	0	0	0
47,000	47,000	47,000	47,000
0	0	0	0
47,000	47,000	47,000	47,000
12,803,000	13,239,000	13,587,000	13,498,000
1,924,000	889,000	(1,258,000)	(3,050,000)
3,141,000	5,065,000	5,954,000	4,696,000
0	0	0	0
5,065,000	5,954,000	4,696,000	1,646,000
250,000	250,000	250,000	250,000
0	0	0	0
0	0	0	0
0	0	0	0
11,000	11,000	11,000	11,000
0	0	0	0
11,000	11,000	11,000	11,000
4,804,000	5,693,000	4,435,000	1,385,000
0	0	1,088,000	3,076,000
$4,804,000	$5,693,000	$5,523,000	$4,461,000

Summary of Significant Forecast Assumptions and Accounting Policies
For the Fiscal Years Ending June 30, 2002 through 2006

Note 1 - Nature and Limitations of the Forecast

This financial forecast presents, to the best of the Brooklyn City School District Board of Education's knowledge and belief, the expected revenues, expenditures and operating balance of the general fund. Accordingly, the forecast reflects the Board of Education's judgment of the expected conditions and its expected course of action as of January 30, 2002, the date of this forecast. The assumptions disclosed herein are those that management believes are significant to the forecast. Differences between the forecasted and actual results will usually arise because events and circumstances frequently do not occur as expected, and those differences may be material.

Note 2 - Nature of the Presentation

The forecast presents the revenues, expenditures, and changes in fund balance of the general fund. Under State law, certain general fund resources received from the State must be spent on specific programs. These resources and the related expenditures have been segregated in the accounting records of the School District to demonstrate compliance. State laws also requires general fund resources pledged for the repayment of debt to be recorded directly in the debt service fund.

For presentation in the forecast, the general fund has been adjusted to include the financial activity and balances of the disadvantaged pupil impact aid (DPIA), and the activity of the debt service fund related to the general fund supported debt. The inclusion of this activity has generated differences from the audited financial statements for the fiscal years ended June 30, 1999, 2000 and 2001. These differences are as follows:

	Fiscal Year 1999	Fiscal Year 2000	Fiscal Year 2001
Revenues and Other Sources			
General Fund as Previously Reported	$13,791,000	$13,359,000	$12,978,000
DPIA	12,000	11,000	11,000
Debt Service Activity Related to General Fund Supported Debt	1,897,000	0	0
Total Revenues and Other Sources per Forecast	15,700,000	13,370,000	12,989,000
Expenditures and Other Uses			
General Fund as Previously Reported	12,770,000	13,033,000	13,000,000
DPIA	12,000	12,000	14,000
Debt Service Activity Related to General Fund Supported Debt	1,897,000	0	0
Less Encumbrances	(79,000)	(245,000)	(285,000)
Total Expenditures and Other Uses per Forecast	$14,600,000	$12,800,000	$12,729,000

Continued

	Fiscal Year 1999	Fiscal Year 2000	Fiscal Year 2001
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	$1,100,000	$570,000	$260,000
Cash Fund Balance at Beginning of Fiscal Year	(253,000)	805,000	1,375,000
Cash Adjustments	(42,000)	0	4,000
Cash Fund Balance at End of Fiscal Year	805,000	1,375,000	1,639,000
Encumbrances at Fiscal Year End	(79,000)	(245,000)	(285,000)
Unencumbered Fund Balance at Fiscal Year End	$726,000	$1,130,000	$1,354,000

Note 3 - Summary of Significant Accounting Policies

A. - Basis of Accounting

This financial forecast has been prepared on a basis of cash receipts and disbursements which is consistent with the required budget basis (non-GAAP) of accounting used to prepare the historical financial statements. Under this basis of accounting, certain revenue and related assets are recognized when received rather than when measurable and available, and certain expenditures are recognized when paid rather than when the obligation is incurred. However, by virtue of Ohio law, the School District is required to maintain the encumbrance method of accounting. This method requires purchase orders, contracts, and other commitments for the expenditure of monies to be recorded as the equivalent of an expenditure in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance.

B. - Fund Accounting

The School District maintains its accounting in accordance with the principles of "fund" accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the segregation of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity which stands separate from the activities reported in other funds. The restrictions associated with each class of funds are as follows:

Governmental Funds

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

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

Debt Service Funds - Debt service funds are used to account for the accumulation of resources for, and the payment of, general long-term and short-term debt principal and interest.

