



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, the major fund, and the aggregate remaining fund information of the Brunswick City School District, Medina County, Ohio, (the District), as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the Brunswick City School District, Medina County, Ohio, as of June 30, 2012, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 11, 2013, 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 Expenditures 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 Expenditures Schedule provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The Federal Awards Receipts and Expenditures Schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Dave Yost
Auditor of State

January 11, 2013

Brunswick City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
(unaudited)

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, 2012. 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 2012 are as follows:

- Net assets decreased \$2,624,995, which represents a 19 percent decrease from 2011.
- Capital assets increased \$7,697,847 during fiscal year 2012.
- During the year, outstanding debt decreased from \$39,076,170 to \$37,162,683 due to principal payments made by the School District.

Using this Annual 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 nonmajor funds presented in total in one column. In the case of the Brunswick City School District, the general fund is by far the most significant fund.

Reporting the School District as a Whole

Statement of Net Assets and the Statement of Activities

While the basic financial statements contain 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 2012?" The *Statement of Net Assets* and the *Statement of Activities* answer this question. These statements include all nonfiduciary 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.

Brunswick City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
(unaudited)

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, extracurricular activities, and non instructional services, i.e., food service operations.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The major funds financial statements begin on page 15. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions; however, these fund financial statements focus on the School District's most significant funds. The School District's major governmental fund is the general fund.

Governmental Funds Most of the School District's activities are reported in governmental funds, which focus on how 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.

Reporting the School District's Fiduciary Responsibilities

The School District also acts in a trustee capacity as an agent for individuals, private organizations, other governmental units and/or other funds. These activities are reported in three agency funds. The School District's fiduciary activities are reported in a separate Statement of Fiduciary Assets and Liabilities on page 20. These activities are excluded from the School District's other financial statements because the assets cannot be utilized by the School District to finance its operations.

Brunswick City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
(unaudited)

The School District as a Whole

Recall that the Statement of Net Assets provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets for 2012 compared to 2011:

Table 1
Net Assets

	Governmental Activities	
	2012	2011
Assets		
Current and Other Assets	\$ 55,575,499	\$ 72,662,263
Capital Assets	40,470,859	32,773,012
<i>Total Assets</i>	96,046,358	105,435,275
Liabilities		
Other Liabilities	41,864,777	46,017,790
Long-Term Liabilities	42,972,970	45,583,879
<i>Total Liabilities</i>	84,837,747	91,601,669
Net Assets		
Invested in Capital Assets,		
Net of Debt	4,097,418	4,410,959
Restricted	8,035,744	7,264,146
Unrestricted	(924,551)	2,158,501
<i>Total Net Assets</i>	\$ 11,208,611	\$ 13,833,606

At year end, capital assets represented 42 percent of total assets. Capital assets include, land, land improvements, buildings and improvements, furniture and equipment and vehicles. Capital assets, net of related debt were \$4,097,418 at June 30, 2012. These capital assets are used to provide services to students and are not available for future spending. Although the School District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the School District's net assets, \$8,035,744 or 72 percent, represents resources that are subject to external restrictions on how they may be used. The balance of government-wide unrestricted net assets was a deficit of \$924,551.

Capital assets increased \$7,697,847. This large increase is due to district wide renovation of school buildings. Other assets decreased by \$17,086,764. The largest decrease is in cash of \$13,256,128 due to bond proceeds being spent on school building renovations. Intergovernmental receivable decreased due to the expiring of ARRA grants.

Long term liabilities decreased by \$2,610,909 which is mainly due to principal payments made by the School District. Contract payables decreased due to the completion of school building renovations.

Brunswick City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
(unaudited)

Deferred revenue decreased by \$2,782,198 due to fluctuations in the amount available for advance at year end, which can vary based on when tax bills are sent, as well as decreased grant receivable.

Table 2 shows the changes in net assets for fiscal year 2012 and 2011.

Table 2
Changes in Net Assets

	<u>Governmental Activities</u>	
	<u>2012</u>	<u>2011</u>
Revenues		
<i>Program Revenues:</i>		
Charges for Services	\$ 3,200,869	\$ 2,821,691
Operating Grants	4,294,679	5,883,787
Capital Grants	859	270,796
<i>Total Program Revenues</i>	<u>7,496,407</u>	<u>8,976,274</u>
<i>General Revenues:</i>		
Property Taxes	36,424,484	34,344,392
Grants and Entitlements Not Restricted	29,874,002	31,433,312
Other	673,653	1,152,071
<i>Total General Revenues</i>	<u>66,972,139</u>	<u>66,929,775</u>
<i>Total Revenues</i>	<u>74,468,546</u>	<u>75,906,049</u>
Program Expenses		
Instruction:		
Regular	32,418,946	32,092,365
Special	7,874,156	8,312,389
Vocational	206,857	210,345
Other	2,064,516	1,717,450
Support Services:		
Pupils	5,904,820	5,773,396
Instructional Staff	3,491,879	3,485,398
Board of Education	612,242	682,276
Administration	4,657,832	4,845,581
Fiscal	1,429,165	1,218,645
Business	422,545	462,985
Operation and Maintenance of Plant	6,428,143	6,372,935
Pupil Transportation	4,427,579	4,564,726
Central	341,957	251,557
Operation of Non-Instructional Services:		
Food Service Operations	2,183,427	2,173,546
Community Services	463,113	505,924
Extracurricular Activities	2,063,236	1,824,612
Debt Service:		
Interest and Fiscal Charges	2,103,128	2,193,821
<i>Total Expenses</i>	<u>77,093,541</u>	<u>76,687,951</u>
<i>Increase (Decrease) in Net Assets</i>	(2,624,995)	(781,902)
<i>Net Assets at Beginning of Year</i>	<u>13,833,606</u>	<u>14,615,508</u>
<i>Net Assets at End of Year</i>	<u>\$ 11,208,611</u>	<u>\$ 13,833,606</u>

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For the Fiscal Year Ended June 30, 2012
(unaudited)

The \$1,589,108 decrease in operating grants is due to the federal ARRA grants expiring. Property taxes increased by \$2,080,092 due to fluctuations in the amount available for advance at year end, which can vary based on when tax bills are sent. The \$1,559,310 decrease in grants and entitlements not restricted is due to the expiration of State Fiscal Stabilization funding.

