

**Brunswick City
School District
Medina County, Ohio**

Basic Financial Statements

***For the Fiscal Year Ended
June 30, 2007***



Mary Taylor, CPA
Auditor of State

Board of Education
Brunswick City School District
3643 Center Road
Brunswick, Ohio 44212

We have reviewed the *Independent Auditor's Report* of the Brunswick City School District, Medina County, prepared by Rea & Associates, Inc., for the audit period July 1, 2006 through June 30, 2007. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Brunswick City School District is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

January 4, 2008

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BRUNSWICK CITY SCHOOL DISTRICT
MEDINA COUNTY, OHIO
For the Year Ended June 30, 2007
Table of Contents

	Page
Independent Auditor's Report	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets.....	13
Statement of Activities	14
Fund Financial Statements:	
Balance Sheet – Governmental Funds.....	15
Reconciliation of Total Governmental Fund Balances to Net Assets Governmental Activities	16
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	17
Reconciliation of the Changes in Fund Balances of Governmental Funds to the Statement of Activities	18
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual – General Fund	19
Statement of Fiduciary Assets and Liabilities – Agency Funds	20
Notes to the Basic Financial Statements	21
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	51
Independent Auditor's Report on Compliance with Requirements Applicable Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133	53
Schedule of Expenditures of Federal Awards – CASH BASIS	55
Schedule of Findings and Questioned Costs.....	56



Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

Focused on Your Future.

December 14, 2007

The Board of Education
Brunswick City School District (Medina County, Ohio)
Brunswick, Ohio 44212

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Brunswick City School District, Medina County, (the School District), as of and for the year ended June 30, 2007, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the School District, as of June 30, 2007, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2007 on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 12 are not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. 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.

Rea & Associates, Inc.

Medina, Ohio

Brunswick City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
(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, 2007. The intent of this discussion and analysis is to look at the School District's performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for 2007 are as follows:

- Total assets at the end of fiscal year 2007 increased \$5,136,335 over total assets at the end of fiscal year 2006. This is due to a 13.3 percent increase in current assets related to the increase in property taxes receivable. Total liabilities at the end of fiscal year 2007 increased by \$531,359 over fiscal year 2006. This increase is related to long-term liabilities.
- In total, net assets increased \$4,614,976 from fiscal year 2006. This increase was mainly in unrestricted net assets of governmental activities of \$3,706,742 and in restricted net assets of \$281,511.
- Total revenues were \$70,610,346 for fiscal year 2007. General revenues accounted for \$61,976,729, or 87.8 percent of all revenues, with tax revenue representing 57.9 percent of those revenues. Specific program revenues in the form of charges for services and sales, operating and capital grants and contributions accounted for \$8,633,617 or 12.2 percent of all revenues.
- The School District had \$65,995,370 in expenses related to governmental activities; only \$8,633,617 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 \$61,976,729 were adequate to provide for these programs.
- The general fund had \$57,785,007 in revenues and other financing sources and \$56,897,180 in expenditures and other financing uses for fiscal year 2007. The general fund's balance increased by \$887,827 from the prior fiscal year.
- Outstanding debt, excluding capital leases, decreased to \$23,788,081 in 2007 from \$26,517,878 in 2006 due to principal payments on tax anticipation notes and general obligation bonds.

Brunswick City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
(Unaudited)

Using this Annual Financial Report

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

The *Statement of Net Assets and Statement of Activities* provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other non-major funds presented in total in one column. In the case of the Brunswick City School District, the general 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 the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2007?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include *all assets* and *liabilities* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page 7. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the general fund and the bond retirement fund.

Brunswick City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
(Unaudited)

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

The School District as a Whole

Recall the Statement of Net Assets provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets for 2007 compared to 2006:

(Table 1)
Net Assets
Governmental Activities

	2007	2006
Assets		
Current and Other Assets	\$ 47,428,481	\$ 41,866,435
Capital Assets, net	18,568,336	18,994,047
<i>Total Assets</i>	65,996,817	60,860,482
Liabilities		
Current and Other Liabilities	42,951,891	39,303,355
Long-Term Liabilities:		
Due Within One Year	4,106,600	3,859,911
Due in More Than One Year	26,501,919	29,875,785
<i>Total Liabilities</i>	73,560,410	73,039,051
Net Assets		
Invested in Capital Assets, Net of Debt	(216,260)	(842,983)
Restricted:		
Capital Outlay	938,763	1,148,094
Debt Service	358,812	724,387
Other Purposes	814,233	1,214,584
Set Asides	1,831,984	575,216
Unrestricted (Deficit)	(11,291,125)	(14,997,867)
<i>Total Net Assets (Deficit)</i>	\$ (7,563,593)	\$ (12,178,569)

Total assets increased by \$5,136,335. This increase is primarily due to increases in property taxes receivable, as well as intergovernmental receivables. Total liabilities increased by \$521,359. This increase is due mainly to an increase in deferred revenue.

Brunswick City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
(Unaudited)

Table 2 shows the changes in net assets for fiscal year 2007. Revenue and expense comparisons to fiscal year 2006 show an increase in total revenues of \$2,475,409. Program expenses increased \$3,470,000.

(Table 2)
Governmental Activities

	2007	2006
Revenues		
<i>Program Revenues</i>		
Charges for Services and Sales	\$ 2,857,608	\$ 3,144,365
Operating Grants and Contributions	5,432,982	5,132,206
Capital Grants and Contributions	343,027	252,296
<i>General Revenues</i>		
Property Taxes	35,867,510	34,084,936
Grants and Entitlements not Restricted to Specific Programs	25,199,916	24,706,803
Investment Earnings	483,523	277,838
Miscellaneous	425,780	536,493
<i>Total Revenues</i>	70,610,346	68,134,937
<i>Program Expenses</i>		
Instruction:		
Regular	27,892,584	26,970,176
Special	7,375,922	7,625,605
Vocational	127,017	21,093
Other	1,021,693	744,730
Support Services		
Pupils	4,905,911	4,798,036
Instructional Staff	2,515,774	2,088,822
Board of Education	828,976	194,932
Administration	4,148,129	4,156,778
Fiscal	1,097,539	1,513,923
Business	659,819	427,727
Operation and Maintenance of Plant	5,653,033	5,160,206
Pupil Transportation	3,865,063	3,651,444
Central	251,654	198,307
Operation of Non-Instructional Services		
Food Service Operations	2,083,008	1,982,864
Community Services	503,492	398,641
Extracurricular Activities	1,438,156	1,184,133
Interest and Fiscal Charges	1,627,600	1,407,953
<i>Total Expenses</i>	65,995,370	62,525,370
Increase in Net Assets	\$ 4,614,976	\$ 5,609,567

Brunswick City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
(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 \$35,867,510 in fiscal year 2007. Program and general revenues from operating grants and entitlements, such as the school foundation program, are also a large source of revenue having generated \$30,975,925 in fiscal year 2007. With the combination of taxes and intergovernmental funding providing coverage for over 100 percent of all expenses in governmental activities, the School District monitors both of these revenue sources closely for fluctuations that would impact its activities.

Instruction comprises 55 percent of governmental program expenses. Additional support services for pupils, instructional staff and business operations comprise 21.9 percent of governmental program expenses. Operation of non-instructional services and extracurricular activities comprise 6.1 percent of total program expenses. Pupil transportation is 5.9 percent of the total and operation and maintenance is 8.6 percent. Interest and fiscal charges, largely attributable to the servicing of outstanding bonds and capital leases account for the remaining 2.5 percent.