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

Proprietary Funds

Enterprise Funds - Enterprise funds 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.

Fiduciary Funds

Agency Funds - Agency funds account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other

C. - 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 cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the fund, function object level for the general, permanent improvement and food service funds and at the fund, object level for all other funds. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

Budget - A budget of estimated cash receipts and disbursements is submitted to the Cuyahoga County Auditor, as secretary of the County Budget Commission, by January 20 of each year, for the succeeding fiscal year.

Estimated Resources - The County Budget Commission certifies its actions to the School District by March 1. As part of this certification, the School District receives the official certificate of estimated resources which states the projected receipts of each fund. On or about July 1, this certificate is amended to include any unencumbered balances from the preceding year. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure.

Appropriations - A temporary appropriation measure to control cash disbursements may be passed on or about July 1 of each year. The temporary appropriation measure remains in place until the annual appropriation measure is adopted for the entire year. The appropriation measure may be amended or supplemented during the year as new information becomes available.

Encumbrances - The School District uses the encumbrance method of accounting. Under this system, purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve a portion of the applicable appropriation.

Note 4 - General Operating Assumptions

The Brooklyn City School District will continue to operate its instructional program in accordance with its adopted school calendar and pay all obligations. The forecast contains those expenditures the Board of Education has determined to be necessary to provide for an adequate educational program.

Note 5 - Significant Assumptions for Revenues and Other Financing Sources

A. - General and Tangible Personal Property Taxes

Property taxes consist of real estate, public utility real and personal property, tangible personal property taxes, and trailer taxes. Advances may be requested from the Cuyahoga County Auditor as the tax is collected. When settlements are made, any amounts remaining to be distributed to the School District are paid. Deductions for auditor and treasurer fees, advertising delinquent taxes, election expenses, and other fees are made at these settlement times.

State law allows for certain reductions in the form of rollbacks and homestead exemption for real estate taxes and exempts from taxation the first $10,000 of tangible personal property. The State reimburses the School District for all revenues lost due to these exemptions. The amount of the reimbursement is included in the forecasted amount for property tax allocation.

The property tax revenues for the School District are generated from several levies. The type of levies, the year approved, last calendar year of collection, and the full tax rate are as follows:

Tax Levies	Year Approved	Last year of Collection	Full Tax Rate (Mills)
Inside Millage Limitation	n/a	n/a	$4.60
Continuing Operating	1976	n/a	22.10
Emergency Renewal	1999	2004	5.90
Operating Renewal	2000	2005	6.00
Emergency Operating	2000	2003	3.80
Total Tax Rate			$42.40

Property taxes are levied and collected on a calendar year basis. Settlements that occur in the second half of the year are recorded as revenue in next fiscal year. New and/or expiring levies result in one-half of the annual revenue being recorded in the first and last year of collection. From 2004 through 2006, there are three levies expiring of which two are anticipated to be renewed. The proceeds from the renewal levies are excluded from the general and tangible personal property tax revenues; however, the accumulated proceeds are presented as increases each year to the unreserved/unencumbered fund balance. The annual revenue generated from the 5.9, 6.0 and 3.8 mill levies, the levies that will expire during the forecast period, is $2,175,000, $1,800,000, and $1,415,000, respectively.

Senate Bill 3, as amended by Senate Bill 287, authorized changes in the taxing structure of public utilities (namely electric companies). These changes effect the taxes collected in calendar year 2002. Based on information provided by the Ohio Department of Taxation, the School District will loose approximately $480,000 in property tax revenue each year, starting in fiscal year 2002. The School District will be reimbursed the full amount of the loss which is recorded under restricted grants-in-aid revenue.

General Property Tax (Real Estate) - General property tax revenue includes real estate taxes, public utility property taxes, and manufactured home taxes. The amount shown in the revenue section of the forecast schedule represents gross property tax revenue. The School District anticipates a three percent increase in real estate taxes each year because of new construction; however, this revenue is also adjusted for the following:

1. In fiscal year 2002, an increase of one-half of the annual revenue, due to a full year's collection from the 3.8 mill, three-year emergency levy and a decrease of one-half of the annual loss due to the changes in the tax structure for public utility property;

2. In fiscal year 2003, a full year's loss of revenue due to the changes in the tax structure for public utility property;

3. In fiscal year 2004, a decrease of one-half of the annual revenue from the expiring 3.8 mill, three-year emergency levy;

4. In fiscal year 2005, a loss of the entire 3.8 mill, three-year emergency levy and one-half of the annual revenue from the expiring 5.9 mill emergency operating levy; and,

5. In fiscal year 2006, a loss of the entire 5.9 mill emergency operating levy and one-half of the annual revenue from the expiring 6 mill operating levy.

