



**BRUNSWICK CITY SCHOOL DISTRICT
MEDINA COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2003



**Auditor of State
Betty Montgomery**

**BRUNSWICK CITY SCHOOL DISTRICT
MEDINA COUNTY**

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Brunswick School District, Medina County, Ohio, (the District) as of and for the year ended June 30, 2003, which collectively comprise the District's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the District, as of June 30, 2003, and the respective changes in financial position and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, during the year ended June 30, 2003, the District implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements- and Management's Discussion and Analysis- for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 12, 2004 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

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



Betty Montgomery
Auditor of State

January 12, 2004

Brunswick City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
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, 2003. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for 2003 are as follows:

- Total assets for fiscal year 2003 increased \$.9 million over total assets for fiscal year 2002. This is due to an increase in capital assets related to building improvements and capital leases. Total liabilities for fiscal year 2003 increased by \$3.0 million over fiscal year 2002. This increase is related to the outstanding debt for school improvement bonds and tax anticipation long-term notes issued during the fiscal year and the new lease agreement.
- In total, net assets decreased \$2.0 million or 22.5 percent from fiscal year 2002. This decrease was in restricted net assets of governmental activities (\$1.4 million or a 37.8 percent decline from 2002) and unrestricted net assets of governmental activities (\$.8 million or a 5.2 percent decline from 2002) offset by an increase in investment in capital assets of \$.2 million or 7.4 percent.
- Total revenues were \$54.3 million for fiscal year 2003. General revenues accounted for \$49.8 million or 91.7 percent of all revenues, with taxes revenues representing 50.2 percent of those revenues. Specific program revenues in the form of charges for services and sales, operating and capital grants and contributions accounted for \$4.5 million or 8.3 percent of all revenues.
- The District had \$56.3 million in expenses related to governmental activities; only \$4.5 million of these expenses were offset by program specific charges for services, sales, operating and capital grants and contributions. General revenues (primarily taxes supplemented by grants and entitlements) of \$49.8 million, plus a portion of unrestricted net assets carried forward from last year, were adequate to provide for these programs.
- The general fund had \$46.7 million in revenues and \$49.8 million in expenditures for fiscal year 2003. The general fund's balance decreased by \$2.7 million from the prior fiscal year.
- Outstanding debt increased to \$26.4 million in 2003 from \$23.1 million in 2002 due to the issuance of school improvement bonds for \$.8 million and tax anticipation notes for \$3.2 million during the fiscal year.

Brunswick City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
Unaudited

Using this Annual Financial Report

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

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

Reporting the School District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains all of the funds used by the School District to provide programs and activities, the view of the School District as a whole considers all financial transactions and asks the question "How did we perform financially during 2003?" The *Statement of Net Assets* and the *Statement of Activities* answers this question. These statements include *all assets* and *liabilities* using the *accrual basis of accounting* similar to the accounting used by most private sector companies. Accrual accounting takes into account all of the current year's revenue and expenses regardless of when cash is received or paid.

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

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

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

Brunswick City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
Unaudited

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

The School District as a Whole

You may recall that the *Statement of Net Assets* provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets for 2003 compared to 2002:

Table 1
 Net Assets
 Governmental Activities (in millions)

	2003	2002
Assets		
Current and Other Assets	\$30.3	\$30.9
Capital Assets, Net	21.5	20.0
<i>Total Assets</i>	51.8	50.9
Liabilities		
Current and Other Liabilities	30.4	32.5
Long-Term Liabilities:		
Due Within One Year	5.1	2.8
Due in More Than One Year	27.2	24.4
<i>Total Liabilities</i>	62.7	59.7
Net Assets		
Invested in Capital Assets, Net of Debt	2.9	2.7
Restricted:		
Capital Projects	0.7	1.9
Debt Service	0.6	0.6
Other Purposes	1.0	1.2
Unrestricted (Deficit)	(16.1)	(15.3)
<i>Total Net Assets</i>	(\$10.9)	(\$8.9)

Brunswick City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
Unaudited

Total assets increased by \$.9 million. There was an increase in the property tax receivable and an increase in cash available at the end of the fiscal year, due to the lease purchase agreement for the astro-turf project, off set by decreases in the other receivables. The increase in capital assets was due to the building improvements made during the fiscal year and capital leases entered into for copiers and buses.

Total liabilities increased by \$3.0 million. This increase is due mainly to the issuance of bonds for school improvements and tax anticipation notes for emergency operating needs, along with the above mentioned leases.

Table 2 shows the change in net assets for fiscal year 2003. Since this is the initial year for reporting under GASB Statement 34, revenue and expense comparisons to fiscal year 2002 are not available. In future years, when prior fiscal year information is available, a comparative analysis of government-wide data will be presented.

Table 2
 Governmental Activities (in millions)

	2003
Revenues	
Program Revenues:	
Charges for Services and Sales	\$2.3
Operating Grants and Contributions	2.1
Capital Grants and Contributions	0.1
<i>Total Program Revenues</i>	4.5
General Revenues:	
Property Taxes	25.0
Grants and Entitlements	24.3
Miscellaneous	0.5
<i>Total General Revenues</i>	49.8
Total Revenues	54.3
Program Expenses	
Instruction	31.4
Support Services:	
Pupil and Instructional Staff	5.0
Board of Education, Administration, Fiscal and Business	6.7
Operation and Maintenance of Plant	5.2
Pupil Transportation	3.4
Operation of Non-Instructional Services	2.4
Extracurricular Activities	1.1
Interest and Fiscal Charges	1.1
<i>Total Program Expenses</i>	56.3
Decrease in Net Assets	(2.0)
<i>Net Assets Beginning of Year - Restated</i>	(8.9)
<i>Net Assets End of Year</i>	(\$10.9)

Brunswick City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
Unaudited

Governmental Activities

Several revenue sources primarily fund the School District's governmental activities. Property taxes account for the largest portion of general revenues having generated \$25.0 million in fiscal year 2003. The last increase in levied property tax authorized by the citizens of the School District was November 1994. Program and general revenues from operating grants and entitlements, such as the school foundation program, are also a large source of revenue having generated \$26.4 million in fiscal year 2003. With the combination of taxes and intergovernmental funding providing coverage for over 99.1 percent of all expenses in governmental activities, the School District monitors both of these revenue sources closely for fluctuations that would impact upon its activities.

Instruction comprises 55.8 percent of governmental program expenses. Additional support services for pupils, instructional staff and business operations comprise 36.1 percent of governmental program expenses. Interest and fiscal charges, largely attributable to the servicing of outstanding bonds and capital leases, operation of non-instructional services and extracurricular activities account for the remaining 8.1 percent.

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

Table 3
 Governmental Activities (in millions)

	Total Cost of Services 2003	Net Cost of Services 2003
	2003	2003
Instruction	\$31.4	(\$30.3)
Support Services:		
Pupil and Instructional Staff	5.0	(4.5)
Board of Education, Administration, Fiscal and Business	6.7	(6.1)
Operation and Maintenance of Plant	5.2	(5.2)
Pupil Transportation	3.4	(3.4)
Operation of Non-Instructional Services	2.4	(0.5)
Extracurricular Activities	1.1	(0.7)
Interest and Fiscal Charges	1.1	(1.1)
<i>Total</i>	\$56.3	(\$51.8)

The dependence upon general revenues for governmental activities is apparent. Over 44.4 percent of total expenses are supported through taxes. Grants and entitlements not restricted to specific programs support 43.1 percent, while program revenues support an additional 8.0 percent. The remaining costs are supported by investment and other miscellaneous type revenues.

