



**BRUNSWICK CITY SCHOOL DISTRICT  
MEDINA COUNTY**

**SINGLE AUDIT**

**FOR THE YEAR ENDED JUNE 30, 2004**



**Auditor of State  
Betty Montgomery**



**BRUNSWICK CITY SCHOOL DISTRICT  
MEDINA COUNTY**

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## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT

Brunswick City School District  
Medina County  
3643 Center Road  
Brunswick, Ohio 44212

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Brunswick School District, Medina County, Ohio, (the District) as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Brunswick City School District, Medina County, Ohio, as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, and the respective budgetary comparison for the General Fund thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 21, 2005 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The Schedule of Receipts and Expenditures of Federal Awards is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, was presented for additional analysis and is not a required part of the basic financial statements. We subjected the Schedule of Receipts and Expenditures of Federal Awards to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

January 21, 2005

**Brunswick City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2004*  
*Unaudited*

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The discussion and analysis of the Brunswick City School District's (The School District) financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2004. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

**Financial Highlights**

Key financial highlights for 2004 are as follows:

- Total assets for fiscal year 2004 increased \$1.9 million over total assets for fiscal year 2003. This is due to a 5.61% increase in current assets related to the sale of tax anticipation notes and a 0.79% increase in capital assets. Total liabilities for fiscal year 2004 increased by \$4.8 million over fiscal year 2003. This increase is related to the tax anticipation long-term notes issued during the fiscal year.
- In total, net assets decreased \$3.0 million from fiscal year 2003. This decrease was in restricted net assets of governmental activities (\$.2 million or a 7.4 percent decline from 2003) and unrestricted net assets of governmental activities (\$4.2 million or a 35.3 percent decline from 2003) offset by an increase in investment in capital assets of \$1.4 million or 63.6 percent.
- Total revenues were \$55.0 million for fiscal year 2004. General revenues accounted for \$49.5 million or 90.0 percent of all revenues, with tax revenue representing 49.1 percent of those revenues. Specific program revenues in the form of charges for services and sales, operating and capital grants and contributions accounted for \$5.5 million or 10.0 percent of all revenues.
- The District had \$58.0 million in expenses related to governmental activities; only \$5.5 million of these expenses were offset by program specific charges for services, sales, operating and capital grants and contributions. General revenues (primarily taxes supplemented by grants and entitlements) of \$49.5 million, plus a portion of unrestricted net assets carried forward from last year, were adequate to provide for these programs.
- The general fund had \$46.9 million in revenues and \$50.0 million in expenditures for fiscal year 2004. The general fund's balance decreased by \$3.1 million from the prior fiscal year.
- Outstanding debt increased to \$31.0 million in 2004 from \$26.4 million in 2003 due to the issuance of tax anticipation notes for \$5.8 million during the fiscal year, a net increase of 17.4 percent.

**Brunswick City School District**  
*Management's Discussion and Analysis*  
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## **Using this Annual Financial Report**

This report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Brunswick City School District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The *Statement of Net Assets* and *Statement of Activities* provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term and what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other non-major funds presented in total in one column. In the case of Brunswick City School District, the general fund is by far the most significant fund.

## **Reporting the School District as a Whole**

### *Statement of Net Assets and the Statement of Activities*

While this document contains all of the funds used by the School District to provide programs and activities, the view of the School District as a whole considers all financial transactions and asks the question "How did we perform financially during 2004?" The *Statement of Net Assets* and the *Statement of Activities* answer this question. These statements include *all assets* and *liabilities* using the *accrual basis of accounting* similar to the accounting used by most private sector companies. Accrual accounting takes into account all of the current year's revenue and expenses regardless of when cash is received or paid.

These two statements report the District's net assets and changes in those assets. This change in net assets is important because it tells the reader that, for the District as a whole, the *financial position* of the District has improved or diminished. The causes of this change may be the result of many financial or non-financial factors. Non-financial factors include the School District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

In the *Statement of Net Assets* and the *Statement of Activities*, all School District programs are classified as governmental activities. All of the School District's programs and services are reported here including instruction, support services, operation of non-instructional services, extracurricular activities and interest and fiscal charges.

## **Reporting the School District's Most Significant Funds**

### *Fund Financial Statements*

The analysis of the School District's major funds begins on page 9. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus upon the School District's most significant funds. The School District's only major governmental fund is the general fund.



**Brunswick City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2004*  
*Unaudited*

**Governmental Funds** Most of the District's activities are reported in governmental funds, which focus on how cash flows into and out of those funds and the balances remaining at fiscal year end available for spending in future periods. These funds are reported using an accounting method called *modified accrual accounting*, which measures cash and all other *financial assets* that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the School District's general government operations and the basic services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the *Statement of Net Assets* and the *Statement of Activities*) and governmental *funds* is reconciled in the financial statements.

**The School District as a Whole**

You may recall that the *Statement of Net Assets* provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets for 2004 compared to 2003:

**Table 1**  
 Net Assets  
 Governmental Activities (in millions)

	2004	2003
<b>Assets</b>		
Current and Other Assets	\$32.0	\$30.3
Capital Assets, Net	25.5	25.3
<i>Total Assets</i>	57.5	55.6
<b>Liabilities</b>		
Current and Other Liabilities	31.0	30.4
Long-Term Liabilities:		
Due Within One Year	4.4	5.1
Due in More Than One Year	32.1	27.2
<i>Total Liabilities</i>	67.5	62.7
<b>Net Assets</b>		
Invested in Capital Assets, Net of Debt	3.6	2.2
Restricted:		
Capital Projects	0.6	0.7
Debt Service	0.3	0.6
Other Purposes	1.1	1.0
Set Asides	0.5	0.4
Unrestricted (Deficit)	(16.1)	(11.9)
<i>Total Net Assets (Deficit)</i>	(\$10.0)	(\$7.0)

Total assets increased by \$1.9 million. There was an increase in the property tax receivable and an increase in cash available at the end of the fiscal year, offset by decreases in the other receivables.

**Brunswick City School District**  
*Management's Discussion and Analysis*  
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Total liabilities increased by \$4.8 million. This increase is due mainly to the issuance of tax anticipation notes for emergency operating needs.

Table 2 shows the change in net assets for fiscal year 2004. This is the second year for reporting under GASB Statement 34, revenue and expense comparisons to fiscal year 2003 show an increase in total revenues of \$.7 million an increase of 1.3 percent and program expenses increased \$1.7 million, an increase of 3.0 percent.

**Table 2**  
 Governmental Activities (in millions)

	2004	2003
<b>Revenues</b>		
Program Revenues:		
Charges for Services and Sales	\$2.7	\$2.3
Operating Grants and Contributions	2.8	2.1
Capital Grants and Contributions	0.0	0.1
<i>Total Program Revenues</i>	5.5	4.5
General Revenues:		
Property Taxes	24.3	25.0
Grants and Entitlements	24.8	24.3
Other	0.4	0.5
<i>Total General Revenues</i>	49.5	49.8
<b>Total Revenues</b>	55.0	54.3
<b>Program Expenses</b>		
Instruction	32.8	31.4
Support Services:		
Pupils and Instructional Staff	5.2	5.0
Board of Education, Administration, Fiscal and Business	6.2	6.7
Operation and Maintenance of Plant	5.3	5.2
Pupil Transportation	3.7	3.4
Operation of Non-Instructional Services	2.2	2.4
Extracurricular Activities	1.2	1.1
Interest and Fiscal Charges	1.4	1.1
<i>Total Program Expenses</i>	58.0	56.3
Decrease in Net Assets	(3.0)	(2.0)
<i>Net Assets Beginning of Year - Restated</i>	(7.0)	(5.0)
<i>Net Assets End of Year</i>	(\$10.0)	(\$7.0)

**Brunswick City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2004*  
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***Governmental Activities***

Several revenue sources primarily fund the School District's governmental activities. Property taxes account for the largest portion of general revenues having generated \$24.3 million in fiscal year 2004. The voters in Brunswick recently approved a five-year emergency operating levy in the amount of 6.7 mills that will generate an additional \$5.78 million per annum starting in January 2005. Program and general revenues from operating grants and entitlements, such as the school foundation program, are also a large source of revenue having generated \$27.6 million in fiscal year 2004. With the combination of taxes and intergovernmental funding providing coverage for over 99.1 percent of all expenses in governmental activities, the School District monitors both of these revenue sources closely for fluctuations that would impact upon its activities.

Instruction comprises 56.6 percent of governmental program expenses. Additional support services for pupils, instructional staff and business operations comprise 35.2 percent of governmental program expenses. Interest and fiscal charges, largely attributable to the servicing of outstanding bonds and capital leases, operation of non-instructional services and extracurricular activities account for the remaining 8.2 percent.

The *Statement of Activities* shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

**Table 3**  
 Governmental Activities (in millions)

	Total Cost of Services 2004	Net Cost of Services 2004	Total Cost of Services 2003	Net Cost of Services 2003
Instruction	\$32.8	(\$31.4)	\$31.4	(\$30.3)
Support Services:				
Pupils and Instructional Staff	5.2	(4.2)	5.0	(4.5)
Board of Education, Administration, Fiscal and Business	6.2	(5.4)	6.7	(6.1)
Operation and Maintenance of Plant	5.3	(5.3)	5.2	(5.2)
Pupil Transportation	3.7	(3.6)	3.4	(3.4)
Operation of Non-Instructional Services	2.2	(0.1)	2.4	(0.5)
Extracurricular Activities	1.2	(1.1)	1.1	(0.7)
Interest and Fiscal Charges	1.4	(1.4)	1.1	(1.1)
<i>Total</i>	<u>58.0</u>	<u>(52.5)</u>	<u>56.3</u>	<u>(51.8)</u>

**Brunswick City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2004*  
*Unaudited*

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The dependence upon general revenues for governmental activities is apparent. Nearly 42 percent of total expenses are supported through taxes. Grants and entitlements not restricted to specific programs support 42.8 percent, while program revenues support an additional 9.5 percent. The remaining costs are supported by investment and other miscellaneous type revenues.