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 Service		Net Cost of Service	
	2012	2011	2012	2011
Instruction:				
Regular	\$ 32,418,946	32,092,365	\$ 30,834,783	\$ 29,395,580
Special	7,874,156	8,312,389	6,775,838	6,967,486
Vocational	206,857	210,345	85,114	177,353
Other	2,064,516	1,717,450	2,064,516	1,717,450
Support Services:				
Pupils	5,904,820	5,773,396	5,084,082	4,603,298
Instructional Staff	3,491,879	3,485,398	3,101,870	2,787,580
Board of Education	612,242	682,276	612,242	682,276
Administration	4,657,832	4,845,581	4,508,188	4,598,279
Fiscal	1,429,165	1,218,645	1,429,165	1,216,835
Business	422,545	462,985	422,545	462,985
Operation and Maintenance of Plant	6,428,143	6,372,935	6,323,201	6,264,323
Pupil Transportation	4,427,579	4,564,726	4,343,225	4,479,894
Central	341,957	251,557	322,157	221,532
Operation of Non-Instructional Services:				
Food Service Operations	2,183,427	2,173,546	(8,552)	394,464
Community Services	463,113	505,924	56,499	75,885
Extracurricular Activities	2,063,236	1,824,612	1,539,133	1,472,636
Debt Service:				
Interest and Fiscal Charges	2,103,128	2,193,821	2,103,128	2,193,821
<i>Total Expenses</i>	<u>\$ 77,093,541</u>	<u>\$ 76,687,951</u>	<u>\$ 69,597,134</u>	<u>\$ 67,711,677</u>

The dependence upon general revenues for governmental activities is apparent. Over 90 percent of governmental activities are supported through taxes and other general revenues; such revenues are 90 percent of total governmental revenues. The community, as a whole, is by far the primary support for the School District students.

Brunswick City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
(unaudited)

Governmental Funds

Information about the School District's major funds starts on page 15. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$75,690,448 and expenditures of \$87,367,497 for the fiscal year.

The general fund's net change in fund balance for fiscal year 2012 was a decrease of \$3,252,479. The largest decrease in revenue is in taxes which are due to fluctuations in the amount available for advance at year end, which can vary based on when tax bills are sent.

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.

During the course of fiscal year 2012, the School District did amend its general fund budget a few times. The School District uses site-based budgeting and budgeting systems are designed to tightly control total site budgets but provide flexibility for site management

For the general fund, actual budget basis revenue was \$142,301 lower than the final budget basis revenue. The revenues showed no individually significant variances.

Final expenditure appropriations of \$69,239,721 were \$4,220,517 higher than the actual expenditures of \$65,019,204, as cost savings were recognized for instruction and student support services throughout the year.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2012, the School District had \$40,470,859 invested in capital assets. Table 4 shows fiscal year 2012 balances compared with 2011.

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

	Governmental Activities	
	2012	2011
Land	\$ 1,580,645	\$ 1,580,645
Construction in Progress	0	14,565,275
Land Improvements	1,389,148	762,617
Buildings and Building Improvements	33,301,623	11,618,933
Furniture and Equipment	1,790,189	1,483,631
Vehicles	2,409,254	2,761,911
<i>Totals</i>	\$ 40,470,859	\$ 32,773,012

Brunswick City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
(unaudited)

The \$7,697,847 increase in capital assets was attributable to additional purchases exceeding current year depreciation and disposals. See Note 8 for more information about the capital assets of the School District.

Debt

At June 30, 2012, the School District had \$37,162,683 in debt outstanding. See Note 14 for additional details. Table 5 summarizes bonds outstanding.

(Table 5)
Outstanding Debt at Year End

	Governmental Activities	
	2012	2011
General Obligation Bonds:		
Various Series Bonds	\$ 12,268,269	\$ 13,083,682
Various Capital Appreciation Bonds	701,360	852,993
Accretion on Capital Appreciation Bonds	433,054	569,495
Certificates of Participation	23,760,000	24,570,000
	<u>\$ 37,162,683</u>	<u>\$ 39,076,170</u>

Current Issues

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, eleven 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 November 2010 the voters renewed another Emergency Levy for 4.6 mills for an extended seven years. With a 58.2% approval rate the voters renewed a 2.1 Emergency Levy for eight years, which will now expire in December 2020.

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 \$9.1 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 \$2.4 million per year. This levy became effective October 1, 2007 and will last until 2037.

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Management's Discussion and Analysis
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(unaudited)

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 2014. This five year emergency levy generates approximately \$5.8 million per year and has been reduced from the initial 6.7 mills to 5.8 mills. The Board of Education may decide to renew this issue in November 2013. Due to a change in the law, the district may opt to renew this emergency for a term that exceeds the initial five-year period, by extending the levy an additional four years. This renewal levy passed on the first renewal attempt by 57.5% approval rate.

The district has existing emergency levies expiring in December 2014, 2016, 2018, 2020. 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.

Externally, over eighteen 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 5th 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.

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

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 support 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.

The 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 had also implemented an *Education Jobs Initiative* that added approximately \$1.1 million in additional dollars to fund the employment/rehiring of displaced instructional staff. This again was a two year program with a limited lifespan and expired at the end of fiscal year 2012.

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 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.

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(unaudited)

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, the 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, contact Patrick K. East, Treasurer of Brunswick City School District, 3643 Center Road, Brunswick, Ohio 44212 or peast@bcsoh.org.

Brunswick City School District*Statement of Net Assets**June 30, 2012*

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Investments	\$ 14,585,446
Inventory Held For Resale	48,241
Materials and Supplies Inventory	389,607
Receivables:	
Intergovernmental	3,331,590
Property Taxes	36,477,855
Prepaid Items	4,640
Deferred Charges	738,120
Nondepreciable Capital Assets	1,580,645
Depreciable Capital Assets (Net)	<u>38,890,214</u>
<i>Total Assets</i>	<u>96,046,358</u>
Liabilities	
Accounts Payable	282,744
Accrued Wages and Benefits	7,242,529
Contracts Payable	631,160
Intergovernmental Payable	1,292,431
Accrued Vacation Leave Payable	145,639
Matured Compensated Absences Payable	552,423
Accrued Interest Payable	172,099
Deferred Revenue	31,545,752
Long Term Liabilities:	
Due Within One Year	2,844,241
Due In More Than One Year	<u>40,128,729</u>
<i>Total Liabilities</i>	<u>84,837,747</u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	4,097,418
Restricted For:	
Capital Outlay	5,584,373
Debt Service	1,235,478
Other Purposes	1,215,893
Unrestricted	<u>(924,551)</u>
<i>Total Net Assets</i>	<u>\$ 11,208,611</u>

See accompanying notes to the basic financial statements.

