



Dave Yost • Auditor of State



**BRUNSWICK CITY SCHOOL DISTRICT  
MEDINA COUNTY**

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# Dave Yost • Auditor of State

## 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 City School District, Medina County, Ohio, (the District) as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Brunswick City School District, Medina County, Ohio, as of June 30, 2011, and the respective changes in financial position thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As further described in Note 3 to the basic financial statements, the District restated its July 1, 2010 governmental funds' fund balances due to changes in fund structure as a result of implementing Governmental Accounting Standards Board (GASB) Statement 54, as well as prior over/understatements of due to/from other funds. Additionally, as further described in Note 3, Governmental Activities' net assets were restated due to prior understatements of capital assets.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 10, 2012, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

### **Federal Awards Receipts and Expenditure Schedule**

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements taken as a whole. The Federal Awards Receipts and Expenditure Schedule provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The Federal Awards Receipts and Expenditures Schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



**Dave Yost**  
Auditor of State

February 10, 2012

**Brunswick City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2011*  
*(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, 2011. The intent of this discussion and analysis is to look at the School District's 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 2011 are as follows:

- Total assets at the end of fiscal year 2011 increased \$26,882,209 over total assets at the end of fiscal year 2010. This is due to an increase in cash and construction in progress. Total liabilities at the end of fiscal year 2011 increased by \$27,664,111 over fiscal year 2010. This increase is related to the issuance of new debt.
- In total, net assets decreased \$781,902 from fiscal year 2010.
- Total revenues were \$75,906,049 for fiscal year 2011. General revenues accounted for \$66,929,775, or 88 percent of all revenues, with tax revenue representing 51 percent of those revenues. Specific program revenues in the form of charges for services and sales, operating and capital grants, contributions, and interest accounted for \$8,976,274 or 12 percent of all revenues.
- The School District had \$76,687,951 in expenses related to governmental activities; only \$8,976,274 of these expenses were offset by program specific charges for services and sales, and operating and capital grants, contributions, and interest. General revenues (primarily taxes supplemented by grants and entitlements) of \$66,929,775 helped to provide for these programs.
- The general fund had \$60,227,277 in revenues and \$62,957,681 in expenditures and other financing uses for fiscal year 2011. The general fund's fund balance decreased by \$2,730,404 from the prior fiscal year.
- Outstanding debt, excluding capital leases, increased to \$39,341,188 in 2011 from \$15,791,894 in 2010 due to the issuance of new debt.

**Brunswick City School District**  
*Management's Discussion and Analysis*  
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*(Unaudited)*

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## **Using this Annual Financial Report**

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand the Brunswick City School District as a whole 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 as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other non-major funds presented in total in one column. In the case of the Brunswick City School District, the general and building funds are by far the most significant funds.

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

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

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2011?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include *all non-fiduciary assets and liabilities* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's *net assets* and *changes in those assets*. This change in net assets is important because it tells the reader that, for the School District as a whole, the *financial position* of the School District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the School District's property tax base, current property tax laws in Ohio which restrict revenue growth, facility conditions, required educational programs, and other factors.

In the Statement of Net Assets and the Statement of Activities, Governmental Activities include the School District's programs and services, including instruction, support services (i.e. operation and maintenance of plant and pupil transportation), extracurricular activities, and non-instructional services (i.e. food service operations) and interest and fiscal charges.

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

### *Fund Financial Statements*

The analysis of the School District's major fund begins on page 8. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the general fund and the building fund.



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(Unaudited)

**Governmental Funds** - Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at 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 you 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**

Recall the Statement of Net Assets provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets for 2011 compared to 2010:

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

	2011	Restated 2010
<b>Assets</b>		
Current and Other Assets	\$ 72,662,263	\$ 58,754,976
Capital Assets, Net	32,773,012	19,798,090
<i>Total Assets</i>	105,435,275	78,553,066
<b>Liabilities</b>		
Current and Other Liabilities	46,017,790	41,230,732
Long-Term Liabilities:		
Due Within One Year	2,384,635	1,554,643
Due in More Than One Year	43,199,244	21,152,183
<i>Total Liabilities</i>	91,601,669	63,937,558
<b>Net Assets</b>		
Invested in Capital Assets, Net of Debt	4,410,959	4,308,996
Restricted:		
Capital Outlay	3,198,367	2,696,666
Debt Service	1,185,130	1,011,487
Other Purposes	2,880,649	2,764,244
Set Asides	0	96,531
Unrestricted	2,158,501	3,737,584
<i>Total Net Assets</i>	\$ 13,833,606	\$ 14,615,508

Total assets increased by \$26,882,209, with the majority of this increase related to an increase in cash balances and construction in progress. Cash balances primarily increased as a result of unspent debt proceeds. The School District began a major renovation project in fiscal year 2010 on its buildings.

**Brunswick City School District**  
*Management's Discussion and Analysis*  
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(Unaudited)

In fiscal year 2011, the total liabilities increased by \$27,664,111. This increase is due to the issuance of new debt for the district wide renovation projects.

Table 2 shows the changes in net assets for fiscal year 2011. Revenue comparisons to fiscal year 2010 show a decrease in total revenues of \$2,631,117 in fiscal year 2011. This was primarily in the area of tax revenue, where the amount available for advance from the county decreased significantly. Program expenses increased by \$3,720,685. This increase was most notably in the areas of interest and fiscal charges related to new debt for renovation projects.

**(Table 2)**  
**Governmental Activities**

	2011	2010
<b>Revenues</b>		
<b><i>Program Revenues</i></b>		
Charges for Services and Sales	\$ 2,821,691	\$ 2,962,522
Operating Grants, Contributions and Interest	5,883,787	4,934,539
Capital Grants, Contributions and Interest	270,796	220,433
<b><i>General Revenues</i></b>		
Property Taxes	34,344,392	39,017,344
Grants and Entitlements not Restricted to Specific Programs	31,433,312	31,094,588
Investment Earnings	53,480	29,060
Miscellaneous	1,098,591	278,680
<b><i>Total Revenues</i></b>	<b>75,906,049</b>	<b>78,537,166</b>
<b><i>Program Expenses</i></b>		
Instruction:		
Regular	32,092,365	31,145,458
Special	8,312,389	7,830,635
Vocational	210,345	168,382
Other	1,717,450	1,755,908
Support Services:		
Pupils	5,773,396	5,664,838
Instructional Staff	3,485,398	3,081,895
Board of Education	682,276	732,256
Administration	4,845,581	4,691,986
Fiscal	1,218,645	576,992
Business	462,985	442,661
Operation and Maintenance of Plant	6,372,935	6,430,953
Pupil Transportation	4,564,726	4,951,195
Central	251,557	260,603
Operation of Non-Instructional Services:		
Food Service Operations	2,173,546	2,164,845
Community Services	505,924	445,843
Extracurricular Activities	1,824,612	1,719,088
Interest and Fiscal Charges	2,193,821	903,728
<b><i>Total Expenses</i></b>	<b>76,687,951</b>	<b>72,967,266</b>
Increase (Decrease) in Net Assets	<b>\$ (781,902)</b>	<b>\$ 5,569,900</b>

**Brunswick City School District**  
*Management's Discussion and Analysis*  
For the Fiscal Year Ended June 30, 2011  
(Unaudited)

**Governmental Activities**

Several revenue sources primarily fund the School District's governmental activities. Property taxes account for the largest portion of general revenues having generated \$34,344,392 in fiscal year 2011, which is a decrease from property tax revenue in fiscal year 2010. Program and general revenues from operating and capital grants and entitlements, such as the school foundation program, are also a large source of revenue having generated \$37,587,895 in fiscal year 2011. The School District monitors both of these revenue sources closely for fluctuations that would impact its activities.

Instruction comprises 55.2 percent of governmental program expenses. Additional support services, including pupils, instructional staff, board of education, administration, fiscal, central and business operations, comprise 21.8 percent of governmental program expenses. Operation of non-instructional services and extracurricular activities comprise 5.9 percent of total program expenses. Pupil transportation is 5.9 percent of the total and operation and maintenance of plant is 8.3 percent. Interest and fiscal charges, largely attributable to the servicing of outstanding bonds and capital leases account for the remaining 2.9 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**

	Total Cost of Services 2011	Total Cost of Services 2010	Net Cost of Services 2011	Net Cost of Services 2010
Instruction	\$ 42,332,549	\$ 40,900,383	\$ (38,257,869)	\$ (38,485,363)
Support Services:				
Pupils and Instructional Staff	9,258,794	8,746,733	(7,390,878)	(6,766,309)
Board of Education, Administration, Fiscal, Business and Central	7,461,044	6,704,498	(7,181,907)	(6,480,415)
Operation and Maintenance of Plant	6,372,935	6,430,953	(6,264,323)	(6,366,656)
Pupil Transportation	4,564,726	4,951,195	(4,479,894)	(4,888,080)
Operation and Non-Instructional Services	2,679,470	2,610,688	(470,349)	(268,428)
Extracurricular Activities	1,824,612	1,719,088	(1,472,636)	(690,793)
Interest and Fiscal Charges	2,193,821	903,728	(2,193,821)	(903,728)
<b>Total</b>	<b>\$ 76,687,951</b>	<b>\$ 72,967,266</b>	<b>\$ (67,711,677)</b>	<b>\$ (64,849,772)</b>

The dependence upon tax revenues for governmental activities is apparent, with over 88 percent of program expenses supported by property taxes and other general revenues.

**Brunswick City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2011*  
*(Unaudited)*

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**The School District's Funds**

Information regarding the School District's funds starts on page 15. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues and other financing sources of \$99,969,005. Of this amount, \$24,570,000 related to the issuance of new debt. Expenditures and other financing uses totaled \$92,094,969. The net change in fund balance for the year was an increase of \$7,874,036. The general fund balance decreased overall by \$2,730,404. The building fund had an increase in net assets of \$8,664,818. In total, fiscal year 2011 revenue was higher than fiscal year 2010. This was mainly attributable to new debt issues for building renovation projects. Other governmental funds balances increased overall by \$1,939,622. The School District understands the need for tax revenues as well as the need to monitor and control expenditures to ensure that it will be able to meet its obligations as they become due.

**General Fund Budgeting Highlights**

The School District's budget is prepared according to 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 general fund.

Requests for budget changes are made by building and central office administrators and where appropriate are approved by the treasurer and superintendent. Any increase in total fund appropriations 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, the final budgeted revenue (including other financing sources) of \$61,598,598 was \$310,238 over original budget estimates of \$61,288,360. Actual revenues were \$66,562 less than final budget amounts.

Original appropriations (including other financing uses) of \$67,553,352 were higher than final appropriations and other financing uses of \$66,346,295. Actual expenditures, including other financing uses, were \$63,528,874, a difference of \$2,817,421.

**Capital Assets and Debt Administration**

**Capital Assets**

At the end of fiscal year 2011, the School District had \$32,773,012 invested in land, land improvements, buildings and improvements, furniture and equipment, vehicles and construction in progress. See Note 9 for additional details. Table 4 shows fiscal year 2011 balances compared with 2010.