**The School District's Funds**

Information regarding the School District's major funds starts on page 16. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$55.2 million and expenditures of \$59.5 million. The net change in fund balance for the year was a decrease of \$4.2 million, including other financing sources and uses. The general fund balance decreased overall by \$3.1 million and other governmental funds balances declined overall by \$1.1 million. The School District understands the need for additional tax revenues as well as the need to monitor and control expenditures to insure that it will be able to meet its obligations as they become due.

**General Fund Budgeting Highlights**

Information about the School District's budget is prepared in accordance with Ohio Law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the main operating fund of the School District, the general fund.

During the course of fiscal year 2004, the School District amended its general fund budget almost monthly prior to the end of the fiscal year. Requests for budget changes are made by building and central office administrators and where appropriate are approved by the treasurer and superintendent. Approval is then recommended to the Board of Education for their adoption prior to submission to the Medina County Auditor as required by the Ohio Revised Code.

With regard to the general fund, final budget basis revenue estimates of \$45.2 million were \$.4 million below original budget estimates of \$45.6 million, exclusive of other financing sources. Of this \$.4 million difference, most was due to final estimates of intergovernmental revenue being less than original estimates. Actual revenues however were \$47.0 million or \$1.8 million more than anticipated due to higher than expected tax revenues.

Original appropriations, exclusive of other financing uses, were \$48.7 million and increased during the fiscal year to \$51.7 million. Actual expenditures however were \$52.5 million or \$.8 million more than anticipated due to the payment of notes.

**Brunswick City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2004*  
*Unaudited*

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**Capital Assets and Debt Administration**

*Capital Assets*

At the end of fiscal year 2004, the School District had \$25.5 million invested in land, buildings and improvements, furniture and equipment, and vehicles. Table 4 details fiscal year 2004 balances compared to fiscal year 2003. More detailed information is presented in Note 8 of the notes to the basic financial statements.

**Table 4**  
 Capital Assets at June 30  
 Governmental Activities (in millions)

	2004	2003
Land	\$1.4	\$1.4
Land Improvements	0.9	0.2
Buildings and Improvements	18.0	18.3
Furniture and Equipment	3.0	3.2
Vehicles	2.2	2.2
<i>Totals</i>	\$25.5	\$25.3

All capital assets, except land, are reported net of depreciation. The primary source of the increase in capital assets occurred within the category of land improvements, due to the installation of artificial turf on the football field.

For fiscal year 2004, Ohio law required school districts to expend or otherwise reserve three percent of qualifying revenues from the prior fiscal year for the purpose of capital improvements and an additional three percent for textbooks and instructional materials. For fiscal year 2004, this amounted to \$1,000,052 for each purpose. The School District had qualifying disbursements exceeding the requirement for capital improvements. See Note 20 for additional set-aside information.

**Debt**

At June 30, 2004, the School District had a principal balance of \$31.0 million in bonds, loans and notes outstanding, of which \$1.7 million in principal and \$1.1 million in interest are due within one year. Table 5 summarizes the School District's bonds, loan and notes outstanding. A more detailed presentation is included in Note 15 of the notes to the basic financial statements.

**Brunswick City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2004*  
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**Table 5**  
 Outstanding Debt at Fiscal Year End  
 Governmental Activities

	<u>2004</u>	<u>2003</u>
<b>General Obligation Bonds</b>		
Energy Conservation, 1996	\$0	\$47,500
School Improvement, 1999	8,815,000	9,050,000
School Improvement Refunding, 2000	3,690,000	3,990,000
School Improvement, 2000	7,160,000	7,310,000
School Improvement, 2003	770,833	800,000
<i>Total General Obligation Bonds</i>	<u>20,435,833</u>	<u>21,197,500</u>
<b>Long-Term Loan</b>		
Asbestos Removal Loan, 1985	<u>5,060</u>	<u>15,186</u>
<b>Notes</b>		
Tax Anticipation Notes, 2002	1,620,000	2,021,000
Tax Anticipation Notes, 2003	3,200,000	3,200,000
Tax Anticipation Notes, 2004	<u>5,780,000</u>	<u>0</u>
<i>Total Notes</i>	<u>10,600,000</u>	<u>5,221,000</u>
<b>Total Outstanding Debt</b>	<u><u>\$31,040,893</u></u>	<u><u>\$26,433,686</u></u>

In 1996, the School District issued \$380,000 of Energy Conservation Improvement Bonds for the purpose of paying costs of installations, modifications, and remodeling of school buildings in order to conserve energy. Final maturity of these bonds was December 1, 2003.

In 1999, the School District issued \$9,950,000 of School Improvement Bonds for the purpose of new construction, improvements, renovations and additions to school facilities. Final maturity of these bonds is December 1, 2023.

In 2000, the School District issued \$4,500,000 of School Improvement Refunding Bonds to advance refund \$2,965,000 of outstanding School Improvement Bonds dated October 1, 1991 and to advance refund \$1,535,000 of outstanding School Improvement Bonds dated February 1, 1993. Both previous issues were for the purpose of paying costs of renovating, remodeling, constructing and furnishing school facilities. Final maturity of these bonds is December 1, 2013.

In 2000, the School District issued \$7,729,100 of School Improvement Bonds for the purpose of new construction, improvements, renovations and additions to school facilities. Final maturity of these bonds is December 1, 2026.

**Brunswick City School District**  
*Management's Discussion and Analysis*  
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In 2003, the School District issued \$800,000 of School Improvement Bonds for the purpose of new construction, improvements, renovations and additions to school facilities. Final maturity of these bonds is December 1, 2017.

In 1985, the School District obtained a non-interest bearing loan in the amount of \$151,890 from the U. S. Environmental Protection Agency for its asbestos hazard abatement program. Final payment on this loan is December 2005.

In 2002, the School District issued Tax Anticipation Notes in the amount of \$2,021,000, after the passage of an emergency levy renewal in May 2003, in anticipation of the collection of taxes for the purpose of providing for the emergency operational requirements of the School District. Final payment on these notes is December 1, 2007.

In 2003 the School District issued Tax Anticipation Notes in the amount of \$3,200,000, after the passage of an emergency levy renewal in May 2004, in anticipation of the collection of taxes for the purpose of providing for the emergency operational requirements of the School District. Final payment on these notes is June 1, 2008.

In 2004, the School District issued \$1,600,000 of tax anticipation notes. These notes were repaid during the fiscal year, on June 30, 2004.

In 2004 the School District issued Tax Anticipation Notes in the amount of \$5,780,000, after the passage of an emergency levy renewal in May 2004, in anticipation of the collection of taxes for the purpose of providing for the emergency operational requirements of the School District. Final payment on these notes is December 1, 2009.

At June 30, 2004, the School District's overall legal debt margin within the 9 percent of tax valuation limitation was \$98,491,570. The School District's legal unvoted debt margin subject to the 1/10 of 1 percent of tax valuation limitation was \$862,960.

### **Current Financial Related Activities**

Brunswick City School District will face financial challenges in the upcoming fiscal year. As the preceding information indicates, the School District heavily depends on its property taxpayers as well as state sources for its revenue sources.

The School District has received increases in voter-approved taxes two times since 1992. In that period of time the District passed two new five-year emergency levies, six five-year renewal issues, and one 28-year bond issue. State law fixes the amount of tax revenue, forcing it to remain constant except for increases in valuation due to new construction in the School District. In addition, legislation passed in recent years has had the effect of further eroding tax revenues by the decrease in assessment rate upon both the inventory component of personal property tax valuation and public utility tangible property.

**Brunswick City School District**  
*Management's Discussion and Analysis*  
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Externally, the State of Ohio was found by the Ohio Supreme Court in March 1997, to be operating an unconstitutional educational system, one that was neither “adequate” nor “equitable”. Since 1997, the State directed its tax revenue growth toward school districts with little property tax wealth. On December 11, 2003, the Ohio Supreme Court issued its latest opinion regarding the State’s school funding plan. The decision reaffirmed earlier decisions that Ohio’s current school-funding decision is unconstitutional. The Supreme Court relinquished jurisdiction over the case and directed “...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient...”

Last year Governor Bob Taft formed a 35-member “blue ribbon” commission to recommend changes to the school funding system. Taft’s commission has found that Ohio’s state share of school funding is below the national average, overall per pupil spending is above the national average, and the overall business tax burden is the middle of surrounding states when you include Illinois.

A majority of the educators, lawmakers and business leaders supports asking the General Assembly to put a constitutional amendment on the ballot to alter a provision enacted in 1976 and added to the constitution in 1980. This provision is commonly known as House Bill (HB) 920 and it prohibits increases in real property tax revenue without a local vote. Ohio has had a provision similar to HB 920 in state law since 1925. The commission proposal would give all school districts 22 mills, from the current 20 mills, on real property in which the revenue would grow with inflation or increases in property values.

Currently the District is at the 20 mill floor, like 350 of the 613 other Ohio school districts. The two additional mills on Residential, Agricultural, and other real property could generate an additional \$1.5 million per year for the District. However, this action would be contrary to the almost eight-year old (March 1997) DeRolph decision by placing the burden back on the property owner.