Brunswick City School District
Statement of Activities
For the Fiscal Year Ended June 30, 2012

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services and Sales	Operating Grants, Contributions and Interest	Capital Grants and Contributions	Governmental Activities
Governmental Activities					
Instruction:					
Regular	\$ 32,418,946	\$ 1,386,545	\$ 197,618	\$ 0	\$ (30,834,783)
Special	7,874,156	94,825	1,003,493	0	(6,775,838)
Vocational	206,857	0	121,743	0	(85,114)
Other	2,064,516	0	0	0	(2,064,516)
Support Services:					
Pupils	5,904,820	0	820,738	0	(5,084,082)
Instructional Staff	3,491,879	0	390,009	0	(3,101,870)
Board of Education	612,242	0	0	0	(612,242)
Administration	4,657,832	0	149,644	0	(4,508,188)
Fiscal	1,429,165	0	0	0	(1,429,165)
Business	422,545	0	0	0	(422,545)
Operation and Maintenance of Plant	6,428,143	54,386	49,697	859	(6,323,201)
Pupil Transportation	4,427,579	84,354	0	0	(4,343,225)
Central	341,957	0	19,800	0	(322,157)
Operation of Non-Instructional Services:					
Food Service Operations	2,183,427	1,162,846	1,029,133	0	8,552
Community Services	463,113	0	406,614	0	(56,499)
Extracurricular Activities	2,063,236	417,913	106,190	0	(1,539,133)
Debt Service:					
Interest and Fiscal Charges	2,103,128	0	0	0	(2,103,128)
Total	\$ 77,093,541	\$ 3,200,869	\$ 4,294,679	\$ 859	(69,597,134)

General Revenues

Property Taxes Levied for:	
General Purposes	33,639,164
Debt Service	1,643,173
Capital Outlay	1,142,147
Grants and Entitlements Not Restricted to Specific Programs	29,874,002
Investment Earnings	81,640
Miscellaneous	592,013
Total General Revenues	66,972,139
<i>Change in Net Assets</i>	<i>(2,624,995)</i>
<i>Net Assets Beginning of Year</i>	<i>13,833,606</i>
<i>Net Assets End of Year</i>	\$ 11,208,611

See accompanying notes to the basic financial statements.

Brunswick City School District*Balance Sheet**Governmental Funds**June 30, 2012*

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets			
Equity in Pooled Cash and Investments	\$ 8,437,294	\$ 6,148,152	\$ 14,585,446
Inventory Held For Resale	0	48,241	48,241
Materials and Supplies Inventory	389,607	0	389,607
Receivables:			
Interfund	518,362	0	518,362
Intergovernmental	6,993	3,324,597	3,331,590
Property Taxes	33,734,666	2,743,189	36,477,855
Prepaid Items	4,640	0	4,640
<i>Total Assets</i>	<u>\$ 43,091,562</u>	<u>\$ 12,264,179</u>	<u>\$ 55,355,741</u>
Liabilities and Fund Balances			
Liabilities			
Accounts Payable	\$ 190,858	\$ 91,886	\$ 282,744
Accrued Wages and Benefits	6,805,967	436,562	7,242,529
Contracts Payable	0	631,160	631,160
Intergovernmental Payable	1,220,907	71,524	1,292,431
Matured Compensated Absences Payable	552,423	0	552,423
Interfund Payable	0	518,362	518,362
Deferred Revenue	30,147,249	5,045,951	35,193,200
<i>Total Liabilities</i>	<u>38,917,404</u>	<u>6,795,445</u>	<u>45,712,849</u>
Fund Balances			
Nonspendable	432,404	48,241	480,645
Restricted	0	4,084,620	4,084,620
Committed	22,750	1,515,445	1,538,195
Assigned	3,448,504	0	3,448,504
Unassigned	270,500	(179,572)	90,928
<i>Total Fund Balances</i>	<u>4,174,158</u>	<u>5,468,734</u>	<u>9,642,892</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 43,091,562</u>	<u>\$ 12,264,179</u>	<u>\$ 55,355,741</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, 2012*

Total Governmental Fund Balances		\$ 9,642,892
<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.		40,470,859
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Property Taxes	\$ 1,058,613	
Local Grant From Sales Tax Levy	1,286,972	
Intergovernmental	<u>1,301,863</u>	
Total		3,647,448
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.		738,120
In the statement of activities, interest is accrued on outstanding bonds, whereas in the governmental funds, an interest expenditure is not reported.		(172,099)
In the statement of activities, a loss on bond refunding is amortized over the term of the bonds, whereas in governmental funds costs on a bond refunding are reported when bonds are issued.		612,473
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
General Obligation Bonds	(12,268,269)	
Capital Appreciation Bonds	(701,360)	
Bond Premium	(856,405)	
Accretion of Interest - Capital Appreciation Bonds	(433,054)	
Certificates of Participation	(23,760,000)	
Accrued Vacation Leave Payable	(145,639)	
Capital Leases	(138,000)	
Compensated Absences	<u>(5,428,355)</u>	
Total		<u>(43,731,082)</u>
<i>Net Assets of Governmental Activities</i>		<u><u>\$ 11,208,611</u></u>

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, 2012

	General	Other Governmental Funds	Total Governmental Funds
Revenues			
Property and Other Local Taxes	\$ 33,911,378	\$ 2,820,007	\$ 36,731,385
Intergovernmental	26,490,146	8,465,079	34,955,225
Investment Income	81,640	1,900	83,540
Tuition and Fees	819,366	0	819,366
Extracurricular Activities	902,363	245,765	1,148,128
Rentals	54,386	0	54,386
Charges for Services	0	1,178,989	1,178,989
Contributions and Donations	18,416	109,000	127,416
Miscellaneous	190,604	401,409	592,013
<i>Total Revenues</i>	<u>62,468,299</u>	<u>13,222,149</u>	<u>75,690,448</u>
Expenditures			
Current:			
Instruction:			
Regular	29,935,203	2,515,194	32,450,397
Special	7,060,119	904,314	7,964,433
Vocational	204,002	0	204,002
Other	2,064,516	0	2,064,516
Support Services:			
Pupils	4,787,224	1,104,541	5,891,765
Instructional Staff	2,813,670	695,501	3,509,171
Board of Education	610,261	1,981	612,242
Administration	4,505,612	181,791	4,687,403
Fiscal	1,364,107	75,004	1,439,111
Business	363,483	71,387	434,870
Operation and Maintenance of Plant	5,872,218	948,445	6,820,663
Pupil Transportation	4,317,365	70,545	4,387,910
Central	238,548	105,340	343,888
Extracurricular Activities	1,569,964	558,365	2,128,329
Operation of Non-Instructional Services:			
Food Service Operations	2,559	2,150,797	2,153,356
Community Services	11,927	463,081	475,008
Capital Outlay	0	7,556,324	7,556,324
Debt Service:			
Principal Retirement	0	2,029,330	2,029,330
Interest and Fiscal Charges	0	2,214,779	2,214,779
<i>Total Expenditures</i>	<u>65,720,778</u>	<u>21,646,719</u>	<u>87,367,497</u>
<i>Net Change in Fund Balance</i>	(3,252,479)	(8,424,570)	(11,677,049)
<i>Fund Balances Beginning of Year</i>	<u>7,426,637</u>	<u>13,893,304</u>	<u>21,319,941</u>
<i>Fund Balances End of Year</i>	<u>\$ 4,174,158</u>	<u>\$ 5,468,734</u>	<u>\$ 9,642,892</u>

See accompanying notes to the basic financial statements.

