

Brunswick City School District

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Financial Statements

June 30, 2005



**Auditor of State
Betty Montgomery**

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, 2004 through June 30, 2005. 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.

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

May 30, 2006

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BRUNSWICK CITY SCHOOL DISTRICT

For the year Ended June 30, 2005

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Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

March 9, 2006

The Board of Education
Brunswick City School District
3643 Center Road
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 (the School District), as of and for the year ended June 30, 2005, 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, 2005, 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 March 9, 2006 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 4 through 13 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.

Hea & Associates, Inc.

Brunswick City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
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, 2005. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for 2005 are as follows:

- Total assets at the end of fiscal year 2005 increased \$4.6 million over total assets at the end of fiscal year 2004. This is due to a 16.25% increase in current assets related to the increase in property taxes receivable offset by 2.97% decrease in capital assets due to depreciation. Total liabilities at the end of fiscal year 2005 increased by \$5.1 million over fiscal year 2004. This increase is related to deferred revenue from the increased property tax receivable.
- In total, net assets decreased \$.5 million from fiscal year 2004. This decrease was in unrestricted net assets of governmental activities (\$1 million or a 5.6 percent decline from 2004) offset by an increase in investment in capital assets of \$.5 million or 27.8 percent.
- Total revenues were \$61.3 million for fiscal year 2005. General revenues accounted for \$55.1 million or 90.0 percent of all revenues, with tax revenue representing 53.0 percent of those revenues. Specific program revenues in the form of charges for services and sales, operating and capital grants and contributions accounted for \$6.2 million or 10.0 percent of all revenues.
- The School District had \$61.8 million in expenses related to governmental activities; only \$6.2 million of these expenses were offset by program specific charges for services, sales, operating and capital grants and contributions. General revenues (primarily taxes supplemented by grants and entitlements) of \$55.1 million, plus a portion of unrestricted net assets carried forward from last year, were adequate to provide for these programs.
- The general fund had \$51.5 million in revenues and \$52.5 million in expenditures for fiscal year 2005. The general fund's balance decreased by \$1.0 million from the prior fiscal year.
- Outstanding debt decreased to \$29.4 million in 2005 from \$31.0 million in 2004 due to the payment of tax anticipation notes of \$.9 million and bonded debt of \$.8 million during the fiscal year, a net decrease of 5.2 percent.

Brunswick City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
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Using this Annual Financial Report

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

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

Reporting the School District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains all of the funds used by the School District to provide programs and activities, the view of the School District as a whole considers all financial transactions and asks the question "How did we perform financially during 2005?" The *Statement of Net Assets* and the *Statement of Activities* answer this question. These statements include *all assets* and *liabilities* using the *accrual basis of accounting* similar to the accounting used by most private sector companies. Accrual accounting takes into account all of the current year's revenue and expenses regardless of when cash is received or paid.

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

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

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

Brunswick City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
Unaudited

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

The School District as a Whole

You may recall that the *Statement of Net Assets* provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets for 2005 compared to 2004:

Table 1
 Net Assets
 Governmental Activities (in millions)

	2005	2004
Assets		
Current and Other Assets	\$37.2	\$32.0
Capital Assets, Net	19.6	20.2
<i>Total Assets</i>	56.8	52.2
Liabilities		
Current and Other Liabilities	38.9	32.0
Long-Term Liabilities:		
Due Within One Year	3.6	4.4
Due in More Than One Year	32.1	33.1
<i>Total Liabilities</i>	74.6	69.5
Net Assets		
Invested in Capital Assets, Net of Debt	(1.3)	(1.8)
Restricted:		
Capital Projects	0.7	0.6
Debt Service	0.2	0.3
Other Purposes	1.0	1.0
Set Asides	0.5	0.5
Unrestricted (Deficit)	(18.9)	(17.9)
<i>Total Net Assets (Deficit)</i>	(\$17.8)	(\$17.3)

Total assets increased by \$4.6 million. There was an increase in the property tax receivable, offset by decreases in the other receivables.

Brunswick City School District
Management's Discussion and Analysis
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Total liabilities increased by \$5.1 million. This increase is due mainly to the deferred revenue from the increased property tax receivable.

Table 2 shows the change in net assets for fiscal year 2005. This is the third year for reporting under GASB Statement 34, revenue and expense comparisons to fiscal year 2004 show an increase in total revenues of \$6.3 million an increase of 11.5 percent and program expenses decreased \$3.5 million, a decrease of 5.4 percent.