Tangible Personal Property Tax - Tangible personal property tax revenues are generated from the property used in business. For the forecast period, tangible personal property taxes are anticipated to decrease approximately two percent annually due to changes in the percentage assessed for certain classes of personal property. In addition, this tax revenue has been adjusted for the changes in the levies as addressed above.

B. - Unrestricted Grants-in-Aid

State foundation payments established by Chapter 3317 of the Ohio Revised Code are calculated by the State Department of Education, Division of School Finance, on the basis of pupil enrollment (ADM) and classroom teacher ratios plus other factors. The funds are distributed on a semi-monthly basis. Deductions from the monthly payments for contributions to the two school retirement systems are included in the expenditure section. Unrestricted grants-in-aid includes formula aid, special education aid, training and experience of classroom teachers funding, unrestricted disadvantaged pupil impact aid, extended service, gifted aid, transportation, vocational education, and preschool units.

In 2002, State law set the base cost per pupil at $4,814 and increased the rate each year thereafter to $4,949 for fiscal year 2003, $5,088 for fiscal year 2004, $5,230 for fiscal year 2005 and $5,376 for fiscal year 2006.

The anticipated revenue for fiscal year 2002 of $814,000 is based on current estimates provided by the Ohio Department of Education. The estimated increase of $24,000 is due to changes in categorical funding levels. The School District gets $0 in formula aid, but does receive transportation and special education transportation subsidies and basic aid guarantee funds. The guarantee funds are not anticipated to change for the forecast period. For fiscal years 2003 through 2006, the School District anticipates unrestricted grants-in-aid to remain consistent.

Beginning in tax year 2001, there will be significant reductions in the valuation of certain types of public utility property. Two bills enacted by the 123rd General Assembly reduced the assessment rate for certain tangible personal property of electric utilities and all tangible personal property of gas utilities. To replace this money, new state consumption taxes have been enacted, a kilowatt-hour tax on electricity and a thousand cubic foot tax on natural gas. Money from these new taxes will be used to reimburse school districts for property tax revenue loss. Reimbursements are to be made twice a year starting in February 2002. The School District is anticipating $483,000 in public utility reimbursements throughout the forecast period, which is based on information provided by the Ohio Department of Taxation.

C. - Restricted Grants-in-Aid

Restricted grants-in-aid for fiscal year 2002 consists of disadvantaged pupil impact aid (DPIA) and a bus purchase allowance in the amount of $11,000, and $16,000, respectively. The School District anticipates these resources to increase $1,000, or about a three percent, in fiscal years 2003 through 2006.

D. - Property Tax Allocation

State law grants tax relief in the form of a ten percent reduction in real property tax bills. In addition, a two and one-half percent rollback is granted on residential property taxes. Tax relief is also granted to qualified elderly and disabled homeowners based on their income. The State reimburses the School District for the loss of real property taxes as a result of the above (rollback and homestead). This revenue is based on historical trends. It is forecasted at approximately 12 percent of the general property taxes.

E. - All Other Revenues

All other revenues include tuition, transportation, earnings on investments, miscellaneous receipts from local sources, sale of assets and compensation for lost books. These revenues are forecasted at $401,000 for fiscal year 2002, a decrease of $128,000, based on historical trends with the only significant change being a decrease in tuition from other school districts through the State foundation settlements in fiscal year 2002 and the decrease in the vocational allocation of nearly $50,000.

Interest is based on historical investment practices and anticipated rates during the forecast period. The School District pools cash from all funds for investment purposes. Investments are restricted by provisions of the Ohio Revised Code and are valued at cost. Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings with the balance recorded to the general fund.

For fiscal years 2003 through 2006, a five percent decrease is expected due to the anticipated loss of approximately $20,000 a year in tuition revenues.