Brunswick City School District has experienced a recent fiscal year decline in State revenue and is not anticipating significant future growth in State revenue based upon the most recent two-year state budget.

Challenges such as those noted above require management to carefully and prudently plan to provide the resources to meet student needs over the next five years and to increase its dependence upon local tax revenue.

In conclusion, Brunswick City School District has committed itself to providing the best available financial information. In addition, the School District’s systems of budgeting and internal controls are well regarded. This commitment and attention to control mechanisms will serve to meet the challenges of the future.

**Contacting the School District’s Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District’s finances and to show the School District’s accountability for the funds it receives. If you have any questions about this report or need additional financial information, please contact Patrick K. East, Treasurer, at the Brunswick City School District, 3643 Center Road, Brunswick, Ohio 44212-0310, or by e-mail at [peast@bcsoh.org](mailto:peast@bcsoh.org).



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# Brunswick City School District

## Statement of Net Assets

June 30, 2004

	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$5,655,947
Cash and Cash Equivalents With Fiscal Agent	1,656
Accounts Receivable	6,381
Intergovernmental Receivable	329,545
Inventory Held for Resale	42,529
Materials and Supplies Inventory	267,804
Taxes Receivable	25,621,615
Nondepreciable Capital Assets	1,405,645
Depreciable Capital Assets, Net	24,128,343
	<hr/>
<i>Total Assets</i>	57,459,465
<b>Liabilities</b>	
Accounts Payable	338,195
Accrued Wages	5,506,362
Intergovernmental Payable	1,210,955
Matured Interest Payable	1,656
Accrued Interest Payable	110,598
Deferred Revenue	23,833,241
Long-Term Liabilities:	
Due Within One Year	4,415,827
Due In More Than One Year	32,088,151
	<hr/>
<i>Total Liabilities</i>	67,504,985
<b>Net Assets</b>	
Invested in Capital Assets, Net of Related Debt	3,645,779
Restricted for:	
Capital Projects	642,833
Debt Service	215,500
Set Asides	473,612
Food Service	364,080
Student Activities	339,881
Special Education	155,333
Alternative Education	145,610
Other Purposes	89,696
Unrestricted (Deficit)	(16,117,844)
	<hr/>
<i>Total Net Assets (Deficit)</i>	(\$10,045,520)

See accompanying notes to the basic financial statements

**Brunswick City School District**  
*Statement of Activities*  
For the Fiscal Year Ended June 30, 2004

	Program Revenues			Net (Expense)
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Revenue and Changes in Net Assets
<b>Governmental Activities</b>				
Instruction:				
Regular	\$25,942,599	\$443,172	\$348,168	\$0
Special	6,885,938	75,335	478,231	0
Support Services:				
Pupils	3,020,543	0	875,773	0
Instructional Staff	2,195,806	0	50,251	0
Board of Education	165,717	0	0	0
Administration	4,390,505	531,281	125,020	0
Fiscal	1,294,490	0	0	0
Business	309,894	0	0	0
Operation and Maintenance of Plant	5,331,090	40,747	0	0
Pupil Transportation	3,730,224	0	0	49,147
Central	44,216	0	0	0
Operation of Non-Instructional Services	2,199,047	1,207,211	903,519	0
Extracurricular Activities	1,183,131	375,336	46,949	0
Interest and Fiscal Charges	1,323,932	0	0	0
<i>Total</i>	<u>\$58,017,132</u>	<u>\$2,673,082</u>	<u>\$2,827,911</u>	<u>\$49,147</u>

**General Revenues**

Property Taxes Levied for:

General Purposes	21,438,990
Debt Service	1,325,444
Capital Outlay	1,496,699
Grants and Entitlements not Restricted to Specific Programs	24,794,146
Investment Earnings	56,541
Miscellaneous	319,013
<i>Total General Revenues</i>	<u>49,430,833</u>
Change in Net Assets	(3,036,159)
<i>Net Assets Beginning of Year - Restated (See Note 3)</i>	<u>(7,009,361)</u>
<i>Net Assets End of Year</i>	<u><u>(\$10,045,520)</u></u>

See accompanying notes to the basic financial statements  
See accountant's compilation report

**Brunswick City School District***Balance Sheet**Governmental Funds**June 30, 2004*

	General	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$3,074,489	2,107,846	\$5,182,335
Cash and Cash Equivalents With Fiscal Agents	0	1,656	1,656
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	473,612	0	473,612
Accounts Receivable	6,192	189	6,381
Intergovernmental Receivable	3,337	326,208	329,545
Inventory Held for Resale	0	42,529	42,529
Materials and Supplies Inventory	258,088	9,716	267,804
Taxes Receivable	22,623,932	2,997,683	25,621,615
Interfund Receivable	137,584	0	137,584
<i>Total Assets</i>	<u>\$26,577,234</u>	<u>\$5,485,827</u>	<u>\$32,063,061</u>
<b>Liabilities</b>			
Accounts Payable	\$319,389	\$18,806	\$338,195
Accrued Wages	5,148,557	357,805	5,506,362
Interfund Payable	0	137,584	137,584
Intergovernmental Payable	672,667	45,325	717,992
Deferred Revenue	21,562,913	2,848,357	24,411,270
Matured Interest Payable	0	1,656	1,656
Accrued Interest Payable	18,536	0	18,536
Notes Payable	10,600,000	0	10,600,000
<i>Total Liabilities</i>	<u>38,322,062</u>	<u>3,409,533</u>	<u>41,731,595</u>
<b>Fund Balances</b>			
Reserved for Encumbrances	165,617	501,716	667,333
Reserved for Property Taxes	1,061,019	149,326	1,210,345
Reserved for Textbooks and Instructional Materials	26,416	0	26,416
Reserved for Budget Stabilization	447,196	0	447,196
Undesignated (Deficit), Reported in:			
General Fund	(13,445,076)	0	(13,445,076)
Special Revenue Funds	0	795,396	795,396
Debt Service Fund	0	201,728	201,728
Capital Projects Funds	0	428,128	428,128
<i>Total Fund (Deficit) Balances</i>	<u>(11,744,828)</u>	<u>2,076,294</u>	<u>(9,668,534)</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$26,577,234</u>	<u>\$5,485,827</u>	<u>\$32,063,061</u>

See accompanying notes to the basic financial statements

**Brunswick City School District**  
*Reconciliation of Total Governmental Fund Balances to  
 Net Assets of Governmental Activities  
 June 30, 2004*

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<b>Total Governmental Fund Balances</b>	<b>(\$9,668,534)</b>
 <i>Amounts reported for governmental activities in the statement of net assets are different because</i>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	25,533,988
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds. These deferrals are attributed to delinquent property taxes.	578,029
Due to other governments includes contractually required pension contributions not expected to be paid with expendable available financial resources and therefore not reported in the funds.	(492,963)
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	(92,062)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
General Obligation Bonds	(20,435,833)
Asbestos Loan Payable	(5,060)
Compensated Absences	(4,010,709)
Capital Lease Payable	(1,452,376)
Total	(25,903,978)
 <i>Net Assets of Governmental Activities</i>	 <b><u>(\$10,045,520)</u></b>

**Brunswick City School District**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Fiscal Year Ended June 30, 2004*

	General	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>			
Taxes	\$21,432,223	\$2,821,274	\$24,253,497
Intergovernmental	24,551,814	3,258,441	27,810,255
Interest	45,894	10,647	56,541
Tuition and Fees	510,914	7,593	518,507
Extracurricular Activities	56,502	850,115	906,617
Rentals	40,747	0	40,747
Charges for Services	0	1,207,211	1,207,211
Contributions and Donations	24,138	84,601	108,739
Miscellaneous	247,883	71,130	319,013
<i>Total Revenues</i>	<u>46,910,115</u>	<u>8,311,012</u>	<u>55,221,127</u>
<b>Expenditures</b>			
Current:			
Instruction:			
Regular	24,912,976	537,317	25,450,293
Special	6,193,912	556,866	6,750,778
Support Services:			
Pupils	2,389,078	561,140	2,950,218
Instructional Staff	1,881,336	232,332	2,113,668
Board of Education	164,153	0	164,153
Administration	3,597,687	616,209	4,213,896
Fiscal	1,197,458	23,564	1,221,022
Business	267,547	0	267,547
Operation and Maintenance of Plant	5,034,645	1,517	5,036,162
Pupil Transportation	2,968,974	0	2,968,974
Central	44,216	0	44,216
Operation of Non-Instructional Services	0	2,058,828	2,058,828
Extracurricular Activities	754,777	283,294	1,038,071
Capital Outlay	0	2,641,191	2,641,191
Debt Service:			
Principal Retirement	346,931	862,667	1,209,598
Interest and Fiscal Charges	205,473	1,123,183	1,328,656
<i>Total Expenditures</i>	<u>49,959,163</u>	<u>9,498,108</u>	<u>59,457,271</u>
<i>Excess of Revenues Under Expenditures</i>	<u>(3,049,048)</u>	<u>(1,187,096)</u>	<u>(4,236,144)</u>
<b>Other Financing Sources</b>			
Proceeds from the Sale of Capital Assets	18,460	0	18,460
Transfers In	28,772	92,332	121,104
Transfers Out	(92,332)	(28,772)	(121,104)
<i>Total Other Financing Sources</i>	<u>(45,100)</u>	<u>63,560</u>	<u>18,460</u>
<i>Net Change in Fund Balances</i>	(3,094,148)	(1,123,536)	(4,217,684)
<i>Fund Balances (Deficit) Beginning of Year</i>	<u>(8,650,680)</u>	<u>3,199,830</u>	<u>(5,450,850)</u>
<i>Fund Balances (Deficit) End of Year</i>	<u>(\$11,744,828)</u>	<u>\$2,076,294</u>	<u>(\$9,668,534)</u>

See accompanying notes to the basic financial statements

**Brunswick City School District**  
*Reconciliation of the Changes in Fund Balance  
of Governmental Funds to the Statement of Activities  
For the Fiscal Year Ended June 30, 2004*

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**Net Change in Fund Balances - Total Governmental Funds** (\$4,217,684)

*Amounts reported for governmental activities in the  
statement of activities are different because*

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeds depreciation in the current period.