Table 2
 Governmental Activities (in millions)

	2005	2004
Revenues		
Program Revenues:		
Charges for Services and Sales	\$2.7	\$2.7
Operating Grants and Contributions	3.4	2.8
Capital Grants and Contributions	0.1	0.0
<i>Total Program Revenues</i>	<u>6.2</u>	<u>5.5</u>
General Revenues:		
Property Taxes	29.2	24.3
Grants and Entitlements	25.3	24.8
Other	0.6	0.4
<i>Total General Revenues</i>	<u>55.1</u>	<u>49.5</u>
Total Revenues	<u>61.3</u>	<u>55.0</u>
Program Expenses		
Instruction	34.7	36.5
Support Services:		
Pupils and Instructional Staff	5.5	5.7
Board of Education, Administration, Fiscal and Business	6.6	6.7
Operation and Maintenance of Plant	5.3	5.7
Pupil Transportation	4.2	5.7
Operation of Non-Instructional Services	2.6	2.4
Extracurricular Activities	1.6	1.2
Interest and Fiscal Charges	1.3	1.4
<i>Total Program Expenses</i>	<u>61.8</u>	<u>65.3</u>
Decrease in Net Assets	(0.5)	(10.3)
<i>Net Assets (Deficit) Beginning of Year - Restated</i>	<u>(17.3)</u>	<u>(7.0)</u>
<i>Net Assets (Deficit) End of Year</i>	<u><u>(\$17.8)</u></u>	<u><u>(\$17.3)</u></u>

Brunswick City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
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Governmental Activities

Several revenue sources primarily fund the School District's governmental activities. Property taxes account for the largest portion of general revenues having generated \$29.2 million in fiscal year 2005. Program and general revenues from operating grants and entitlements, such as the school foundation program, are also a large source of revenue having generated \$28.7 million in fiscal year 2005. With the combination of taxes and intergovernmental funding providing coverage for about 89 percent of all expenses in governmental activities, the School District monitors both of these revenue sources closely for fluctuations that would impact upon its activities.

Instruction comprises 56.1 percent of governmental program expenses. Additional support services for pupils, instructional staff and business operations comprise 35.0 percent of governmental program expenses. Interest and fiscal charges, largely attributable to the servicing of outstanding bonds and capital leases, operation of non-instructional services and extracurricular activities account for the remaining 8.9 percent.

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

Table 3
 Governmental Activities (in millions)

	Total Cost of Services 2005	Net Cost of Services 2005	Total Cost of Services 2004	Net Cost of Services 2004
Instruction	\$34.7	(\$32.7)	\$36.5	(\$35.1)
Support Services:				
Pupils and Instructional Staff	5.5	(4.4)	5.7	(4.7)
Board of Education, Administration, Fiscal and Business	6.6	(6.0)	6.7	(5.9)
Operation and Maintenance of Plant	5.3	(5.3)	5.7	(5.7)
Pupil Transportation	4.2	(4.1)	5.7	(5.6)
Operation of Non-Instructional Services	2.6	(0.6)	2.4	(0.3)
Extracurricular Activities	1.6	(1.1)	1.2	(1.1)
Interest and Fiscal Charges	1.3	(1.3)	1.4	(1.4)
<i>Total</i>	<u>61.8</u>	<u>(55.5)</u>	<u>65.3</u>	<u>(59.8)</u>

The dependence upon general revenues for governmental activities is apparent. Over 47 percent of total expenses are supported through taxes. Grants and entitlements not restricted to specific programs support 40.9 percent, while program revenues support an additional 10.0 percent. The remaining costs are supported by investment and other miscellaneous type revenues.

Brunswick City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
Unaudited

The School District's Funds

Information regarding the School District's major funds starts on page 16. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$60.9 million and expenditures of \$62.1 million. The net change in fund balance for the year was a decrease of \$1.2 million, including other financing sources and uses. The general fund balance decreased overall by \$1.0 million and other governmental funds balances declined overall by \$.2 million. 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

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

During the course of fiscal year 2005, 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, final budget basis revenue estimates of \$49.2 million were \$3 million above original budget estimates of \$46.2 million. Of this \$3 million difference, most was due to final estimates of property tax revenue being more than original estimates. Actual revenues however, were within about \$10,000 of the \$49.2 million anticipated.

Original appropriations, exclusive of other financing uses, were \$50.5 million and increased during the fiscal year to \$53.4 million. Actual expenditures however were \$52.7 million or \$.7 million less than anticipated.