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, 2012*

Net Change in Fund Balances - Total Governmental Funds \$ (11,677,049)

*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 additions exceeded depreciation in the current period.

Capital Asset Additions	\$ 9,195,926	
Current Year Depreciation	<u>(1,497,641)</u>	7,698,285

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.

(438)

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

Property Taxes	(306,901)	
Sales Taxes	242,618	
Intergovernmental	<u>(1,150,626)</u>	(1,214,909)

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

General Obligation Bonds	1,625,413	
Capital Appreciation Bonds	151,633	
Accreted Interest on Capital Appreciation Bonds	243,367	
Capital Leases	<u>252,284</u>	2,272,697

In the statement of activities, interest is accrued on outstanding bonds, and bond premium and bond issuance costs and the gain/loss on refunding are amortized over the term of the bonds, whereas in governmental funds, an interest expenditure is reported when bonds are issued.

Accrued Interest Payable	11,203	
Amortization of Issuance Costs	(57,079)	
Amortization of Premium on Bonds	67,145	
Amortization of Refunding Loss	<u>(46,059)</u>	(24,790)

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.

Compensated Absences	424,052	
Accrued Vacation Payable	<u>4,083</u>	428,135

Accretion on capital appreciation bonds is an expenditure in the governmental funds when paid, but is allocated as an expense over the life of the bonds.

(106,926)

Change in Net Assets of Governmental Activities

\$ (2,624,995)

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, 2012

	Budgeted Amounts			Variance with Final Budget Over (Under)
	Original	Final	Actual	
Revenues				
Property and Other Local Taxes	\$ 32,937,499	\$ 32,976,953	\$ 33,054,298	\$ 77,345
Intergovernmental	26,396,542	26,428,160	26,490,146	61,986
Investment Income	76,527	76,618	76,798	180
Tuition and Fees	816,471	817,449	819,366	1,917
Extracurricular Activities	155,454	155,640	156,005	365
Rentals	54,194	54,259	54,386	127
Contributions and Donations	299	299	300	1
Miscellaneous	161,779	161,973	162,353	380
<i>Total Revenues</i>	<u>60,598,765</u>	<u>60,671,351</u>	<u>60,813,652</u>	<u>142,301</u>
Expenditures				
Current:				
Instruction:				
Regular	28,882,452	30,753,416	28,878,837	1,874,579
Special	7,843,678	7,615,172	7,150,988	464,184
Vocational	217,000	227,716	213,836	13,880
Other	2,330,000	2,284,231	2,144,995	139,236
Support Services:				
Pupils	3,131,562	4,979,578	4,676,047	303,531
Instructional Staff	3,875,860	2,985,052	2,803,098	181,954
Board of Education	554,686	660,354	620,102	40,252
Administration	6,736,430	4,787,343	4,495,530	291,813
Fiscal	1,668,230	1,483,310	1,392,895	90,415
Business	366,800	409,379	384,425	24,954
Operation and Maintenance of Plant	6,489,689	6,532,528	6,134,337	398,191
Pupil Transportation	4,265,370	4,563,483	4,285,315	278,168
Central	179,620	260,256	244,392	15,864
Extracurricular Activities	2,028,399	1,680,350	1,577,924	102,426
Operation of Non-Instructional Services:				
Food Service Operations	3,000	2,725	2,559	166
Community Services	21,500	14,828	13,924	904
<i>Total Expenditures</i>	<u>68,594,276</u>	<u>69,239,721</u>	<u>65,019,204</u>	<u>4,220,517</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(7,995,511)</u>	<u>(8,568,370)</u>	<u>(4,205,552)</u>	<u>4,362,818</u>
Other Financing Sources (Uses)				
Advances Out	0	(518,362)	(518,362)	0
Transfers Out	(300,000)	(56,738)	0	56,738
<i>Total Other Financing Sources (Uses)</i>	<u>(300,000)</u>	<u>(575,100)</u>	<u>(518,362)</u>	<u>56,738</u>
<i>Net Change in Fund Balance</i>	(8,295,511)	(9,143,470)	(4,723,914)	4,419,556
<i>Fund Balance Beginning of Year</i>	11,137,208	11,137,208	11,137,208	0
Prior Year Encumbrances Appropriated	920,545	920,545	920,545	0
<i>Fund Balance End of Year</i>	<u>\$ 3,762,242</u>	<u>\$ 2,914,283</u>	<u>\$ 7,333,839</u>	<u>\$ 4,419,556</u>

See accompanying notes to the basic financial statements.

Brunswick City School District
Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
June 30, 2012

	<u>Agency</u>
Assets	
Equity in Pooled Cash and Investments	\$ 205,242
Liabilities	
Accounts Payable	\$ 4,406
Undistributed Monies	15,295
Due to Students	<u>185,541</u>
<i>Total Liabilities</i>	<u>\$ 205,242</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, 2012

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.

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 16 and 17 to the basic financial statements.

Brunswick City School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2012

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental activities provided they do 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 described below.

A. Basis of Presentation

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

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

The statement of net assets presents the financial condition of the governmental activities of the School District at 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, 2012

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

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

The other governmental funds of the School District account for grants and other resources 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.

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.

Brunswick City School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2012

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 6). 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, 2012, but which were levied to finance fiscal year 2013 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

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

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

Brunswick City School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2012

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 2012, 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.

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, 2012.

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 2012 amounted to \$81,640, which includes \$41,656 assigned from other School District funds.

Brunswick City School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2012

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.

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.

Brunswick City School District
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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:

<u>Description</u>	<u>Estimated Lives</u>
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.

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.

Brunswick City School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2012

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, 2012, 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.

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. The Board of Education has by resolution authorized the Treasurer to assign fund balance. The Board of Education may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget.

Brunswick City School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2012

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 2012.

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.