Capital Asset Additions	1,879,955	
Current Year Depreciation	(1,527,009)	
Total	352,946	352,946

Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. (153,487)

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

Delinquent Property Taxes	7,636	
Grants	(247,790)	
Total	(240,154)	(240,154)

Repayment of bond and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Bonds	761,667	
Asbestos Loan	10,126	
Capital Leases	437,805	
Total	1,209,598	1,209,598

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. 4,724

Some expenses reported in the statement of activities, such as compensated absences, early retirement incentive and intergovernmental payable which represent contractually required pension contributions, do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.

Compensated Absences	11,726	
Pension Obligation	(3,828)	
Total	7,898	7,898

*Change in Net Assets of Governmental Activities* (\$3,036,159)

**Brunswick City School District**  
*Statement of Revenues, Expenditures and Changes*  
*In Fund Balance - Budget (Non-GAAP) and Actual*  
*General Fund*  
*For the Fiscal Year Ended June 30, 2004*

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Revenues</b>				
Taxes	\$19,671,567	\$19,701,277	\$21,577,059	\$1,875,782
Intergovernmental	25,009,512	24,553,744	24,553,744	0
Interest	44,596	56,474	43,783	(12,691)
Tuition and Fees	519,739	555,381	510,267	(45,114)
Extracurricular Activities	57,551	56,333	56,502	169
Rentals	41,432	38,294	40,677	2,383
Contributions and Donations	24,586	24,139	24,138	(1)
Miscellaneous	189,584	167,555	186,759	19,204
<i>Total Revenues</i>	<u>45,558,567</u>	<u>45,153,197</u>	<u>46,992,929</u>	<u>1,839,732</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	24,887,202	25,849,373	24,973,656	875,717
Special	5,073,892	6,252,783	6,225,157	27,626
Support Services:				
Pupils	2,284,423	2,463,346	2,414,253	49,093
Instructional Staff	1,693,081	1,889,433	1,866,828	22,605
Board of Education	234,780	230,331	172,814	57,517
Administration	3,629,015	3,753,030	3,708,390	44,640
Fiscal	1,273,394	1,280,282	1,196,721	83,561
Business	335,376	340,753	280,710	60,043
Operation and Maintenance of Plant	5,197,714	5,352,796	5,269,545	83,251
Pupil Transportation	2,874,177	3,001,309	2,989,733	11,576
Central	74,305	76,444	56,687	19,757
Extracurricular Activities	1,152,735	1,192,505	1,173,461	19,044
Capital Outlay	259	0	0	0
Debt Service:				
Principal	0	0	2,001,000	(2,001,000)
Interest	0	0	185,856	(185,856)
<i>Total Expenditures</i>	<u>48,710,353</u>	<u>51,682,385</u>	<u>52,514,811</u>	<u>(832,426)</u>
<i>Excess of Revenues Under Expenditures</i>	<u>(3,151,786)</u>	<u>(6,529,188)</u>	<u>(5,521,882)</u>	<u>1,007,306</u>
<b>Other Financing Sources (Uses):</b>				
Notes Issued	6,967,063	7,380,000	7,380,000	0
Proceeds from the Sale of Capital Assets	17,427	18,660	18,460	(200)
Advances In	175,132	203,909	196,946	(6,963)
Advances Out	(81,899)	(81,899)	(81,899)	0
Transfers In	27,162	28,772	28,772	0
Transfers Out	(92,332)	(92,332)	(92,332)	0
<i>Total Other Financing Sources (Uses)</i>	<u>7,012,553</u>	<u>7,457,110</u>	<u>7,449,947</u>	<u>(7,163)</u>
<i>Net Change in Fund Balance</i>	3,860,767	927,922	1,928,065	1,000,143
<i>Fund Balance Beginning of the Year</i>	660,355	660,355	660,355	0
Prior Year Encumbrances Appropriated	418,936	418,936	418,936	0
<i>Fund Balance End of Year</i>	<u>\$4,940,058</u>	<u>\$2,007,213</u>	<u>\$3,007,356</u>	<u>\$1,000,143</u>

See accompanying notes to the basic financial statements.



**Brunswick City School District**  
*Statement of Fiduciary Assets and Liabilities*  
*Fiduciary Funds*  
*June 30, 2004*

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	<u>Agency</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$228,687</u>
<b>Liabilities</b>	
Due to Students	\$169,712
Undistributed Monies	<u>58,975</u>
<i>Total Liabilities</i>	<u>\$228,687</u>

See accompanying notes to the basic financial statements

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***Brunswick City School District***  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2004*

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

Brunswick City School District (the “School District”) is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District operates under a locally-elected Board form of government consisting of five-members elected at-large for staggered four year terms. The School District provides educational services as authorized by State statute and federal guidelines.

The School District is located in Medina County and encompasses the entire City of Brunswick. It controls the School District's 11 instructional/support facilities staffed by 294 classified employees, 465 certificated full-time teaching personnel and 27 administrators who provide services to 7,254 students and other community members.

*Reporting Entity*

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the School District consists of all funds, departments, boards and agencies that are not legally separate from the School District. For Brunswick City School District, this includes the following services: general operations, food service, preschool and student related activities of the School District. The following activities are also included within the reporting entity:

*Non-public Schools* - Within the School District boundaries, St. Ambrose and St. Mark's are operated as non-public schools. Current State legislation provides funding to these schools. These monies are received and disbursed on behalf of the schools by the Treasurer of the School District, as directed by the schools. This activity is reflected in a special revenue fund for financial reporting purposes.

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. The School District does not have any component units.

The School District participates in two jointly governed organizations and an insurance purchasing pool. These organizations are the Medina County Joint Vocational School, the Ohio Schools Council Association and the Ohio School Boards Association Workers' Compensation Group Rating Program. These organizations are presented in Notes 18 and 19 to the basic financial statements.

***Brunswick City School District***  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2004*

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**Note 2 - Summary of Significant Accounting Policies**

The financial statements of Brunswick City School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental activities unless those pronouncements conflict with or contradict GASB pronouncements. The more significant of the School District's accounting policies are described below.

***A. Basis of Presentation***

The School District's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

***Government-wide Financial Statements*** The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The statement of net assets presents the financial condition of the governmental activities of the School District at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School District.

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

***B. Fund Accounting***

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

***Brunswick City School District***  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2004*

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***Governmental Funds*** Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following is the School District's only major governmental fund:

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

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

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

### ***C. Measurement Focus***

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

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

### ***D. Basis of Accounting***

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

***Brunswick City School District***  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2004*

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***Revenue – Exchange and Non-Exchange Transactions*** Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within sixty days of fiscal year-end.

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 7). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

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

Property taxes for which there is an enforceable legal claim as of June 30, 2004, but which were levied to finance fiscal year 2005 operations, have been recorded as deferred revenue. Grants and entitlements received before eligibility requirements are met are also recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

***Expenses/Expenditures*** On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

***E. Budgetary Data***

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and set annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education

***Brunswick City School District***  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2004*

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at the fund level. The Treasurer has been given the authority to allocate appropriations to the function and object level within each fund. Budgetary statements are presented beyond that legal level of control for information purposes only.

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

The appropriation resolution is subject to amendment by the Board throughout the year with the restriction that appropriations may not exceed estimated revenues by fund. The amounts reported as the original budgeted amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior fiscal years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year.

***F. Cash and Cash Equivalents***

To improve cash management, all cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through School District records. Interest in the pool is presented as "equity in pooled cash and cash equivalents."

The School District utilizes a financial institution to service bonded debt as principal and interest payments come due. The balance in this account is presented as "cash and cash equivalents with fiscal agent" and represents deposits.

During fiscal year 2004, investments were limited to Victory Federal Money Market Mutual Fund, overnight repurchase agreements and STAROhio.

The mutual fund is reported at fair value based on current share price. The repurchase agreements are reported at cost.

STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2004.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2004 amounted to \$45,894, which includes \$34,688 assigned from other School District funds.

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are presented on the financial statements as cash equivalents.

**Brunswick City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2004*

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**G. Restricted Assets**

Assets are reported as restricted when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributor, grantors, or laws of other governments or imposed by enabling legislation. Restricted assets include amounts required by State statute to be set-aside to create a reserve for textbooks and budget stabilization. See Note 20 for additional information regarding set-asides.

**H. Inventory**

Inventories are presented at cost on a first-in, first-out basis and are expended/expensed when used.

Inventories consist of donated food, purchased food, and school supplies held for resale, and materials and supplies held for consumption.

**I. Capital Assets**

All capital assets of the School District are classified as general capital assets. They generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of \$500. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

Description	Estimated Lives
Land Improvements	10-30 years
Buildings and Improvements	75 years
Furniture and Equipment	6-12 years
Vehicles	3-10 years

**J. Interfund Balances**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental activities column of the statement of net assets.