F. - Operating Transfers and Advances In

The School District anticipates advances in of $47,000. Advances in represents amounts loaned to other funds in the current or prior fiscal year which are being repaid to the general fund in the forecast year. The general fund will receive repayment of advances from the title I and the School District student managed activities special revenue funds and the food service enterprise fund.

Note 6 - Significant Assumptions For Expenditures and Other Financing Uses

A. - Personal Services

Personal service expenditures represent the salaries and wages paid to certified and classified staff, supplemental contracts, substitutes, overtime, severance pay, board members' compensation, and student workers. All employees receive their compensation on a bi-weekly basis. Based on increased enrollment, the School District is planning on hiring additional staff at the certified, classified, and administrative levels.

Certified (teacher) staff salaries are based on a negotiated contract which includes base and step increases and educational incentives. The contract covers the period of September 1, 2000, to August 31, 2003, and allows no increase in the first year and increases of approximately three percent for the last two years. Classified staff salaries are also based on a negotiated contract which includes base and step increases. The contract covers the period from July 1, 2000 to June 30, 2003, and allows for no increase in the first year and increases of approximately three percent for the last two years of the contract. Administrative salaries are set by the Board of Education.

The School District offers severance pay to its employees of up to one-fourth of the accumulated sick leave to a maximum of 45 days for certified employees and up to one-fourth of the accumulated sick leave to a maximum of 45 days for classified employees having ten or more years service leaving active service (not due to retirement) and one-fourth of accumulated sick leave up to a maximum of 55 days for classified employees retiring from active service.

The salaries forecasted for fiscal year 2003 are based on the current negotiated contracts. Fiscal years 2004 through 2006 are based on the historical and anticipated trends of the School District. It is anticipated that the Board of Education will continue with the terms of the current union contract until a new one is in place.

B. - Employees' Retirement/Insurance Benefits

Employees' retirement and insurance benefits include employer contributions to the State pension systems, health care, medicare, workers' compensation, and other benefits arising from the negotiated agreements.

Retirement costs are based on the employers' contribution rate of 14 percent for STRS and SERS. Payments are made based upon estimated salary and wages for each fiscal year. Adjustments resulting from over/under estimates are prorated over the next fiscal year.

The School District offered a four-year Early Retirement Incentive Program (ERI) plan with an enrollment period from June 30, 1997 through June 30, 2000. The ERI program required that teachers be fifty years old on or before December 31, in the year offered, be employed and currently contributing to STRS, and be eligible for service retirement upon the purchase of the service credit. The program began January 1, of the year offered, and ended on December 31, of the year offered. On an annual basis, the School District has the option of limiting or not implementing the ERI program if, in its judgement, it is not deemed financially feasible. For fiscal year 2001 the School District exercised its option of not implementing the ERI program. Fiscal year 2002 includes the last year of payments on the most recent three-year buyout. No further ERI programs are anticipated during the forecast period.

Health care costs are based on the coverage terms of the existing health insurance contracts, the anticipated number of employees participating in the program, the monthly premiums, and anticipated premium increases. The premiums for single and family coverage are set by contract and renewed annually. The premiums for the forecast period have increased nearly eight percent from the prior period and with current trends are expected to increase each year of the forecast period.

Medicare benefits are based on the employers' rate of 1.45 percent and the payroll costs for contributing staff.

The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The worker's 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.

Employee retirement and insurance benefits are forecasted at $2,132,000 for fiscal year 2002, a $46,000 increase from fiscal year 2001. This increase is due to an increase in STRS/SERS in association with the salary increase, ERI payments and a change in hospitalization rates. The anticipated expenditures for fiscal years 2003 through 2006 will increase due to salary increases and associated benefits costs.

C. - Purchased Services

Purchased service expenditures include professional services, property services, utilities, tuition and transportation costs. The School District is anticipating a $253,000 increase in purchased services for fiscal year 2002. The increases are for the increased costs in utilities, tuition payments to the community schools, contracted property services, transportation costs and legal fees for litigation involving the prior assistant treasurer and contract negotiations.

The expenditures for fiscal years 2003 and 2004 are anticipated to increase approximately three percent due to contract negotiations for classified and certified employees as the current contracts are set to expire in fiscal year 2003. Fiscal year 2005 will decrease approximately three percent and fiscal year 2006 should see approximately a three percent increase due to contract negotiations once again.