**Brunswick City School District**  
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(Unaudited)

**(Table 4)**  
**Capital Assets (Net of Accumulated Depreciation)**  
**Governmental Activities**

	2011	Restated 2010
Land	\$ 1,580,645	\$ 1,405,645
Land Improvements	762,617	784,709
Buildings and Improvements	11,618,933	11,809,939
Furniture and Equipment	1,483,631	1,537,354
Vehicles	2,761,911	3,260,361
Construction in Progress	14,565,275	1,000,082
<b>Totals</b>	<b>\$ 32,773,012</b>	<b>\$ 19,798,090</b>

All capital assets, except land and construction in progress, are reported net of depreciation. The primary source of the increase in capital assets is construction in progress. The District is in the process of renovating buildings.

Senate Bill 345 requires the School District to set aside \$171.96 per pupil of certain general fund revenues in each of two areas, one for the purchase of textbooks and instructional materials and the other for capital improvements. For fiscal year 2011, this amounted to \$1,120,854 for each set aside. The School District had qualifying disbursements or offsets exceeding the requirement for capital improvements and textbook and materials reserve. See Note 19 for additional set-aside information.

**Debt**

At June 30, 2011, the School District had \$39,341,188 in net bonds outstanding with \$2,007,492 due within one year. Table 5 summarizes bonds outstanding. A more detailed presentation is included in Note 15.

**(Table 5)**  
**Outstanding Debt at Fiscal Year End**  
**Governmental Activities**

	2011	2010
<b>General Obligation Bonds</b>		
Certificates of Participation - Series 2010		
Taxable Qualified Construction Bonds	\$ 4,000,000	\$ 0
Taxable Build America Bonds	15,460,000	0
Tax Exempt Bonds	5,110,000	0
Bond Premium	16,615	0
School Improvement Refunding - 1999		
Capital Appreciation Bonds	744,648	1,060,324
School Improvement Refunding - 2000	1,125,000	1,550,000
School Improvement - 2003	448,682	501,485
School Improvement Refunding - 2005	5,900,008	6,124,899
School Improvement Refunding - 2009		
Series and Term Bonds	5,858,395	5,936,267
Capital Appreciation Bonds	677,840	618,919
<b>Total General Obligation Bonds</b>	<b>39,341,188</b>	<b>15,791,894</b>

**Brunswick City School District**  
*Management's Discussion and Analysis*  
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*(Unaudited)*

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**Current Financial Related Activities**

Brunswick City School District will have another year of financial stability. 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 three times since 1992. In that period of time the School District passed three new five-year emergency levies, ten emergency renewal issues, and one 28-year bond issue. In May 2005 and August 2005 the electors defeated two tax initiatives that could have raised approximately \$3.7 million per year. In November of 2007, there was a 1.45 mill (\$682,000) five year permanent improvement renewal levy passed. In May 2009 the voters renewed an Emergency Levy for an extended seven year period that was originally passed at 3.8 mills and is currently collecting at 3.1 mills. This levy received a 65.5% approval rate from the voters.

In May 2007, Medina County residents passed the first-ever Sales Tax Initiative for Permanent Improvements for School Districts. The one-half of one percent (0.5%) sales tax will generate approximately \$9.0 million dollars per year for the school districts in Medina County. Based upon our district's pro-rata share of the student population, Brunswick City Schools will receive approximately \$2.1 million per year. This levy became effective October 1, 2007 and will last until 2037.

In order to keep the promise to our voters, the Board of Education passed a resolution to suspend collection on the Permanent Improvement Levy that was renewed in November 2006. The result of the sales tax levy and the suspension of the PI levy will net the School District approximately \$1.6 million. This sales tax levy may only be used for capital type expenditures. The Board of Education has made a serious commitment to use these funds to upgrade technology district-wide. This includes computer labs in the high school and middle schools, and presentation stations in the elementary buildings. The *Technology Committee* presented a five-year plan to the Board of Education that received unanimous support and approval.

The School District has an Emergency Tax Levy expiring in December 2011. This five year emergency levy generates approximately \$4.7 million per year and has been reduced from the initial 4.9 mills to 4.6 mills. The Board of Education decided to renew this issue in November 2010. Due to a change in the law, the district opted to renew this emergency for a term that exceeds the initial five-year period, by extending the levy an additional two years. This levy passed on the first attempt by 55.6% approval rate.

The School District also has an Emergency Tax Levy expiring in December 2012. This five year emergency levy generates a little over \$2 million per year. It was originally passed in 1992 for 5.91 mills. The impact of House Bill (HB) 920 has consequently reduced the effective rate to 2.10 mills and the Board of Education voted to extend the term to seven (7) years and it will appear on the March 2012 ballot for voter approval. With other changes in the law the district may opt for a conversion levy to transform all emergency levies into permanent type levies, this would also require voter approval.

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. House Bill (HB) 66 has also further eradicated personal (tangible) property tax revenue. Effective 2012, Governor Kasich's 2012-2013 Budget Bill eliminated the Property Tax Replacement Fund for us and resulted in additional lost revenue.

**Brunswick City School District**  
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*(Unaudited)*

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Externally, over seventeen years ago the *DeRolph* (school funding) Case was filed in Perry County, Ohio. The first case was heard in October 1993 and Judge Linton Lewis, Jr. ruled, in July 1994, the Ohio's school-funding system unconstitutional. Following his ruling, the 5<sup>th</sup> District Court of Appeals overturned Judge Lewis's decision after the State appealed the decision ruling that the state legislature should determine the level of funding. Following that ruling, over 82% of the state's public school districts appealed to the Ohio Supreme Court's decision.

In September 2001, the court again said that the system remains unconstitutional but ordered a fix to bring it up to Ohio's "thorough and efficient" standard.

In October 2003, the United States Supreme Court declined to hear the case as submitted by the *Ohio Coalition for Equity and Adequacy of School Funding*, and thus effectively ended the *DeRolph* litigation.

In 2004 former 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 somewhere in the middle of surrounding states when you include Illinois.

Ex-Governor Ted Strickland vowed to enhance the availability of funds for primary and secondary education but the legislature did not cooperate with his mandate. There was also a grassroots effort to change the funding for education but it has yet had the required signatures for placement on the ballot. Governor Strickland was in office for four years and we did not see a fix.

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 School District is at the 20-mill floor, like approximately 60% of other Ohio school districts. The two additional mills on Residential, Agricultural, and other real property could generate an additional \$2.0 million per year for the School District. However, this action would be contrary to the ten-year old (March 1997) *DeRolph* decision by placing the burden back on the property owner.

Brunswick City School District has experienced a decrease in State revenue and is not anticipating future growth in State revenue (Basic Aid) based upon the most recent two-year State budget and recent cuts. Through the American Recovery and Reinvestment Act (ARRA) the School District received approximately \$1.4 million in Federal dollars to augment the loss of State Revenue in the Foundation (Basic Aid) Program. This infusion of cash was only a two-year program and expired at the end of fiscal year 2011.

The Federal government has also implemented an *Education Jobs Initiative* that will add approximately \$1.1 million in additional dollars to fund the employment/rehiring of displaced instructional staff. This again is a two year program with a limited lifespan.

**Brunswick City School District**  
*Management's Discussion and Analysis*  
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*(Unaudited)*

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The State of Ohio initially required public school districts to offer all day kindergarten (ADK) effective August 2010. This mandate was subsequently rescinded after we initiated our expansion program. Because of the lack of classrooms at our seven elementary buildings the district underwent a construction project to expand five of those elementary buildings. The \$24 million project also included additions to one middle school and the high school stadium. This construction project was bid in several phases and was funded without an increase in taxes to the voters.

The source of revenue for the \$24 million expansion was the sale of Certificates of Participation (COPs) which will be repaid through the *Medina County Sales Tax Fund*. At the close of the previous fiscal year (2010) the district had arranged the sale of the COPs. The district was able to sell a combination of Qualified School Construction Bonds (QSCBs), Build America Bonds (BABs), and the remainder Tax Exempt Debt (TEDs).

The School District was limited by the Ohio School Facilities Commission (OSFC) in the amount of QSCBs the district could issue. We sold \$4 million in QSCB, 16% of the total COPs issue at a net interest cost of less than one percent (0.94%). We sold \$15.5 million in BABs, 63% of the total COPs issue at a net interest cost of 4.22%. The remainder, \$5.1 million, was sold as TEDs at a net interest cost of 2.42%. The length of the entire issue is approximately 23 years and an average net debt service payment of less than \$1.6 million per year.

Phase A of the project included Applewood Elementary, Crestview Elementary, and Kidder Elementary. Phase B included Hickory Ridge Elementary, Towslee Elementary, and Visintainer Middle School. The Phase A and B of the construction project was finished prior to the start of the 2011-2012 school year. Phase C, the remainder of the project which included the Brunswick High School Athletic Complex, the stadium renovation was completed in the summer of 2011.

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 money 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).



**Brunswick City School District***Statement of Net Assets**June 30, 2011*

	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Investments	\$ 27,841,574
Receivables:	
Taxes	38,672,204
Intergovernmental	4,744,498
Prepaid Items	6,578
Inventory Held For Resale	57,101
Materials and Supplies Inventory	545,109
Deferred Charges	795,199
Nondepreciable Capital Assets	16,145,920
Depreciable Capital Assets (Net)	<u>16,627,092</u>
<i>Total Assets</i>	<u>105,435,275</u>
<b>Liabilities</b>	
Accounts Payable	200,438
Contracts Payable	2,392,371
Accrued Wages and Benefits	6,939,657
Matured Compensated Absences Payable	429,869
Accrued Interest Payable	183,302
Intergovernmental Payable	1,394,481
Accrued Vacation Leave Payable	149,722
Deferred Revenue	34,327,950
Long Term Liabilities:	
Due Within One Year	2,384,635
Due In More Than One Year	<u>43,199,244</u>
<i>Total Liabilities</i>	<u>91,601,669</u>
<b>Net Assets</b>	
Invested in Capital Assets, Net of Related Debt	4,410,959
Restricted for:	
Capital Outlay	3,198,367
Debt Service	1,185,130
Other Purposes	2,880,649
Unrestricted	<u>2,158,501</u>
<i>Total Net Assets</i>	<u>\$ 13,833,606</u>

See accompanying notes to the basic financial statements.