**K. Compensated Absences**

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means. The School



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District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the termination payment method. An accrual for sick leave is made to the extent that it is probable that benefits will result in termination payments. The liability is an estimate based on the School District's past experience of making termination payments.

***L. Accrued Liabilities and Long-Term Obligations***

All payables, accrued liabilities, and long term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, compensated absences, contractually required pension contributions and retirement incentives that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for the payment during the current fiscal year. Bonds, loans and capital lease obligations are recognized as a liability on the governmental fund financial statements when due.

***M. Interfund Activity***

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditure to the funds that initially paid for them are not presented on the financial statements.

***N. Net Assets***

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net assets restricted for other purposes include teacher training, school supplies and technology services.

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

***O. Fund Balance Reserves***

The School District records reservations for portions of fund equity which are legally segregated for a specific future use or which do not represent available spendable resources and therefore are not available for appropriations for expenditures. Undesignated fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, property taxes, textbooks and budget stabilization.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statute. The reserve for budget

**Brunswick City School District**  
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stabilization represents monies required to be set aside by statute to protect against cyclical fluctuations in revenues and expenditures.

***P. Extraordinary and Special Items***

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence.

***Q. Estimates***

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**Note 3 – Changes in Accounting Principle and Restatement of Net Assets**

***A. Change in Accounting Principle***

For fiscal year 2004, the School District has implemented GASB Statement No. 39, “Determining Whether Certain Organizations are Component Units”. GASB Statement No. 39 states that entities for which a primary government is not financially accountable may still be reported as component units based on the nature and significance of their relationship with the primary government. The implementation of GASB Statement No. 39 did not affect the reporting entity of the School District.

***B. Restatement of Net Assets***

The School District’s capital assets were understated at June 30, 2003, due to the fact that several building improvement projects were not properly capitalized. This caused net assets to increase by \$3,877,717, from (\$10,887,078) to (\$7,009,361). Capital assets increased from \$21,456,812 to \$25,334,529.

**Note 4 – Accountability and Compliance**

***A. Accountability***

The following funds had deficit fund balances as of June 30, 2004:

<b>Major Fund</b>	
General Fund	\$11,744,828
 <b>NonMajor Funds</b>	
<b><i>Special Revenue Funds</i></b>	
Venture Capital	83
Summer School Subsidy	2,090
Drug Free Schools	1,569
Preschool Grant	9,683

***Brunswick City School District***  
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The general fund deficit resulted from the recognition of liabilities in accordance with generally accepted accounting principles. The School District has passed an emergency levy in May 2004 to meet emergency operational needs and issued notes until the tax revenues are received. The cash situation is continually evaluated to see if additional monies will be needed by fiscal year-end.

The deficits in the special revenue funds are due to adjustments for accrued liabilities. The general fund is liable for any deficit in these funds and provides operating transfers when cash is required, rather than when accruals occur.

***B. Compliance***

Contrary to Ohio Revised Code Section 5705.41(B), fund level expenditures plus encumbrances exceed appropriations in the amount of \$466 in the Preschool Grant special revenue fund.

Contrary to Section 5705.39, Ohio Revised Code, the Latchkey special revenue had appropriations in excess of estimated revenues and carryover balances in the amount of \$32 as of June 30, 2004.

Management has indicated that appropriations will be closely monitored to ensure no future violations.

**Note 5 - Budgetary Basis of Accounting**

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).

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The following table summarizes the adjustments necessary to reconcile the GAAP basis statement to the budgetary basis statements for the general fund.

Net Change in Fund Balance	
GAAP Basis	(\$3,094,148)
Net Adjustment for Revenue Accruals	82,814
Advance In	196,946
Notes Issued	7,380,000
Net Adjustment for Expenditure Accruals	(20,012)
Debt Repayment	(2,001,000)
Advance Out	(81,899)
Adjustment for Encumbrances	(534,636)
Budget Basis	\$1,928,065

**Note 6 - Deposits and Investments**

State statutes classify monies held by the School District into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the School District Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive monies are public deposits that the Board of Education has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

Protection of the School 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 repayment of all public monies deposited with the institution.

Interim monies may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, Notes, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National

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Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

3. Written repurchase agreements in the securities listed above 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 in an amount not to exceed twenty-five percent of the interim moneys available for investment at any on time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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 School 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.

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 year-end, the carrying amount of the School District's deposits was \$5,558,862 and the bank balance was \$4,695,387. Of the bank balance:

1. \$296,486 was covered by federal depository insurance; and
2. \$4,398,901 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging institution in the School District's name and all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

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**Investments:** Investments are categorized to give an indication of the level of risk assumed by the School District at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name. STAROhio and the Victory Federal Money Market Mutual Fund are unclassified investments since they are not evidenced by securities that exist in physical or book entry form.

	Category 3	Carrying and Fair Value
Repurchase Agreements	\$149,689	\$149,689
Victory Federal Money Market Mutual Fund		126,918
STAROhio		50,821
	\$149,689	\$327,428
Total		

The classification of cash and cash equivalents and investments on the financial statements is based on criteria set forth in GASB Statement No. 9. A reconciliation between the classifications of cash and investments on the financial statements and the classification per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/Deposit	Investments
GASB Statement No. 9	\$5,886,290	\$0
Investments which are a part of a cash management pool:		
Repurchase Agreements	(149,689)	149,689
Victory Federal Money Market Mutal Fund	(126,918)	126,918
STAROhio	(50,821)	50,821
	\$5,558,862	\$327,428
GASB Statement No. 3		

**Note 7 - Property Taxes**

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the school district. Real property tax revenue received in calendar 2004 represents collections of calendar year 2003 taxes. Real property taxes received in calendar year 2004 were levied after April 1, 2003, on the assessed value listed as of January 1, 2003, the lien date. Assessed values for

***Brunswick City School District***  
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real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2004 represents collections of calendar year 2003 taxes. Public utility real and tangible personal property taxes received in calendar year 2004 became a lien December 31, 2002, were levied after April 1, 2003 and are collected in 2004 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2004 (other than public utility property) represents the collection of 2004 taxes. Tangible personal property taxes received in calendar year 2004 were levied after April 1, 2003, on the value as of December 31, 2003. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-three percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Medina County. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2004, are available to finance fiscal year 2004 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2004 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2004 was \$1,061,019 in the general fund, \$71,432 in the bond retirement debt service fund, and \$77,894 in the permanent improvements capital projects fund. The amount available as an advance at June 30, 2003, was \$1,215,981 in the general fund, \$81,956 in the bond retirement debt service fund, and \$89,446 in the permanent improvement capital projects fund.

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

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The assessed values upon which the fiscal year 2004 taxes were collected are:

	2003 Second Half Collections		2004 First Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$770,115,470	92.56 %	\$800,116,470	92.72 %
Public Utility Personal	16,023,080	1.93	16,400,000	1.90
Tangible Personal Property	45,863,160	5.51	46,443,437	5.38
<b>Total</b>	<b>\$832,001,710</b>	<b>100.00 %</b>	<b>\$862,959,907</b>	<b>100.00 %</b>
Tax rate per \$1,000 of assessed valuation	\$60.67		\$60.67	

**Note 8 - Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2004, was as follows:

	(Restated) Balance 6/30/03	Additions	Deductions	Balance 6/30/04
<b>Governmental Activities</b>				
<i>Capital Assets, not being depreciated</i>				
Land	\$1,405,645	\$0	\$0	\$1,405,645
<i>Capital Assets, being depreciated</i>				
Land Improvements	1,025,432	768,068	0	1,793,500
Building and Improvements	37,369,400	105,473	(6,789)	37,468,084
Furniture and Equipment	10,496,297	535,106	(294,196)	10,737,207
Vehicles	4,269,326	471,308	(480,487)	4,260,147
<i>Total Capital Assets, being depreciated</i>	<u>53,160,455</u>	<u>1,879,955</u>	<u>(781,472)</u>	<u>54,258,938</u>
Less Accumulated Depreciation				
Land Improvements	(808,556)	(68,873)	0	(877,429)
Building and Improvements	(19,044,854)	(400,909)	2,993	(19,442,770)
Furniture and Equipment	(7,270,791)	(667,904)	224,843	(7,713,852)
Vehicles	(2,107,370)	(389,323)	400,149	(2,096,544)
Total Accumulated Depreciation	<u>(29,231,571)</u>	<u>(1,527,009) *</u>	<u>627,985</u>	<u>(30,130,595)</u>
Total capital assets, being depreciated, Net	<u>23,928,884</u>	<u>352,946</u>	<u>(153,487)</u>	<u>24,128,343</u>
Governmental Activities Capital Assets, Net	<u>\$25,334,529</u>	<u>\$352,946</u>	<u>(\$153,487)</u>	<u>\$25,533,988</u>



**Brunswick City School District**  
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\*Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$668,763
Special	139,706
Support Services:	
Pupils	52,129
Instructional Staff	50,600
Administration	72,670
Fiscal	14,084
Business	8,451
Operation and Maintenance of Plant	84,791
Pupil Transportation	364,096
Operation of Non-Instructional Activities	<u>71,719</u>
Total Depreciation Expense	<u><u>\$1,527,009</u></u>

**Note 9 - Receivables**

Receivables at June 30, 2004, consisted of taxes, accounts (rent and student fees) and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of state programs and the guarantee of federal funds. All current fiscal year receivables are expected to be collected within one year.