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

(Table 3)
Governmental Activities

	Total Cost of Services 2007	Total Cost of Services 2006	Net Cost of Services 2007	Net Cost of Services 2006
Instruction	\$ 36,417,216	\$ 35,361,604	\$ (32,032,185)	\$ (30,826,793)
Support Services:				
Pupils and Instructional Staff	7,421,685	6,886,858	(6,142,552)	(5,674,925)
Board of Education, Administration, Fiscal, Business and Central	6,986,117	6,491,667	(6,747,719)	(6,194,258)
Operation and Maintenance of Plant	5,653,033	5,160,206	(5,653,033)	(5,160,206)
Pupil Transportation	3,865,063	3,651,444	(3,748,045)	(3,537,326)
Operation of Non-Instructional Services	2,586,500	2,381,505	(278,616)	(296,628)
Extracurricular Activities	1,438,156	1,184,133	(1,132,003)	(898,414)
Interest and Fiscal Charges	1,627,600	1,407,953	(1,627,600)	(1,407,953)
<i>Total</i>	<u>\$ 65,995,370</u>	<u>\$ 62,525,370</u>	<u>\$ (57,361,753)</u>	<u>\$ (53,996,503)</u>

The dependence upon tax revenues for governmental activities is apparent. Over 54.3 percent of total expenses are supported through taxes. Grants and entitlements not restricted to specific programs support 38.2 percent, while program revenues support an additional 13.1 percent. The remaining costs are also supported by investment and other miscellaneous type revenues.

Brunswick City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
(Unaudited)

The School District's Funds

Information regarding the School District's major funds starts on page 15. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues and other financing sources of \$71,372,452 and expenditures and other financing uses of \$70,311,598. The net change in fund balance for the year was an increase of \$1,060,854. The general fund balance increased overall by \$887,827 and other governmental funds balances increased overall by \$319,434. The bond retirement fund balance decreased by \$146,407. The School District understands the need for additional tax revenues as well as the need to monitor and control expenditures to ensure that it will be able to meet its obligations as they become due.

General Fund Budgeting Highlights

The School District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the general fund.

During the course of the year 2007, the School District amended its general fund budget almost monthly prior to the end of the fiscal year. Requests for budget changes are made by building and central office administrators and where appropriate are approved by the treasurer and superintendent. Any increase in total fund appropriations is then recommended to the Board of Education for their adoption prior to submission to the Medina County Auditor as required by the Ohio Revised Code.

With regard to the general fund, the final budgeted revenue (exclusive of other financing sources) of \$56,414,726 was \$100,040 over original budget estimates of \$56,314,686. Of this \$100,040 difference, most was due to final estimates for tuition and fees revenue being more than original estimates. Actual revenues were greater than original amounts by \$200,144.

Original appropriations, exclusive of other financing uses, of \$56,646,504 were \$351,624 under the final appropriations of \$56,998,128. Actual expenditures, exclusive of other financing uses, were \$55,250,873.

Brunswick City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
(Unaudited)

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2007, the School District had \$18,568,336 invested in land, land improvements, buildings and improvements, furniture and equipment and vehicles. See Note 8 for additional details. Table 4 shows fiscal year 2007 balances compared with 2006.

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

	2007	2006
Land	\$ 1,405,645	\$ 1,405,645
Land Improvements	786,632	855,484
Buildings and Improvements	12,853,530	13,285,455
Furniture and Equipment	903,956	1,103,266
Vehicles	2,618,573	2,344,197
Totals	\$ 18,568,336	\$ 18,994,047

All capital assets, except land, are reported net of depreciation. The primary source of the decrease in capital assets is annual depreciation of the assets exceeding current year purchases.

Senate Bill 345 requires the School District to set aside \$158.49 per pupil of certain general fund revenues in each of two areas, one for the purchase of textbooks and instructional materials and the other for capital improvements. For fiscal year 2007, this amounted to \$1,076,293 for each set aside. The School District had qualifying disbursements or offsets exceeding the requirement for capital improvements. See Note 19 for additional set-aside information.

Debt

At June 30, 2007, the School District had \$23,788,081 in bonds and notes outstanding with \$3,141,809 due within one year. Table 5 summarizes bonds and notes outstanding. A more detailed presentation is included in Note 15.

Brunswick City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
(Unaudited)

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

	2007	2006
General Obligation Bonds		
School Improvement - 1999		
Series and Term Bonds	\$ 7,540,000	\$ 7,840,000
Capital Appreciation Bonds	834,785	455,000
School Improvement Refunding - 2000	2,695,000	3,040,000
School Improvement - 2000	585,000	760,000
School Improvement - 2003	645,724	689,415
School Improvement Refunding - 2005	6,264,572	6,274,463
<i>Total General Obligation Bonds</i>	<u>18,565,081</u>	<u>19,058,878</u>
Notes		
Tax Anticipation Notes - 2002	405,000	810,000
Tax Anticipation Notes - 2003	1,350,000	2,025,000
Tax Anticipation Notes - 2004	3,468,000	4,624,000
<i>Total Notes</i>	<u>5,223,000</u>	<u>7,459,000</u>
<i>Total Outstanding Debt</i>	<u>\$ 23,788,081</u>	<u>\$ 26,517,878</u>

Current Financial Related Activities

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

The School District has received increases in voter-approved taxes two times since 1992. In that period of time the School District passed two new five-year emergency levies, seven five-year renewal issues, and one 28-year bond issue. In May 2005 and August 2005 the electors defeated two tax initiatives that could have raised approximately \$3.7 million per year. In November of 2006, there was a 1.45 mill (\$682,000) five year permanent improvement renewal levy passed.

In May 2007, Medina County residents passed the first-ever Sales Tax Initiative for Permanent Improvements for School Districts. The one-half of one percent (0.5%) sales tax will generate approximately \$9.5 million dollars per year for the school districts in Medina County. Based upon our district's pro-rata share of the student population, Brunswick City Schools will receive approximately \$2.3 million per year. This levy became effective October 1, 2007 and will last until 2037.

In order to keep the promise to our voters, the Board of Education passed a resolution to suspend collections on the Permanent Improvement Levy that was renewed in November 2006. The result of the sales tax levy and the suspension of the PI levy will net the School District approximately \$1.6 million. This sales tax levy may only be used for capital type expenditures.

Brunswick City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
(Unaudited)

The School District also has two Emergency Tax Levies expiring in December 2009; together they generate almost \$9 million in operating revenue. It would be prudent not to renew the issues simultaneously but rather attempt to pass one in November 2008 and the other in a subsequent election.

State law fixes the amount of tax revenue, forcing it to remain constant except for increases in valuation due to new construction in the School District. In addition, legislation passed in recent years has had the effect of further eroding tax revenues by the decrease in assessment rate upon both the inventory component of personal property tax valuation and public utility tangible property. House Bill (HB) 66 has also further eradicated personal (tangible) property tax revenue.

Externally, over fourteen years ago the *DeRolph* (school funding) Case was filed in Perry County, Ohio. The first case was heard in October 1993 and Judge Linton Lewis, Jr. ruled, in July 1994, the Ohio's school-funding system unconstitutional. Following his ruling, the 5th District Court of Appeals overturned Judge Lewis's decision after the State appealed the decision ruling that the state legislature should determine the level of funding. Following that ruling over 82% of the state's public school districts appealed to the Ohio Supreme Court. In March 1997 the Ohio Supreme Court overturned the appellate ruling and gave the General Assembly one year to overhaul the funding system and reduce the reliance on local property taxes. In September 2001 the court again said that the system remains unconstitutional but ordered a fix to bring it up to Ohio's "thorough and efficient" standard.

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

In 2004 Governor Bob Taft formed a 35-member "blue ribbon" commission to recommend changes to the school funding system. Taft's commission has found that Ohio's state share of school funding is below the national average, overall per pupil spending is above the national average, and the overall business tax burden is somewhere in the middle of surrounding states when you include Illinois.

Governor Ted Strickland has vowed to enhance the availability of funds for primary and secondary education but the legislature has yet to cooperate with his mandate. There is also a grassroots effort to change the funding for education but it has yet had the required signatures for placement on the ballot.

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

Currently the School District is at the 20-mill floor, like approximately 57% other Ohio school districts. The two additional mills on Residential, Agricultural, and other real property could generate an additional \$1.7 million per year for the School District. However, this action would be contrary to the ten-year old (March 1997) *DeRolph* decision by placing the burden back on the property owner.