NOTE 3: FUND DEFICITS

Fund balances at June 30, 2012 included the following individual fund deficits:

<i>Non-major Special Revenue Funds</i>	
Food Service	\$ 119,581
Auxiliary Services	27,923
Alternate School Grant	449
Title VI-B	23,668
Title I	3,183
Preschool Grant	225
Title VI-R	4,543

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, 2012

NOTE 4: 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. Advances in and advances out are operating transactions (budget) as opposed to balance sheet transactions (GAAP).
5. 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.

Net Change in Fund Balance	
GAAP Basis	\$ (3,252,479)
Net Adjustment for Revenue Accruals	(861,723)
Net Adjustment for Expenditure Accruals	(671,274)
Advances Out	(518,362)
Funds Budgeted Elsewhere**	11,238
Adjustment for Encumbrances	<u>568,686</u>
Budget Basis	<u><u>\$ (4,723,914)</u></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.

Brunswick City School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2012

NOTE 5: 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.

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.

Brunswick City School District
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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.

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 2012, 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 \$6,134) was \$4,622,221. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures," as of June 30, 2012, \$4,759,117 of the School District's bank balance of \$5,478,776 was exposed to custodial risk as discussed above, while \$719,659 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
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Investments As of June 30, 2012, the School District had the following investments and maturities:

Investment Type	Fair Value	Maturity			
		3 Months or Less	4-6 Months	7-9 Months	12-60 Months
Repurchase Agreements	\$ 1,794,099	\$ 1,794,099	\$ 0	\$ 0	\$ 0
STAROhio	38,590	38,590	0	0	0
General Electric Capital Corp	443,380	0	443,380	0	0
Toyota Motor Credit	1,258,096	559,384	698,712	0	0
Federal Farm Credit Banks	1,124,341	0	0	849,567	274,774
Federal National Mortgage Association	3,063,028	0	1,000,820	0	2,062,208
First American Treasury	3,120	3,120	0	0	0
Federal Home Loan Banks	2,443,813	615,443	0	0	1,828,370
Total	\$ 10,168,467	\$ 3,010,636	\$ 2,142,912	\$ 849,567	\$ 4,165,352

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. The weighted average of maturity of the portfolio held by STAROhio as of June 30, 2012, is 53 days and carries a rating of AAAM by Standard and Poor's. 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, 2012

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, 2012:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Percent of Total</u>
Repurchase Agreements	\$ 1,794,099	17.64%
STAROhio	38,590	0.38%
General Electric Capital Corp	443,380	4.36%
Toyota Motor Credit	1,258,096	12.37%
Federal Farm Credit Banks	1,124,341	11.06%
Federal National Mortgage Association	3,063,028	30.12%
First American Treasury	3,120	0.04%
Federal Home Loan Banks	2,443,813	24.03%
Total	<u>\$ 10,168,467</u>	<u>100.00%</u>

NOTE 6: 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 and public utility property located in the School District. Real property tax revenue received in calendar year 2012 represents collections of calendar year 2011 taxes. Real property taxes received in calendar year 2012 were levied after April 1, 2011, on the assessed value listed as of January 1, 2011, 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 2012 represents collections of calendar year 2011 taxes. Public utility real and tangible personal property taxes received in calendar year 2012 became a lien December 31, 2010, were levied after April 1, 2011 and are collected in 2012 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.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phased 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 in calendar year 2009, and the tax on telephone and telecommunications property was eliminated in calendar year 2010. The tax was 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 are being phased out. On June 30, 2011, House Bill No. 153 was signed into law, which further reduced the amounts of these reimbursements.

Brunswick City School District
Notes to the Basic Financial Statements
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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, 2012, are available to finance fiscal year 2012 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 and public utility property taxes which are measurable as of June 30, 2012, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the delayed personal property tax and 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, 2012 was \$3,594,410 in the general fund, \$156,680 in the bond retirement debt service fund, and \$122,400 in the permanent improvement capital projects fund. 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.

On an 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.

The assessed values upon which the fiscal year 2012 taxes were collected are:

	2011 Second Half Collections		2012 First Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$ 1,005,459,060	98.79%	\$ 1,016,640,420	98.74%
Public Utility Personal Property	12,280,770	1.21%	12,950,080	1.26%
Total Assessed Values	\$ 1,017,739,830	100.00%	\$ 1,029,590,500	100.00%
 Tax rate per \$1,000 of assessed valuation	 \$ 68.92		 \$ 68.92	

NOTE 7: RECEIVABLES

Receivables at June 30, 2012 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 2012 sales transactions yet to be received as of June 30, 2012.

Brunswick City School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2012

NOTE 8: CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2012, was as follows:

	Balance 07/01/2011	Additions	Reductions	Balance 06/30/2012
Governmental Activities				
<i>Capital Assets, not being depreciated</i>				
Land	\$ 1,580,645	\$ 0	\$ 0	\$ 1,580,645
Construction in Progress	14,565,275	0	(14,565,275)	0
<i>Total Nondepreciable Capital Assets</i>	16,145,920	0	(14,565,275)	1,580,645
<i>Capital Assets, being depreciated</i>				
Land Improvements	2,086,309	689,567	0	2,775,876
Buildings and Improvements	33,985,655	22,321,118	0	56,306,773
Furniture and Equipment	5,848,157	576,255	(17,376)	6,407,036
Vehicles	6,179,983	174,261	(98,042)	6,256,202
<i>Total Capital Assets, being depreciated</i>	48,100,104	23,761,201	(115,418)	71,745,887
<i>Less: Accumulated Depreciation</i>				
Land Improvements	(1,323,692)	(63,036)	0	(1,386,728)
Buildings and Improvements	(22,366,722)	(638,428)	0	(23,005,150)
Furniture and Equipment	(4,364,526)	(269,259)	16,938	(4,616,847)
Vehicles	(3,418,072)	(526,918)	98,042	(3,846,948)
<i>Total Accumulated Depreciation</i>	(31,473,012)	(1,497,641) *	114,980	(32,855,673)
<i>Total Capital Assets being depreciated, net</i>	16,627,092	22,263,560	(438)	38,890,214
Governmental Activities Capital Assets, Net	\$ 32,773,012	\$ 22,263,560	\$ (14,565,713)	\$ 40,470,859

* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 573,686
Special	123,455
Support Services:	
Pupils	51,969
Instructional Staff	64,141
Administration	71,314
Fiscal	14,065
Business	8,439
Operation and Maintenance of Plant	70,037
Pupil Transportation	454,348
Operation of Non-Instructional Services:	
Food Service Operations	65,203
Community Services	984
Total Depreciation Expense	\$ 1,497,641

Brunswick City School District
Notes to the Basic Financial Statements
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NOTE 9: 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. 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 2012, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 17). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping 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 17) 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.