A summary of the principal items of intergovernmental receivables follows:

	<u>Amounts</u>
General Fund	<u>\$3,337</u>
<b>Nonmajor Funds</b>	
Food Service	66,721
Student Intervention	21,936
Alternative Schools	15,652
Title VI-B	89,440
Title I	65,964
Title VI	12,932
Drug Free	3,623
Preschool	3,304
Title VI-R	<u>46,636</u>
Total Nonmajor Funds	<u>326,208</u>
Total All Funds	<u><u>\$329,545</u></u>

***Brunswick City School District***  
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**Note 10 - Risk Management**

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2004, the School District contracted with several companies for various types of insurance as follows:

Company	Type of Coverage	Coverage
Indiana Insurance Company	Liability	\$1,000,000
	Aggregate	2,000,000
Indiana Insurance Company	Fleet Insurance	1,000,000
Indiana Insurance Company	Property/Inland Marine Insurance	102,953,023
Indiana Insurance Company	Crime	10,000
Travelers Insurance Company	Boiler and Machinery	30,000,000
Fidelity and Deposit Companies	Employees Bond	5,000
Petroleum Underground Storage Tank Tank Release Compensation Board	Underground Storage Tanks	11,000

Settlements have not exceeded coverage in any of the last three fiscal years and there have been no significant reductions in insurance coverage from the last year.

For fiscal year 2004, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 19). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP.

Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. 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 & Company provides administrative, cost control and actuarial services to the GRP.

**Note 11 – Defined Benefit Pension Plans**

***A. School Employees Retirement System***

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability

***Brunswick City School District***  
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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, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling (614) 222-5853.

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2004, 9.09 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2003, 8.17 percent of annual covered salary was used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2004, 2003, and 2002 were \$674,756, \$303,227, and \$375,248, respectively; 50.89 percent has been contributed for fiscal year 2004 and 100 percent for fiscal years 2003 and 2002.

***B. State Teachers Retirement System***

The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371 or by calling (614) 227-4090.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

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For the fiscal year ended June 30, 2004, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2004, 2003, and 2002 were \$3,535,944, \$2,426,727, and \$2,286,018, respectively; 91.04 percent has been contributed for fiscal year 2004 and 100 percent for fiscal years 2003 and 2002. Contributions to the DC and Combined Plans for fiscal year 2004 were \$37,376 made by the School District and \$68,125 made by the plan members.

***C. Social Security System***

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2004, one member of the Board of Education has elected Social Security. The Board's liability is 6.2 percent of wages paid.

**Note 12 - Postemployment Benefits**

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS) and to retired non-certificated employees and their dependents through the School Employees Retirement System (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 on a pay-as-you-go basis.

All STRS retirees from the DB and Combined Plans and their dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care cost will be absorbed by STRS. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2004, the STRS Board allocated employer contributions equal to 1.0 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$271,996 for fiscal year 2004.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2004, the balance in the Fund was \$3.1 billion. For the year ended June 30, 2004, net health care costs paid by STRS were \$268,739,000 and STRS had 111,853 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to 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 the premium.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2004, employer contributions to fund health care benefits were 4.91 percent of covered payroll, a decrease of .92 percent

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*For the Fiscal Year Ended June 30, 2004*

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from fiscal year 2003. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2004, the minimum pay has been established at \$25,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2004 fiscal year equaled \$477,717.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2004, were \$223,443,805 and the target level was \$335.2 million. At June 30, 2004, SERS had net assets available for payment of health care benefits of \$300.8 million. SERS has approximately 62,000 participants receiving health care benefits.

**Note 13 - Other Employee Benefits**

***A. Compensated Absences***

The criteria for determining vacation, personal and sick leave benefits are derived from negotiated agreements and State laws. Employees earn three days of personal leave per year. Classified employees may accumulate up to ten days of personal leave. Classified employees and twelve month administrators earn ten to twenty-five days of vacation per year, depending upon length of service. Administrators and exempt secretaries are able to carryover any unused vacation time at year-end, however, support staff (those employees in the bargaining unit) are unable to carry-over unused vacation time. Accumulated unused vacation time is paid to classified employees upon termination of employment. Teachers do not earn vacation time.

Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated with no maximum. Upon retirement, payment is made for one-fourth of the first 160 days of total sick leave accumulation, 100 percent of the next twenty-five days and one-fourth of any remaining days. An employee receiving such payment must meet the retirement provisions set by STRS or SERS.

***B. Insurance***

The School District provides life insurance and accidental death and dismemberment insurance to most employees through various life insurance companies. The School District has elected to provide employee medical/surgical benefits through Medical Mutual of Ohio. The employees share the cost of the monthly premium with the Board. The premium varies with employee depending on the terms of the union contract. Dental and prescription insurance is provided by the School District to all employees through Medical Mutual of Ohio.

**Brunswick City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2004*

**Note 14 - Capital Leases - Lessee Disclosure**

The School District has entered into capital leases for copiers and into a lease agreement for the installation of artificial turf at the football stadium, a new press box and a phone system. The School District's lease obligations meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases." Capital lease payments have been reclassified and are reflected as debt service expenditures in the general fund on the basic financial statements. These expenditures are reflected as programs/function expenditures on a budgetary basis. Capital assets acquired by lease have been capitalized and depreciated as follows:

**Governmental Activities**

**Capital Assets, Acquired through Capital Lease:**

Land Improvements	\$745,368
Buildings	96,500
Furniture and Equipment	1,808,215
<i>Total Capital Assets, being depreciated</i>	2,650,083

**Less Accumulated Depreciation:**

Land Improvements	(37,268)
Buildings	(1,287)
Furniture and Equipment	(394,070)
<i>Total Accumulated Depreciation</i>	(432,625)

<i>Capital Assets Acquired through Capital Lease, Net</i>	\$2,217,458
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The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the minimum lease payments as of June 30, 2004.

Fiscal Year Ending June 30,	Governmental Activities
2005	\$336,669
2006	230,078
2007	225,548
2008	183,399
2009	142,958
2010-2013	575,128
Total	1,693,780
Less: Amount Representing Interest	(241,404)
Present Value of Net Minimum Lease Payments	\$1,452,376

**Brunswick City School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2004

**Note 15 - Long-Term Obligations**

The original issue date, interest rate, original issue amount and date of maturity of each of the School District's outstanding long-term obligations follows:

Debt Issue	Interest Rate	Original Issue Amount	Date of Maturity
<b>General Obligation Bonds:</b>			
Energy Conservation - 1996	4.99%	\$380,000	December 1, 2003
School Improvement - 1999	4.39%	9,950,000	December 1, 2023
School Improvement Refunding - 2000	5.00-7.25%	4,500,000	December 1, 2013
School Improvement - 2000	5.28%	7,729,100	December 1, 2026
School Improvement - 2003	4.85%	800,000	December 1, 2017
<b>Long-Term Loan:</b>			
Asbestos Removal Loan - 1985	0.00%	151,890	December 1, 2005
<b>Notes:</b>			
Tax Anticipation Note - 2002	3.65%	2,021,000	December 1, 2007
Tax Anticipation Note - 2003	3.65%	3,200,000	June 1, 2008
Tax Anticipation Note - 2004	1.35%	1,600,000	June 30, 2004
Tax Anticipation Note - 2004	2.29-4.05%	5,780,000	December 1, 2009

Changes in the School District's long-term obligations during the year consist of the following:

	Outstanding 6/30/03	Issued	Retired	Outstanding 6/30/04	Amount Due in One Year
<b>Governmental Activities</b>					
<b>General Obligation Bonds</b>					
Energy Conservation	\$47,500	\$0	\$47,500	\$0	\$0
School Improvement	9,050,000	0	235,000	8,815,000	250,000
School Improvement Refunding	3,990,000	0	300,000	3,690,000	320,000
School Improvement	7,310,000	0	150,000	7,160,000	160,000
School Improvement	800,000	0	29,167	770,833	39,742
<i>Total General Obligation Bonds</i>	<u>21,197,500</u>	<u>0</u>	<u>761,667</u>	<u>20,435,833</u>	<u>769,742</u>
<b>Long-Term Loan</b>					
Asbestos Removal Loan	15,186	0	10,126	5,060	5,060
<b>Notes</b>					
Tax Anticipation	2,021,000	0	401,000	1,620,000	405,000
Tax Anticipation	3,200,000	0	0	3,200,000	500,000
Tax Anticipation	0	1,600,000	1,600,000	0	0
Tax Anticipation	0	5,780,000	0	5,780,000	1,156,000
<i>Total Notes</i>	<u>5,221,000</u>	<u>7,380,000</u>	<u>2,001,000</u>	<u>10,600,000</u>	<u>2,061,000</u>
Compensated Absences	4,022,435	227,121	238,847	4,010,709	1,292,809
Capital Leases Payable	1,890,181	0	437,805	1,452,376	287,216
<i>Total Governmental Activities</i>	<u>\$32,346,302</u>	<u>\$7,607,121</u>	<u>\$3,449,445</u>	<u>\$36,503,978</u>	<u>\$4,415,827</u>

***Brunswick City School District***  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2004*

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General obligation bonds will be paid from property taxes. The notes, copier capital leases and asbestos loan will be paid from the general fund. The artificial turf capital lease will be paid from the permanent improvement capital projects fund. Compensated absences will be paid from the general fund and the food service fund.

On September 16, 2000, the School District issued \$4,500,000 in general obligation bonds with interest rates varying from 5.00 percent to 7.25 percent. Proceeds were used to refund \$4,500,000 of the outstanding 1991 and 1993 school improvement bonds. As of June 30, 2004, \$1,535,000 of the outstanding refunded school improvement bonds are considered defeased by assets of \$1,554,567 held in an irrevocable trust.