Brunswick City School District has experienced miniscule increase in State revenue and is not anticipating significant future growth in State revenue (Basic Aid) 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, 2007
(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 money it receives. If you have any questions about this report or need additional financial information, please contact Patrick K. East, Treasurer, at the Brunswick City School District, 3643 Center Road, Brunswick, Ohio 44212-0310, or by e-mail at peast@bcsoh.org.

Brunswick City School District*Statement of Net Assets**June 30, 2007*

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 5,366,561
Cash and Cash Equivalents with Fiscal Agent	1,656
Restricted Cash and Cash Equivalents with Trustee	95,000
Receivables:	
Taxes	39,876,133
Accounts	10,992
Intergovernmental	1,562,528
Inventory Held For Resale	42,715
Materials and Supplies Inventory	283,323
Deferred Charges	189,573
Nondepreciable Capital Assets	1,405,645
Depreciable Capital Assets (Net)	<u>17,162,691</u>
<i>Total Assets</i>	<u>65,996,817</u>
Liabilities	
Accounts Payable	309,948
Accrued Wages and Benefits	6,130,886
Matured Interest Payable	1,656
Accrued Interest Payable	131,404
Intergovernmental Payable	1,703,757
Accrued Vacation Leave Payable	114,631
Retirement Incentive Payable	656,221
Deferred Revenue	33,903,388
Long Term Liabilities:	
Due Within One Year	4,106,600
Due In More Than One Year	<u>26,501,919</u>
<i>Total Liabilities</i>	<u>73,560,410</u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	(216,260)
Restricted for:	
Capital Outlay	938,763
Debt Service	358,812
Set Asides	814,233
Other Purposes	1,831,984
Unrestricted	<u>(11,291,125)</u>
<i>Total Net Assets (Deficit)</i>	<u><u>\$ (7,563,593)</u></u>

See accompanying notes to the basic financial statements.

Brunswick City School District
Statement of Activities
For the Fiscal Year Ended June 30, 2007

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities					
Instruction:					
Regular	\$ 27,892,584	\$ 1,300,792	\$ 251,531	\$ 235,543	\$ (26,104,718)
Special	7,375,922	18,928	2,578,237	0	(4,778,757)
Vocational	127,017	0	0	0	(127,017)
Other	1,021,693	0	0	0	(1,021,693)
Support Services:					
Pupils	4,905,911	1,161	857,662	0	(4,047,088)
Instructional Staff	2,515,774	0	420,310	0	(2,095,464)
Board of Education	828,976	0	0	0	(828,976)
Administration	4,148,129	0	161,354	0	(3,986,775)
Fiscal	1,097,539	0	0	0	(1,097,539)
Business	659,819	0	6,848	0	(652,971)
Operation and Maintenance of Plant	5,653,033	0	0	0	(5,653,033)
Pupil Transportation	3,865,063	54,479	1,057	61,482	(3,748,045)
Central	251,654	0	24,194	46,002	(181,458)
Operation of Non-Instructional Services:					
Food Service Operations	2,083,008	1,156,775	652,791	0	(273,442)
Community Services	503,492	31,379	466,939	0	(5,174)
Extracurricular Activities	1,438,156	294,094	12,059	0	(1,132,003)
Interest and Fiscal Charges	1,627,600	0	0	0	(1,627,600)
<i>Total Governmental Activities</i>	<u>\$ 65,995,370</u>	<u>\$ 2,857,608</u>	<u>\$ 5,432,982</u>	<u>\$ 343,027</u>	<u>(57,361,753)</u>
 General Revenues					
Property Taxes Levied for:					
General Purposes					30,287,545
Debt Service					3,872,826
Capital Outlay					1,707,139
Grants and Entitlements not Restricted to Specific Programs					25,199,916
Investment Earnings					483,523
Miscellaneous					425,780
<i>Total General Revenues</i>					<u>61,976,729</u>
<i>Change in Net Assets</i>					4,614,976
<i>Net Assets (Deficit) Beginning of Year</i>					<u>(12,178,569)</u>
<i>Net Assets (Deficit) End of Year</i>					<u>\$ (7,563,593)</u>

See accompanying notes to the basic financial statements.

Brunswick City School District
Balance Sheet
Governmental Funds
June 30, 2007

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$ 2,042,432	\$ 130,380	\$ 2,379,516	\$ 4,552,328
Cash and Cash Equivalents with Fiscal Agent	0	1,656	0	1,656
Restricted Assets:				
Cash and Cash Equivalents with Trustee	0	95,000	0	95,000
Cash and Cash Equivalents	814,233	0	0	814,233
Receivables:				
Taxes	36,593,528	1,777,462	1,505,143	39,876,133
Accounts	7,993	0	2,999	10,992
Interfund	229,960	0	0	229,960
Intergovernmental	7,509	0	1,555,019	1,562,528
Inventory Held For Resale	0	0	42,715	42,715
Materials and Supplies Inventory	273,427	0	9,896	283,323
Advances to Other Funds	60,322	0	0	60,322
<i>Total Assets</i>	<u>\$ 40,029,404</u>	<u>\$ 2,004,498</u>	<u>\$ 5,495,288</u>	<u>\$ 47,529,190</u>
Liabilities and Fund Balances				
Liabilities				
Accounts Payable	\$ 195,582	\$ 0	\$ 114,366	\$ 309,948
Accrued Wages and Benefits	5,595,408	0	535,478	6,130,886
Retirement Incentive Payable	617,836	0	38,385	656,221
Interfund Payable	0	0	229,960	229,960
Intergovernmental Payable	1,599,940	0	103,817	1,703,757
Advances From Other Funds	0	0	60,322	60,322
Deferred Revenue	33,033,029	1,605,105	2,290,619	36,928,753
Matured Interest Payable	0	1,656	0	1,656
<i>Total Liabilities</i>	<u>41,041,795</u>	<u>1,606,761</u>	<u>3,372,947</u>	<u>46,021,503</u>
Fund Balances				
Reserved for Encumbrances	787,464	0	686,393	1,473,857
Reserved for Advances	60,322	0	0	60,322
Reserved for Property Taxes	3,568,008	172,357	146,751	3,887,116
Reserved to Textbook/Instructional Materials	814,233	0	0	814,233
Unreserved, Undesignated, Reported in:				
General Fund	(6,242,418)	0	0	(6,242,418)
Special Revenue Funds	0	0	625,011	625,011
Debt Service Fund	0	225,380	0	225,380
Capital Projects Funds	0	0	664,186	664,186
<i>Total Fund Balances</i>	<u>(1,012,391)</u>	<u>397,737</u>	<u>2,122,341</u>	<u>1,507,687</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 40,029,404</u>	<u>\$ 2,004,498</u>	<u>\$ 5,495,288</u>	<u>\$ 47,529,190</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, 2007*

Total Governmental Fund Balances		\$ 1,507,687
<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		18,568,336
Delinquent property taxes are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Delinquent Property Taxes	\$ 2,085,629	
Intergovernmental	<u>939,736</u>	
Total		3,025,365
In the statement of activities, bond issuance costs are amortized over the term of the bonds, whereas in governmental funds a bond issuance expenditure is reported when bonds are issued.		189,573
In the statement of activities, interest is accrued on outstanding bonds, whereas in the governmental funds, an interest expenditure is not reported.		(131,404)
In the statement of activities, bond refunding costs are amortized over the term of the bonds, whereas in governmental funds a bond refunding expenditure is reported when bonds are issued.		595,016
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	(17,540,724)	
Capital Appreciation Bonds	(834,785)	
Tax Anticipation Notes	(5,223,000)	
Bond Premium	(784,588)	
Capital Leases Payable	(788,873)	
Compensated Absences	(6,031,565)	
Accrued Vacation Payable	<u>(114,631)</u>	
Total		<u>(31,318,166)</u>
<i>Net Assets of Governmental Activities</i>		<u><u>\$ (7,563,593)</u></u>

See accompanying notes to the basic financial statements.