Brunswick City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
Unaudited

The School District's Funds

Information regarding the School District's major funds starts on page 16. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$54.1 million and expenditures of \$59.6 million. The net change in fund balance for the year was a decrease of \$3.2 million, including other financing sources and uses. The general fund balance decreased overall by \$2.7 million and other governmental funds balances declined overall by \$.5 million. The School District understands the need for additional tax revenues as well as the need to monitor and control expenditures to insure that it will be able to meet its obligations as they become due.

General Fund Budgeting Highlights

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

During the course of fiscal year 2003, the School District amended its general fund budget once at the end of the fiscal year. Requests for budget changes are made by building and central office administrators and where appropriate are approved by the treasurer and superintendent. Approval is then recommended to the Board of Education for their adoption.

With regard to the general fund, final budget basis revenue estimates of \$49.9 million were \$6.0 million above original budget estimates of \$43.9 million, exclusive of other financing sources. Of this \$6.0 difference, most was due to conservative tax and foundation revenue estimates. Actual revenues however were \$46.5 million or \$3.4 million less than anticipated due to lower than expected tax and foundation revenues.

Original appropriations, exclusive of other financing uses, were \$48.6 million and increased during the fiscal year to \$52.1 million. Actual expenditures however were \$50.6 million or \$1.5 million less than anticipated due to slight excess appropriations in most major expenditure categories.

The District's non-obligated portion of its fund balance at the end of the year was \$1.9 million below final budgeted amounts due to the shortfall in actual revenues as noted above.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2003, the School District had \$21.5 million invested in land, buildings and improvements, furniture and equipment, and vehicles. Table 4 details fiscal year 2003 balances compared to fiscal year 2002. More detailed information is presented in Note 8 of the notes to the basic financial statements.

Brunswick City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
Unaudited

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

	2003	2002
Land	\$1.4	\$1.4
Land Improvements	0.2	0.2
Buildings and Improvements	14.5	13.5
Furniture and Equipment	3.2	3.1
Vehicles	2.2	1.8
<i>Totals</i>	\$21.5	\$20.0

All capital assets, except land, are reported net of depreciation. The primary source of the increase in capital assets occurred within the category of buildings and improvements, which included renovations at Edwards Middle School of \$574,000 and Brunswick High School of \$1,103,000.

For fiscal year 2003, Ohio law required school districts to expend or otherwise reserve three percent of qualifying revenues from the prior fiscal year for the purpose of capital improvements and an additional three percent for textbooks and instructional materials. For fiscal year 2003, this amounted to \$989,368 for each purpose. The School District had qualifying disbursements exceeding these requirements. See Note 21 for additional set-aside information.

As of June 30, 2003 the District has contractual commitments for remodeling and updating all school buildings in the amount of \$11,115,000. The balances remaining on these contractual commitments were \$63,000.

Debt

At June 30, 2003, the School District had \$26.4 million in bonds, loans and notes outstanding, of which \$2.5 million is due within one year. Table 5 summarizes the School District's bonds, loan and notes outstanding. A more detailed presentation is included in Note 15 of the notes to the basic financial statements.

Brunswick City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
Unaudited

Table 5
 Outstanding Debt at Fiscal Year End
 Governmental Activities

	2003	2002
General Obligation Bonds		
School Improvement, 1993	\$0	\$95,000
Energy Conservation, 1996	47,500	95,000
School Improvement, 1999	9,050,000	9,265,000
School Improvement Refunding, 2000	3,990,000	4,185,000
School Improvement, 2000	7,310,000	7,455,000
School Improvement, 2003	800,000	0
<i>Total General Obligation Bonds</i>	<u>21,197,500</u>	<u>21,095,000</u>
Long-Term Loan		
Asbestos Removal Loan, 1985	15,186	25,312
Notes		
Tax Anticipation Notes, 2002	2,021,000	2,021,000
Tax Anticipation Notes, 2003	3,200,000	0
<i>Total Notes</i>	<u>5,221,000</u>	<u>2,021,000</u>
Total Outstanding Debt	<u><u>\$26,433,686</u></u>	<u><u>\$23,141,312</u></u>

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

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

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

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

Brunswick City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
Unaudited

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

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

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

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

At June 30, 2003, the School District's overall legal debt margin within the 9 percent of tax valuation limitation was \$96,707,857. The School District's legal unvoted debt margin subject to the 1/10 of 1 percent of tax valuation limitation was \$832,002.

Current Financial Related Activities

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

The School District has not requested an increase in voter-approved taxes for operating needs since 1994. 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 personal property.

Externally, the State of Ohio was found by the Ohio Supreme Court in March 1997, to be operating an unconstitutional educational system, one that was neither "adequate" nor "equitable". Since 1997, the State directed its tax revenue growth toward school districts with little property tax wealth. On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding decision is unconstitutional. The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient..."

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

Brunswick City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
Unaudited

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

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

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the funds it receives. If you have any questions about this report or need additional financial information, please contact Daniel J. Telzrow, Treasurer, at the Brunswick City School District, 3643 Center Road, Brunswick, Ohio 44212-0310.

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Brunswick City School District

Statement of Net Assets

June 30, 2003

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$3,592,637
Cash and Cash Equivalents In Segregated Accounts	1,054,464
Cash and Cash Equivalents With Fiscal Agent	1,656
Accounts Receivable	7,766
Intergovernmental Receivable	293,868
Prepaid Items	69,652
Inventory Held for Resale	28,161
Materials and Supplies Inventory	252,030
Taxes Receivable	25,050,769
Nondepreciable Capital Assets	1,405,645
Depreciable Capital Assets, Net	<u>20,051,167</u>
<i>Total Assets</i>	<u>51,807,815</u>
Liabilities	
Accounts Payable	389,293
Accrued Wages	5,486,118
Intergovernmental Payable	1,252,260
Matured Interest Payable	1,656
Accrued Interest Payable	126,271
Deferred Revenue	23,092,993
Long-Term Liabilities:	
Due Within One Year	3,139,063
Due In More Than One Year	<u>29,207,239</u>
<i>Total Liabilities</i>	<u>62,694,893</u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	2,928,780
Restricted for:	
Capital Projects	630,766
Debt Service	630,203
Other Purposes	985,828
Unrestricted (Deficit)	<u>(16,062,655)</u>
<i>Total Net Assets (Deficit)</i>	<u><u>(\$10,887,078)</u></u>