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

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services and Sales	Operating Grants, Contributions and Interest	Capital Grants, Contributions and Interest	Governmental Activities
<b>Governmental Activities</b>					
Instruction:					
Regular	\$ 32,092,365	\$ 1,149,473	\$ 1,328,898	\$ 218,414	\$ (29,395,580)
Special	8,312,389	141,798	1,203,105	0	(6,967,486)
Vocational	210,345	0	32,992	0	(177,353)
Other	1,717,450	0	0	0	(1,717,450)
Support Services:					
Pupils	5,773,396	0	1,170,098	0	(4,603,298)
Instructional Staff	3,485,398	0	697,818	0	(2,787,580)
Board of Education	682,276	0	0	0	(682,276)
Administration	4,845,581	0	247,302	0	(4,598,279)
Fiscal	1,218,645	0	1,810	0	(1,216,835)
Business	462,985	0	0	0	(462,985)
Operation and Maintenance of Plant	6,372,935	56,230	0	52,382	(6,264,323)
Pupil Transportation	4,564,726	46,719	38,113	0	(4,479,894)
Central	251,557	0	30,025	0	(221,532)
Operation of Non-Instructional Services:					
Food Service Operations	2,173,546	1,084,879	694,203	0	(394,464)
Community Services	505,924	0	430,039	0	(75,885)
Extracurricular Activities	1,824,612	342,592	9,384	0	(1,472,636)
Interest and Fiscal Charges	2,193,821	0	0	0	(2,193,821)
<i>Total Governmental Activities</i>	<u>\$ 76,687,951</u>	<u>\$ 2,821,691</u>	<u>\$ 5,883,787</u>	<u>\$ 270,796</u>	<u>(67,711,677)</u>
<b>General Revenues</b>					
Property Taxes Levied for:					
General Purposes					31,565,937
Debt Service					1,718,149
Capital Outlay					1,060,306
Grants and Entitlements not Restricted to Specific Programs					31,433,312
Investment Earnings					53,480
Miscellaneous					1,098,591
<i>Total General Revenues</i>					<u>66,929,775</u>
<i>Change in Net Assets</i>					(781,902)
<i>Net Assets Beginning of Year (Restated, See Note 3)</i>					<u>14,615,508</u>
<i>Net Assets End of Year</i>					<u>\$ 13,833,606</u>

See accompanying notes to the basic financial statements.

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

	General	Building	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Equity in Pooled Cash and Investments	\$ 12,582,183	\$ 10,057,847	\$ 5,201,544	\$ 27,841,574
Receivables:				
Taxes	35,615,796	0	3,056,408	38,672,204
Intergovernmental	0	0	4,744,498	4,744,498
Prepaid Items	6,578	0	0	6,578
Interfund Receivable	13,713	0	0	13,713
Inventory Held For Resale	0	0	57,101	57,101
Materials and Supplies Inventory	545,109	0	0	545,109
<i>Total Assets</i>	<u>\$ 48,763,379</u>	<u>\$ 10,057,847</u>	<u>\$ 13,059,551</u>	<u>\$ 71,880,777</u>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Accounts Payable	\$ 195,337	\$ 0	\$ 5,101	\$ 200,438
Contracts Payable	0	2,392,371	0	2,392,371
Accrued Wages and Benefits	6,539,284	0	400,373	6,939,657
Matured Compensated Absences Payable	411,827	0	18,042	429,869
Interfund Payable	0	0	13,713	13,713
Intergovernmental Payable	1,311,828	0	82,653	1,394,481
Deferred Revenue	32,878,466	0	6,311,841	39,190,307
<i>Total Liabilities</i>	<u>41,336,742</u>	<u>2,392,371</u>	<u>6,831,723</u>	<u>50,560,836</u>
<b>Fund Balances</b>				
Nonspendable	590,040	0	57,101	647,141
Restricted	0	7,665,476	4,424,433	12,089,909
Committed	17,734	0	1,938,530	1,956,264
Assigned	730,320	0	0	730,320
Unassigned	6,088,543	0	(192,236)	5,896,307
<i>Total Fund Balances</i>	<u>7,426,637</u>	<u>7,665,476</u>	<u>6,227,828</u>	<u>21,319,941</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 48,763,379</u>	<u>\$ 10,057,847</u>	<u>\$ 13,059,551</u>	<u>\$ 71,880,777</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, 2011*

<b>Total Governmental Fund Balances</b>		<b>\$ 21,319,941</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		32,773,012
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Delinquent Property Taxes	\$ 1,365,514	
Local Grant From Sales Tax Levy	1,044,354	
Intergovernmental	2,452,489	4,862,357
In the statement of activities, bond issuance costs are amortized over the term of the bonds, whereas in governmental funds a bond issuance expenditure is reported when bonds are issued.		795,199
In the statement of activities, interest is accrued on outstanding bonds, whereas in the governmental funds, an interest expenditure is not reported until due.		(183,302)
In the statement of activities, bond refunding costs are amortized over the term of the bonds, whereas in governmental funds a bond refunding expenditure is reported when bonds are issued.		658,532
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
Certificates of Participation	(24,570,000)	
General Obligation Bonds	(13,083,682)	
Capital Appreciation Bonds, With Accretion to Date	(1,422,488)	
Bond Premium	(923,550)	
Capital Leases Payable	(390,284)	
Compensated Absences	(5,852,407)	
Accrued Vacation Leave Payable	(149,722)	(46,392,133)
 <i>Net Assets of Governmental Activities</i>		 <b>\$ 13,833,606</b>

See accompanying notes to the basic financial statements.

**Brunswick City School District**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Fiscal Year Ended June 30, 2011*

	General	Building	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Property Taxes	\$ 31,201,974	\$ 0	\$ 2,744,117	\$ 33,946,091
Intergovernmental	26,997,492	0	9,919,495	36,916,987
Investment Income	53,480	52,382	1,320	107,182
Tuition and Fees	756,209	0	0	756,209
Extracurricular Activities	877,785	0	192,794	1,070,579
Rentals	56,230	0	0	56,230
Charges for Services	0	0	1,084,879	1,084,879
Contributions and Donations	32,569	0	9,750	42,319
Miscellaneous	251,538	1,813	845,240	1,098,591
<i>Total Revenues</i>	<u>60,227,277</u>	<u>54,195</u>	<u>14,797,595</u>	<u>75,079,067</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	29,074,346	0	2,403,464	31,477,810
Special	7,322,262	0	1,070,339	8,392,601
Vocational	205,318	0	0	205,318
Other	1,590,894	0	126,556	1,717,450
Support Services:				
Pupils	4,411,350	0	1,334,699	5,746,049
Instructional Staff	2,635,818	0	750,779	3,386,597
Board of Education	282,165	192,093	208,018	682,276
Administration	4,379,856	0	366,605	4,746,461
Fiscal	1,124,733	28,322	49,380	1,202,435
Business	374,569	742	72,526	447,837
Operation and Maintenance of Plant	5,604,412	169,888	488,728	6,263,028
Pupil Transportation	3,919,017	0	29,204	3,948,221
Central	232,222	0	20,943	253,165
Operation of Non-Instructional Services:				
Food Service Operations	0	0	2,089,952	2,089,952
Community Services	13,159	0	494,210	507,369
Extracurricular Activities	1,487,560	0	337,052	1,824,612
Capital Outlay	0	15,002,154	0	15,002,154
Debt Service:				
Principal Retirement	0	0	1,162,131	1,162,131
Interest	0	0	2,153,387	2,153,387
Issuance Costs	0	586,116	0	586,116
<i>Total Expenditures</i>	<u>62,657,681</u>	<u>15,979,315</u>	<u>13,157,973</u>	<u>91,794,969</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(2,430,404)</u>	<u>(15,925,120)</u>	<u>1,639,622</u>	<u>(16,715,902)</u>
<b>Other Financing Sources (Uses)</b>				
General Obligation Bonds Issued	0	24,570,000	0	24,570,000
Premium on Debt Issuance	0	19,938	0	19,938
Transfers In	0	0	300,000	300,000
Transfers Out	(300,000)	0	0	(300,000)
<i>Total Other Financing Sources (Uses)</i>	<u>(300,000)</u>	<u>24,589,938</u>	<u>300,000</u>	<u>24,589,938</u>
<i>Net Change in Fund Balance</i>	<u>(2,730,404)</u>	<u>8,664,818</u>	<u>1,939,622</u>	<u>7,874,036</u>
<i>Fund Balances Beginning of Year</i> <i>(Restated, See Note 3)</i>	<u>10,157,041</u>	<u>(999,342)</u>	<u>4,288,206</u>	<u>13,445,905</u>
<i>Fund Balances End of Year</i>	<u>\$ 7,426,637</u>	<u>\$ 7,665,476</u>	<u>\$ 6,227,828</u>	<u>\$ 21,319,941</u>

**Brunswick City School District**  
*Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Fiscal Year Ended June 30, 2011*

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**Net Change in Fund Balances - Total Governmental Funds** \$ 7,874,036

*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 exceeded depreciation in the current period.

Capital Asset Additions	\$ 14,208,913	
Current Year Depreciation	(1,220,590)	12,988,323

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. (13,401)

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

Delinquent Property Taxes	398,301	
Sales Tax	(130,157)	
Grants	558,838	826,982

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

Bond Principal	919,803	
Accreted Interest	228,005	
Capital Lease Principal	242,328	1,390,136

Debt proceeds issued in the governmental funds that increase long-term liabilities in the statement of net assets are not reported as revenues.

Certificates of Participation	(24,570,000)	
Premium on Debt Issued	(19,938)	(24,589,938)

Issuance costs are reported as an expenditure when paid in the governmental funds, but are deferred on the statement of net assets. 586,116

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. (104,196)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Accrued Vacation Leave Payable	(5,630)	
Compensated Absences	429,913	
Loss on Refunding Amortization	(46,059)	
Capital Appreciation Bond Accretion	(128,250)	
Bond Issuance Costs Amortization	(57,079)	
Bond Premium Amortization	67,145	260,040

*Change in Net Assets of Governmental Activities* \$ (781,902)

See accompanying notes to the basic financial statements.

**Brunswick City School District**  
*Statement of Revenues, Expenditures, and Changes in Fund Balance -  
 Budget (Non-GAAP Basis) and Actual  
 General Fund  
 For the Fiscal Year Ended June 30, 2011*

	Budgeted Amounts			Variance With Final Budget Over (Under)
	Original	Final	Actual	
<b>Revenues</b>				
Property Taxes	\$ 33,900,582	\$ 33,303,263	\$ 33,298,097	\$ (5,166)
Intergovernmental	26,188,257	27,179,885	26,997,492	(182,393)
Investment Income	41,521	27,450	42,804	15,354
Tuition and Fees	734,496	698,000	757,192	59,192
Extracurricular Activities	150,273	150,000	154,917	4,917
Rentals	54,579	70,000	56,266	(13,734)
Contributions and Donations	4,855	0	5,005	5,005
Miscellaneous	209,265	170,000	215,731	45,731
<i>Total Revenues</i>	61,283,828	61,598,598	61,527,504	(71,094)
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	30,552,971	29,871,361	28,597,100	1,274,261
Special	7,657,215	7,486,389	7,167,033	319,356
Vocational	222,229	217,271	208,003	9,268
Other	2,007,281	1,962,500	1,878,783	83,717
Support Services				
Pupils	4,927,279	4,817,356	4,611,856	205,500
Instructional Staff	2,759,055	2,697,503	2,582,432	115,071
Board of Education	296,519	289,904	277,537	12,367
Administration	4,770,466	4,664,041	4,465,081	198,960
Fiscal	1,254,109	1,226,131	1,173,826	52,305
Business	408,977	399,853	382,796	17,057
Operation and Maintenance of Plant	6,550,419	6,404,285	6,131,089	273,196
Pupil Transportation	4,243,338	4,148,673	3,971,698	176,975
Central	259,434	253,646	242,826	10,820
Operation of Non-Instructional Services:				
Community Services	17,118	16,736	16,022	714
Extracurricular Activities	1,626,942	1,590,646	1,522,792	67,854
<i>Total Expenditures</i>	67,553,352	66,046,295	63,228,874	2,817,421
<i>Excess of Revenues Over (Under) Expenditures</i>	(6,269,524)	(4,447,697)	(1,701,370)	2,746,327
<b>Other Financing Sources (Uses)</b>				
Refund of Prior Year Expenditures	4,532	0	4,532	4,532
Transfers Out	0	(300,000)	(300,000)	0
<i>Total Other Financing Sources (Uses)</i>	4,532	(300,000)	(295,468)	4,532
<i>Net Change in Fund Balance</i>	(6,264,992)	(4,747,697)	(1,996,838)	2,750,859
<i>Fund Balance Beginning of Year</i>	11,648,568	11,648,568	11,648,568	0
Prior Year Encumbrances Appropriated	1,485,478	1,485,478	1,485,478	0
<i>Fund Balance End of Year</i>	\$ 6,869,054	\$ 8,386,349	\$ 11,137,208	\$ 2,750,859

See accompanying notes to the basic financial statements.