NOTE 10: 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 defined benefit pension plan. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained by contacting SERS, 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 under Employers/Audit Resources.

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Notes to the Basic Financial Statements
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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 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 2012, 12.65 percent and .05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to 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 and death benefits to SERS for the fiscal years ended June 30, 2012, 2011 and 2010 were \$1,215,748, \$722,843 and \$1,317,121, respectively; 80 percent has been contributed for fiscal year 2012 and 100 percent for the fiscal years 2011 and 2010.

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 plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a publicly-available, stand-alone financial report that may be obtained by writing to STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3371, by calling (888) 227-7877, or by visiting the STRS Ohio website at www.strsoh.org.

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

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

Funding Policy - For fiscal year 2012, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employer contributions. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

Brunswick City School District
Notes to the Basic Financial Statements
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The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2012, 2011 and 2010 were \$4,345,350, \$4,375,384 and \$4,102,013, respectively; 84 percent has been contributed for fiscal year 2012 and 100 percent for the fiscal years 2011 and 2010. Contributions to the DC and Combined Plans for fiscal year 2012 were \$191,959 made by the School District and \$137,113 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, 2012, one member of the Board of Education has elected Social Security. The Board's liability is 6.2 percent of wages paid.

NOTE 11: 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, Medicare Advantage and traditional indemnity plans. A prescription drug plan is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code Section 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B monthly premium for calendar year 2012 was \$99.90 for most participants, but could be as high as \$319.70 per month depending on their income. SERS' reimbursement to retirees was \$45.50. 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. It is also posted on SERS' website at www.ohsers.org under Employers/Audit Resources.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2012, .55 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2012, the actuarially determined amount was \$35,800.

Brunswick City School District
Notes to the Basic Financial Statements
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Active members do not contribute to the postemployment benefit plans. The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. 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 (including surcharge) for the fiscal years ended June 30, 2012, 2011, and 2010 were \$203,037, \$231,956, and \$181,041, respectively; 80 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

The Retirement Board, acting with advice of the actuary, allocates a portion of the current employer contribution to the Medicare B Fund. For fiscal year 2012, the actuarially required allocation was 0.75 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2012, 2011, and 2010 were \$72,080, \$46,517, and \$78,326, respectively; 80 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

B. State Teachers Retirement System

Plan Description - The School District contributes to the cost sharing, multiple-employer defined benefit Health Plan (the "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 financial report of STRS. Interested parties can view the most recent Comprehensive Annual Financial Report by visiting www.strsoh.org or by requesting a copy by calling toll-free (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 2012, 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, 2012, 2011, and 2010 were \$334,258, \$336,568, and \$315,539, respectively; 84 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

NOTE 12: 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.

Brunswick City School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2012

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 13: CAPITAL LEASES – LESSEE DISCLOSURE

In 2003 the School District entered into lease agreement for 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 \$2,650,083.

Capital lease payments have been reclassified and reflected as debt service expenditures on the fund financial statements for the governmental funds.

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, 2012.

For Fiscal Year Ending June 30, 2013	\$ 141,002
Less: Amount Representing Interest	<u>3,002</u>
Present Value of Net Minimum Lease Payments	<u><u>\$ 138,000</u></u>

Brunswick City School District
Notes to the Basic Financial Statements
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NOTE 14: LONG-TERM OBLIGATIONS

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

Debt Issue	Interest Rate	Original Issue Amount	Date of Maturity
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 - 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
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Changes in the School District's long-term debt obligations during the year consist of the following:

	<u>Amount Outstanding 7/1/2011</u>	<u>Additions</u>	<u>Deductions</u>	<u>Amount Outstanding 06/30/2012</u>	<u>Due Within One Year</u>
Governmental Activities					
General Obligation Bonds					
Certificates of Participation, Series 2010					
Taxable Qualified School					
Construction Bonds - (QSCB)	\$ 4,000,000	\$ 0	\$ 0	\$ 4,000,000	\$ 0
Taxable Build America Bonds - (BABS)	15,460,000	0	0	15,460,000	0
Tax-Exempt	5,110,000	0	810,000	4,300,000	825,000
Unamortized Premium	16,615	0	3,323	13,292	0
School Improvement - 1999					
Capital Appreciation Bonds	298,000	0	151,633	146,367	146,367
Accretion on Capital Appreciation Bonds	446,648	42,395	243,367	245,676	245,676
School Improvement Refunding - 2000	1,125,000	0	460,000	665,000	490,000
School Improvement - 2003	448,682	0	55,413	393,269	58,050
School Improvement Refunding - 2005	5,750,000	0	230,000	5,520,000	240,000
Unamortized Premium	620,848	0	40,935	579,913	0
Refunding Loss	(470,840)	31,044	0	(439,796)	0
School Improvement Refunding - 2009					
Series and Term Bonds	5,760,000	0	70,000	5,690,000	75,000
Capital Appreciation Bonds	554,993	0	0	554,993	0
Accretion on Capital Appreciation Bonds	122,847	64,531	0	187,378	0
Unamortized Premium	286,087	0	22,887	263,200	0
Refunding Loss	(187,692)	15,015	0	(172,677)	0
Total General Obligation Bonds	39,341,188	152,985	2,087,558	37,406,615	2,080,093
Compensated Absences	5,852,407	407,954	832,006	5,428,355	626,148
Capital Leases Payable	390,284	0	252,284	138,000	138,000
Total Governmental Activities	\$ 45,583,879	\$ 560,939	\$ 3,171,848	\$ 42,972,970	\$ 2,844,241

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

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, 2012. The fiscal year 2012 accretion amount was \$42,395.

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.

Brunswick City School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2012

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 defeased debt in the amount of \$6,075,000 was called December 1, 2009.

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 2012 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 2012 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 2012 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.

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 Redemption
<u>December 1</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).

Brunswick City School District
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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>Redemption</u>
<u>December 1</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>Redemption</u>
<u>December 1</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.

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, 2012 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 2012 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 2012 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 2012 was \$15,015.

Brunswick City School District
Notes to the Basic Financial Statements
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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 2012 accretion amount was \$64,531.

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 2012 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 2012 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.

Brunswick City School District
Notes to the Basic Financial Statements
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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>December 1</u>	<u>Redemption</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.

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).