See accompanying notes to the basic financial statements

Brunswick City School District*Balance Sheet**Governmental Funds**June 30, 2003*

	General	Other Governmental Funds	Total Governmental Funds
Assets			
Equity in Pooled Cash and Cash Equivalents	\$1,183,633	\$2,409,004	\$3,592,637
Cash and Cash Equivalents In Segregated Accounts	0	1,054,464	1,054,464
Cash and Cash Equivalents With Fiscal Agents	0	1,656	1,656
Accounts Receivable	7,766	0	7,766
Intergovernmental Receivable	2,976	290,892	293,868
Prepaid Items	69,652	0	69,652
Inventory Held for Resale	0	28,161	28,161
Materials and Supplies Inventory	241,190	10,840	252,030
Taxes Receivable	22,129,663	2,921,106	25,050,769
Interfund Receivable	91,163	0	91,163
<i>Total Assets</i>	<u>\$23,726,043</u>	<u>\$6,716,123</u>	<u>\$30,442,166</u>
Liabilities			
Accounts Payable	\$236,095	\$153,198	\$389,293
Accrued Wages	5,251,748	234,370	5,486,118
Interfund Payable	0	91,163	91,163
Intergovernmental Payable	724,713	38,412	763,125
Deferred Revenue	20,913,682	2,997,494	23,911,176
Matured Interest Payable	0	1,656	1,656
Accrued Interest Payable	29,485	0	29,485
Notes Payable	5,221,000	0	5,221,000
<i>Total Liabilities</i>	<u>32,376,723</u>	<u>3,516,293</u>	<u>35,893,016</u>
Fund Balances			
Reserved for Encumbrances	294,534	412,065	706,599
Reserved for Property Taxes	1,215,981	171,402	1,387,383
Undesignated (Deficit), Reported in:			
General Fund	(10,161,195)	0	(10,161,195)
Special Revenue Funds	0	511,771	511,771
Debt Service Fund	0	514,280	514,280
Capital Projects Funds	0	1,590,312	1,590,312
<i>Total Fund (Deficit) Balances</i>	<u>(8,650,680)</u>	<u>3,199,830</u>	<u>(5,450,850)</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$23,726,043</u>	<u>\$6,716,123</u>	<u>\$30,442,166</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, 2003*

Total Governmental Fund Balances		(\$5,450,850)
 <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		21,456,812
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:		
Delinquent Property Taxes	570,393	
Grants	247,790	
Total		818,183
Due to other governments includes contractually required pension contributions not expected to be paid with expendable available financial resources and therefore not reported in the funds.		(489,135)
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.		(96,786)
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	(21,197,500)	
Asbestos Loan Payable	(15,186)	
Compensated Absences	(4,022,435)	
Capital Lease Payable	(1,890,181)	
Total		(27,125,302)
<i>Net Assets of Governmental Activities</i>		(\$10,887,078)

Brunswick City School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2003

	General	Other Governmental Funds	Total Governmental Funds
Revenues			
Taxes	\$22,233,846	\$2,697,212	\$24,931,058
Intergovernmental	23,823,402	2,489,829	26,313,231
Interest	78,982	9,462	88,444
Tuition and Fees	322,369	0	322,369
Extracurricular Activities	49,020	703,712	752,732
Rentals	24,891	0	24,891
Charges for Services	0	1,201,197	1,201,197
Contributions and Donations	0	9,768	9,768
Miscellaneous	174,386	283,214	457,600
<i>Total Revenues</i>	<u>46,706,896</u>	<u>7,394,394</u>	<u>54,101,290</u>
Expenditures			
Current:			
Instruction:			
Regular	25,131,796	378,870	25,510,666
Special	5,695,140	166,554	5,861,694
Vocational	0	124,942	124,942
Support Services:			
Pupils	2,387,271	342,401	2,729,672
Instructional Staff	1,811,357	236,527	2,047,884
Board of Education	173,697	0	173,697
Administration	3,828,974	660,718	4,489,692
Fiscal	1,212,839	23,080	1,235,919
Business	370,515	0	370,515
Operation and Maintenance of Plant	5,134,951	0	5,134,951
Pupil Transportation	2,761,572	730	2,762,302
Central	60,058	0	60,058
Operation of Non-Instructional Services	0	2,149,312	2,149,312
Extracurricular Activities	778,411	315,328	1,093,739
Capital Outlay	100,000	3,646,533	3,746,533
Debt Service:			
Principal Retirement	287,901	697,500	985,401
Interest and Fiscal Charges	70,314	1,099,084	1,169,398
<i>Total Expenditures</i>	<u>49,804,796</u>	<u>9,841,579</u>	<u>59,646,375</u>
<i>Excess of Revenues Under Expenditures</i>	<u>(3,097,900)</u>	<u>(2,447,185)</u>	<u>(5,545,085)</u>
Other Financing Sources			
Capital Lease Proceeds	398,720	1,169,000	1,567,720
Bonds Issued	0	800,000	800,000
<i>Total Other Financing Sources</i>	<u>398,720</u>	<u>1,969,000</u>	<u>2,367,720</u>
<i>Net Change in Fund Balances</i>	(2,699,180)	(478,185)	(3,177,365)
<i>Fund Balances (Deficit) Beginning of Year</i>			
Restated (See Note 3)	<u>(5,951,500)</u>	<u>3,678,015</u>	<u>(2,273,485)</u>
<i>Fund Balances (Deficit) End of Year</i>	<u><u>(\$8,650,680)</u></u>	<u><u>\$3,199,830</u></u>	<u><u>(\$5,450,850)</u></u>

See accompanying notes to the basic financial statements

Brunswick City School District
*Reconciliation of the Changes in Fund Balance
of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2003*

Net Change in Fund Balances - Total Governmental Funds (\$3,177,365)

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

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

Capital Asset Additions	3,445,697	
Current Year Depreciation	(1,899,121)	
Total	1,546,576	1,546,576

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.

(105,623)

Other financing sources in the governmental funds that increase long-term liabilities in the statement of net assets are not reported as revenues in the statement of activities.

Bonds Issued	(800,000)	
Capital Lease Proceeds	(1,567,720)	
Total	(2,367,720)	(2,367,720)

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

Delinquent Property Taxes	55,235	
Grants	162,671	
Total	217,906	217,906

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

Bonds	697,500	
Asbestos Loan	10,126	
Capital Leases	277,775	
Total	985,401	985,401

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

88,379

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

Compensated Absences	(491,512)	
Pension Obligation	82,837	
Early Retirement Incentive	1,241,603	
Total	832,928	832,928

Change in Net Assets of Governmental Activities (\$1,979,518)

Brunswick City School District
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP) and Actual
General Fund
For the Fiscal Year Ended June 30, 2003

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Taxes	\$20,825,640	\$23,656,301	\$22,059,972	(\$1,596,329)
Intergovernmental	22,488,578	25,544,108	23,821,472	(1,722,636)
Interest	71,086	80,745	75,299	(5,446)
Tuition and Fees	300,954	342,068	318,792	(23,276)
Extracurricular Activities	46,277	52,543	49,020	(3,523)
Rentals	20,544	23,376	21,762	(1,614)
Miscellaneous	175,204	199,336	185,589	(13,747)
<i>Total Revenues</i>	43,928,283	49,898,477	46,531,906	(3,366,571)
Expenditures				
Current:				
Instruction:				
Regular	24,503,531	25,725,951	25,414,057	311,894
Special	5,488,161	5,775,224	5,693,452	81,772
Support Services:				
Pupils	2,337,819	2,547,101	2,413,509	133,592
Instructional Staff	1,777,852	1,948,003	1,835,169	112,834
Board of Education	187,621	219,379	201,685	17,694
Administration	3,465,037	3,666,122	3,582,546	83,576
Fiscal	1,186,161	1,254,989	1,226,158	28,831
Business	365,503	510,824	396,909	113,915
Operation and Maintenance of Plant	5,327,073	5,740,760	5,633,718	107,042
Pupil Transportation	2,995,928	3,476,765	3,142,473	334,292
Central	57,855	74,977	59,806	15,171
Extracurricular Activities	822,589	1,015,197	848,903	166,294
Capital Outlay	96,900	109,482	109,256	226
<i>Total Expenditures</i>	48,612,030	52,064,774	50,557,641	1,507,133
<i>Excess of Revenues Under Expenditures</i>	(4,683,747)	(2,166,297)	(4,025,735)	(1,859,438)
Other Financing Sources (Uses):				
Notes Issued	3,020,949	3,200,000	3,200,000	0
Advances In	52,569	55,685	55,685	0
Advances Out	(196,946)	(196,946)	(196,946)	0
<i>Total Other Financing Sources (Uses)</i>	2,876,572	3,058,739	3,058,739	0
<i>Net Change in Fund Balance</i>	(1,807,175)	892,442	(966,996)	(1,859,438)
<i>Fund Balance Beginning of the Year</i>	1,128,453	1,128,453	1,128,453	0
Prior Year Encumbrances Appropriated	498,898	498,898	498,898	0
<i>Fund Balance (Deficit) End of Year</i>	(\$179,824)	\$2,519,793	\$660,355	(\$1,859,438)

See accompanying notes to the basic financial statements.