**Brunswick City School District**  
*Statement of Fiduciary Assets and Liabilities*  
*Agency Funds*  
*June 30, 2011*

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	<u>Agency</u>
<b>Assets</b>	
Equity in Pooled Cash and Investments	\$ <u>225,047</u>
<b>Liabilities</b>	
Accounts Payable	\$ 13,672
Undistributed Monies	12,391
Due to Students	<u>198,984</u>
<i>Total Liabilities</i>	<u>\$ 225,047</u>

See accompanying notes to the basic financial statements.



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

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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. The Board of Education controls the School District’s 11 instructional/support facilities staffed by 273 classified employees and 502 certificated full-time teaching personnel who provide services to 7,690 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 has no component units.

The School District participates in three jointly governed organizations and two public entity risk pools. These organizations are the Medina County Career Center, the Ohio Schools Council Association, the Northeast Ohio Network for Educational Technology (NEOnet), the Ohio School Boards Association Workers’ Compensation Group Rating Program and the Suburban Health Consortium. These organizations are presented in Notes 17 and 18 to the basic financial statements.

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

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**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Brunswick City School District applies generally accepted accounting principles (GAAP) that were issued prior to November 30, 1989 by the Financial Accounting Standards Board (FASB) to its governmental funds provided they not conflict with or contradict GASB pronouncements. The FASB has codified its standards and the standards issued prior to November 30, 1989 are included in the codification. The more significant of the School District's accounting policies are shown 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 fiscal year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and, therefore, 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. Non-major 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 the two categories, governmental and fiduciary.

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

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**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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 are the School District's major governmental funds:

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

**Building Fund** The building fund is used to account for the receipts and expenditures related to the construction and renovations of facilities of the School District being financed through debt proceeds.

The other governmental funds of the School District account for grants and other resources to which the School District is bound to observe constraints imposed upon the use of the resources.

**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 agency 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 all liabilities associated with the operation of the School District are included on the statement of net assets. The statement of activities presents increases (i.e., revenues) and decreases (i.e., expenses) in total net assets.

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

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

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**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***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. 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.

***Revenues – Exchange and Non-Exchange Transactions*** - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within sixty days of the 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, 2011, but which were levied to finance fiscal year 2012 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

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

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**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***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 at the fund level. The Treasurer has been given the authority to allocate appropriations to the function and object level within each fund. The budgetary statement is 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 statement reflects the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statement reflects 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 resources by fund. The amounts reported as the original budgeted amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior fiscal years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year.

***F. Cash and Investments***

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 investments" on the basic financial statements.

During fiscal year 2011, investments were limited to a money market mutual fund, government agency securities, repurchase agreements and STAROhio.

Except for non participating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements are reported at cost.

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

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**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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, 2011.

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 2011 amounted to \$53,480, which includes \$29,437 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 District are presented on the financial statements as "equity in pooled cash and investments." Investments with an original maturity of more than three months that are not made from the pool are reported as "investments."

***G. Prepayments***

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. These items are reported as assets on the balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expenditure/expense is reported in the year in which services are consumed.

***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. Deferred Charges***

On the governmental fund statements, bond issuance costs are recorded as an expenditure when incurred. Bond issuance costs are reported as deferred and amortized over the term of the bonds using the straight-line method on the government-wide statements since the results are not significantly different from the effective interest method.

***J. 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.

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

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**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The School District was able to estimate the historical cost for the initial reporting of assets by back-trending (i.e., estimating the current replacement cost of the asset to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of \$5,000. 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 assets or materially extend an asset’s life are not.

All reported capital assets, except land and construction in progress 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

***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 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.

On the governmental fund statements, compensated absences are recognized as a liability and expenditure to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account “matured compensated absences payable” in the funds from which the employee will be paid.

***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 and claims and judgments 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 payment during the current fiscal year. Bonds, notes and capital lease obligations are recognized as a liability on the governmental fund financial statements when due.

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

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**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***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 expenditures 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 enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. At June 30, 2011, none of the School District's net assets were restricted by enabling legislation.

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***

In accordance with Governmental Accounting Standards Board Statement No. 54, "*Fund Balance Reporting and Governmental Fund Type Definitions*," the School District classifies its fund balance based on the purpose for which the resources were received and the level of constraint placed on the resources. The classifications are as follows:

*Nonspendable* – The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable, as well as property acquired for resale, unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed or assigned.

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

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



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

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**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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

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

***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. Neither type of transaction occurred during fiscal year 2011.

***Q. Estimates***

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

***R. Changes in Accounting Principles***

For the year ended June 30, 2011, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 54, “*Fund Balance Reporting and Governmental Fund Type Definitions*” and GASB Statement No. 59, “*Financial Instruments Omnibus*.”

GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The requirements of this statement classify fund balance as nonspendable, restricted, committed, assigned and/or unassigned.

GASB Statement No. 59 updated and improved existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice. Implementation of this GASB statement did not affect the presentation of the financial statements of the School District.

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

**NOTE 3: RESTATEMENT OF FUND BALANCES AND NET ASSETS**

Fund reclassifications are required in order to report funds in accordance with GASB Statement No. 54. These fund reclassifications had an effect on the School District's governmental fund balances as previously reported.

Also, during fiscal year 2011, it was determined preliminary work had begun on the School District's renovation project prior to June 30, 2010. Expenditures of \$1,000,082 were incurred during fiscal year 2010, but not reported as construction in progress. Additionally, these expenditures were paid from the general, permanent improvement and sales tax fund in fiscal year 2010. In fiscal year 2011, when the School District received bond proceeds for the project, the building fund repaid these funds. Beginning balances have been restated as follows:

	<u>General</u>	<u>Building</u>	<u>Nonmajor Governmental</u>	<u>Total Governmental</u>
Fund Balance Previously Reported at June 30, 2010	\$ 9,812,135	\$ 740	\$ 3,633,030	\$ 13,445,905
Understatement of Due from Other Funds	3,929	0	996,153	1,000,082
Understatement of Due to Other Funds	0	(1,000,082)	0	(1,000,082)
Fund Reclassification:				
Unclaimed Monies	28,729	0	(28,729)	0
Uniform School Supplies	15,741	0	(15,741)	0
Public School Support	281,606	0	(281,606)	0
Termination Benefits	14,901	0	(14,901)	0
Restated Fund Balance at July 1, 2010	<u>\$ 10,157,041</u>	<u>\$ (999,342)</u>	<u>\$ 4,288,206</u>	<u>\$ 13,445,905</u>

	<u>Governmental Funds</u>
Net Assets, Previously Reported at June 30, 2010	\$ 13,615,426
Understatement of Capital Assets	1,000,082
Restated Net Assets, at July 1, 2010	<u>\$ 14,615,508</u>

**NOTE 4: FUND DEFICITS**

The food service fund and the state fiscal stabilization fund had deficit fund balances of \$128,596 and \$6,539, respectively, at June 30, 2011. Deficits in these non-major special revenue funds are due to adjustments for accrued liabilities. The general fund is liable for any deficits in these funds and provides transfers when cash is required, rather than when accruals occur.

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

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**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 is presented for the general fund on the budgetary basis to provide 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 assigned or committed fund balance (GAAP basis).
4. Some funds are included in the general fund, (GAAP basis), but have separate legally adopted budgets (budget basis).

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

<b>Net Change in Fund Balance</b>	
GAAP Basis	\$ (2,730,404)
Net Adjustment for Revenue Accruals	2,096,528
Net Adjustment for Expenditure Accruals	(2,250,843)
Funds Budgeted Elsewhere**	(32,664)
Adjustment for Encumbrances	<u>920,545</u>
Budget Basis	<u>\$ (1,996,838)</u>

\*\* As part of Governmental Accounting Standards Board Statement No. 54, “*Fund Balance Reporting and Governmental Fund Type Definitions*,” certain funds that are legally budgeted in separate special revenue funds is considered part of the general fund on a GAAP basis. This includes unclaimed monies, termination benefits, public school support and uniform school supplies funds.

**NOTE 6: DEPOSITS AND INVESTMENTS**

Monies held by the School District are classified by State statute into three categories.

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

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

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**NOTE 6: DEPOSITS AND INVESTMENTS (Continued)**

Interim deposits are deposits of interim monies. Interim monies are those 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 the repayment of all public monies deposited with the institution.

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above, provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and that the term of the agreement must not exceed 30 days;
4. Bonds and any 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; and
6. The State Treasurer's investment pool (STAROhio).
7. Certain bankers acceptances and commercial paper notes for a period not to exceed 180 days from the purchase date in any amount not to exceed 25 percent of the interim monies available for investment at any one time; and
8. Under limited circumstances, corporate debt interests noted in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

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

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**NOTE 6: DEPOSITS AND INVESTMENTS (Continued)**

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 5 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, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

According to State law, public depositories must give security for all uninsured public funds on deposit. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by FDIC, or may pledge a pool of government securities valued at least 105 percent of the total value of uninsured public monies on deposit at the institution. Repurchase agreements must be secured by the specific government securities upon which the repurchase agreements are based. These securities must be obligations of or guaranteed by the United States and mature or be redeemable within 5 years of the date of the related repurchase agreement. State law does not require security for public deposits and investments to be maintained in the School District's name. During 2011, the School District and public depositories complied with the provisions of these statutes.

***Deposits with Financial Institutions***

Custodial credit risk is the risk that, in the event of a bank failure, the School District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105 percent of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the School District.

At fiscal year-end, the carrying amount of the School District's deposits (including change funds of \$200) was \$891,137. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures," as of June 30, 2011, \$458,790 of the School District's bank balance of \$1,281,226 was exposed to custodial risk as discussed above, while \$822,436 was covered by Federal Deposit Insurance Corporation. Although the securities were held by the pledging financial institutions' trust department and all statutory requirements for the investment of money had been followed, noncompliance with Federal requirements could potentially subject the School District to a successful claim by the FDIC.