Brunswick City School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2007

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Revenues				
Property Taxes	\$ 29,641,617	\$ 3,960,590	\$ 1,704,006	\$ 35,306,213
Intergovernmental	26,739,137	203,586	3,609,501	30,552,224
Investment Income	386,221	0	97,302	483,523
Tuition and Fees	626,385	0	0	626,385
Extracurricular Activities	136,266	0	917,544	1,053,810
Rentals	31,379	0	0	31,379
Charges for Services	0	0	1,156,775	1,156,775
Contributions and Donations	6,850	0	32,117	38,967
Miscellaneous	188,557	0	237,223	425,780
<i>Total Revenues</i>	<u>57,756,412</u>	<u>4,164,176</u>	<u>7,754,468</u>	<u>69,675,056</u>
Expenditures				
Current:				
Instruction:				
Regular	25,791,480	0	1,917,164	27,708,644
Special	6,426,378	0	875,926	7,302,304
Vocational	125,645	0	0	125,645
Other	1,021,693	0	0	1,021,693
Support Services:				
Pupils	4,004,641	0	763,359	4,768,000
Instructional Staff	1,962,883	0	646,042	2,608,925
Board of Education	828,976	0	0	828,976
Administration	3,808,668	0	245,917	4,054,585
Fiscal	1,008,521	18,085	48,887	1,075,493
Business	413,210	0	227,920	641,130
Operation and Maintenance of Plant	5,164,070	0	371,814	5,535,884
Pupil Transportation	3,398,382	0	611,288	4,009,670
Central	197,491	0	45,777	243,268
Operation of Non-Instructional Services:				
Food Service Operations	2,845	0	2,041,478	2,044,323
Community Services	0	0	497,722	497,722
Extracurricular Activities	1,050,575	0	387,581	1,438,156
Capital Outlay	0	0	220,334	220,334
Debt Service:				
Principal Retirement	79,743	3,099,691	109,000	3,288,434
Interest and Fiscal Charges	3,746	1,192,807	33,058	1,229,611
<i>Total Expenditures</i>	<u>55,288,947</u>	<u>4,310,583</u>	<u>9,043,267</u>	<u>68,642,797</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>2,467,465</u>	<u>(146,407)</u>	<u>(1,288,799)</u>	<u>1,032,259</u>
Other Financing Sources (Uses)				
Proceeds from Sales of Capital Assets	28,595	0	0	28,595
Transfers In	0	0	1,668,801	1,668,801
Transfers Out	(1,608,233)	0	(60,568)	(1,668,801)
<i>Total Other Financing Sources (Uses)</i>	<u>(1,579,638)</u>	<u>0</u>	<u>1,608,233</u>	<u>28,595</u>
<i>Net Change in Fund Balance</i>	887,827	(146,407)	319,434	1,060,854
<i>Fund Balances (Deficit) Beginning of Year</i>	<u>(1,900,218)</u>	<u>544,144</u>	<u>1,802,907</u>	<u>446,833</u>
<i>Fund Balances (Deficit) End of Year</i>	<u>\$ (1,012,391)</u>	<u>\$ 397,737</u>	<u>\$ 2,122,341</u>	<u>\$ 1,507,687</u>

See accompanying notes to the basic financial statements.

Brunswick City School District
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2007*

Net Change in Fund Balances - Total Governmental Funds	\$	1,060,854
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*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 depreciation exceeded capital outlay in the current period.

Capital Asset Additions	\$ 707,437	
Current Year Depreciation	<u>(1,095,428)</u>	(387,991)

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.

(37,720)

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

Delinquent Property Taxes	561,297	
Grants	<u>373,993</u>	935,290

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

Bond Principal	863,691	
Tax Anticipation Note Principal	2,236,000	
Capital Leases	<u>188,743</u>	3,288,434

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

(18,204)

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

Accrued Vacation	(54,539)	
Compensated Absences	208,637	
Loss on Refunding Amortization	(31,044)	
Bond Issuance Costs Amortization	(9,891)	
Bond Premium Amortization	<u>40,935</u>	154,098

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

(379,785)

<i>Change in Net Assets of Governmental Activities</i>	\$	<u><u>4,614,976</u></u>
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See accompanying notes to the basic financial statements.

Brunswick City School District
*Statement of Revenues, Expenditures, and Changes in Fund Balance -
 Budget (Non-GAAP Basis) and Actual*
 General Fund
 For the Fiscal Year Ended June 30, 2007

	Budgeted Amounts			Variance with Final Budget Over (Under)
	Original	Final	Actual	
Revenues				
Property Taxes	\$ 27,647,103	\$ 27,647,103	\$ 28,405,717	\$ 758,614
Intergovernmental	27,476,938	27,476,938	26,739,137	(737,801)
Investment Income	225,345	225,345	384,274	158,929
Tuition and Fees	590,800	690,840	624,892	(65,948)
Extracurricular Activities	136,000	136,000	136,850	850
Rentals	36,000	36,000	31,633	(4,367)
Contributions and Donations	1,000	1,000	6,850	5,850
Miscellaneous	201,500	201,500	185,477	(16,023)
<i>Total Revenues</i>	<u>56,314,686</u>	<u>56,414,726</u>	<u>56,514,830</u>	<u>100,104</u>
Expenditures				
Current:				
Instruction:				
Regular	26,814,236	25,016,563	25,421,143	(404,580)
Special	6,815,632	7,703,696	6,303,578	1,400,118
Vocational	0	13,063	106,368	(93,305)
Other	838,100	1,267,650	1,377,081	(109,431)
Support Services				
Pupils	3,776,287	4,311,583	3,950,883	360,700
Instructional Staff	1,826,810	2,140,791	1,874,874	265,917
Board of Education	813,914	834,752	835,011	(259)
Administration	3,826,606	3,932,484	3,712,104	220,380
Fiscal	1,120,300	1,111,910	1,020,576	91,334
Business	326,300	422,690	421,263	1,427
Operation and Maintenance of Plant	5,814,159	5,572,065	5,445,628	126,437
Pupil Transportation	3,472,512	3,457,106	3,414,765	42,341
Central	195,803	186,881	206,907	(20,026)
Operation of Non-Instructional Services				
Food Service	5,000	5,000	2,845	2,155
Extracurricular Activities	1,000,845	1,021,894	1,157,847	(135,953)
<i>Total Expenditures</i>	<u>56,646,504</u>	<u>56,998,128</u>	<u>55,250,873</u>	<u>1,747,255</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(331,818)</u>	<u>(583,402)</u>	<u>1,263,957</u>	<u>1,847,359</u>
Other Financing Sources (Uses)				
Proceeds from Sale of Assets	2,000	20,065	28,595	8,530
Advances In	0	0	5,623	5,623
Transfers Out	0	0	(1,608,233)	(1,608,233)
<i>Total Other Financing Sources (Uses)</i>	<u>2,000</u>	<u>20,065</u>	<u>(1,574,015)</u>	<u>(1,594,080)</u>
<i>Net Change in Fund Balance</i>	<u>(329,818)</u>	<u>(563,337)</u>	<u>(310,058)</u>	<u>253,279</u>
<i>Fund Balance Beginning of Year</i>	<u>1,550,501</u>	<u>1,550,501</u>	<u>1,550,501</u>	<u>0</u>
Prior Year Encumbrances Appropriated	<u>724,001</u>	<u>724,001</u>	<u>724,001</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$ 1,944,684</u>	<u>\$ 1,711,165</u>	<u>\$ 1,964,444</u>	<u>\$ 253,279</u>

See accompanying notes to the basic financial statements.

Brunswick City School District
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2007

	<u>Agency</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 231,330
Liabilities	
Accounts Payable	\$ 2,546
Undistributed Monies	6,174
Due to Students	<u>222,610</u>
<i>Total Liabilities</i>	<u>\$ 231,330</u>

See accompanying notes to the basic financial statements.