Brunswick City School District
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Principal and interest requirements to retire long-term obligations outstanding at June 30, 2012, are as follows:

Fiscal Year Ending June 30,	General Obligation Bonds		Capital Appreciation Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
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	1,275,157	1,661,223	0	0	1,275,157	1,661,223
2018-2022	9,418,468	7,028,584	554,993	605,007	9,973,461	7,633,591
2023-2027	9,720,000	4,250,987	0	0	9,720,000	4,250,987
2028-2032	6,660,000	1,822,163	0	0	6,660,000	1,822,163
2033-2034	1,955,000	96,019	0	0	1,955,000	96,019
Total	\$ 36,028,269	\$ 22,062,876	\$ 701,360	\$ 863,640	\$ 36,729,629	\$ 22,926,516

NOTE 15: INTERFUND BALANCES

Interfund balances at June 30, 2012, consist of the following:

	Interfund Receivable	Interfund Payable
General	\$ 518,362	\$ 0
Auxiliary Services	0	255,662
Alternate School Grants	0	8,000
Title VI-B	0	161,000
Title II-D	0	3,100
Title III	0	8,100
Title I	0	63,600
Preschool Grants	0	1,600
Title VI-R	0	17,300
Total	<u>\$ 518,362</u>	<u>\$ 518,362</u>

The interfund balances will be repaid once the anticipated revenues are received. These advances are expected to be repaid within one year. Interfund loans between governmental activities are eliminated on the statement of net assets.

NOTE 16: 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 2012, no monies were paid by Brunswick City School District to the Career Center. To obtain financial information write to the Medina Career Center, John Streett, who serves as Treasurer, at 1101 West Liberty, Medina, Ohio 44256.

Brunswick City School District
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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 2012, the School District paid \$1,578 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.

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 2012 the School District paid \$127,680 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 17: 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.

Brunswick City School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2012

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.

NOTE 18: 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 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 capital acquisitions. Disclosure of this information is required by the State statute.

	Capital Improvements Reserve
Set Aside Restricted Balance June 30, 2011	\$ 0
Current Year Set Aside Requirement	1,299,619
Current Year Qualifying Expenditures	<u>(11,251,289)</u>
Total	<u>\$ (9,951,670)</u>
Balance Carried Forward to Fiscal Year 2013	<u>\$ 0</u>
Set Aside Restricted Balance June 30, 2012	<u>\$ 0</u>

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

Brunswick City School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2012

NOTE 19: 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	Other Governmental Funds	Total
Nonspendable for:			
Inventory	\$ 389,607	\$ 48,241	\$ 437,848
Prepays	4,640	0	4,640
Unclaimed Monies	38,157	0	38,157
Total Nonspendable	432,404	48,241	480,645
Restricted for:			
Debt Service	0	1,184,242	1,184,242
Capital Projects	0	2,687,167	2,687,167
Other Purposes	0	213,211	213,211
Total Restricted	0	4,084,620	4,084,620
Committed for:			
Termination Payments	22,750	0	22,750
Permanent Improvement	0	1,515,445	1,515,445
Total Committed	22,750	1,515,445	1,538,195
Assigned for:			
Encumbrances	730,320	0	730,320
Subsequent Year Appropriations	2,718,184	0	2,718,184
Total Assigned	3,448,504	0	3,448,504
Unassigned	270,500	(179,572)	90,928
<i>Total Fund Balance</i>	<i>\$ 4,174,158</i>	<i>\$ 5,468,734</i>	<i>\$ 9,642,892</i>

Brunswick City School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2012

NOTE 20: CONTINGENCIES

A. Review of Statewide Attendance Data

The Auditor of State is currently performing a statewide review of supporting documentation for student attendance data reported to the Ohio Department of Education. The results of this review are still pending and will be reported separately to the Ohio Department of Education at a later date.

B. Grants

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. This also encompasses the Auditor of State's ongoing review of student attendance data. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2012, if applicable, cannot be determined at this time.

C. 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, 2012**

<u>Federal Grantor/ Pass Through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Receipts</u>	<u>Expenditures</u>
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
<i>Passed Through the Ohio Department of Education:</i>			
<u>Child Nutrition Cluster:</u>			
School Breakfast Program	10.553	\$163,700	\$163,700
National School Lunch Program	10.555	759,918	759,918
Non-cash Assistance	10.555	145,165	154,024
Total Child Nutrition Cluster		<u>1,068,783</u>	<u>1,077,642</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE		1,068,783	1,077,642
<u>U.S. DEPARTMENT OF EDUCATION</u>			
<i>Passed Through the Ohio Department of Education:</i>			
<u>Special Education Cluster:</u>			
Special Education - Grants to States	84.027	465,121	477,542
		1,148,356	1,168,124
ARRA - Special Education Grants to States, Recovery Act	84.391	<u>267,957</u>	<u>177,427</u>
Total Special Education - Grants to States		1,881,434	1,823,093
Special Education - Preschool Grants	84.173	6,103	4,737
		23,979	22,630
ARRA - Special Education - Preschool Grants, Recovery Act	84.392	<u>35,005</u>	<u>50,500</u>
Total Special Education - Preschool Grants		<u>65,087</u>	<u>77,867</u>
Total Special Education Cluster		1,946,521	1,900,960
<u>Title I, Part A Cluster:</u>			
Title I Grants to Local Educational Agencies	84.010	195,438	172,769
		<u>384,458</u>	<u>380,428</u>
Total Title I Grants to Local Educational Agencies		579,896	553,197
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	<u>85,498</u>	1,575
		85,498	94,575
Total ARRA - Title I Grants to Local Educational Agencies, Recovery Act		85,498	96,150
Total Title I, Part A Cluster		665,394	649,347
Education Jobs Fund	84.410	1,186,245	1,186,245
ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395	7,000	7,000
ARRA - Education for Homeless Children and Youth, Recovery Act	84.387	854	732
Improving Teacher Quality State Grants	84.367	6,599	9,948
		<u>157,950</u>	<u>153,397</u>
Total Improving Teacher Quality State Grants		164,549	163,345
English Language Acquisition Grants	84.365	598	1,820
		<u>4,784</u>	<u>4,674</u>
Total English Language Acquisition Grants		5,382	6,494
Education Technology State Grants	84.318	181	886
		<u>780</u>	<u>1,990</u>
Total Education Technology State Grants		961	2,876
Safe and Drug-Free Schools and Communities-State Grants	84.186	<u>(3)</u>	<u>181</u>
TOTAL U.S. DEPARTMENT OF EDUCATION		3,976,903	3,917,180
TOTAL		<u>\$5,045,686</u>	<u>\$4,994,822</u>

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, 2012**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Receipts and Expenditures Schedule (the Schedule) reports the 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.



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, the major fund, and the aggregate remaining fund information of the Brunswick City School District, Medina County, Ohio, (the District) as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 11, 2013. 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 January 11, 2013.