The School District has no deposit policy for custodial risk beyond the requirements of State Statute.

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

**NOTE 6: DEPOSITS AND INVESTMENTS (Continued)**

**Investments** As of June 30, 2011, the School District had the following investments and maturities:

Investment Type	Fair Value	Maturity				
		3 Months or Less	4-6 Months	7-9 Months	10-12 Months	12-60 Months
Repurchase Agreements	\$ 3,836,191	\$ 3,836,191	\$ 0	\$ 0	\$ 0	\$ 0
Money Market Mutual Fund	37,838	37,838	0	0	0	0
Federal Home Loan Mtg Corp	4,408,994	0	0	0	1,098,163	3,310,831
Federal National						
Mortgage Association	3,425,180	1,625,000	0	0	0	1,800,180
First American Treasury	16,608	16,608	0	0	0	0
Federal Home Loan Banks	9,868,753	0	3,125,996	1,873,181	149,885	4,719,691
U.S. Treasury Bills	5,548,848	4,049,838	0	1,499,010	0	0
STAROhio	33,072	33,072	0	0	0	0
<b>Total</b>	<b>\$ 27,175,484</b>	<b>\$ 9,598,547</b>	<b>\$ 3,125,996</b>	<b>\$ 3,372,191</b>	<b>\$ 1,248,048</b>	<b>\$ 9,830,702</b>

**Interest Rate Risk.** The School District has no investment policy that addresses interest rate risk. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School District, and that an investment must be purchased with the expectation that it will be held to maturity. State statute limits investments in commercial paper to a maximum maturity of 180 days from the date of purchase. Repurchase agreements are limited to 30 days and the market value of the securities must exceed the principal value of the agreement by at least 2 percent and be marked to market daily.

**Custodial Credit Risk** For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District's investment in repurchase agreements is collateralized by underlying securities pledged by the investment's counterparty, not in the name of the School District. Ohio law requires the market value of the securities subject to repurchase agreements must exceed the principal value of the securities subject to a repurchase agreement by 2 percent. The School District has no investment policy dealing with investment custodial risk beyond the requirement in Ohio law that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

**Credit Risk** The School District's investments in the federal agency securities that underlie the School District's repurchase agreement were rated Aaa by Moody's Investor Services. The money market mutual fund is unrated. The government agency securities have been assigned a Aaa rating by Moody's Investor Services. Standard & Poor's has assigned STAROhio an AAAM rating. Ohio law requires that STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service. The School District has no investment policy that would further limit its investment choices.

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

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**NOTE 6: DEPOSITS AND INVESTMENTS (Continued)**

**Concentration of Credit Risk.** The School District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage total of each investment type held by the School District as of June 30, 2011:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Percent of Total</u>
Repurchase Agreements	\$ 3,836,191	14.12%
Money Market Mutual Fund	37,838	0.14%
Federal Home Loan Mtg Corp	4,408,994	16.23%
Federal National Mortgage Association	3,425,180	12.60%
First American Treasury	16,608	0.06%
Federal Home Loan Banks	9,868,753	36.31%
U.S. Treasury Bills	5,548,848	20.42%
STAROhio	33,072	0.12%
Total	<u>\$ 27,175,484</u>	<u>100.00%</u>

**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 year 2011 represents collections of calendar year 2010 taxes. Real property taxes received in calendar year 2011 were levied after April 1, 2010, on the assessed value listed as of January 1, 2010, the lien date. Assessed values for real property taxes are established by State law at 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 semiannually, 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 year 2011 represents collections of calendar year 2010 taxes. Public utility real and tangible personal property taxes received in calendar year 2010 became a lien December 31, 2009, were levied after April 1, 2010 and are collected in 2011 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.

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

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**NOTE 7: PROPERTY TAXES (Continued)**

Tangible personal property tax revenues received in calendar year 2011 (other than public utility property) represent the collection of calendar year 2011 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2008 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property taxes received from telephone companies in calendar year 2011 were levied after October 1, 2010, on the value as of December 31, 2010. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, 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.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property was eliminated. The tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaced the revenue lost by the School District due to the phasing out of the tax. In calendar years 2006-2010, the School District was fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

The School District receives property taxes from Medina County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2011, are available to finance fiscal year 2011 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility real property and tangible personal property taxes which are measurable as of June 30, 2011 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2011 was \$2,737,330 in the general fund, \$148,560 in the bond retirement debt service fund, and \$92,850 in the permanent improvement capital projects fund. The amount available as an advance at June 30, 2010, was \$4,833,453 in the general fund, \$273,704 in the bond retirement debt service fund, and \$190,074 in the permanent improvement capital projects fund.

On the 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.



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

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**NOTE 7: PROPERTY TAXES (Continued)**

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

	2010 First Half Collections		2011 First Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$ 1,066,404,860	98.83%	\$ 1,005,459,060	98.79%
Public Utility Personal	11,776,480	1.09%	12,280,770	1.21%
Tangible Personal Property	821,496	0.08%	0	0.00%
<b>Total</b>	<b>\$ 1,079,002,836</b>	<b>100.00%</b>	<b>\$ 1,017,739,830</b>	<b>100.00%</b>
Tax rate per \$1,000 of assessed value	<u>\$ 68.92</u>		<u>\$ 68.92</u>	

**NOTE 8: RECEIVABLES**

Receivables at June 30, 2011 consisted of taxes, interfund 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.

During 2007, the voters of Medina County passed a one-half percent sales tax to be used for capital improvements at all school districts within Medina County. Collection began in October 2007 for a period of 30 years. Vendor collections of the tax are paid to the State Treasurer by the twenty-third day of the month following collection. Sales tax is distributed to the school districts of Medina County based on what is essentially a per pupil distribution formula. A receivable is recognized at year end for an estimated amount to be received based on calendar year 2011 sales transactions yet to be received as of June 30, 2011.

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

**NOTE 9: CAPITAL ASSETS**

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

	Restated Balance 07/01/2010	Additions	Reductions	Balance 06/30/2011
<b>Governmental Activities</b>				
<i>Capital Assets, not being depreciated</i>				
Land	\$ 1,405,645	\$ 175,000	\$ 0	\$ 1,580,645
Construction in Progress	1,000,082	13,565,193	0	14,565,275
<i>Total Nondepreciable Capital Assets</i>	<u>2,405,727</u>	<u>13,740,193</u>	<u>\$ 0</u>	<u>16,145,920</u>
<i>Capital Assets, being depreciated</i>				
Land Improvements	2,061,559	24,750	0	2,086,309
Buildings and Improvements	33,799,458	186,197	0	33,985,655
Furniture and Equipment	5,753,671	175,842	(81,356)	5,848,157
Vehicles	6,175,887	81,931	(77,835)	6,179,983
<i>Total Capital Assets, being depreciated</i>	<u>47,790,575</u>	<u>468,720</u>	<u>(159,191)</u>	<u>48,100,104</u>
<i>Less: Accumulated Depreciation</i>				
Land Improvements	(1,276,850)	(46,842)	0	(1,323,692)
Buildings and Improvements	(21,989,519)	(377,203)	0	(22,366,722)
Furniture and Equipment	(4,216,317)	(229,565)	81,356	(4,364,526)
Vehicles	(2,915,526)	(566,980)	64,434	(3,418,072)
<i>Total Accumulated Depreciation</i>	<u>(30,398,212)</u>	<u>(1,220,590) *</u>	<u>145,790</u>	<u>(31,473,012)</u>
<i>Total Capital Assets being depreciated, net</i>	<u>17,392,363</u>	<u>(751,870)</u>	<u>(13,401)</u>	<u>16,627,092</u>
<b>Governmental Activities Capital Assets, Net</b>	<u><u>\$ 19,798,090</u></u>	<u><u>\$ 12,988,323</u></u>	<u><u>\$ (13,401)</u></u>	<u><u>\$ 32,773,012</u></u>

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

Instruction:	
Regular	\$ 478,228
Special	102,377
Support Services:	
Pupils	42,246
Instructional Staff	50,392
Administration	58,117
Fiscal	11,430
Business	6,858
Operation and Maintenance of Plant	58,784
Pupil Transportation	357,677
Operation of Non-Instructional Services:	
Food Service Operations	53,807
Community Services	674
<b>Total Depreciation Expense</b>	<u><u>\$ 1,220,590</u></u>

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

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**NOTE 10: RISK MANAGEMENT**

***A. Property and Liability***

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 2011, the School District contracted with several companies for various types of insurance as follows:

<u>Company</u>	<u>Type of Coverage</u>	<u>Coverage</u>
Ohio Casualty Company	Liability	\$ 1,000,000
	Aggregate	2,000,000
Ohio Casualty Company	Fleet Insurance	1,000,000
Ohio Casualty Company	Property/Inland Marine Insurance	116,430,041
		4,645,698
Ohio Casualty Company	Crime - Theft	25,000
	Crime - Employee Dishonesty	50,000
Travelers Insurance Company	Boiler and Machinery	50,000,000
Petroleum Underground Storage Tank Tank Release Compensation Board	Underground Storage Tanks	1,000,000

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 2011, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 18). 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 Sheakley Uniservice, Inc. provides administrative, cost control and actuarial services to the GRP.

***B. Employee Health Benefits***

The School District participates in the Suburban Health Consortium, a shared risk pool (Note 18) to provide employee medical/surgical benefits. Rates are set through an annual calculation process. The School District pays a monthly contribution which is placed in a common fund from which the claim payments are made for all participating districts. The employees share the cost of the monthly premium with the Board.

Claims are paid for all participants regardless of claims flow. Upon termination, all School District claims would be paid without regard to the School District's account balance or the Directors have the right to hold monies for an exiting school district subsequent to the settlement of all expenses and claims.

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

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**NOTE 11: DEFINED BENEFIT PENSION PLANS**

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

Plan Description - The School District contributes to the School Employees Retirement System of Ohio (“SERS”), a cost-sharing multiple employer pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary 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 toll free (800) 878-5853. It is also posted on SERS’ website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 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 2011, 11.81 percent of annual covered salary was the portion used to fund pension obligations and death benefits. The remaining 2.19 percent of the 14 percent employer contribution rate is allocated to the Health Care and Medicare B Funds. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District’s required contributions for pension obligations to SERS for the fiscal years ended June 30, 2011, 2010 and 2009 were \$722,843, \$1,317,121 and \$818,392, respectively; 60 percent has been contributed for fiscal year 2011 and 100 percent for the fiscal years 2010 and 2009.

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

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

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member’s lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

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**NOTE 11: DEFINED BENEFIT PENSION PLANS (Continued)**

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

Funding Policy - For the fiscal year ended June 30, 2011, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2010, the portion used to fund pension obligations was also 13 percent. 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 STRS Ohio for the fiscal years ended June 30, 2011, 2010, and 2009 were \$4,375,384, \$4,102,013 and \$3,836,441, respectively; 83 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009. Contributions to the DC and Combined Plans for fiscal year 2011 were 187,391 made by the School District and \$133,851 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, 2011, 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**

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

Plan Description – The School District participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746.