Brunswick City School District
Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
June 30, 2003

	<u>Agency</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$217,745</u>
Liabilities	
Due to Students	\$155,104
Undistributed Monies	<u>62,641</u>
<i>Total Liabilities</i>	<u>\$217,745</u>

See accompanying notes to the basic financial statements

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Brunswick City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

Note 1 – Description of the School District and Reporting Entity

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

The School District is located in Medina County and encompasses the entire City of Brunswick. It controls the School District's 10 instructional/support facilities staffed by 281 classified employees, 474 certificated full-time teaching personnel and 27 administrators who provide services to 7,272 students and other community members.

Reporting Entity

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

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

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

The School District participates in two jointly governed organizations and an insurance purchasing pool. These organizations are the Medina County Joint Vocational School, the Ohio Schools Council and the Ohio School Boards Association Workers' Compensation Group Rating Program. These organizations are presented in Notes 19 and 20 to the basic financial statements.

Brunswick City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

Note 2 - Summary of Significant Accounting Policies

The financial statements of Brunswick City School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the School District's accounting policies are described below.

A. Basis of Presentation

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

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

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

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

B. Fund Accounting

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

Brunswick City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

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

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

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

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

C. Measurement Focus

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

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

D. Basis of Accounting

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

Brunswick City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

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

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

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

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

Property taxes for which there is an enforceable legal claim as of June 30, 2003, but which were levied to finance fiscal year 2004 operations, have been recorded as deferred revenue. Grants and entitlements received before eligibility requirements are met are also recorded as deferred revenue.

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

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

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

E. Budgetary Data

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

Brunswick City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

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

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

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

F. Cash and Cash Equivalents

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

The School District has segregated bank accounts for monies held separate from the School District's central bank account. These amounts are presented as "cash and cash equivalents in segregated accounts" since they are not required to be deposited into the School District treasury.

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

During fiscal year 2003, investments were limited to Victory Federal Money Market Mutual Fund, overnight repurchase agreements and STAROhio.

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

STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2003.

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 2003 amounted to \$78,982, which includes \$22,519 assigned from other School District funds.

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

Brunswick City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

G. Prepays

Payments made to vendors for services that will benefit periods beyond June 30, 2003, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an 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. Capital Assets

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

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

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

Description	Estimated Lives
Land Improvements	99 years
Buildings and Improvements	30 years
Furniture and Fixtures	6-10 years
Vehicles	3-10 years

J. Interfund Balances

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

K. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Brunswick City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

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.

The entire compensated absence liability is reported on the government-wide financial statements.

On the governmental fund financial statements compensated absences are recognized as liabilities and expenditures 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 general fund.

L. Accrued Liabilities and Long-Term Obligations

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

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

M. Interfund Activity

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

N. Net Assets

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

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

Brunswick City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

O. Fund Balance Reserves

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

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

P. Extraordinary and Special Items

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

Q. Estimates

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

Note 3 - Change in Accounting Principle and Restatement of Fund Balances/Net Assets

A. Changes in Accounting Principles

For fiscal year 2003, the School District has implemented GASB Statement No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments", GASB Statement No. 37, "Basic Financial Statements for State and Local Governments: Omnibus", GASB Statement No. 38, "Certain Financial Statement Note Disclosures", GASB Statement No. 41, "Budgetary Comparison Schedules - Perspective Differences", and GASB Interpretation No. 6 "Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements."

GASB Statement No. 34 creates new basic financial statements for reporting on the School District's financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column. Fiduciary funds are reported by type.

On the government-wide financial statements, the beginning net asset amount for governmental activities reflects the change in fund balance for governmental funds at June 30, 2002, caused by the reclassification of funds based on the guidance provided in Statement No. 34, which includes reclassifying enterprise funds as special revenue funds for reporting purposes, and the conversion to the accrual basis of accounting.

GASB Statement No. 37 clarifies certain provisions of Statement No. 34, including the required content of the Management Discussion and Analysis, the classification of program revenues and the criteria for determining major funds. GASB Statement No. 38 modifies, establishes and rescinds certain financial statement note disclosures.

Brunswick City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

GASB Statement No. 41 allows the presentation of budgetary schedules as required supplementary information based on the fund, organization or program structure that the government uses for its legally adopted budget when significant budgetary perspective differences result in the governments not being able to present budgetary comparisons for the general and each major special revenue fund.

GASB Interpretation No. 6 clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures in areas where differences have arisen, or potentially could arise, in interpretation and practice.

B. Restatement of Fund Balance

The implementation of these changes, together with restatements for notes payable that were previously reported as fund liabilities, had the following effects on fund balance of the major and nonmajor funds of the School District. The transition from governmental fund balance to net assets of the governmental activities is also presented.

	General	Nonmajor	Total
Fund Balance, June 30, 2002	(\$6,069,881)	\$3,082,185	(\$2,987,696)
Fund Reclassification	0	566,498	566,498
Intergovernmental Payable	0	1,331	1,331
Inventory Reclassification	0	1,164	1,164
Loans Payable Reclassification	25,312	0	25,312
Implementation of GASB Interpretation 6	93,069	26,837	119,906
Restated Fund Balance, June 30, 2002	(\$5,951,500)	\$3,678,015	(2,273,485)
GASB 34 Adjustments:			
Capital Assets			20,015,859
Long-Term (Deferred) Assets			600,277
Long-Term Liabilities			(25,251,471)
Pension Obligations			(571,972)
Accrued Interest Payable			(185,165)
Early Retirement Incentive Payable			(1,241,603)
Governmental Activities Net Assets, June 30, 2002			(\$8,907,560)

Brunswick City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

	Business-Type Activities
Net Assets, June 30, 2002	\$692,536
Fund Reclassification	(692,536)
Adjusted Net Assets, June 30, 2002	\$0

Note 4 – Accountability and Compliance

A. Accountability

The following funds had deficit fund balances as of June 30, 2003:

Major Fund	
General Fund	\$8,650,680
 NonMajor Funds	
<i>Special Revenue Funds</i>	
Venture Capital	83
Title VI-B	118,265
Drug Free Schools	286

The general fund deficit resulted from the recognition of liabilities in accordance with generally accepted accounting principles. The School District has passed an emergency levy in May 2002 and May 2003 to meet emergency operational needs and issued notes until the taxes revenues are received. The cash situation is continually evaluated to see if additional monies will be needed by fiscal year-end.

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

B. Compliance

The School District had a negative cash balance of \$35,478 in the Title VI-B Special Revenue Fund, indicating that revenues from other sources were used to pay obligations of this fund, contrary to Ohio Revised Code Section 5705.10. Management has indicated that all cash balances will be closely monitored to ensure no future violations.

Contrary to Auditor of State Bulletin 97-003, the School District made several interfund advances without a resolution of the taxing authority of the political subdivision passed by a majority of the governing board.

Contrary to Ohio Revised Code Section 5705.41(D), the School District did not certify all expenditures prior to incurring the obligation.