Brunswick City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
Unaudited

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2005, the School District had \$19.6 million invested in land, buildings and improvements, furniture and equipment, and vehicles. Table 4 details fiscal year 2005 balances compared to fiscal year 2004. More detailed information is presented in Note 9 of the notes to the basic financial statements.

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

	2005	2004
Land	\$1.4	\$1.4
Land Improvements	0.8	0.9
Buildings and Improvements	13.7	14.0
Furniture and Equipment	1.3	1.5
Vehicles	2.4	2.4
<i>Totals</i>	\$19.6	\$20.2

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.

For fiscal year 2005, Ohio law required school districts to expend or otherwise reserve three percent of qualifying revenues for the purpose of capital improvements and an additional three percent for textbooks and instructional materials. For fiscal year 2005, this amounted to \$1,000,052 for each purpose. The School District had qualifying disbursements exceeding the requirement for capital improvements. See Note 21 for additional set-aside information.

Debt

At June 30, 2005, the School District had a principal balance of \$29.4 million in bonds and notes outstanding, of which \$3.0 million in principal is due within one year. Table 5 summarizes the School District's bonds, loan and notes outstanding. A more detailed presentation is included in Notes 16 and 17 of the notes to the basic financial statements.

Brunswick City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
Unaudited

Table 5
Outstanding Debt at Fiscal Year End
Governmental Activities

	<u>2005</u>	<u>2004</u>
General Obligation Bonds		
School Improvement, 1999	\$8,565,000	\$8,815,000
School Improvement Refunding, 2000	3,370,000	3,690,000
School Improvement, 2000	7,000,000	7,160,000
School Improvement, 2003	731,091	770,833
<i>Total General Obligation Bonds</i>	<u>19,666,091</u>	<u>20,435,833</u>
Long-Term Loan		
Asbestos Removal Loan, 1985	<u>0</u>	<u>5,060</u>
Notes		
Tax Anticipation Notes, 2002	1,215,000	1,620,000
Tax Anticipation Notes, 2003	2,700,000	3,200,000
Tax Anticipation Notes, 2004	5,780,000	5,780,000
<i>Total Notes</i>	<u>9,695,000</u>	<u>10,600,000</u>
Total Outstanding Debt	<u><u>\$29,361,091</u></u>	<u><u>\$31,040,893</u></u>

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

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

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

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

In 1985, the School District obtained a non-interest bearing loan in the amount of \$151,890 from the U. S. Environmental Protection Agency for its asbestos hazard abatement program. Final payment on this loan was December 2004.

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

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

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

At June 30, 2004, the School District's overall legal debt margin within the 9 percent of tax valuation limitation was \$105,633,283. The School District's legal unvoted debt margin subject to the 1/10 of 1 percent of tax valuation limitation was \$952,936.

In 2005, the School District issued \$1,000,000 of tax anticipation notes. These notes were repaid during the fiscal year, on April 18, 2005.

Current Financial Related Activities

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

The School District has received increases in voter-approved taxes two times since 1992. In that period of time the District passed two new five-year emergency levies, six five-year renewal issues, and one 28-year bond issue. Most recently (May 2005 and August 2005) the electors have defeated two tax initiatives that could have raised approximately \$3.7 million per year.

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, the fiscal year 2006-2007 biennial budget bill, will further eradicate 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' 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.

Brunswick City School District
Management's Discussion and Analysis
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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 the middle of surrounding states when you include Illinois.

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

Currently the 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 eight-year old (March 1997) *DeRolph* decision by placing the burden back on the property owner.

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

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

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

Contacting the School District's Financial Management

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

Brunswick City School District

Statement of Net Assets

June 30, 2005

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$3,764,634
Cash and Cash Equivalents With Fiscal Agent	1,656
Accounts Receivable	3,663
Intergovernmental Receivable	515,825
Prepaid Items	1,400
Inventory Held for Resale	45,582
Materials and Supplies Inventory	275,148
Taxes Receivable	32,578,506
Nondepreciable Capital Assets	1,405,645
Depreciable Capital Assets, Net	<u>18,170,031</u>
<i>Total Assets</i>	<u>56,762,090</u>
Liabilities	
Accounts Payable	135,842
Accrued Wages	6,777,007
Intergovernmental Payable	1,571,562
Matured Interest Payable	1,656
Matured Compensated Absences Payable	155,328
Accrued Interest Payable	161,577
Deferred Revenue	30,063,351
Long-Term Liabilities:	
Due Within One Year	3,570,170
Due In More Than One Year	<u>32,113,733</u>
<i>Total Liabilities</i>	<u>74,550,226</u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	(1,255,575)
Restricted for:	
Capital Projects	693,696
Debt Service	155,727
Set Asides	505,338
Food Service	289,703
Student Activities	266,977
Special Education	193,024
Other Purposes	263,117
Unrestricted (Deficit)	<u>(18,900,143)</u>
<i>Total Net Assets (Deficit)</i>	<u><u>(\$17,788,136)</u></u>