Brunswick City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 1: DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The School District is located in Medina County and encompasses the entire City of Brunswick. The Board of Education controls the School District’s 11 instructional/support facilities staffed by 298 classified employees and 481 certificated full-time teaching personnel who provide services to 7,514 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 proved by the organization; or (2) the School District is legally entitled to or can otherwise access the organization’s resources; the School District is legally obligated or has otherwise assumed the responsibility to finance deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. The School District has no component units.

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

Brunswick City School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2007

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 local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applied Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental activities unless those pronouncements conflict with or contradict GASB pronouncements. The more significant of the School District's accounting policies are shown below.

A. Basis of Presentation

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

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

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

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

B. Fund Accounting

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

Brunswick City School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2007

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Bond Retirement Fund - The bond retirement debt service fund accounts for the accumulation of resources for and the payment of general obligation principal and interest.

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 agency funds account for student activities and employee medical savings accounts.

C. Measurement Focus

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

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

Brunswick City School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2007

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting

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

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

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 6). Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

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

Property taxes for which there is an enforceable legal claim as of June 30, 2007, but which were levied to finance fiscal year 2008 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met and are also recorded as deferred revenue.

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

Brunswick City School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2007

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

E. Budgetary Data

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

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 2007, investments were limited to a Money Market Mutual Fund, a repurchase agreement and STAROhio.

Brunswick City School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2007

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2007.

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 2007 amounted to \$386,221, which includes \$177,588 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.

G. Restricted Assets

Assets are reported as restricted when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributor, grantors, or laws of other governments or imposed by law through constitutional provisions or enabling legislation. Restricted assets include amounts required by State statute to be set aside for the purchase of textbooks and \$95,000 restricted for debt. See Note 19 for additional information regarding set-asides.

H. Inventory

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

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

I. Deferred Charges

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

J. Capital Assets

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

Brunswick City School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2007

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	10-30 Years
Buildings and Improvements	75 Years
Furniture and Equipment	6-12 Years
Vehicles	3-10 Years

K. Interfund Balances

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

L. Compensated Absences

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

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

M. Accrued Liabilities and Long-Term Obligations

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

Brunswick City School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2007

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

N. Interfund Activity

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

O. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. At June 30, 2007, none of the School District's net assets were restricted by enabling legislation.

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

P. Fund Balance Reserves and Designations

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 balance reserves have been established for encumbrances, property taxes, textbooks and advances. The School District records designations for portions of fund equity which the School District Board of Education has segregated for specific future use. The designation for budget stabilization of \$447,196 was eliminated for GAAP purposes on the governmental funds balance sheet due to the unreserved, undesignated balance for the general fund being negative.

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

Brunswick City School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2007

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Q. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2007.

R. Estimates

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

NOTE 3: FUND DEFICITS AND COMPLIANCE

A. The following funds had deficit fund balances at June 30, 2007:

	Deficit
<i>Major Fund:</i>	
General Fund	\$ (1,012,391)
 <i>Non-Major Special Revenue Funds:</i>	
EMIS	(182)
Ohio Reads	(105)
Drug Free Schools	(134)
Preschool Grant	(10,448)
Professional Development	(35,573)

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

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

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

Brunswick City School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2007

NOTE 3: FUND DEFICITS AND COMPLIANCE (continued)

B. The District violated Ohio Revised Code 5705.41(B) because budgetary expenditures exceeded carryover encumbrances plus appropriations in the termination benefits fund.

NOTE 4: BUDGETARY BASIS OF ACCOUNTING

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

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

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

Net Change in Fund Balance	
GAAP Basis	\$ 887,827
Net Adjustment for Revenue Accruals	(1,235,959)
Net Adjustment for Expenditure Accruals	1,021,120
Adjustment for Encumbrances	<u>(983,046)</u>
Budget Basis	<u><u>\$ (310,058)</u></u>

NOTE 5: DEPOSITS AND INVESTMENTS

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

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

Brunswick City School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2007

NOTE 5: DEPOSITS AND INVESTMENTS (Continued)

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above, provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and that the term of the agreement must not exceed 30 days;
4. Bonds and any other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and
6. The State Treasurer's investment pool (STAROhio).
7. Certain bankers acceptances and commercial paper notes for a period not to exceed 180 days from the purchase date in any amount not to exceed 25 percent of the interim monies available for investment at any one time; and
8. Under limited circumstances, corporate debt interests noted in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Brunswick City School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2007

NOTE 5: DEPOSITS AND INVESTMENTS (Continued)

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

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within 5 years from the date of purchase unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

According to State law, public depositories must give security for all uninsured public funds on deposit. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by FDIC, or may pledge a pool of government securities valued at least 105 percent of the total value of public monies on deposit at the institution. Repurchase agreements must be secured by the specific government securities upon which the repurchase agreements are based. These securities must be obligations of or guaranteed by the United States and mature or be redeemable within 5 years of the date of the related repurchase agreement. State law does not require security for public deposits and investments to be maintained in the School District's name. During 2007, the School District and public depositories complied with the provisions of these statutes.

Deposits with Financial Institutions

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

At fiscal year-end, the carrying amount of the School District's deposits (including change funds of \$200) was \$(56,120). Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures," as of June 30, 2007, \$143,085 of the School District's bank balance of \$452,249 was exposed to custodial risk as discussed above, while \$309,164 was covered by Federal Deposit Insurance Corporation. Although the securities were held by the pledging financial institutions' trust department and all statutory requirements for the investment of money had been followed, noncompliance with Federal requirements could potentially subject the School District to a successful claim by the FDIC.

Cash with Trustee As a result of the advance refunding school improvement bonds, the School District has reported restricted assets, cash and cash equivalents with trustee, in the amount of \$95,000. As part of the mandatory sinking fund requirements, the School District placed this money in a segregated account and it will be used to repay the principal balance of the new debt issued.

Brunswick City School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2007

NOTE 5: DEPOSITS AND INVESTMENTS (Continued)

Investments As of June 30, 2007, the School District had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity</u> <u>6 Months or Less</u>
Repurchase Agreement	\$ 5,543,000	\$ 5,543,000
Money Market Mutual Fund	36,234	36,234
STAROhio	76,433	76,433
Total	<u>\$ 5,655,667</u>	<u>\$ 5,655,667</u>

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

Credit Risk. STAROhio carries a rating of AAA by Standard and Poor's. The money market mutual fund carries a rating of AAAM by Standard and Poor's. The repurchase agreement is unrated.

Concentration of Credit Risk. The School District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage total of each investment type held by the School District as of June 30, 2007:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Percent of Total</u>
Repurchase Agreement	\$ 5,543,000	98%
Money Market Mutual Fund	36,234	1%
STAROhio	76,433	1%
Total	<u>\$ 5,655,667</u>	<u>100.00%</u>

Brunswick City School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2007

NOTE 6: PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar 2007 represents collections of calendar year 2006 taxes. Real property taxes received in calendar year 2007 were levied after April 1, 2006, on the assessed value listed as of January 1, 2006, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2007 represents collections of calendar year 2006 taxes. Public utility real and tangible personal property taxes received in calendar year 2007 became a lien December 31, 2004, were levied after April 1, 2006 and are collected in 2007 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 2007 (other than public utility property) represents the collection of 2007 taxes. Tangible personal property taxes received in calendar year 2007 were levied after April 1, 2006, on the value as of December 31, 2006. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-three percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Medina County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2007, are available to finance fiscal year 2007 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Brunswick City School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2007

NOTE 6: PROPERTY TAXES (Continued)

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2007 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, 2007 was \$3,568,008 in the general fund, \$172,357 in the bond retirement debt service fund, and \$146,751 in the permanent improvement capital projects fund. The amount available as an advance at June 30, 2006, was \$2,332,108 in the general fund, \$331,378 in the bond retirement debt service fund, and \$139,001 in the permanent improvement capital projects fund.