Brunswick City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

Contrary to Ohio Revised Code Section 5705.41(B), fund level expenditures plus encumbrances exceed appropriations in amounts ranging from \$8,000 to \$991,000 in the Title I and Title VI-R special revenue funds and the Permanent Improvement and Building capital projects funds.

Contrary to Section 5705.39, Ohio Revised Code, the following funds had original appropriations in excess of original estimated revenues and carryover balances as of June 30, 2003:

	Original Estimated Resources Plus Carryover Balances	Original Appropriations	Excess
General	\$48,629,152	\$48,808,976	(\$179,824)
Nonmajor Funds:			
Special Revenue			
Uniform School Supply	19,203	35,350	(16,147)
Career Education	59,583	65,906	(6,323)
District Managed Student Activities	435,797	472,510	(36,713)
Educational Management Information	60,789	61,135	(346)
Title VI-B	403,063	814,800	(411,737)
Professional Development	103,525	139,467	(35,942)
Capital Projects Fund			
Building	3,120,282	3,139,735	(19,453)

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

Note 5 - Budgetary Basis of Accounting

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

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

Brunswick City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

The following table summarize the adjustments necessary to reconcile the GAAP basis statement to the budgetary basis statements on a fund type basis for the general fund.

Net Change in Fund Balance	
GAAP Basis	(\$2,699,180)
Net Adjustment for Revenue Accruals	(972,430)
Advance In	55,685
Capital Lease Proceeds	398,720
Notes Issued	3,200,000
Net Adjustment for Expenditure Accruals	(333,909)
Advance Out	(196,946)
Adjustment for Encumbrances	<u>(418,936)</u>
Budget Basis	<u><u>(\$966,996)</u></u>

Note 6 - Deposits and Investments

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

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

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

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

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

Brunswick City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

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

1. United States Treasury Notes, Bills, Bonds, Notes, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAROhio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any on time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

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

Deposits: At year-end, the carrying amount of the School District's deposits was \$1,223,239 and the bank balance was \$1,867,673. Of the bank balance:

Brunswick City School District
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1. \$429,622 was covered by federal depository insurance; and
2. \$1,438,051 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging institution in the School District's name and all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

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

	Category 3	Carrying and Fair Value
Repurchase Agreements	\$3,467,000	\$3,467,000
Victory Federal Money Market Mutual Fund	0	125,950
STAROhio	0	50,313
 Total	 \$3,467,000	 \$3,643,263

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

	Cash and Cash Equivalents/Deposit	Investments
GASB Statement No. 9	\$4,866,502	\$0
Investments which are a part of a cash management pool:		
Repurchase Agreements	(3,467,000)	3,467,000
Victory Federal Money Market Mutal Fund	(125,950)	125,950
STAROhio	(50,313)	50,313
GASB Statement No. 3	\$1,223,239	\$3,643,263

Brunswick City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

Note 7 - Property Taxes

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the school district. Real property tax revenue received in calendar 2003 represents collections of calendar year 2002 taxes. Real property taxes received in calendar year 2003 were levied after April 1, 2002, on the assessed value listed as of January 1, 2002, 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 semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2003 represents collections of calendar year 2002 taxes. Public utility real and tangible personal property taxes received in calendar year 2003 became a lien December 31, 2001, were levied after April 1, 2002 and are collected in 2003 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2003 (other than public utility property) represents the collection of 2003 taxes. Tangible personal property taxes received in calendar year 2003 were levied after April 1, 2002, on the value as of December 31, 2002. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-four percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Medina County. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2003, are available to finance fiscal year 2003 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2003 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2003 was \$1,215,981 in the general fund, \$81,956 in the bond retirement debt service fund, and \$89,446 in the permanent improvements capital projects fund. The amount available as an advance at June 30, 2002, was \$1,052,233 in the general fund, \$88,212 in the bond retirement debt service fund, \$27,823 in the permanent improvement capital projects fund, and \$16,868 in the classroom facilities capital projects fund.

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

Brunswick City School District
Notes to the Basic Financial Statements
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The assessed values upon which the fiscal year 2003 taxes were collected are:

	2002 Second Half Collections		2003 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$741,145,640	92.32 %	\$770,115,470	92.56 %
Public Utility Personal	15,472,420	1.93	16,023,080	1.93
Tangible Personal Property	46,158,247	5.75	45,863,160	5.51
Total	\$802,776,307	100.00 %	\$832,001,710	100.00 %
 Tax rate per \$1,000 of assessed valuation	 \$61.92		 \$60.67	

Note 8 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2003, was as follows:

	Balance 6/30/02	Additions	Deductions	Balance 6/30/03
Governmental Activities				
<i>Capital Assets, not being depreciated</i>				
Land	\$1,405,645	\$0	\$0	\$1,405,645
 <i>Capital Assets, being depreciated</i>				
Land Improvements	1,025,432	0	0	1,025,432
Building and Improvements	31,684,353	1,807,330	0	33,491,683
Furniture and Equipment	9,869,244	771,423	(144,370)	10,496,297
Vehicles	3,985,941	866,944	(583,559)	4,269,326
 <i>Total Capital Assets, being depreciated</i>	 46,564,970	 3,445,697	 (727,929)	 49,282,738
 Less Accumulated Depreciation				
Land Improvements	(777,204)	(31,352)	0	(808,556)
Building and Improvements	(18,156,463)	(888,391)	0	(19,044,854)
Furniture and Equipment	(6,830,767)	(592,617)	152,593	(7,270,791)
Vehicles	(2,190,322)	(386,761)	469,713	(2,107,370)
 Total Accumulated Depreciation	 (27,954,756)	 (1,899,121)	 622,306	 (29,231,571)
 Total capital assets, being depreciated, Net	 18,610,214	 1,546,576	 (105,623)	 20,051,167
 Governmental Activities Capital Assets, Net	 \$20,015,859	 \$1,546,576	 (\$105,623)	 \$21,456,812

Brunswick City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

*Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$636,011
Special	220,968
Support Services:	
Pupils	131,204
Instructional Staff	22,387
Administration	365,251
Fiscal	12,811
Business	7,687
Operation and Maintenance of Plant	122,026
Pupil Transportation	360,215
Operation of Non-Instructional Activities	<u>20,561</u>
Total Depreciation Expense	<u><u>\$1,899,121</u></u>

Note 9 - Receivables

Receivables at June 30, 2003, consisted of taxes, accounts (rent and student fees) and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of state programs and the guarantee of federal funds. All current fiscal year receivables are expected to be collected within one year.

A summary of the principal items of intergovernmental receivables follows:

	<u>Amounts</u>
General Fund	<u>\$2,976</u>
Nonmajor Funds	
Food Service	39,470
Title VI-B	153,589
Title I	19,649
Title VI	19,391
Title VI-R	50,360
Professional Development	<u>8,433</u>
Total Nonmajor Funds	<u>290,892</u>
Total All Funds	<u><u>\$293,868</u></u>

Brunswick City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

Note 10 - Risk Management

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2003, the School District contracted with several companies for various types of insurance as follows:

Company	Type of Coverage	Coverage
Indiana Insurance Company	Liability Aggregate	\$1,000,000 2,000,000
Indiana Insurance Company	Fleet Insurance	1,000,000
Indiana Insurance Company	Property/Inland Marine Insurance	2,100,000
Ohio Casualty Insurance Company	Crime	250,000
Travelers Insurance Company	Boiler and Machinery	30,000,000
Fidelity and Deposit Companies	Employees Bond	5,000
Petroleum Underground Storage Tank Tank Release Compensation Board	Underground Storage Tanks	11,000

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

For fiscal year 2003, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 20). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP.

Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Company provides administrative, cost control and actuarial services to the GRP.

Brunswick City School District
Notes to the Basic Financial Statements
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Note 11 – Defined Benefit Pension Plans

A. School Employees Retirement System

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2003, 8.17 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2002, 5.46 percent of annual covered salary was used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2003, 2002, and 2001 were \$303,227, \$375,248, and \$263,611, respectively; 63.84 percent has been contributed for fiscal year 2003 and 100 percent for fiscal years 2002 and 2001.

B. State Teachers Retirement System

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

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

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

For the fiscal year ended June 30, 2003, plan members were required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2002, the portion used to fund pension obligations was 9.5 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2003, 2002, and 2001 were \$2,426,727, \$2,286,018, and \$2,203,084 respectively; 82.88 percent has been contributed for fiscal year 2003 and 100 percent for fiscal years 2002 and 2001. Contributions to the DC and Combined Plans for fiscal year 2003 were \$18,432 made by the School District and \$49,314 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, 2003, one member of the Board of Education has elected Social Security. The Board's liability is 6.2 percent of wages paid.

Note 12 - Postemployment Benefits

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

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care cost will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2003, the STRS Board allocated employer contributions equal to 1.0 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$186,671 for fiscal year 2003.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2002, (the latest information available) the balance in the Fund was \$3.011 billion. For the year ended June 30, 2002, net health care costs paid by STRS were \$354,697,000 and STRS had 105,300 eligible benefit recipients.

Brunswick City School District
Notes to the Basic Financial Statements
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For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent the premium.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2003, employer contributions to fund health care benefits were 5.83 percent of covered payroll, a decrease of 2.71 percent from fiscal year 2002. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2003, the minimum pay has been established at \$14,500. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2003 fiscal year equaled \$279,834.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2002, (the latest information available), were \$182,946,777 and the target level was \$274.4 million. At June 30, 2002, SERS had net assets available for payment of health care benefits of \$335.2 million. SERS has approximately 50,000 participants receiving health care benefits.

Note 13 - Other Employee Benefits

A. Compensated Absences

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

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

B. Early Retirement Incentive

The School District Board of Education approved an Early Retirement Incentive program. The enrollment period ran from December 1, 1996, through August 15, 2000. Participation is open to employees who are at least fifty years old, qualify for retirement with the years purchased by the Board, and agree to retire within ninety days after notification that credit had been purchased. The credit can not exceed the lesser of three years or one-fifth of each member's total Ohio teaching service. The School Board does not limit the number of employees participating in the plan in any one year. The Board has

Brunswick City School District
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For the Fiscal Year Ended June 30, 2003

the option of paying the liability in its entirety or in installments. These expenditures are reflected as function expenditures on the financial statements. This liability was paid in full during 2003.

C. Insurance

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

Note 14 - Capital Leases - Lessee Disclosure

During fiscal year 2003, the School District has entered into capital leases for copiers and buses and into a lease agreement for the installation of astro-turf at the football stadium. The School District's lease obligations meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases." Capital lease payments have been reclassified and are reflected as debt service expenditures in the general fund on the basic financial statements. These expenditures are reflected as programs/function expenditures on a budgetary basis.

As a part of the agreement for the astro-turf lease, Bank One, as lessor, deposited \$1,054,464 in segregated accounts for the installation of astro-turf. The entire amount is to be paid to the vendor at the direction of the School District when the astro-turf is installed. At year-end, no capital assets have been capitalized for this capital lease. \$1,054,464 is still held in segregated accounts. No lease payments have been made on this lease as of June 30, 2003.

The copiers and buses acquired by lease have been originally capitalized in the amount of \$1,506,873. Accumulated depreciation as of June 30, 2003 was \$370,414, leaving a current book value of \$1,136,459. 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, 2003.

Fiscal Year Ending June 30,	Governmental Activities
2004	\$495,855
2005	336,669
2006	230,078
2007	225,548
2008	183,399
2009-2013	718,086
Total	2,189,635
Less: Amount Representing Interest	(299,454)
Present Value of Net Minimum Lease Payments	\$1,890,181

Brunswick City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

Note 15 - Long-Term Obligations

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

Debt Issue	Interest Rate	Original Issue Amount	Date of Maturity
General Obligation Bonds:			
School Improvement - 1993	5.85%	\$2,250,000	December 1, 2002
Energy Conservation - 1996	4.99%	380,000	December 1, 2003
School Improvement - 1999	4.39%	9,950,000	December 1, 2023
School Improvement Refunding - 2000	5.00-7.25%	4,500,000	December 1, 2013
School Improvement - 2000	5.28%	7,729,100	December 1, 2026
School Improvement - 2003	4.85%	800,000	December 1, 2017
Long-Term Loan:			
Asbestos Removal Loan - 1985	0.00%	151,890	December 1, 2005
Notes:			
Tax Anticipation Note - 2002	3.65%	2,021,000	December 1, 2007
Tax Anticipation Note - 2003	3.65%	3,200,000	June 1, 2008

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

	Outstanding 6/30/02	Issued	Retired	Outstanding 6/30/03	Amount Due in One Year
Governmental Activities					
General Obligation Bonds					
School Improvement	\$95,000	\$0	\$95,000	\$0	\$0
Energy Conservation	95,000	0	47,500	47,500	47,500
School Improvement	9,265,000	0	215,000	9,050,000	235,000
School Improvement Refunding	4,185,000	0	195,000	3,990,000	300,000
School Improvement	7,455,000	0	145,000	7,310,000	150,000
School Improvement	0	800,000	0	800,000	29,167
<i>Total General Obligation Bonds</i>	<u>21,095,000</u>	<u>800,000</u>	<u>697,500</u>	<u>21,197,500</u>	<u>761,667</u>
Long-Term Loan					
Asbestos Removal Loan	25,312	0	10,126	15,186	10,126
Notes					
Tax Anticipation	2,021,000	0	0	2,021,000	401,000
Tax Anticipation	0	3,200,000	0	3,200,000	1,366,250
<i>Total Notes</i>	<u>2,021,000</u>	<u>3,200,000</u>	<u>0</u>	<u>5,221,000</u>	<u>1,767,250</u>
Early Retirement Incentive	1,241,603	0	1,241,603	0	0
Compensated Absences	3,530,923	607,856	116,344	4,022,435	162,215
Capital Leases Payable	600,236	1,567,720	277,775	1,890,181	437,805
<i>Total Governmental Activities</i>	<u>\$28,514,074</u>	<u>\$6,175,576</u>	<u>\$2,343,348</u>	<u>\$32,346,302</u>	<u>\$3,139,063</u>

Brunswick City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

General obligation bonds will be paid from property taxes. The notes, early retirement incentive, capital leases payable, and asbestos loan payable will be paid from the general fund. The astro-turf capital lease payable will be paid from the permanent improvement capital projects fund. Compensated absences will be paid from the general fund and the food service fund.

On September 16, 2000, the School District issued \$4,500,000 in general obligation bonds with interest rates varying from 5.00 percent to 7.25 percent. Proceeds were used to refund \$4,500,000 of the outstanding 1991 and 1993 school improvement bonds. As of June 30, 2003, \$1,535,000 of the outstanding refunded school improvement bonds are considered defeased by assets of \$1,554,567 held in an irrevocable trust.

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

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

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

The School District's overall legal debt margin was \$96,707,857 with an unvoted debt margin of \$832,002 at June 30, 2003.