In May 2002, the School District passed an emergency levy which will generate a total of \$2,021,000 over the next five years to meet necessary emergency operational expenses. The School District then issued tax anticipation notes in advance of the tax revenues to be received by the School District. The tax anticipation notes were recorded in the general fund for operational purposes. The final payment on the notes will be made on December 1, 2007.

In May 2003, the School District passed an emergency levy which will generate a total of \$3,200,000 over the next five years to meet necessary emergency operational expenses. The School District then issued tax anticipation notes in advance of the tax revenues to be received by the School District. The tax anticipation notes were recorded in the general fund for operational purposes. The final payment on the notes will be made on June 1, 2008.

In 2004, the School District issued \$1,600,000 of tax anticipation notes. These notes were repaid during the fiscal year, on June 30, 2004.

In May 2004, the School District passed an emergency levy which will generate a total of \$5,780,000 over the next five years to meet necessary emergency operational expenses. The School District then issued tax anticipation notes in advance of the tax revenues to be received by the School District. The tax anticipation notes were recorded in the general fund for operational purposes. The final payment on the notes will be made on December 1, 2009.

All of the notes are backed by the full faith and credit of the Brunswick City School District. The note liability is reflected in the general fund which received the proceeds and will be repaid with tax revenues.

The School District's overall legal debt margin was \$98,491,570 with an unvoted debt margin of \$862,960 at June 30, 2004.



***Brunswick City School District***  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2004*

Principal and interest requirements to retire long-term obligations outstanding at June 30, 2004, are as follows:

Fiscal Year Ending June 30,	General Obligation Bonds		Notes	
	Principal	Interest	Principal	Interest
2005	\$769,742	\$1,050,878	\$905,000	\$96,434
2006	806,670	1,014,703	2,236,000	500,126
2007	863,691	975,831	2,236,000	232,535
2008	905,810	934,111	2,236,000	159,879
2009	958,031	889,511	1,831,000	94,906
2010-2014	4,607,443	4,456,678	1,156,000	23,409
2015-2019	4,384,446	2,554,131	0	0
2020-2024	5,580,000	1,250,925	0	0
2025-2027	1,560,000	115,100	0	0
<b>Total</b>	<b>\$20,435,833</b>	<b>\$13,241,868</b>	<b>\$10,600,000</b>	<b>\$1,107,289</b>

Fiscal Year Ending June 30,	Asbestos Loan	Totals	
	Principal	Principal	Interest
2005	\$5,060	\$1,679,802	\$1,147,312
2006	0	3,042,670	1,514,829
2007	0	3,099,691	1,208,366
2008	0	3,141,810	1,093,990
2009	0	2,789,031	984,417
2010-2014	0	5,763,443	4,480,087
2015-2019	0	4,384,446	2,554,131
2020-2024	0	5,580,000	1,250,925
2025-2027	0	1,560,000	115,100
<b>Total</b>	<b>\$5,060</b>	<b>\$31,040,893</b>	<b>\$14,349,157</b>

**Note 16 - Interfund Balances**

Interfund receivables and payables are due to the timing of the receipt of grant monies by the nonmajor funds and due to the requirements that the general fund cover any negative cash balances at year-end. All interfund balances will be repaid within one year.

**Brunswick City School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2004

Interfund balances at June 30, 2004 consist of the following:

	<b>Interfund Receivable:</b>	
	General	
	<b>Interfund Payable:</b>	
	<b>Nonmajor Funds</b>	
	<i>Special Revenue Funds</i>	
Uniform School Supplies	\$4,637	
Alternative School	461	
Title VI-B	22,824	
Title V	17,944	
Preschool Grant	15,245	
Title VI-R	21,843	
Professional Development	54,630	
Total	\$137,584	
	Transfers	
	From	
	General	Nonmajor Funds
Transfers To	General	Nonmajor Funds
Nonmajor Funds	\$92,332	\$0
General Fund	0	28,772
Total	\$92,332	\$28,772

The district managed activity fund transferred money to the general fund because several cost centers were closed to the general fund. The transfers from the general fund to the nonmajor funds include \$28,772 transferred to the public school support fund to cover the cost of school trips. The general fund also transferred \$13,690 to the food service to reimburse insurance costs and \$49,870 to the bond retirement fund for debt repayment.

**Note 17 - Contingencies**

**A. Grants**

The School District received financial assistance from federal and State agencies in the form of grants. The disbursements of funds received under these programs generally require compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2004.

**B. Litigation**

The School District is 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 at June 30, 2004.

***Brunswick City School District***  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2004*

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**Note 18 - Jointly Governed Organizations**

***A. The Medina County Joint Vocational School***

The Medina County Joint Vocational School District (JVS) is a separate body politic and corporate, established by the Ohio Revised Code to provide for the vocational and special education needs of the students. The Board of Education is comprised of representatives appointed by the board of each participating school district. The Board is responsible for approving its own budgets, appointing personnel, and accounting and finance related activities. Brunswick City School District students may attend the vocational school. Each school district's control is limited to its representation on the Board. During fiscal year 2004, no monies were paid by Brunswick City School District to the JVS. To obtain financial information write to the Medina Joint Vocational School, John Streett, who serves as Treasurer, at 1101 West Liberty, Medina, Ohio 44256.

***B. Ohio Schools Council Association***

The Ohio Schools Council Association (Council) is a jointly governed organization among ninety-one 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 term rotates every year. The degree of control exercised by any school district is limited to its representation on the Board. In fiscal year 2004, the School District paid \$1,300 to the Council. Financial information can be obtained by contacting Dr. David A. Cottrell, the Executive Secretary/Treasurer of the Ohio Schools Council at 6133 Rockside Road, Suite 10, Independence, Ohio 44131.

The School District participates in the Council's prepaid natural gas program which was implemented during fiscal year 1999. This program allows school districts to purchase natural gas at reduced rates, if the school districts will commit to participating for a twelve year period. The participants make monthly payments based on estimated usage. Each month these estimated payments are compared to their actual usage and any necessary adjustments are made.

The City of Hamilton, a municipal corporation and political subdivision duly organized and existing under the laws of the State of Ohio, issued \$89,450,000 in debt to purchase twelve years of natural gas from CMS Energy Corporation for the participants. The participating school districts are not obligated in any manner for this debt. If a participating school district terminates its agreement, the district is entitled to recover that amount, if any, of its contributions to the operating fund which are not encumbered for its share of program administrative costs.

**Note 19 - Insurance Purchasing Pool**

The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect and Immediate Past President of the 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.

***Brunswick City School District***  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2004*

**Note 20 - Set-Asides**

The School District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by fiscal year end or offset by similarly restricted resources received during the year must be held in cash at fiscal year end and carried forward to be used for the same purposes in future fiscal years. In prior years, the School District was also required to set aside money for budget stabilization. At June 30, 2004, only the unspent portion of certain workers' compensation refunds continues to be set aside.

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

	Textbooks, Instructional Materials Reserve	Capital Improvements Reserve	Budget Stabilization Reserve
Set-Aside Reserve Balance as of June 30, 2003	(\$499,985)	\$0	\$447,196
Current Year Set-Aside Requirement	1,000,052	1,000,052	0
Qualifying Disbursements	(473,651)	(1,519,704)	0
Totals	<u>\$26,416</u>	<u>(\$519,652)</u>	<u>\$447,196</u>
Set-Aside Balance Carried Forward to Future Fiscal Years	<u>\$26,416</u>	<u>\$0</u>	<u>\$447,196</u>
Set-Aside Reserve Balance as of June 30, 2004	<u><u>\$26,416</u></u>	<u><u>\$0</u></u>	<u><u>\$447,196</u></u>

Although the School District had qualifying disbursements during the fiscal year that reduced the set-aside amount to below zero for the capital acquisition set-aside, this amount may not be used to reduce the set-aside requirement of future years. This negative balance is therefore not presented as being carried forward to future years.

**Note 21 – State School Funding Decision**

On December 11, 2003, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding decision is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient..."

The School District is currently unable to determine what effect, if any, this decision will have its future State funding and on its financial operations.