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

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**NOTE 12: POSTEMPLOYMENT BENEFITS (Continued)**

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For the year ended June 30, 2011, 1.43 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2011, this amount was \$35,800.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The School District's contributions for health care for the fiscal years ended June 30, 2011, 2010, and 2009 were \$231,956, \$181,041 and \$503,012, respectively; 60 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2011, this actuarially required allocation was 0.76 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2011, 2010 and 2009 were \$46,517, \$78,326 and \$67,524, respectively; 60 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

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

Plan Description – The School District contributes to the cost sharing multiple employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2011, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2011, 2010, and 2009 were, \$336,568, \$315,539 and \$295,111, respectively; 83 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

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

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**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 carryover unused vacation time. Accumulated unused vacation time is paid to administrators and exempt secretaries 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 Ohio or SERS.

**B. *Life Insurance***

The School District provides life insurance and accidental death and dismemberment insurance to most employees through various life insurance companies. 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.

**NOTE 14: CAPITAL LEASES – LESSEE DISCLOSURE**

In fiscal year 2010, the School District entered into a capital lease for forty-three copiers for use throughout the School District. In prior years, the School District entered into lease agreements for copiers, the installation of artificial turf at the football stadium, a new press box and a phone system. All of the School District's lease obligations meet the criteria of capital leases as they transfer benefits and risks of ownership to the lessee.

Capital assets acquired by lease have been capitalized at a cost of \$3,102,293.

Capital lease payments have been reclassified and reflected as debt service expenditures on the fund financial statements for the governmental funds. These expenditures are reflected as support service expenditures in the general fund on the budgetary basis.

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

**14: CAPITAL LEASES – LESSEE DISCLOSURE (Continued)**

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, 2011.

			Capital Leases
For Fiscal Year Ending June 30,	2012	\$	266,262
	2013		141,002
Total			407,264
Less: Amount Representing Interest			16,980
Present Value of Net Minimum Lease Payments		\$	390,284

**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	Rate	Issue Amount	Maturity
General Obligation Bonds:			
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
School Improvement Refunding - 2005	3.35-5.5%	6,075,000	December 1, 2026
School Improvement Refunding - 2009	3.94%	6,535,993	December 1, 2023
Certificates of Participation:			
Taxable Qualified School Construction Bonds - 2010	6.375%	4,000,000	December 1, 2026
Taxable Build America Bonds - 2010	5.50-6.75%	15,460,000	December 1, 2033
Tax Exempt Bonds- 2010	2.00-3.00%	5,110,000	December 1, 2016



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

**NOTE 15: LONG-TERM OBLIGATIONS (Continued)**

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

	<b>Amount Outstanding 7/1/2010</b>	<b>Additions</b>	<b>Deductions</b>	<b>Amount Outstanding 06/30/2011</b>	<b>Due Within One Year</b>
<b>Governmental Activities</b>					
<b>General Obligation Bonds</b>					
Certificates of Participation, Series 2010					
Taxable Qualified School					
Construction Bonds - (QSCB)	\$ 0	\$ 4,000,000	\$ 0	\$ 4,000,000	\$ 0
Taxable Build America Bonds - (BABS)	0	15,460,000	0	15,460,000	0
Tax-Exempt	0	5,110,000	0	5,110,000	810,000
Unamortized Premium	0	19,938	3,323	16,615	0
School Improvement - 1999					
Capital Appreciation Bonds	455,000	0	157,000	298,000	151,633
Accretion on Capital Appreciation Bonds	605,324	69,329	228,005	446,648	230,495
School Improvement Refunding - 2000	1,550,000	0	425,000	1,125,000	460,000
School Improvement - 2003	501,485	0	52,803	448,682	55,364
School Improvement Refunding - 2005	5,965,000	0	215,000	5,750,000	230,000
Unamortized Premium	661,783	0	40,935	620,848	0
Refunding Loss	(501,884)	31,044	0	(470,840)	0
School Improvement Refunding - 2009					
Series and Term Bonds	5,830,000	0	70,000	5,760,000	70,000
Capital Appreciation Bonds	554,993	0	0	554,993	0
Accretion on Capital Appreciation Bonds	63,926	58,921	0	122,847	0
Unamortized Premium	308,974	0	22,887	286,087	0
Refunding Loss	(202,707)	15,015	0	(187,692)	0
<i>Total General Obligation Bonds</i>	<u>15,791,894</u>	<u>24,764,247</u>	<u>1,214,953</u>	<u>39,341,188</u>	<u>2,007,492</u>
Compensated Absences	6,282,320	148,284	578,197	5,852,407	124,859
Capital Leases Payable	632,612	0	242,328	390,284	252,284
<i>Total Governmental Activities</i>	<u>\$ 22,706,826</u>	<u>\$ 24,912,531</u>	<u>\$ 2,035,478</u>	<u>\$ 45,583,879</u>	<u>\$ 2,384,635</u>

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

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

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**NOTE 15: LONG-TERM OBLIGATIONS (Continued)**

During fiscal year 1999, the School District issued \$9,950,000 in series and capital appreciation bonds. The series bonds were issued with an interest rate of 4.39 percent and have a final maturity of December 1, 2023. The capital appreciation bonds will mature December 1, 2010 through 2012. These bonds were purchased at a discount at the time of issuance and, at maturity all compounded interest is paid and the bond holder collects the face value. However, since interest is technically earned and compounded semiannually, the value of the bond increases. Therefore, as the value increases, the accretion is booked as principal. The maturity amount of the bonds was \$957,000 at June 30, 2011. The fiscal year 2011 accretion amount was \$69,329.

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.

***2005 School Improvement Advance Refunding General Obligation Bonds***

On September 22, 2005, the School District issued \$6,075,000 of general obligation bonds, which included serial and term bonds in the amount of \$1,550,000 and \$4,525,000, respectively. The bonds refunded \$6,075,000 of outstanding 2000 School Improvement General Obligation Bonds. The bonds were issued for a twenty-one year period with final maturity at December 1, 2026. At the date of refunding, \$6,726,930 (including premium and after underwriting fees, and other issuance costs) was received to pay off old debt. As a result, \$6,075,000 of the 2000 School Improvement Bonds are considered to be defeased and the liability for those bonds has been removed from the financial statements. The balance of the defeased debt at June 30, 2011 was \$6,075,000.

These refunding bonds were issued with a premium of \$859,636, which is reported as an increase to bonds payable. The amounts are being amortized to interest expense over the life of the bonds using the straight-line method. The amortization of the premium for fiscal year 2011 was \$40,935. The issuance costs of \$207,706 are reported as deferred charges and are being amortized over the life of the bonds using the straight-line method. The amortization of the issuance costs for fiscal year 2011 was \$9,891. The refunding resulted in a difference between net carrying amount of the debt and the acquisition price of \$651,930. This difference, reported in the accompanying financial statements as a decrease to bonds payable, is being amortized to interest expense over the life of the bonds using the straight-line method. The amortization of this difference for fiscal year 2011 was \$31,044.

The School District refunded the 2000 General Obligation Bonds to reduce its total debt service payments over the next twenty-one years by \$826,031.

The \$6,075,000 bond issue consists of serial and term bonds. The serial bonds were issued with a varying interest rate of 3.45-3.95 percent.

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

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**NOTE 15: LONG-TERM OBLIGATIONS (Continued)**

The bonds maturing December 1, 2019 are subject to mandatory sinking fund redemption at a price of 100 percent of the principal amount to be redeemed plus accrued interest to the date of redemption on December 1 in the years and in the respective principal amounts:

Redemption Date	Principal Amount Subject to Mandatory
<u>December 1</u>	<u>Redemption</u>
2016	\$ 305,000
2017	320,000
2018	335,000

Unless previously redeemed, the remaining principal amount of \$335,000 will mature at stated maturity (December 1, 2019).

The bonds maturing December 1, 2022 are subject to mandatory sinking fund redemption at a price of 100 percent of the principal amount to be redeemed plus accrued interest to the date of redemption on December 1 in the years and in the respective principal amounts:

Redemption Date	Principal Amount Subject to Mandatory
<u>December 1</u>	<u>Redemption</u>
2020	\$ 380,000
2021	400,000

Unless previously redeemed, the remaining principal amount of \$425,000 will mature at stated maturity (December 1, 2022).

The bonds maturing December 1, 2026 are subject to mandatory sinking fund redemption at a price of 100 percent of the principal amount to be redeemed plus accrued interest to the date of redemption on December 1 in the years and in the respective principal amounts:

Redemption Date	Principal Amount Subject to Mandatory
<u>December 1</u>	<u>Redemption</u>
2023	\$ 445,000
2024	475,000
2025	500,000

Unless previously redeemed, the remaining principal amount of \$525,000 will mature at stated maturity (December 1, 2026).

The bonds are not subject to optional redemption prior to maturity.

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

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**NOTE 15: LONG-TERM OBLIGATIONS (Continued)**

***2009 School Improvement Advance Refunding General Obligation Bonds***

On April 20, 2009, the School District issued \$6,534,993 of general obligation bonds, which included serial, term and capital appreciation bonds in the amount of \$5,765,000, \$215,000 and \$554,993, respectively. The bonds refunded \$6,535,000 of outstanding 1999 School Improvement General Obligation Bonds. The bonds were issued for a fifteen year period with final maturity at December 1, 2023. At the date of refunding, \$6,534,993 (including premium and after underwriting fees, and other issuance costs) was received to pay off old debt. As a result, \$6,535,000 of the 1999 School Improvement Bonds are considered to be defeased and the liability for those bonds has been removed from the financial statements. The balance of the defeased debt at June 30, 2011 was \$6,535,000.

These refunding bonds were issued with a premium of \$343,305, which is reported as an increase to bonds payable. The amounts are being amortized to interest expense over the life of the bonds using the straight-line method. The amortization of the premium for fiscal year 2011 was \$22,887. The issuance costs of \$118,068 are reported as deferred charges and are being amortized over the life of the bonds using the straight-line method. The amortization of the issuance costs for fiscal year 2011 was \$7,871. The refunding resulted in a difference between net carrying amount of the debt and the acquisition price of \$225,230. This difference, reported in the accompanying financial statements as a decrease to bonds payable, is being amortized to interest expense over the life of the bonds using the straight-line method. The amortization of this difference for fiscal year 2011 was \$15,015.

The School District refunded the 1999 General Obligation Bonds to reduce its total debt service payments over the next twenty-one years by \$420,299.

The \$6,534,993 bond issue consists of serial, term and capital appreciation bonds. The serial bonds were issued with a varying interest rate of 3.00-4.00 percent.

The bonds maturing December 1, 2012 are subject to mandatory sinking fund redemption at a price of 100 percent of the principal amount to be redeemed plus accrued interest to the date of redemption on December 1 in the years and in the respective principal amounts:

Redemption Date	Principal Amount Subject to Mandatory Redemption
<u>December 1</u> 2010	\$ 70,000
2011	70,000

Unless previously redeemed, the remaining principal amount of \$5,000 will mature at stated maturity (December 1, 2012).