Brunswick City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

Principal and interest requirements to retire long-term obligations outstanding at June 30, 2003, are as follows:

Fiscal Year Ending June 30,	General Obligation Bonds		Notes	
	Principal	Interest	Principal	Interest
2004	\$761,667	\$1,095,700	\$1,767,250	\$127,439
2005	769,742	1,050,878	1,271,250	88,602
2006	806,670	1,014,703	933,750	54,152
2007	863,691	975,831	708,750	26,414
2008	905,810	934,111	540,000	3,719
2009-2013	4,654,609	4,700,810	0	0
2014-2018	4,370,311	2,783,399	0	0
2019-2023	5,270,000	1,540,261	0	0
2024-2027	2,795,000	241,875	0	0
Total	\$21,197,500	\$14,337,568	\$5,221,000	\$300,326

Fiscal Year Ending June 30,	Asbestos Loan	Totals	
	Principal	Principal	Interest
2004	\$10,126	\$2,539,043	\$1,223,139
2005	5,060	2,046,052	1,139,480
2006	0	1,740,420	1,068,855
2007	0	1,572,441	1,002,245
2008	0	1,445,810	937,830
2009-2013	0	4,654,609	4,700,810
2014-2018	0	4,370,311	2,783,399
2019-2023	0	5,270,000	1,540,261
2024-2027	0	2,795,000	241,875
Total	\$15,186	\$26,433,686	\$14,637,894

Brunswick City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

Note 16 - Interfund Balances

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

Interfund balances at June 30, 2003 consist of the following:

	Interfund Receivable:
	General
Interfund Payable:	
Nonmajor Funds	
<i>Special Revenue Funds</i>	
Reading Improvement	42,482
Title VI-B	35,478
Preschool Grant	13,203
Total	\$91,163

Note 17 - Contingencies

A. Grants

The School District received financial assistance from federal and State agencies in the form of grants. The disbursements of funds received under these programs generally require compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2003.

B. Litigation

The School District is party to legal proceedings. The amount of the liability, if any, cannot be reasonably estimated at this time. However, in the opinion of management, any such claims and lawsuits will not have a material adverse effect on the overall financial position of the School District at June 30, 2003.

Note 18 - Contractual Commitment

As of June 30, 2003, the School District had contractual commitments for the following project:

Project	Contractual Commitment	Expended	Balance
Remodeling and Updating - All School Buildings	\$11,115,304	\$11,052,201	\$63,103

Brunswick City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

Note 19 - Jointly Governed Organizations

A. The Medina County Joint Vocational School

The Medina County Joint Vocational School District (JVS) is a separate body politic and corporate, established by the Ohio Revised Code to provide for the vocational and special education needs of the students. The Board of Education is comprised of representatives appointed by the board of each participating school district. The Board is responsible for approving its own budgets, appointing personnel, and accounting and finance related activities. Brunswick City School District students may attend the vocational school. Each school district's control is limited to its representation on the Board. During fiscal year 2003, no monies were paid by Brunswick City School District to the JVS. To obtain financial information write to the Medina Joint Vocational School, John Streett, who serves as Treasurer, at 1101 West Liberty, Medina, Ohio 44256.

B. Ohio Schools Council Association

The Ohio Schools Council Association (Council) is a jointly governed organization among ninety-one school districts. The jointly governed organization was formed to purchase quality products and services at the lowest possible cost to the member districts. Each district supports the Council by paying an annual participation fee. The Council's Board consists of seven superintendents of the participating districts whose term rotates every year. The degree of control exercised by any school district is limited to its representation on the Board. In fiscal year 2003, the School District paid \$1,265 to the Council. Financial information can be obtained by contacting Kathleen T. Neal, the Executive Secretary/Treasurer of the Ohio Schools Council at 6133 Rockside Road, Suite 10, Independence, Ohio 44131.

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

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

Note 20 - 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, 2003

Note 21 - Set-Asides

The School District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by fiscal year end or offset by similarly restricted resources received during the year must be held in cash at fiscal year end and carried forward to be used for the same purposes in future fiscal years. In prior years, the School District was also required to set aside money for budget stabilization. During the fiscal year, the Treasurer received board approval to transfer the budget stabilization amount back to the general fund.

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

	Textbooks, Instructional Materials Reserve	Capital Improvements Reserve	Budget Stabilization Reserve
Set-Aside Reserve Balance as of June 30, 2002	(\$222,645)	\$0	\$447,196
Current Year Set-Aside Requirement	989,368	989,368	0
Qualifying Disbursements	(1,266,708)	(1,242,595)	(447,196)
Totals	(\$499,985)	(\$253,227)	\$0
Set-Aside Balance Carried Forward to Future Fiscal Years	(\$499,985)	\$0	\$0
Set-Aside Reserve Balance as of June 30, 2003	\$0	\$0	\$0

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

Note 22 – State School Funding Decision

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State’s school funding plan. The decision reaffirmed earlier decisions that Ohio’s current school-funding decision is unconstitutional.

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

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

**BRUNSWICK CITY SCHOOL DISTRICT
MEDINA COUNTY**

**SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2003**

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF AGRICULTURE						
<i>Passed Through Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Distribution Program	n/a	10.550		\$95,523		\$95,523
National School Lunch Program	043661-04-PU-02	10.555	\$298,414		\$298,414	
National Breakfast Program	n/a	10.553	7,468		7,468	
Total U.S. Department of Agriculture - Nutrition Cluster			305,882	95,523	305,882	95,523
U.S. DEPARTMENT OF EDUCATION						
<i>Passed Through Ohio Department of Education:</i>						
Special Education Cluster:						
Special Education Grants to States	0436616BSF2001P	84.027	(4,352)			
	0436616BSF2002P		53,482		87,193	
	0436616BSF2003P		544,541		580,020	
Total Special Education Grants to States			593,671		667,213	
Special Education - Preschool Grants	043661PGS12002P	84.173	19,378		15,575	
	043661PGSC2001P				242	
	043661PGS12003P		27,610		16,071	
Total Special Education - Preschool Grant			46,988		31,888	
Total Special Education Cluster			640,659		699,101	
Eisenhower Professional Development State Grants	043661MS12001	84.281	(3,842)		327	
	043661MS12002		(6,742)		1,502	
Total Eisenhower Professional Development State Grants			(10,584)		1,829	
Reading Excellence	043661RNS12003	84.338	70,888		57,090	
Title I Grants to Local Educational Agencies	043661C1S12002	84.010	22,191		43,357	
	043661C1S12003		204,561		183,711	
Total Title I Grants to Local Educational Agencies			226,752		227,068	
Innovative Educational Program Strategies	043661C2S12001	84.298	(3,912)			
	043661C2S12002		(1,294)		7,656	
	043661C2S12003		33,011		6,450	
Total Innovative Education Program Strategies			27,805		14,106	
Safe and Drug Free Schools and Communities - State Grants	043661DRS12000	84.186	(52)			
	043661DRS12002				80	
	043661DRS12003		23,348		23,224	
Total Safe and Drug Free Schools and Communities - State Grants			23,296		23,304	
Safe and Drug Free Schools and Communities - National Programs	043661TYS12003	84.184	1,557		5,032	
Technology Literacy Challenge Fund Grants	043661TJS12003	84.318	1,054		105	
Class Size Reduction	043661CRS12001	84.340			945	
	043661CRS12002		(5,747)		9,003	
Total Class Size Reduction			(5,747)		9,948	
School Renovation Grants	n/a	84.352	(119)		2,473	
			6,112		6,033	
			12,080		12,019	
Total School Renovation Grants			18,073		20,525	
Improving Teacher Quality State Grants	043661MSS12003	84.367	159,026		143,683	
Total U. S. Department of Education			1,152,779		1,201,791	
Totals			\$1,458,661	\$95,523	\$1,507,673	\$95,523

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

**BRUNSWICK CITY SCHOOL DISTRICT
MEDINA COUNTY**

**NOTES TO THE SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2003**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Receipts and Expenditures of Federal Awards (Schedule) is a summary of the activity of the District's federal award programs. The Schedule has been prepared on the cash basis of accounting.