D. - Supplies and Materials

Expenditures for supplies and materials include general and office supplies, teaching aids, dispensary supplies, software materials, textbooks, and supplemental textbooks. Fiscal year 2002 expenditures for general supplies, textbooks and supplies and materials for operations, maintenance and repairs for motor vehicles are anticipated to increase $236,000. During fiscal year 2002, the School District anticipates purchasing textbooks and testing materials to replace outdated items. Fiscal years 2003 through 2006 will see increases approximating three percent annually for textbooks, instructional materials and other expenditures for non-instructional items.

E. - Capital Outlay

Property, plant and equipment acquired or constructed for general governmental services are recorded as expenditures. Depreciation is not recorded for these general fixed assets as the purpose of the financial statements for the general governmental services is to report the expenditure of resources, not costs.

Capital outlay expenditures are forecasted to be in the amount of $110,000 for fiscal year 2002. The expenditures include various types of school equipment, computers and other items. These expenditures are anticipated to increase by approximately five percent during the remainder of the forecast period, this will ensure the School District is keeping up with technology trends and new equipment.

The School District has a permanent improvement levy under Section 5705.21, Ohio Revised Code, that provides approximately $205,000, annually. The levy expired in December, 2001, with the last collection in fiscal year 2002. It is the Board's intention to put the permanent improvement levy on the August, 2002 ballot as a renewal. Planned capital outlay expenditures from the permanent improvement fund are for various types of school equipment, computers, and other technological equipment.

F. - Debt Service

The School District's debt service expenditures required for fiscal year 2002 include the repayment of a solvency assistance advance from the State and an energy conservation (HB 264) loan.

The solvency assistance advance, with a principal payment of $462,000, will be repaid in fiscal year 2002 from State foundation revenues. The energy conservation note, with a principal payment of $455,000 and an interest payment of $98,000, will be repaid from general fund revenues.

The following principal and interest payments will be made during the forecast period for energy conservation loans and a solvency assistance advance.

Year	Energy Conservation	Solvency Assistance	Total Principal	Interest
FY 2002	$455,000	$462,000	$917,000	$98,000
FY 2003	480,000	0	480,000	72,000
FY 2004	510,000	0	510,000	44,000
FY 2005	540,000	0	540,000	15,000

G. - Other Objects

This account includes dues, fees, liability insurance and other miscellaneous goods and services not otherwise classified in another account. For fiscal year 2002, the School District is projecting $467,000 of expenditures in this area. The increase is due primarily to additional auditor and treasurer's fees. These expenditures are anticipated to increase approximately four percent in fiscal year 2004 in correlation to the levies and then decrease approximately three percent annually for the remainder of the forecast period.

H. - Operating Transfers and Advances Out

The School District anticipates advances out of $47,000. Advances out represent an estimated $30,000 to the food service fund, $6,000 to the School District managed activities fund and $11,000 to the grant funds. Advances out are anticipated to remain consistent for the remainder of the forecast period.

Note 7 - Encumbrances

Encumbrances represent purchase authorizations and contracts for goods or services that are pending vendor performance and those purchase commitments which have been performed, invoiced, and are awaiting payment. Encumbrances on a budget basis of accounting are treated as the equivalent of an expenditure at the time authorization is made in order to maintain compliance with spending restrictions established by Ohio law. For presentation in the forecast, outstanding encumbrances are presented as a reduction of the general fund balance.

Encumbrances for benefits, purchased services, supplies and materials, capital outlay and other objects expenditures for fiscal year ended June 30, 2001 were $285,000 and are forecasted at $263,000 for June 30, 2002. Encumbrances are forecasted to decrease by five percent and remain constant during fiscal years 2003 through 2006. Forecasted encumbrances include the State Teachers' Retirement System Advance.

Note 8 - Reservations of Fund Balance

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

A. - Textbooks and Instructional Materials

The School District had a carryover balance of $229,000. The annual set aside requirement amount for fiscal year 2002 is $321,000. Qualifying expenditures in the amount of $350,000 are anticipated. The amount not spent will be carried forward decreasing the textbook and instructional material reserve by $29,000 to $200,000 at the end of fiscal year 2002.

During fiscal year 2003, the School District will have a carryover balance of $200,000 and anticipates $613,000 in qualifying expenditures, reducing the reserve at fiscal year end to $0. For fiscal years 2003 through 2006, the School District anticipates qualifying expenditures to exceed the set-aside requirement and any carryover balance; therefore, no reserve for textbooks and instructional materials is forecasted.