See accompanying notes to the basic financial statements

Brunswick City School District
Statement of Activities
For the Fiscal Year Ended June 30, 2005

	Program Revenues			Net (Expense)	
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Assets
Governmental Activities					Total
Instruction:					
Regular	\$27,248,916	\$533,446	\$391,826	\$69,449	(\$26,254,195)
Special	7,520,758	47,390	945,343	0	(6,528,025)
Support Services:					
Pupils	3,112,211	0	701,968	0	(2,410,243)
Instructional Staff	2,415,658	0	387,994	0	(2,027,664)
Board of Education	151,622	0	0	0	(151,622)
Administration	4,761,773	505,640	113,935	0	(4,142,198)
Fiscal	1,408,914	0	0	0	(1,408,914)
Business	320,434	0	0	0	(320,434)
Operation and Maintenance of Plant	5,343,039	29,062	0	0	(5,313,977)
Pupil Transportation	4,207,506	55,745	0	46,538	(4,105,223)
Central	57,368	0	0	0	(57,368)
Operation of Non-Instructional Services	2,386,522	1,196,434	820,508	0	(369,580)
Extracurricular Activities	1,559,853	357,336	65,427	0	(1,137,090)
Interest and Fiscal Charges	1,269,254	0	0	0	(1,269,254)
<i>Total</i>	<u>\$61,763,828</u>	<u>\$2,725,053</u>	<u>\$3,427,001</u>	<u>\$115,987</u>	<u>(55,495,787)</u>
		General Revenues			
		Property Taxes Levied for:			
		General Purposes			25,941,581
		Debt Service			1,692,141
		Capital Outlay			1,590,880
		Grants and Entitlements not Restricted to Specific Programs			25,252,509
		Investment Earnings			114,165
		Miscellaneous			435,015
		<i>Total General Revenues</i>			55,026,291
		Change in Net Assets			(469,496)
		<i>Net Assets Beginning of Year - Restated (See Note 3)</i>			(17,318,640)
		<i>Net Assets End of Year</i>			<u>(\$17,788,136)</u>

See accompanying notes to the basic financial statements

Brunswick City School District*Balance Sheet**Governmental Funds**June 30, 2005*

	General	Other Governmental Funds	Total Governmental Funds
Assets			
Equity in Pooled Cash and Cash Equivalents	\$1,410,724	\$1,848,572	\$3,259,296
Cash and Cash Equivalents With Fiscal Agents	0	1,656	1,656
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	505,338	0	505,338
Accounts Receivable	3,663	0	3,663
Intergovernmental Receivable	7,772	508,053	515,825
Prepaid Items	1,400	0	1,400
Inventory Held for Resale	0	45,582	45,582
Materials and Supplies Inventory	265,051	10,097	275,148
Taxes Receivable	29,325,312	3,253,194	32,578,506
Interfund Receivable	60,322	0	60,322
<i>Total Assets</i>	<u>\$31,579,582</u>	<u>\$5,667,154</u>	<u>\$37,246,736</u>
Liabilities			
Accounts Payable	\$90,019	\$45,823	\$135,842
Accrued Wages	6,339,664	437,343	6,777,007
Interfund Payable	0	60,322	60,322
Intergovernmental Payable	1,409,615	161,947	1,571,562
Matured Compensated Absences Payable	155,328		155,328
Deferred Revenue	27,843,290	3,197,121	31,040,411
Matured Interest Payable	0	1,656	1,656
Accrued Interest Payable	72,582	0	72,582
Notes Payable	9,695,000	0	9,695,000
<i>Total Liabilities</i>	<u>45,605,498</u>	<u>3,904,212</u>	<u>49,509,710</u>
Fund Balances			
Reserved for Encumbrances	732,990	843,858	1,576,848
Reserved for Property Taxes	1,482,022	165,801	1,647,823
Reserved for Textbooks and Instructional Materials	58,142	0	58,142
Reserved for Budget Stabilization	447,196	0	447,196
Undesignated (Deficit), Reported in:			
General Fund	(16,746,266)	0	(16,746,266)
Special Revenue Funds	0	229,115	229,115
Debt Service Fund	0	122,453	122,453
Capital Projects Funds	0	401,715	401,715
<i>Total Fund (Deficit) Balances</i>	<u>(14,025,916)</u>	<u>1,762,942</u>	<u>(12,262,974)</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$31,579,582</u>	<u>\$5,667,154</u>	<u>\$37,246,736</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, 2005*