NOTE B—CHILD NUTRITION CLUSTER

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

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



**Auditor of State
Betty Montgomery**

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

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

To the Board of Education:

We have audited the basic financial statements of the Brunswick City School District, Medina County, Ohio, (the District) as of and for the year ended June 30, 2003, and have issued our report thereon dated January 12, 2004, in which we noted the District adopted Governmental Accounting Standards Board Statement 34. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2003-001 through 2003-005. We also noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated January 12, 2004.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated January 12, 2004.

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

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

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

Betty Montgomery
Auditor of State

January 12, 2004



**Auditor of State
Betty Montgomery**

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

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

To the Board of Education:

Compliance

We have audited the compliance of the Brunswick City School District, Medina County, Ohio, (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each major federal program for the year ended June 30, 2003. The District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each major federal program is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2003.

Internal Control Over Compliance

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

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Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

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

Betty Montgomery
Auditor of State

January 12, 2004

**BRUNSWICK CITY SCHOOL DISTRICT
MEDINA COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 §.505
JUNE 30, 2003**

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 weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material non-compliance at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Title I Grants to Local Educational Agencies – CFDA #84.010, Improving Teacher Quality – CFDA #84.367, Special Education Cluster – CFDA #84.027/84.173
<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?	Yes

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

Finding Number	2003-001
-----------------------	-----------------

Noncompliance Citation

Auditor of State Bulletin 97-003 provides guidance pertaining to allowable inter-fund advances. Generally, before an inter-fund advance can be made, a resolution of the taxing authority of the political subdivision shall be passed by a majority of the governing board.

<u>Advance Out of Fund</u>	<u>Amount</u>	<u>Advance Into Fund</u>	<u>Amount</u>
General Fund	\$196,946	IDEA Part B Grant	\$153,586
		Title V Grant FY03	14,206
		Title II A	25,523
Preschool Grant FY02	13,203	Safe & Drug Free Schools	3,632
Local Reading Improvement Grant	<u>42,482</u>	General Fund	<u>55,685</u>
Total	<u>\$252,631</u>		<u>\$252,631</u>

The advances documented above were not approved by the Board of Education. The Treasurer should obtain proper authorization for the advance of funds from the Board of Education. (The effects of the above advances were reversed on the financial statements.)

Finding Number	2003-002
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Noncompliance Citation

Ohio Rev. Code Section 5705.41(D) states in part, that no subdivision or taxing unit shall make any contract or order any expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the same has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. Every such contract made without such a certificate shall be null and void and no warrant shall be issued in payment of any amount due thereon.

This section also provides two "exceptions" to the above requirements:

- A. Then and Now Certificate - If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that both at the time that the contract or order was made and at the time he is completing his certification a sufficient sum was appropriated and free of any previous encumbrances, the Board may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate, if such expenditure is otherwise valid.
- B. If the amount involved is less than \$1,000 (\$3,000 effective April 7, 2003), the fiscal officer may authorize it to be paid without the affirmation of the Board upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful.

Finding Number	2003-002 (Continued)
-----------------------	-----------------------------

For the audit period, 11 out of 38 expenditures tested (29%) were not certified by the Treasurer prior to incurring the obligation. It was also found that neither of the two exceptions above were utilized for the items found to be in non-compliance. The District should certify the availability of funds prior to incurring the obligation for expenditures. The District should also implement the use of Then and Now certificates and Blanket Certificates as further permitted by Ohio Rev. Code Section 5705.41.

Finding Number	2003-003
-----------------------	-----------------

Noncompliance Citation

Ohio Rev. Code Section 5705.41(B) requires that no subdivision or taxing unit is to expend money unless it has been appropriated.

At October 31, 2002, fund level expenditures plus outstanding encumbrances exceeded appropriations within the following funds:

	<u>Appropriations</u>	<u>Expenses</u>	<u>Variance</u>
Title I	\$71,601	\$79,757	\$8,156
Title VI-R	28,977	77,727	48,750
Building Fund	2,200,365	3,192,073	991,708

At March 31, 2003, fund level expenditures plus outstanding encumbrances exceeded appropriations within the following funds:

	<u>Appropriations</u>	<u>Expenses</u>	<u>Variance</u>
Title I	\$71,601	\$182,408	\$110,807
Title VI-R	28,977	130,408	101,431
Permanent Improvement Fund	1,044,738	1,050,951	6,213
Building Fund	2,200,365	3,158,158	957,793

At June 30, 2003, fund level expenditures plus outstanding encumbrances exceeded appropriations within the following funds:

	<u>Appropriations</u>	<u>Expenses</u>	<u>Variance</u>
Permanent Improvement Fund	1,423,194	1,435,921	\$12,727
Building Fund	2,200,365	3,082,970	882,605

In addition, appropriations posted to the District's appropriations journal did not always agree to the District's actual Annual Appropriation Measure plus supplemental appropriations. The Treasurer should frequently compare actual expenditures plus outstanding encumbrances to appropriations at the fund level to avoid overspending. In addition, the Treasurer should periodically review the District's appropriations reports to ensure appropriation amounts are posted accurately and timely.

Finding Number	2003-004
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Noncompliance Citation

Ohio Rev. Code Section 5705.10 requires that monies paid into any fund be used only for the purposes for which such fund is established. At June 30, 2003, the District had negative cash fund balances in the following fund:

Special Revenue Funds	
Title VI-B Fund	\$(35,478)

Negative cash fund balances are an indication that revenues from other sources were used to pay obligations of these funds. Fund activity should be monitored to prevent future expenditures in excess of available resources. In those cases where additional funds are required, the resources should either be transferred or advanced to the fund in accordance with the Ohio Rev. Code. For additional information on advances, please read AOS Bulletin 97-003.

Finding Number	2003-005
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Noncompliance Citation

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

Our review indicated total appropriations exceeded total estimated resources at year end as follows:

<u>Fund</u>	<u>Estimated Resources</u>	<u>Appropriations</u>	<u>Variance</u>
General Fund	\$48,629,152	\$48,808,976	(\$179,824)
Special Revenue			
Uniform School Supply	19,203	35,350	(16,147)
Career Education	59,583	65,906	(6,323)
District Managed Student Activities	435,797	472,510	(36,713)
Educational Management Information	60,789	61,135	(346)
Title VI-B	403,063	814,800	(411,737)
Professional Development	103,525	139,467	(35,942)
Capital Projects Fund			
Building	3,120,282	3,139,735	(19,435)

The Board should monitor appropriations versus estimated resources to help avoid overspending.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

**BRUNSWICK CITY SCHOOL DISTRICT
MEDINA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2003**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2002-10952-001	Ohio Rev. Code Section 5705.39	No	Partially Corrected
2002-10952-002	Ohio Rev. Code Section 5705.41(B)	No	Not Corrected



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BRUNSWICK CITY SCHOOL DISTRICT

MEDINA COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 12, 2004**