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

The assessed values upon which the fiscal year 2007 taxes were collected are:

	2006 Second Half Collections		2007 First Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$ 915,847,800	94.9%	\$ 934,423,670	96.2%
Public Utility Personal	15,151,890	1.6%	14,635,040	1.5%
Tangible Personal Property	33,576,002	3.5%	22,384,002	2.3%
Total	\$ 964,575,692	100.0%	\$ 971,442,712	100.0%
 Tax rate per \$1,000 of assessed value	 \$ 65.47		 \$ 65.47	

NOTE 7: RECEIVABLES

Receivables at June 30, 2007 consisted of taxes, accounts (rent, student fees and tuition), 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.

Brunswick City School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2007

NOTE 8: CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2007, was as follows:

	Balance 06/30/2006	Additions	Reductions	Balance 06/30/2007
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	1,894,254	26,438	0	1,920,692
Buildings and Improvements	33,660,809	0	0	33,660,809
Furniture and Equipment	4,977,035	47,945	(449,147)	4,575,833
Vehicles	4,791,412	633,054	(458,340)	4,966,126
<i>Total Capital Assets, being depreciated</i>	<u>45,323,510</u>	<u>707,437</u>	<u>(907,487)</u>	<u>45,123,460</u>
<i>Less: Accumulated Depreciation</i>				
Land Improvements	(1,038,770)	(95,290)	0	(1,134,060)
Buildings and Improvements	(20,375,354)	(431,925)	0	(20,807,279)
Furniture and Equipment	(3,873,769)	(212,234)	414,126	(3,671,877)
Vehicles	(2,447,215)	(355,979)	455,641	(2,347,553)
<i>Total Accumulated Depreciation</i>	<u>(27,735,108)</u>	<u>(1,095,428) *</u>	<u>869,767</u>	<u>(27,960,769)</u>
<i>Total Capital Assets being depreciated, net</i>	<u>17,588,402</u>	<u>(387,991)</u>	<u>(37,720)</u>	<u>17,162,691</u>
Governmental Activities Capital Assets, Net	<u>\$ 18,994,047</u>	<u>\$ (387,991)</u>	<u>\$ (37,720)</u>	<u>\$ 18,568,336</u>

* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 429,189
Special	91,879
Support Services:	
Pupils	37,914
Instructional Staff	45,225
Administration	52,157
Fiscal	10,258
Business	6,155
Operation and Maintenance of Plant	52,756
Pupil Transportation	321,000
Operation of Non-Instructional Services:	
Food Service Operations	48,290
Community Services	605
Total Depreciation Expense	<u>\$ 1,095,428</u>

Brunswick City School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2007

NOTE 9: RISK MANAGEMENT

A. Property and Liability

The School District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. During fiscal year 2007, the School District contracted with several companies for various types of insurance as follows:

<u>Company</u>	<u>Type of Coverage</u>	<u>Coverage</u>
Indiana Insurance Company	Liability	\$ 1,000,000
	Aggregate	2,000,000
Indiana Insurance Company	Fleet Insurance	1,000,000
Indiana Insurance Company	Property/Inland Marine Insurance	105,122,220
Indiana Insurance Company	Crime - Theft	15,000
	Crime - Employee Dishonesty	50,000
Travelers Insurance Company	Boiler and Machinery	30,000,000
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 2007, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 18). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP.

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

B. Employee Health Benefits

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

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

Brunswick City School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2007

NOTE 10: 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 or by calling (614) 222-5853. It is also posted on the SERS website, www.ohsers.org under Forms and Publications.

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2007, 10.58 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2006, 10.57 percent of annual covered salary was the portion 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, 2007, 2006, and 2005 were \$1,139,328, \$1,100,724 and \$818,752, respectively; 48.3 percent has been contributed for fiscal year 2007 and 100 percent for fiscal years 2006 and 2005.

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
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2007

NOTE 10: PENSION PLANS (Continued)

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member 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, 2007, plan members are required to contribute 10 percent of their annual covered salary and the School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation 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 contributions for pension obligations to the STRS for the fiscal years ended June 30, 2007, 2006 and 2005 were \$4,166,772, \$3,676,931 and \$3,635,952, respectively; 82.9 percent has been contributed for fiscal year 2007 and 100 percent for fiscal years 2006 and 2005.

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, 2007, one member of the Board of Education has elected Social Security. The Board's liability is 6.2 percent of wages paid.

NOTE 11: POSTEMPLOYMENT BENEFITS

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System of Ohio (STRS Ohio), 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 obligation to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

Retirees who participated in the DB and Combined Plans and their dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. 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 Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2007, the STRS Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$297,627 for fiscal year 2007.

Brunswick City School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2007

NOTE 11: POSTEMPLOYMENT BENEFITS (Continued)

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2006 (the latest information available), the balance in the fund was \$3.5 billion. For the year ended June 30, 2006, net health care costs paid by STRS Ohio were \$282,743,000 and STRS Ohio had 119,184 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their premium for health care. The portion is based on years of service, Medicare eligibility and retirement status. Premiums may be reduced for retirees whose household income falls below the poverty level.

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, 2007, employer contributions to fund health care benefits were 3.42 percent of covered payroll, a decrease of 0.01 percent from fiscal year 2006. 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 2007, the minimum pay was established at \$35,800. However, the surcharge is capped at 2 percent of each employee's SERS salaries. For the School District, the amount contributed to fund health care benefits, including surcharge, during the 2007 fiscal year equaled \$443,665.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for the maintenance of the asset target level for the health care fund. Net health care costs for the year ending June 30, 2006 (the latest information available) were \$158,751,207. The target level for the health care reserve is 150 percent of the projected claims less premium contributions for the next fiscal year. As of June 30, 2006 (the latest information available), the value of the health care fund was \$295.6 million, which is about 221 percent of next year's projected net health care costs. SERS has 59,492 participants currently receiving health care benefits.

NOTE 12: OTHER EMPLOYEE BENEFITS

A. *Compensated Absences*

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

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

Brunswick City School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2007

NOTE 12: OTHER EMPLOYEE BENEFITS (Continued)

B. Life Insurance

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

NOTE 13: CAPITAL LEASES – LESSEE DISCLOSURE

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

Capital assets acquired by lease have been capitalized and depreciated as follows:

Governmental Activities

Capital Assets, Acquired through Capital Lease

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

Less Accumulated Depreciation:

Land Improvements		(260,879)
Buildings		(96,500)
Furniture and Equipment		(1,566,636)
<i>Total Accumulated Depreciation</i>		(1,924,015)

<i>Capital Assets Acquired through Capital Lease, Net</i>	\$	726,068
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Brunswick City School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2007

NOTE 13: CAPITAL LEASES – LESSEE DISCLOSURE (Continued)

Capital lease payments will be reclassified and reflected as debt service expenditures on the fund financial statements for the governmental funds. These expenditures are reflected as support service expenditures in the general fund and as capital outlay in the permanent improvement capital projects fund on the budgetary basis.

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, 2007.

		Capital Leases
For Fiscal Year Ending June 30,	2008	\$ 183,399
	2009	142,958
	2010	143,652
	2011	143,858
	2012	143,614
	2013	144,004
Total		901,485
Less: Amount Representing Interest		112,612
Present Value of Net Minimum Lease Payments		\$ 788,873

NOTE 14: CONTINGENCIES

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally require compliance with terms and conditions specified in the grant agreements, and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2007.

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 effect on the overall financial position of the School District at June 30, 2007.