The capital appreciation bonds will mature December 1, 2016. These bonds were purchased at a discount at the time of issuance and at maturity all compounded interest is paid and the bond holder collects the face value. However, since interest is technically earned and compounded semiannually, the value of the bond increases. Therefore, as the value increases, the accretion is booked as principal. The maturity amount of the bonds is \$1,160,000. The fiscal year 2011 accretion amount was \$58,921.

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

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**NOTE 15: LONG-TERM OBLIGATIONS (Continued)**

***2010 Certificates of Participation***

On June 17, 2010 the School District issued \$24,570,000 of certificates of participation, series 2010 bonds. They consisted of \$4,000,000 in taxable qualified school construction series 2010A (QSCB) term bonds. The bonds were issued for a sixteen year period with final maturity at December 1, 2026. Also included in the issue was \$15,460,000 of taxable build America bonds (BABS) series 2010B which is made up of \$2,880,000 serial bonds and term bonds in the amount of \$12,580,000. Final maturity on the serial and term bonds is December 1, 2033. The final issue was tax exempt series 2010C serial bonds in the amount of \$5,110,000 with a varying interest rate of 2.00-3.00 percent. The maturity date for the tax exempt bonds is December 1, 2011 through 2016. The proceeds will be used to acquire, construct, purchase equipment, install and renovate recreational, school and transportation facilities.

The tax exempt series 2010C bonds were issued with a premium of \$19,938, which is reported as an increase to bonds payable. The amounts are being amortized to interest expense over the life of the bonds using the straight-line method. The amortization of the premium for fiscal year 2011 was \$3,323. The issuance costs of \$586,116 are reported as deferred charges and are being amortized over the life of the bonds using the straight-line method. The amortization of the issuance costs for fiscal year 2011 was \$39,317.

The \$4,000,000 series 2010A bond issue consisted of term bonds. The serial bonds were issued with an interest rate of 6.375 percent.

The series 2010A bonds maturing on December 1, 2023 are subject to mandatory sinking fund redemption at a price of 100 percent of the principal amount to be redeemed plus accrued interest to the date of redemption on December 1 in the years and in the respective principal amounts:

Redemption Date	Principal Amount Subject to Mandatory <u>Redemption</u>
<u>December 1</u> 2023	\$ 400,000
2024	1,190,000
2025	1,200,000

Unless previously redeemed, the remaining principal amount of \$1,210,000 will mature at stated maturity (December 1, 2026).

The \$12,580,000 series 2010B bond issue consisted of term bonds. The serial bonds were issued with a varying interest rate of 6.00-6.75 percent.

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

**NOTE 15: LONG-TERM OBLIGATIONS (Continued)**

The series 2010B bonds maturing December 1, 2023 are subject to mandatory sinking fund redemption at a price of 100 percent of the principal amount to be redeemed plus accrued interest to the date of redemption on December 1 in the years and in the respective principal amounts:

Redemption Date	Principal Amount Subject to Mandatory
<u>December 1</u>	<u>Redemption</u>
2020	\$ 1,030,000
2021	1,070,000
2024	1,110,000

Unless previously redeemed, the remaining principal amount of \$755,000 will mature at stated maturity (December 1, 2023).

The series 2010B bonds maturing December 1, 2033 were subject to mandatory sinking fund redemption at a price of 100 percent of the principal amount to be redeemed plus accrued interest to the date of redemption on December 1 in the years and in the respective principal amounts:

Redemption Date	Principal Amount Subject to Mandatory
<u>December 1</u>	<u>Redemption</u>
2027	\$ 1,220,000
2028	1,275,000
2028	1,330,000
2029	1,385,000
2030	1,450,000
2031	1,510,000

Unless previously redeemed, the remaining principal amount of \$445,000 will mature at stated maturity (December 1, 2023).

Principal and interest requirements to retire long-term obligations outstanding at June 30, 2011, are as follows:

<b>Fiscal Year Ending</b>	<b>General Obligation Bonds</b>		<b>Capital Appreciation Bonds</b>		<b>Total</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2012	\$ 1,625,364	\$ 1,959,818	\$ 151,633	\$ 243,367	\$ 1,776,997	\$ 2,203,185
2013	1,688,050	1,892,024	146,367	258,633	1,834,417	2,150,657
2014	1,825,865	1,826,757	0	0	1,825,865	1,826,757
2015	1,713,817	1,770,398	0	0	1,713,817	1,770,398
2016	1,771,912	1,714,721	0	0	1,771,912	1,714,721
2017-2021	8,523,674	7,494,544	554,993	605,007	9,078,667	8,099,551
2022-2026	10,155,000	4,811,732	0	0	10,155,000	4,811,732
2027-2031	6,945,000	2,275,781	0	0	6,945,000	2,275,781
2032-2034	3,405,000	276,919	0	0	3,405,000	276,919
Total	\$ 37,653,682	\$24,022,694	\$ 852,993	\$ 1,107,007	\$ 38,506,675	\$ 25,129,701

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

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**NOTE 16: INTERFUND ACTIVITY**

***A. Interfund Transfers***

The General fund transferred \$300,000 to the Food Service fund to provide additional resources for current operations.

***B. Interfund Balances***

The General fund advanced \$13,713 to the Title I fund to eliminate a negative cash balance in that fund. This amount will be repaid during fiscal year 2012.

**NOTE 17: JOINTLY GOVERNED ORGANIZATIONS**

***A. Medina County Career Center***

The Medina County Career Center is a separate body politic and corporate, established by the Ohio Revised Code to provide for the vocational 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 2011, no monies were paid by Brunswick City School District to the Career Center. To obtain financial information write to the Medina Career Center, John Street, 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 2011, the School District paid \$4,380 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.

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

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**NOTE 17: JOINTLY GOVERNED ORGANIZATIONS (Continued)**

***C. Northeast Ohio Network for Educational Technology (NEOnet)***

The Northeast Ohio Network for Educational Technology (NEOnet) is a jointly governed organization among 27 school districts. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. Each of these schools supports NEOnet based upon a per pupil charge dependent upon the software package utilized. The NEOnet assembly consists of a superintendent or designated representative from each participating school district and a representative from the fiscal agent. NEOnet is governed by a Board of Directors chosen from the general membership of the NEOnet Assembly. The Board of Directors consists of a representative from the fiscal agent, the chairman of each of the operating committees, and at least three at-large Assembly members. During the fiscal year 2011 the School District paid \$55,282 to NEOnet. Financial information can be obtained by contacting the Treasurer at the Educational Service Center of Summit County, who serves as the fiscal agent, at 420 Washington Avenue, Cuyahoga Falls, OH 44221.

**NOTE 18: PUBLIC ENTITY RISK POOLS**

***A. 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.

***B. Risk Sharing Pool***

The Suburban Health Consortium is a shared health risk pool created pursuant to State statute for the purpose of administering health care benefits. The council is governed by an assembly which consists of one representative from each participating school district (usually the superintendent or designee). The assembly elects officers for one year terms to serve on the Board of Directors. The assembly exercises control over the participating school districts, based on the established premiums for the insurance plans. Each school district reserves the right to terminate the plan in whole or in part at any time for their School District. If it is terminated, no further contributions will be made, but the benefits under the insurance contract shall be paid in accordance with the terms of the contract.



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

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**NOTE 19: 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.

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

	Textbooks and Instructional Materials Reserve	Capital Improvements Reserve
Set-Aside Reserve Balance as of July 1, 2010	\$ 96,531	\$ 0
Current Year Set-Aside Requirement	1,120,854	1,120,854
Current Year Qualifying Expenditures	(2,035,185)	(15,478,985)
Totals	\$ (817,800)	\$ (14,358,131)
 Balance Carried Forward to Fiscal Year 2012	 \$ 0	 \$ 0
Set-Aside Reserve Balance June 30, 2011	\$ 0	\$ 0

The School District had qualifying expenditures during the fiscal year that reduced textbook set-aside amount below zero. Effective July 1, 2011, textbook set-aside laws have been repealed. Therefore, the negative amount is not presented as being carried forward to future years.

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

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

**NOTE 20: FUND BALANCE**

Fund balance can be classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in governmental funds.

The constraints placed on fund balance for the major governmental funds and all other funds are presented as follows:

	General	Building	Other Governmental Funds	Total
Nonspendable for:				
Inventory	\$ 545,109	\$ 0	\$ 57,101	\$ 602,210
Prepays	6,578	0	0	6,578
Unclaimed Monies	38,353	0	0	38,353
Total Nonspendable	<u>590,040</u>	<u>0</u>	<u>57,101</u>	<u>647,141</u>
Restricted for:				
Debt Service	0	0	1,104,524	1,104,524
Capital Projects	0	7,665,476	2,636,141	10,301,617
Other Purposes	0	0	683,768	683,768
Total Restricted	<u>0</u>	<u>7,665,476</u>	<u>4,424,433</u>	<u>12,089,909</u>
Committed for:				
Termination Payments	17,734	0	0	17,734
Permanent Improvement	0	0	1,938,530	1,938,530
Total Committed	<u>17,734</u>	<u>0</u>	<u>1,938,530</u>	<u>1,956,264</u>
Assigned for:				
Encumbrances	730,320	0	0	730,320
Unassigned	6,088,543	0	(192,236)	5,896,307
<i>Total Fund Balance (Deficit)</i>	<u>\$ 7,426,637</u>	<u>\$ 7,665,476</u>	<u>\$ 6,227,828</u>	<u>\$ 21,319,941</u>

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

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**NOTE 21: CONTRACTUAL COMMITMENTS**

At June 30, 2011, the School District had the following contractual commitments for the renovation of school buildings and property:

	Contractual Commitment	Expended	Balance 06/30/2011
Atlas Tracks	\$ 408,581	\$ 0	\$ 408,581
C.T. Taylor Company	910,624	579,730	330,894
Custom Fabricators	128,000	0	128,000
E&D Specialty Stands	1,013,770	56,640	957,130
Giambrone Construction	6,458,575	4,567,070	1,891,505
Hammond Construction	1,097,000	856,882	240,118
Jamieson Ricca Company	796,282	582,498	213,784
Jeffrey Carr Construction	2,355,835	467,108	1,888,727
Jim's Electric	354,097	229,758	124,339
John Gallagher Company	1,565,988	782,055	783,933
Kalkreuth Roofing	97,700	76,075	21,625
Miller Plumbing and Heating	276,664	209,033	67,631
RFC Contracting	1,646,031	898,994	747,037
Sona Construction	488,770	459,976	28,794
Speelman Electric	621,470	293,008	328,462
Sports Equipment Specialists	84,985	42,493	42,492
Summit Electric	635,545	430,780	204,765
URS Corporation	1,491,000	1,434,488	56,512
Valentine Contractors	322,279	283,617	38,662
Vasco Asphalt	389,281	31,557	357,724
Waller-Duman, Inc.	37,753	0	37,753
Westland Heating	304,740	213,189	91,551
Wilham Roofing	808,618	726,129	82,489
	<u>\$ 22,293,588</u>	<u>\$ 13,221,080</u>	<u>\$ 9,072,508</u>
Total			

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

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**NOTE 22: CONTINGENCIES**

**A. *Grants***

The School District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally require compliance with terms and conditions specified in the grant agreements, and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2011.