B. - Capital Acquisition and Improvements

The School District is also required to set aside annually three percent of certain revenues for capital acquisition and improvements. The revenues from the permanent improvement levy are used to offset the required set aside amount. The School District anticipates off-sets and qualifying expenditures in the area of capital outlay and other objects, as permitted, to completely offset the set-aside requirement for the forecast period. Therefore no reserve is anticipated during the forecast period.

C. - Budget Reserve

Effective April 10, 2001, Amended Senate Bill 345, deleted from law the requirement for a school district to establish and appropriate money for budget stabilization. In addition, any money on hand in a school district's budget reserve set aside as of April 10, 2001, may at the discretion of the board be returned to the school district's general fund or may be left in the account and used by the board to offset any budget deficit the school district may experience in future years. The bill placed special conditions on any Bureau of Workers' Compensation monies remaining in the budget reserve set aside. The Budget Reserve will be consumed over the forecast period with excess textbook and other allowable expenditures.

The School District eliminated the budget reserve during fiscal year 2001. During fiscal year 2002, the budget reserve was re-established by the School District. During fiscal year 2002, the School District passed a resolution to allow them to spend the budget reserve in accordance with Senate Bill 345 on school facility construction and renovation and textbooks and other instructional materials, including science equipment or laboratories, school bus purchases or professional development of teachers.

D. - Disadvantaged Pupil Impact Aid (DPIA)

At June 30, 2001, the School District had $11,000 in unspent DPIA monies. In addition, the School District will receive $11,000 in restricted DPIA monies during fiscal year 2002. The School District anticipates spending $11,000 in the current fiscal year; therefore, a reserve of $11,000 is anticipated at June 30, 2002.

The School District anticipates the expenditures for fiscal years 2003 through 2006 based on historical patterns and the existing programs. It is projected that the School District will have reserve requirements of $11,000 for the remainder of the forecast period.

E. - Bus Purchases

The School District anticipates receiving $16,000 annually during the forecast period and anticipates purchasing one bus per year. Therefore, the School District will have no reserve balance for each year during fiscal years 2002 through 2006.

Note 9 - Levies

During the forecast period, three levies will expire. The Board plans to place the 5.9 mill emergency operating levy which expires in fiscal year 2004 and the 6.0 mill renewal levy which expires in fiscal year 2005 on the ballot in the appropriate year. In the past ten years the School District has placed several levies on the ballot. The type of levy, rate, term, and election results are as follows:

Date	Type	Amount	Term	Election Results
June 1992	Permanent Improvement	0.9 mills	5 Years	Failed
November 1992	Renewal	1 mill	5 Years	Passed
November 1992	Operating	3 mills	2 Years	Failed
February 1993	Operating	3 mills	2 Years	Failed
August 1993	Operating	4 mills	Continuing	Failed
November 1993	Operating	4 mills	Continuing	Failed
February 1994	Emergency Operating	8.2538 mills	5 Years	Passed
May 1995	Renewal	6 mills	5 Years	Passed
November 1996	Permanent Improvement	1 mill	5 Years	Passed
May 1999	Emergency Operating	5.9 mills	5 Years	Passed
March 2000	Renewal	6 mills	5 Years	Passed
November 2000	Emergency Operating	3.8 mills	3 Years	Passed

Note 10 - Pending Litigation

The School District is a party to legal proceedings. The amount of the liability, if any, cannot be reasonably estimated at this time. However, in the opinion of management, any such claims and lawsuits will not have a material adverse effect on the overall financial position of the School District.

Note 11 - State School Funding Decision

On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision identified aspects of the current plan that require modification if the plan is to be considered constitutional, including:

- A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a time line for distribution is not specified.

- Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its order.

In general, it is expected that the decision would result in an increase in State funding for most Ohio school districts. However, as of January 30, 2002, the Ohio General Assembly is still analyzing the impact this Supreme Court decision will have on funding for individual school districts. Further, the State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001.

On November 2, 2001, the Court granted this motion for reconsideration. The Court may re-examine and redetermine any issue upon such reconsideration.

As of the date of the financial forecast, the School District is unable to determine what effect, if any, this decision and the reconsideration will have on its future State funding and on its financial statements.

STATE OF OHIO
OFFICE OF THE AUDITOR
JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

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
APRIL 4, 2002