Brunswick City School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2007

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:

<u>Debt Issue</u>	<u>Interest Rate</u>	<u>Original Issue Amount</u>	<u>Date of Maturity</u>
General Obligation Bonds:			
School Improvement - 1999	4.39%	\$ 9,950,000	12/1/2023
School Improvement Refunding - 2000	5.00-7.25%	4,500,000	12/1/2013
School Improvement - 2000	5.28%	7,729,100	12/1/2026
School Improvement - 2003	4.85%	800,000	12/1/2017
School Improvement Refunding - 2005	3.35-5.5%	6,075,000	12/1/2026

Notes:

Tax Anticipation Note - 2002	3.65%	2,021,000	12/1/2007
Tax Anticipation Note - 2003	3.65%	3,200,000	12/1/2008
Tax Anticipation Note - 2004	2.29-4.05%	5,780,000	12/1/2009

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

	<u>Amount Outstanding 06/30/2006</u>	<u>Additions</u>	<u>Deductions</u>	<u>Amount Outstanding 06/30/2007</u>	<u>Due Within One Year</u>
Governmental Activities					
General Obligation Bonds					
School Improvement - 1999					
Series and Term Bonds	\$ 7,840,000	\$ 0	\$ 300,000	\$ 7,540,000	\$ 310,000
Capital Appreciation Bonds	455,000	0	0	455,000	0
Accretion on Capital Appreciation Bonds	0	379,785	0	379,785	0
School Improvement Refunding - 2000	3,040,000	0	345,000	2,695,000	365,000
School Improvement - 2000	760,000	0	175,000	585,000	185,000
School Improvement - 2003	689,415	0	43,691	645,724	45,809
School Improvement Refunding - 2005	6,075,000	0	0	6,075,000	0
Unamortized Premium	825,523	0	40,935	784,588	0
Refunding Loss	(626,060)	31,044	0	(595,016)	0
<i>Total General Obligation Bonds</i>	<u>19,058,878</u>	<u>410,829</u>	<u>904,626</u>	<u>18,565,081</u>	<u>905,809</u>
Notes					
Tax Anticipation - 2002	810,000	0	405,000	405,000	405,000
Tax Anticipation - 2003	2,025,000	0	675,000	1,350,000	675,000
Tax Anticipation - 2004	4,624,000	0	1,156,000	3,468,000	1,156,000
<i>Total Notes</i>	<u>7,459,000</u>	<u>0</u>	<u>2,236,000</u>	<u>5,223,000</u>	<u>2,236,000</u>
Compensated Absences	6,240,202	827,549	1,036,186	6,031,565	811,918
Capital Leases Payable	977,616	0	188,743	788,873	152,873
<i>Total Governmental Activities</i>	<u>\$ 33,735,696</u>	<u>\$ 1,238,378</u>	<u>\$ 4,365,555</u>	<u>\$ 30,608,519</u>	<u>\$ 4,106,600</u>

Brunswick City School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2007

NOTE 15: LONG-TERM OBLIGATIONS (Continued)

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

During fiscal year 1999, the School District issued \$9,950,000 in series and capital appreciation bonds. The series bonds were issued with an interest rate of 4.39 percent and have a final maturity of December 1, 2023. The capital appreciation bonds will mature December 1, 2010 through 2012. These bonds were purchased at a discount at the time of issuance and, at maturity all compounded interest is paid and the bond holder collects the face value. However, since interest is technically earned and compounded semiannually, the value of the bond increases. Therefore, as the value increases, the accretion is booked as principal. The maturity amount of the bonds is \$1,185,005.

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.

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 five years to meet necessary emergency operational expenses. The School District then issued tax anticipation notes in advance of the tax revenues to be received by the School District. The tax anticipation notes were recorded in the general fund for operational purposes. The final payment on the notes will be made on June 1, 2008.

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

All of the notes are backed by the full faith and credit of the Brunswick City School District.

2005 School Improvement Advance Refunding General Obligation Bonds

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

Brunswick City School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2007

NOTE 15: LONG-TERM OBLIGATIONS (Continued)

These refunding bonds were issued with a premium of \$859,636, which is reported as an increase to bonds payable. The amounts are being amortized to interest expense over the life of the bonds using the straight-line method. The amortization of the premium for fiscal year 2007 was \$40,935. The issuance costs of \$207,706 are reported as deferred charges and are being amortized over the life of the bonds using the straight-line method. The amortization of the issuance costs for fiscal year 2007 was \$9,891. The refunding resulted in a difference between net carrying amount of the debt and the acquisition price of \$651,930. This difference, reported in the accompanying financial statements as a decrease to bonds payable, is being amortized to interest expense over the life of the bonds using the straight-line method. The amortization of this difference for fiscal year 2007 was \$31,044.

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

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

The bonds maturing December 1, 2009 are subject to mandatory sinking fund redemption at a price of 100 percent of the principal amount to be redeemed plus accrued interest to the date of redemption on December 1 in the years and in the respective principal amounts:

Redemption Date	Principal Amount Subject to Mandatory <u>Redemption</u>
<u>December 1</u> 2006	\$ 90,000
2007	5,000
2007	5,000
2008	5,000

Unless previously redeemed, the remaining principal amount of \$5,000 will mature at stated maturity (December 1, 2009).

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

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

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

Brunswick City School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2007

NOTE 15: LONG-TERM OBLIGATIONS (Continued)

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

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

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

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

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

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

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

Brunswick City School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2007

NOTE 15: LONG-TERM OBLIGATIONS (Continued)

Principal and interest requirements to retire long-term obligations outstanding at June 30, 2007, are as follows:

Fiscal Year Ending June 30,	General Obligation Bonds		Capital Appreciation Bonds	
	Principal	Interest	Principal	Interest
2008	\$ 905,809	\$ 1,266,039	\$ 0	\$ 0
2009	958,031	1,221,374	0	0
2010	1,125,361	1,173,760	0	0
2011	692,798	769,198	157,000	228,005
2012	745,364	722,700	151,633	243,367
2013-2017	4,209,806	2,901,906	146,367	258,633
2018-2022	4,998,555	1,715,133	0	0
2023-2027	3,905,000	417,026	0	0
Total	<u>\$ 17,540,724</u>	<u>\$ 10,187,136</u>	<u>\$ 455,000</u>	<u>\$ 730,005</u>

Fiscal Year Ending June 30,	Tax Anticipation Notes		Total	
	Principal	Interest	Principal	Interest
2008	\$ 2,236,000	\$ 159,879	\$ 3,141,809	\$ 1,425,918
2009	1,831,000	94,906	2,789,031	1,316,280
2010	1,156,000	23,409	2,281,361	1,197,169
2011	0	0	849,798	997,203
2012	0	0	896,997	966,067
2013-2017	0	0	4,356,173	3,160,539
2018-2022	0	0	4,998,555	1,715,133
2023-2027	0	0	3,905,000	417,026
Total	<u>\$ 5,223,000</u>	<u>\$ 278,194</u>	<u>\$ 23,218,724</u>	<u>\$ 11,195,335</u>

Brunswick City School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2007

NOTE 16: INTERFUND BALANCES AND TRANSFERS

A. Interfund Balances

Interfund receivables and payables are due to the requirements that the general fund cover any negative cash balances at year-end. Prior year outstanding advances are classified as long-term because the School District plans to repay them.

	Interfund Receivable	Interfund Payable	Advances to Other Funds	Advances from Other Funds
Major Fund:				
General	\$ 229,960	\$ 0	\$ 60,322	\$ 0
Non-Major Special Revenue Funds:				
Uniform School Supplies	0	0	0	4,637
Title VI-B	0	128,646	0	0
Title I	0	78,996	0	0
Preschool Grant	0	0	0	13,203
Title VI-R	0	22,318	0	0
Professional Development	0	0	0	42,482
	0	0	0	42,482
Total	\$ 229,960	\$ 229,960	\$ 60,322	\$ 60,322

B. Interfund Transfers

Transfers in the amounts of \$1,608,233 and \$60,568 were made from the General fund and the Food Service fund, respectively, to the Termination Benefits fund to cover costs of benefits paid to retirees. The Termination Benefits Fund is used by the District to account for unused sick and vacation benefits that will be paid to employees upon retirement.