**B. *Litigation***

The School District is not party to any claims or lawsuits that would, in the School District's opinion, have a material effect of the basic financial statements.

**BRUNSWICK CITY SCHOOL DISTRICT  
MEDINA COUNTY  
FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2011**

<u>Federal Grantor/ Pass Through Grantor/ Program Title</u>	Federal CFDA Number	Receipts	Expenditures
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>			
<i>Passed Through the Ohio Department of Education:</i>			
<u>Child Nutrition Cluster:</u>			
School Breakfast Program	10.553	\$95,668	\$95,668
National School Lunch Program	10.555	512,955	512,955
Non-cash Assistance	10.555	112,473	117,467
Total Child Nutrition Cluster		<u>721,096</u>	<u>726,090</u>
<b>TOTAL U.S. DEPARTMENT OF AGRICULTURE</b>		<b><u>721,096</u></b>	<b><u>726,090</u></b>
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>			
<i>Passed Through the Ohio Department of Education:</i>			
<u>Special Education Cluster:</u>			
Special Education - Grants to States	84.027	507,540	489,069
		1,183,786	1,091,365
ARRA - Special Education Grants to States	84.391	8,568	30,988
		<u>925,281</u>	<u>1,015,810</u>
Total Special Education - Grants to States		2,625,175	2,627,232
Special Education - Preschool Grants	84.173	2,639	3,606
		18,939	20,304
ARRA - Special Education - Preschool Grants	84.392	(15,495)	-
		<u>15,495</u>	<u>-</u>
Total Special Education - Preschool Grants		<u>21,578</u>	<u>23,910</u>
Total Special Education Cluster		2,646,753	2,651,142
<u>Title I, Part A Cluster:</u>			
Title I Grants to Local Educational Agencies	84.010	141,488	160,916
		335,149	357,817
Total Title I Grants to Local Educational Agencies		<u>476,637</u>	<u>518,733</u>
ARRA - Title I Grants to Local Educational Agencies	84.389	97,903	108,214
		124,717	115,640
Total ARRA - Title I Grants to Local Educational Agencies		<u>222,620</u>	<u>223,854</u>
Total Title I, Part A Cluster		699,257	742,587
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants	84.394	-	885,163
		1,698,249	1,698,249
Total ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants		<u>1,698,249</u>	<u>2,583,412</u>
ARRA - Education for Homeless Children and Youth	84.387	(284)	-
		1,936	2,057
Total ARRA - Education for Homeless Children and Youth		<u>1,652</u>	<u>2,057</u>
Javits Gifted and Talented Students Education	84.206	-	1,000
Improving Teacher Quality State Grants	84.367	-	17,509
		112,026	115,514
Total Improving Teacher Quality State Grants		<u>112,026</u>	<u>133,023</u>
English Language Acquisition Grants	84.365	2,999	3,490
		9,474	8,251
Total English Language Acquisition Grants		<u>12,473</u>	<u>11,741</u>
Education Technology State Grants	84.318	(983)	-
		6,570	5,865
Total Education Technology State Grants		<u>5,587</u>	<u>5,865</u>
State Grants for Innovative Programs	84.298		
Safe and Drug-Free Schools and Communities-State Grants	84.186	(359)	-
		359	175
Total Safe and Drug-Free Schools and Communities-State Grants		<u>-</u>	<u>175</u>
<b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>		<b><u>5,175,997</u></b>	<b><u>6,131,002</u></b>
<b>TOTAL</b>		<b><u>\$5,897,093</u></b>	<b><u>\$6,857,092</u></b>

The accompanying notes are an integral part of this schedule.

**BRUNSWICK CITY SCHOOL DISTRICT  
MEDINA COUNTY**

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

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - CHILD NUTRITION CLUSTER**

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

**NOTE C – FOOD DONATION PROGRAM**

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

**NOTE D - TRANSFERS BETWEEN PROGRAM YEARS**

Federal regulations require schools to obligate certain federal awards by June 30. However, with ODE's consent, schools can transfer unobligated amounts to the subsequent fiscal year's program. These transfers resulted in the Schedule reporting negative receipts. The District transferred the following amounts from 2010 to 2011 programs:

<u>Program Title</u>	<u>CFDA Number</u>	<u>Amount Transferred from 2010 to 2011</u>
Safe and Drug-Free Schools and Communities- State Grants	84.186	\$359
ARRA - Special Education - Preschool Grants	84.392	15,495
ARRA – Education for Homeless Children and Youth	84.387	284
Education Technology State Grants	84.318	983



# Dave Yost • Auditor of State

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each 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, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 10, 2012, wherein we noted the District restated its governmental funds' fund balances due to changes in fund structure as a result of implementing Governmental Accounting Standards Board Statement 54, as well as prior over/understatements of due to/from other funds. We also noted Governmental Activities' net assets were restated due to prior understatements of capital assets. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

### **Compliance and Other Matters**

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We did note certain matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated February 10, 2012.

We intend this report solely for the information and use of management, the Board of Education, federal awarding agencies and pass-through entities, and others within the District. We intend it for no one other than these specified parties.

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

**Dave Yost**  
Auditor of State

February 10, 2012





# Dave Yost • Auditor of State

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

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 could directly and materially affect each of the District's major federal programs for the year ended June 30, 2011. The summary of auditor's results section of the accompanying schedule of findings and questioned costs identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

Our compliance audit followed auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with these requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with these requirements.

As described in finding 2011-001 in the accompanying schedule of findings and questioned costs, the District did not comply with requirements regarding allowable activities applicable to its Special Education Cluster major federal program. Compliance with this requirement is necessary, in our opinion, for the District to comply with requirements applicable to this program.

In our opinion, except for the noncompliance described in the preceding paragraph, the District complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2011.

### Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with the requirements that could directly and materially affect a major federal program, 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, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, we cannot assure we have identified all deficiencies, significant deficiencies, or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2011-001 to be a material weakness.

The District's response to the finding we identified is described in the accompanying schedule of findings and questioned costs. We did not audit the District's response and, accordingly, we express no opinion on it.

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



**Dave Yost**  
Auditor of State

February 10, 2012

**BRUNSWICK CITY SCHOOL DISTRICT  
MEDINA COUNTY**

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

**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 weaknesses reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weaknesses reported for major federal programs?</b>	Yes
<b>(d)(1)(iv)</b>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Qualified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510(a)?</b>	Yes
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	<ul style="list-style-type: none"> <li>➤ ARRA – State Fiscal Stabilization Fund – Education State Grants, CFDA 84.394;</li> <li>➤ Child Nutrition Cluster, CFDA 10.553 and 10.555;</li> <li>➤ Special Education Cluster, CFDA 84.027, 84.391, 84.173, and 84.392;</li> <li>➤ Title I Grants to Local Educational Agencies, CFDA 84.010, and 84.389.</li> </ul>
<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**

None

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

<b>Finding Number</b>	2011-001
<b>CFDA Title and Number</b>	Special Education Cluster: ARRA – Special Education Grants to States, CFDA 84.391; Special Education – Grants to States, CFDA 84.027; Special Education – Preschool Grants, CFDA 84.173.
<b>Federal Award Number / Year</b>	2011
<b>Federal Agency</b>	U.S. Department of Education
<b>Pass-Through Agency</b>	Ohio Department of Education

**Questioned Cost/Material Weakness:**

**Activities Allowed/Unallowed**

**34 CFR 300.202(a)(2)** indicates amounts provided to the Local Educational Agency (LEA) under Part b of the Act must be used only to pay the excess costs of providing special education and related services to children with disabilities, consistent with paragraph (b) of this section. The **Ohio Department of Education** issued a memo dated August 17, 2009 titled **Use of Funds Guidance for IDEA Part B and ARRA IDEA Part B** clarifying that if a purchase does not benefit students with disabilities the expenditure is not allowable; ancillary benefit to non-disabled students is allowable however, the majority of the benefit must be students with disabilities.

Our testing of the Special Education Cluster Grants, identified \$341,519 of \$2,651,142 of total expenditures which did not primarily benefit students with disabilities and therefore were not allowable expenditures. These items included the following which we consider to be questioned costs.

<u>Description:</u>	<u>Cost:</u>
Software available for all students	\$ 30,133*
Elementary servers used for all students	12,160*
Computers available for all students	29,739*
Computers available for all students	21,364*
Computers available for all students	107,250*
Wireless slates available for all students	16,135*
40 Apple iPads (administrators) with cases	33,979*
Language software available to all students	10,759*
Employee payroll adjustment for salaries double counted and allocated to the Non-ARRA (CFDA 84.027) portions of grant after already being charged to the ARRA portion of the grant (CFDA 84.391)	80,000
<b>Total</b>	<b><u>\$341,519</u></b>

(\* costs charged to ARRA grant, CFDA 84.391)

The District should implement procedures to help ensure only allowable expenditures are charged to each Federal Grant.

**Officials' Response/Corrective Action Plan**

<b>Finding Number</b>	<b>Planned Corrective Action</b>	<b>Anticipated Completion Date</b>	<b>Responsible Contact Person</b>
2011-001	N/A – see response below	N/A – see response below	Dr. Gale Harr

**Response by: Gale A. Harr, PhD, NCSP, Director of Student Services & Special Education**

At a meeting on June 26, 2009, ODE staff Tom Lather and Stephen Barr did a presentation to Pupil Services Directors of Summit, Portage and Medina Counties on the guidelines for the use of Title 6B ARRA funds. One of the key provisions discussed was that of "Early Intervening Services". Districts may add up their 6B and 6B ARRA allocations and spend up to 15% of that total on students not yet identified as disabled. The intent of this provision is to put structures and systems into place before the students start to fail and need special education services.

With that in mind, the District is well under that 15% in setting up an RtI (Response to Intervention) system using computers equipped with universal screening and progress monitoring software programs designed to identify students' academic weaknesses early. Early identification is then followed by Tier 2 RtI intervention, some of which is also available online.

**Auditors' Conclusion:**

The Auditor's office is aware of the provision allowing up to 15 percent of Title VI-B ARRA funds to be used for Early Intervening Services. We reviewed the District's grant application budget and noted there were no amounts budgeted for Early Intervening Services. Additionally, we inquired with the Ohio Department of Education regarding allowable expenses for early intervening services and were informed that computer hardware purchases are not permissible. Based on this information, we believe all the items included in the aforementioned finding should be "questioned costs."

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

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

To the Board of Education:

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

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

1. We noted the Board amended its anti-harassment policy at its meeting on May 24, 2010 to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

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

This report is intended solely for the information and use of the Board 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 "Dave Yost".

**Dave Yost**  
Auditor of State

February 10, 2012

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# Dave Yost • Auditor of State

**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  
MARCH 8, 2012**