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

January 11, 2013



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 Brunswick City School District's major federal programs for the year ended June 30, 2012. 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 opine on the District's compliance based on our audit.

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

As described in finding 2012-002 in the accompanying schedule of findings and questioned costs, the District did not comply with requirements regarding equipment management 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 Brunswick City School District, Medina County, Ohio, complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2012.

The results of our auditing procedures also disclosed another instance of noncompliance with these requirements that, while not affecting our opinion on compliance, OMB Circular A-133 requires us to report. The accompanying schedule of findings and questioned costs lists this instance as Finding 2012-001.

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 and a deficiency that we consider to be a significant deficiency.

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 2012-002 to be a material weakness.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a federal program compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2012-001 to be a significant deficiency.

We also noted a matter involving federal compliance not requiring inclusion in this report, that we reported to the District's management in a separate letter dated January 11, 2013.

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



Dave Yost
Auditor of State

January 11, 2013

**BRUNSWICK CITY SCHOOL DISTRICT
MEDINA COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
JUNE 30, 2012**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	Yes
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Qualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	Yes
<i>(d)(1)(vii)</i>	Major Programs (list):	<ul style="list-style-type: none"> ➤ Special Education Cluster, CFDA 84.027, 84.391, 84.173, and 84.392; ➤ Education Jobs Fund, CFDA 84.410; ➤ Improving Teacher Quality State Grants, CFDA 84.367.
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

Finding Number	2012-001
CFDA Title and Number	Special Education Cluster: CFDA 84.027, 84.391, 84.173 and 84.392
Federal Award Number/Year	2012
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

Questioned Costs/Significant Deficiency:

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 section 34 CFR 200.202. 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. However, ancillary benefit to non-disabled students is allowable, but the majority of the benefit must be to students with disabilities.

Our Special Education Cluster Grants testing identified \$25,415 of \$1,900,961 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>
Salary adjustment for employee on leave	\$19,803
Unknown adjustment variance for tutors	483
Supplemental Contract Charged to Grant - Non-Federal Related	3,212
Textbooks *	1,472
Color printers (1) CJFD812 (Not on inventory listing)	445
Total	<u>\$25,415</u>

(*Indicates costs charged to ARRA grant)

The District should implement procedures to help ensure only necessary and reasonable expenditures for proper and efficient performance and administration of Federal awards are charged to each Federal grant.

Officials’ Response/Corrective Action Plan: No response was provided by management.

Finding Number	2012-002
CFDA Title and Number	Special Education Cluster: CFDA 84.027, 84.391, 84.173 and 84.392
Federal Award Number / Year	2011
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

Material Weakness/Noncompliance Finding:

2 CFR 215.34 (OMB Circular A-110) requires equipment be used in the program for which it was acquired as long as needed. When no longer needed for the original project or program, the recipient shall use the equipment in connection with its other federally-sponsored activities, or, when appropriate, other Federal programs. Equipment records shall be maintained, a physical inventory of equipment shall be taken at least once every two years and reconciled to the equipment records, an appropriate control system shall be used to safeguard equipment, and equipment shall be adequately maintained. When equipment with a current per unit fair market value of \$5,000 or more is no longer needed for a Federal program, it may be retained with the Federal agency having a right to a proportionate (percent of Federal participation in the cost of the original project) amount of the current fair market value. If the recipient does not wish to retain the equipment, the recipient shall request disposition instructions from the Federal awarding agency. If so instructed or if disposition instructions are not issued within 120 calendar days after the recipient's request, the recipient shall sell the equipment and reimburse the Federal awarding agency an amount computed by applying the sales proceeds the percentage of Federal participation in the cost of the original project or program. However, the recipient shall be permitted to deduct and retain from the Federal share \$500 or ten percent of the proceeds, whichever is less, for the recipient's selling and handling expenses. Proper sales procedures shall be used that provide for competition to the extent practicable and result in the highest possible return.

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 section 34 CFR 200.202. The **Ohio Department of Education** issued a memo dated August 17, 2009, title "**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. However, ancillary benefit to non-disabled students is allowable, but the majority of the benefit must be to students with disabilities.

The District was unable to provide a complete equipment inventory list documenting the current location of the all equipment purchased with Special Education Cluster monies from current and past years. As such, we were unable to satisfy ourselves with respect to the aforementioned Equipment and Real Property Management A-133 Single Audit Requirements for fiscal year 2012.

Additionally, our prior audit (fiscal year 2011) Special Education Cluster Grant testing 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 for the fiscal year 2011 Single Audit.

Finding Number 2012-002 (Continued)

<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
Total	<u>\$341,519</u>

(* costs charged to ARRA grant, CFDA 84.391)

The District's corrective action plan negotiated with the Ohio Department of Education related to the aforementioned questioned cost included provisions for reassigning 195 computers and 195 monitors (390 items total), 40 Apple iPads, and 7 printers to special education classrooms across the District. The corrective action plan also indicated the District would maintain an Outlook Calendar to document the use of its mobile computer labs.

We attempted to determine if the District implemented these corrective actions. Our testing revealed the District had an inventory listing showing 367 computers and monitors, instead of 390. Additionally, this listing included 7 items with no locations documented and 6 items with locations in non-special education departments (i.e. food service and athletic). We were also provided an inventory list for the 40 iPads. However, this listing had 42 items listed with 2 documented as "no location" and 4 indicated as "written off." Furthermore, management indicated the 7 printers are currently located in the technology department and have yet to be reassigned.

Since the District was unable to provide complete inventory listing documenting these items' locations, we were unable to determine if the District's properly implemented the corrective action plan.

Additionally, during our testing of equipment management (25 items selected), we noted the following: Two inventory items were reassigned to staff not indicated on the District's inventory listing. Two inventory items were not in the location indicated on the District's inventory listing. One inventory item did not have a District inventory sticker. One inventory item listed on the District's inventory was missing.

Failure to maintain adequate inventory records for equipment acquired with Federal awards monies could result in fines, penalties and/or losses or reductions of future federal awards.

The District should implement procedures to ensure equipment inventory records are complete and clearly identify all equipment purchased with federal awards. Additionally, a physical inventory of federal award purchased equipment shall be taken at least once every two years and reconciled to the equipment records.

Officials' Response/Corrective Action Plan: No response was provided by management.

**BRUNSWICK CITY SCHOOL DISTRICT
MEDINA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 2012**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2011-001	Questioned Cost/Material Weakness: \$341,519 of Special Education Grant expenditures were identified which did not appear to primarily benefit students with disabilities and were reported as questioned costs.	No	Not Corrected, See Finding 2012-002

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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
FEBRUARY 12, 2013**