NOTE 17: JOINTLY GOVERNED ORGANIZATIONS

A. The Medina County Career Center

The Medina County Career Center is a separate body politic and corporate, established by the Ohio Revised Code to provide for the vocational needs of the students. The Board of Education is comprised of representatives appointed by the board of each participating school district. The Board is responsible for approving its own budgets, appointing personnel, and accounting and finance related activities. Brunswick City School District students may attend the vocational school. Each school district's control is limited to its representation on the Board. During fiscal year 2007, no monies were paid by Brunswick City School District to the Career Center. To obtain financial information write to the Medina Career Center, John Street, who serves as Treasurer, at 1101 West Liberty, Medina, Ohio 44256.

Brunswick City School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2007

NOTE 17: JOINTLY GOVERNED ORGANIZATIONS (Continued)

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 2007, the School District paid \$1,532 to the Council. Financial information can be obtained by contacting Dr. David A. Cottrell, the Executive Secretary/Treasurer of the Ohio Schools Council at 6133 Rockside Road, Suite 10, Independence, Ohio 44131.

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

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

NOTE 18: PUBLIC ENTITY RISK POOLS

A. Insurance Purchasing Pool

The School District participates in the Ohio School Boards Association Worker's 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, 2007

NOTE 18: PUBLIC ENTITY RISK POOLS (Continued)

B. Risk Sharing Pool

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

NOTE 19: SET ASIDES

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

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

	Textbooks and Instructional Materials Reserve	Capital Improvements Reserve
Set-Aside Reserve Balance as of June 30, 2006	\$ 575,216	\$ 0
Current Year Set-Aside Requirement	1,076,293	1,076,293
Qualifying Disbursements	(837,276)	(2,083,421)
Totals	<u>\$ 814,233</u>	<u>\$ (1,007,128)</u>
Set-Aside Balance Carried Forward to Future Fiscal Years	<u>\$ 814,233</u>	<u>\$ 0</u>
Set-Aside Reserve Balance as of June 30, 2007	<u>\$ 814,233</u>	<u>\$ 0</u>

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

NOTE 20: SUBSEQUENT EVENT

On July 1, 2007, the School District entered into a lease agreement for several copiers. The principal value of the copiers is \$577,525. Payments of \$125,453 will be made annually for 5 years.



Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

Focused on Your Future.

December 14, 2007

To the Board of Education
Brunswick City School District (Medina County)
Brunswick, Ohio 44212

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Brunswick City School District as of and for the year ended June 30, 2007, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated December 14, 2007. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Brunswick City School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Brunswick City School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Brunswick City School District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Brunswick City School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as Finding 2007-01.

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

Rea & Associates, Inc.

Medina, Ohio



Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

Focused on Your Future.

December 14, 2007

To the Board of Education
Brunswick City School District (Medina County)
Brunswick, Ohio 44212

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

Compliance

We have audited the compliance of Brunswick City School 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 of its major federal programs for the year ended June 30, 2007. Brunswick City School District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs is the responsibility of Brunswick City School District's management. Our responsibility is to express an opinion on Brunswick City School 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 the 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 with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Brunswick City School 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 of Brunswick City School District's compliance with those requirements.

In our opinion, Brunswick City School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

Internal Control Over Compliance

The management of Brunswick City School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Brunswick City School District's internal control over compliance with the 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Brunswick City School District's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be significant deficiencies or material weaknesses, as defined above. However, we noted control deficiencies that we have reported to management of Brunswick City School District in a separate letter dated December 14, 2007.

Schedule of Expenditures of Federal Awards - Non GAAP Budgetary Basis

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Brunswick City School District, as of and for the year ended June 30, 2007, which collectively comprise the School District's basic financial statements and have issued our report thereon dated December 14, 2007. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements of Brunswick City School District. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Board of Education, management, 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.

Rea & Associates, Inc.

Medina, Ohio

BRUNSWICK CITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2007

Federal Grantor/ Pass Through Grantor/ Program Title	CFDA Number	Grant Number	Cash Receipts	Non-Cash Receipts	Cash Disbursements	Non-Cash Disbursements
U. S. Department of Education						
<i>Passed Through Ohio Department of Education:</i>						
Title I	84.010	C1S1-2007	\$ 340,377	\$ 0	\$ 419,373	\$ 0
Title I	84.010	C1S1-2006	69,717	0	58,222	0
Total Title I			410,094	0	477,595	0
Title II-A - Improving Teacher Quality	84.367	TRS1-2007	95,805	0	111,232	0
Title II-A - Improving Teacher Quality	84.367	TRS1-2006	33,010	0	21,787	0
Total Title II-A - Improving Teacher Quality			128,815	0	133,019	0
IDEA Part B	84.027	6BSF-2007	1,012,173	0	1,140,820	0
IDEA Part B	84.027	6BSF-2006	132,904	0	181,162	0
Early Childhood Special Education	84.173	PGS1-2007	23,047	0	22,425	0
Early Childhood Special Education	84.173	PGS1-2006	15,107	0	18,145	0
Total Special Education Cluster			1,183,231	0	1,362,552	0
Safe and Drug-Free Schools	84.186	DRS1-2007	18,046	0	18,046	0
Title V - Innovative Education Program Strategies	84.298	C2S1-2007	26,284	0	26,284	0
Title V - Innovative Education Program Strategies	84.298	C2S1-2006	6,048	0	7,162	0
Total Title V - Innovative Education Program Strategies			32,332	0	33,446	0
Hurricane Education Recovery	84.938	HR01-2007	2,500	0	4,500	0
Title III LEP	84.365	T3S1-2007	18,514	0	17,456	0
Title III LEP {C}	84.365	T3S1-2006	(967)	0	0	0
Total Title III LEP			17,547	0	17,456	0
Technology Literacy Challenge Fund Grant	84.318	TJS1-2007	2,659	0	1,889	0
Technology Literacy Challenge Fund Grant	84.318	TJS1-2006	7,728	0	3,714	0
Total Technology Literacy Challenge Fund Grant			10,387	0	5,603	0
<i>Total U.S. Department of Education</i>			1,802,952	0	2,052,217	0
U. S. Department of Agriculture						
<i>Passed Through the Ohio Department of Education:</i>						
Food Distribution Program (A)(B)	10.550	N/A	0	129,981	0	129,981
School Breakfast Program (B)	10.553	05PU-2007	39,370	0	39,370	0
School Breakfast Program (B)	10.553	05PU-2006	10,156	0	10,156	0
National School Lunch Program (B)	10.555	LLP4-2007	285,167	0	285,167	0
National School Lunch Program (B)	10.555	LLP4-2006	105,927	0	105,927	0
Total Child Nutrition Cluster			440,620	0	440,620	0
<i>Total U.S. Department of Agriculture</i>			440,620	129,981	440,620	129,981
TOTAL FEDERAL FINANCIAL ASSISTANCE			\$ 2,243,572	\$ 129,981	\$ 2,492,837	\$ 129,981

(A) Government commodities are reported at the fair market value of the commodities received and disbursed.

(B) Federal money commingled with state subsidy reimbursements. It is assumed federal moneys are expended first.

(N/A) Grant number was not available.

{C} Return of Receipt

**BRUNSWICK CITY SCHOOL DISTRICT
MEDINA COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 , Section .505
JUNE 30, 2007**

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

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

FINDING NUMBER 2007-01

Noncompliance Citation

Ohio Revised Code Section 5705.41(B) requires that expenditures from each fund do not exceed final appropriations plus prior year encumbrances for each fund. As of June 30, 2007, expenditures for the termination benefits fund, totaling \$1,036,186, exceeded final appropriations plus prior year encumbrances of \$698,827 by \$337,359. We recommend the District pays close attention to expenditures and appropriations throughout the year, and quickly asks for Board approval when needed.

Management's Response: The treasurer will monitor final appropriations more closely during the next fiscal year to ensure that all necessary appropriation amendments are properly approved by the board of education and submitted to the county auditor.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
--

None were noted.



Mary Taylor, CPA
Auditor of State

BRUNSWICK CITY SCHOOL DISTRICT

MEDINA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 17, 2008**