**BRUNSWICK CITY SCHOOL DISTRICT  
MEDINA COUNTY**

**SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2004**

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>						
<i>Passed Through Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Donation	n/a	10.550		\$111,625		\$111,625
National School Lunch Program	043661-04-PU-02	10.555	\$274,610		\$274,610	
School Breakfast Program	n/a	10.553	7,739		7,739	
Total U.S. Department of Agriculture - Nutrition Cluster			282,349	111,625	282,349	111,625
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>						
<i>Passed Through Ohio Department of Education:</i>						
Special Education Cluster:						
Special Education Grants to States	0436616BSF2003P 0436616BSF2004P	84.027	152,783 719,000		117,304 634,433	
Total Special Education Grants to States			871,783		751,737	
Special Education - Preschool Grants	043661PGS12003P 043661PGS12004P	84.173	(466) 19,823		11,073 16,244	
Total Special Education - Preschool Grant			19,357		27,317	
Total Special Education Cluster			891,140		779,054	
Title I Grants to Local Educational Agencies	043661C1S12003 043661C1S12004	84.010	(19,004) 431,916		1,846 370,948	
Total Title I Grants to Local Educational Agencies			412,912		372,794	
State Grants to Innovative Programs	043661C2S12003 043661C2S12004	84.298	13,931 20,912		40,491 5,570	
Total Innovative Education Program Strategies			34,843		46,061	
Safe and Drug Free Schools and Communities - State Grants	043661DRS12003 043661DRS12004	84.186	(2) 17,543		122 17,280	
Total Safe and Drug Free Schools and Communities - State Grants			17,541		17,402	
Safe and Drug Free Schools and Communities - National Programs	043661TYS12003 043661TYS12004	84.184	3,632 6,091		157 5,890	
Total Safe and Drug Free Schools and Communities - National Programs			9,723		6,047	
Education Technology State Grants	043661TJS12003 043661TJS12004	84.318	(949) 16,597		10,400	
Total Technology Literacy Challenge Fund Grants			15,648		10,400	
School Renovation Grants	n/a	84.352	(61)			
Improving Teacher Quality State Grants	043661MSS12003 043661MSS12004	84.367	18,967 127,361		34,311 115,571	
Total Improving Teacher Quality State Grants			146,328		149,882	
Total U. S. Department of Education			1,528,074		1,381,640	
<b>Totals</b>			<b>\$1,810,423</b>	<b>\$111,625</b>	<b>\$1,663,989</b>	<b>\$111,625</b>

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

**BRUNSWICK CITY SCHOOL DISTRICT  
MEDINA COUNTY**

**NOTES TO THE SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2004**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Receipts and Expenditures of Federal Awards (Schedule) 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—CHILD NUTRITION CLUSTER**

Program regulations do not require the District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This non-monetary assistance (expenditures) is reported in the Schedule at the fair market value of the commodities received.

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



## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS

Brunswick City School District  
Medina County  
3643 Center Road  
Brunswick, Ohio 44212

To the Board of Education:

We have audited the basic financial statements of the governmental activities, the major fund and the aggregate remaining fund information of the Brunswick City School District, Medina County, Ohio, (the District) as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 21, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### Compliance

As part of obtaining reasonable assurance about whether the District's basic 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 an instance of noncompliance that we must report under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as item 2004-001. We also noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated January 21, 2005.

#### 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 opinions on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. 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. We noted a matter involving the internal control over financial reporting and its operation that we consider to be material weakness which is described in the accompanying Schedule of Findings as item 2004-002. 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 management of the District in a separate letter dated January 21, 2005.

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Brunswick City School District  
Medina County  
Independent Accountants' Report on Compliance and on  
Internal Control Required by *Government Auditing Standards*  
Page 2

This report is intended for the information and use of the Audit Committee, management, the Board of Education, 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 that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

January 21, 2005





## Auditor of State Betty Montgomery

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

Brunswick City School District  
Medina County  
3643 Center Road  
Brunswick, Ohio 44212

To the Board of Education:

#### Compliance

We have audited the compliance of the Brunswick City School District, Medina 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 major federal program for the year ended June 30, 2004. 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 major federal program 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 auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to 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 its major federal program for the year ended June 30, 2004.

#### 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.

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Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. 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. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information and use of the Audit Committee, management, Board of Education, 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 that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

January 21, 2005

**BRUNSWICK CITY SCHOOL DISTRICT  
MEDINA COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 &.505  
JUNE 30, 2004**

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

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

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

<b>Finding Number</b>	<b>2004-001</b>
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**Noncompliance Citation**

**Ohio Rev. Code Section 5705.39** requires that total appropriations from each fund not exceed total estimated fund resources from each fund. This section also requires the District to obtain a County Auditor's certificate that total appropriations from each fund do not exceed the total official estimate or amended official estimate when amending estimated resources.

During FY2004, total appropriations exceeded total estimated resources at June 30, 2004 as follows:

Fund	Estimated Resources	Appropriations	Variance
Emergency Levy (016)	\$ 6,031,381.65	\$ 6,089,160.66	\$ (57,779.01)
Public School Support (018)	688,009.91	707,493.48	(19,483.57)
Auxiliary Service (401)	343,254.42	366,282.54	(23,028.12)
Network Connectivity (451)	54,404.32	63,347.32	(8,943.00)
Ohio Reads (459)	22,500.00	31,930.56	(9,430.56)
Alternate School Grant H.S. (463)	69,145.26	71,673.29	(2,528.03)
Misc State Grants (499)	89,746.74	92,680.69	(2,933.95)
Spec Ed Hand (516)	1,047,391.26	1,165,498.15	(118,106.89)
Title I (572)	450,417.77	452,765.97	(2,348.20)
Title V (573)	66,716.08	107,482.03	(40,765.95)
Drug Free School (584)	17,810.13	17,932.65	(122.52)
PreSchool Grant (587)	21,990.31	33,404.02	(11,413.71)
Title II-A (590)	187,138.72	228,005.41	(40,866.69)
Misc Federal Grants (599)	42,490.13	77,223.45	(34,733.32)
Permanent Imp. (003)	3,103,238.66	3,167,878.19	(64,639.53)
Building Fund (004)	511.07	63,103.25	(62,592.18)

<b>Finding Number</b>	<b>2004-001 (Continued)</b>
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During FY2004, total appropriations exceeded total estimated resources at February 29, 2004 as follows:

Fund	Estimated Resources	Appropriations	Variance
General Fund (001)	\$ 41,308,498.69	\$ 41,676,838.06	\$ (368,339.37)
Emergency Levy (016)	6,031,381.65	6,074,581.31	(43,199.66)
Auxiliary Service (401)	341,519.26	351,920.43	(10,401.17)
Alternate School Grant H.S. (463)	85,106.00	87,634.03	(2,528.03)
Misc State Grants (499)	89,746.74	91,694.85	(1,948.11)
Spec Ed Hand (516)	1,227,857.07	1,345,960.90	(118,103.83)
Title I (572)	608,128.11	610,476.31	(2,348.20)
Title V (573)	70,836.46	111,602.41	(40,765.95)
Drug Free School (584)	21,166.28	21,288.80	(122.52)
PreSchool Grant (587)	28,129.35	39,543.09	(11,413.74)
Title II-A (590)	223,505.60	258,075.00	(34,569.40)
Misc Federal Grants (599)	28,101.58	64,587.61	(36,486.03)
Permanent Imp. (003)	3,085,438.34	3,150,199.33	(64,760.99)
Building Fund (004)	302.20	63,103.25	(62,801.05)

During FY2004, total appropriations exceeded total estimated resources at October 31, 2003 as follows:

Fund	Estimated Resources	Appropriations	Variance
Bond Retirement (002)	\$ 2,281,130.60	\$ 2,470,721.69	\$ (189,591.09)
Uniform School (009)	26,707.42	41,572.57	(14,865.15)
Public School Support (018)	472,635.67	513,279.07	(40,643.40)
Drug Free/MCDAC (019)	67,276.38	71,232.03	(3,955.65)
District Run Activities (300)	397,103.68	443,763.08	(46,659.40)
Auxiliary Service (401)	326,438.47	351,893.29	(25,454.82)
Alternate School Grant H.S. (463)	81,506.00	87,634.03	(6,128.03)
Spec Ed Hand (516)	751,609.22	1,345,960.90	(594,351.68)
Title I (572)	245,259.47	591,974.20	(346,714.73)
Title V (573)	45,922.17	111,602.41	(65,680.24)
Title II-A (590)	178,802.44	264,372.29	(85,569.85)
Permanent Imp. (003)	2,046,329.17	3,147,808.33	(1,101,479.16)

In addition, the District did not always obtain a certificate from the County Auditor that appropriations from each fund do not exceed the total Amended Official Estimate of Resources for certain appropriation and estimated resource amendments. Board should monitor appropriations versus estimated resources to help avoid overspending. In addition, the Treasurer should obtain the required certificate from the County Auditor when establishing/amending appropriations and estimated resources.

<b>Finding Number</b>	<b>2004-002</b>
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**Material Weakness**

The following conditions were noted during our testing of the District's capital assets:

- The addition of a press-box and artificial turf at the high school football field were not initially recorded on the detailed capital asset listing for FY2004. The assets were later added at the request of the District's GAAP converter, to avoid the understatement of capital assets.
- The addition of numerous building renovation contracts (spanning FY2000 through FY2004), land improvements, and equipment items were not recorded on the detailed capital asset listing for FY2004. This resulted in the understatement of capital assets.
- The detailed capital asset listing contained numerous vague asset descriptions making identification of these assets difficult.
- The detailed capital asset listing contained numerous fully depreciated assets that are still in use by the District.

To improve accountability over capital assets the District should:

- Establish procedures to ensure that all asset additions are recorded on the detailed capital asset listing.
- Ensure that sufficient descriptions are entered into capital asset tracking system to facilitate the identification of assets.
- Assess its useful life estimates to ensure that they properly reflect the actual useful lives of the assets.
- Reconcile all capital asset reports to the basic financial statements.

<b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS</b>
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None.

**BRUNSWICK CITY SCHOOL DISTRICT  
MEDINA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
JUNE 30, 2004**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain:</i></b>
2003-001	Auditor of State Bulletin 97-003	Yes	Corrected
2003-002	Ohio Rev. Code Section 5705.41(D)	Yes	Corrected
2003-003	Ohio Rev. Code Section 5705.41(B)	Yes	Partially Corrected Management Letter Comment
2003-004	Ohio Rev. Code Section 5705.10	Yes	Corrected
2003-005	Ohio Rev. Code Section 5705.39	No	Not Corrected Finding Number 2004-001







**Auditor of State  
Betty Montgomery**

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**BRUNSWICK CITY SCHOOL DISTRICT  
MEDINA 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  
MAY 5, 2005**