Total Governmental Fund Balances	(\$12,262,974)
 <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.	19,575,676
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds. These deferrals are attributed to delinquent property taxes.	977,060
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	(88,995)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
General Obligation Bonds	(19,666,091)
Compensated Absences	(5,157,652)
Capital Lease Payable	(1,165,160)
Total	(25,988,903)
<i>Net Assets of Governmental Activities</i>	<i>(\$17,788,136)</i>

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, 2005

	General	Other Governmental Funds	Total Governmental Funds
Revenues			
Taxes	\$25,666,800	\$3,268,499	\$28,935,299
Intergovernmental	24,898,759	3,711,983	28,610,742
Interest	91,743	22,422	114,165
Tuition and Fees	620,202	0	620,202
Extracurricular Activities	0	862,976	862,976
Rentals	29,062	0	29,062
Charges for Services	0	1,212,813	1,212,813
Contributions and Donations	0	75,027	75,027
Miscellaneous	170,326	264,689	435,015
<i>Total Revenues</i>	<u>51,476,892</u>	<u>9,418,409</u>	<u>60,895,301</u>
Expenditures			
Current:			
Instruction:			
Regular	25,982,064	595,986	26,578,050
Special	6,500,434	861,430	7,361,864
Support Services:			
Pupils	2,352,038	716,163	3,068,201
Instructional Staff	2,095,460	261,499	2,356,959
Board of Education	151,797	0	151,797
Administration	3,946,103	733,759	4,679,862
Fiscal	1,366,762	23,240	1,390,002
Business	310,640	0	310,640
Operation and Maintenance of Plant	5,165,939	288	5,166,227
Pupil Transportation	3,178,411	247	3,178,658
Central	57,368	0	57,368
Operation of Non-Instructional Services	0	2,315,380	2,315,380
Extracurricular Activities	1,122,932	424,971	1,547,903
Capital Outlay	0	1,624,971	1,624,971
Debt Service:			
Principal Retirement	188,276	873,742	1,062,018
Interest and Fiscal Charges	83,145	1,189,176	1,272,321
<i>Total Expenditures</i>	<u>52,501,369</u>	<u>9,620,852</u>	<u>62,122,221</u>
<i>Excess of Revenues Under Expenditures</i>	(1,024,477)	(202,443)	(1,226,920)
Other Financing Sources			
Proceeds from the Sale of Capital Assets	24,575	0	24,575
<i>Net Change in Fund Balances</i>	(999,902)	(202,443)	(1,202,345)
<i>Fund Balances (Deficit) Beginning of Year -</i>			
<i>Restated (See Note 3)</i>	<u>(13,026,014)</u>	<u>1,965,385</u>	<u>(11,060,629)</u>
<i>Fund Balances (Deficit) End of Year</i>	<u>(\$14,025,916)</u>	<u>\$1,762,942</u>	<u>(\$12,262,974)</u>

See accompanying notes to the basic financial statements

Brunswick City School District
*Reconciliation of the Changes in Fund Balance
of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2005*

Net Change in Fund Balances - Total Governmental Funds (\$1,202,345)

*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 exceeds capital outlay in the current period.

Capital Asset Additions	811,389	
Current Year Depreciation	(1,346,918)	
Total	(535,529)	(535,529)

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. (77,186)

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

Delinquent Property Taxes	289,303	
Grants	109,728	
Total	399,031	399,031

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

Bonds	769,742	
Asbestos Loan	5,060	
Capital Leases	287,216	
Total	1,062,018	1,062,018

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. 3,067

Some expenses reported in the statement of activities, such as compensated absences, early retirement incentive and intergovernmental payable which represent contractually required pension contributions, do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. (118,552)

Change in Net Assets of Governmental Activities (\$469,496)

See accompanying notes to the basic financial statements

Brunswick City School District
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP) and Actual
General Fund
For the Fiscal Year Ended June 30, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$21,951,044	\$23,394,728	\$23,394,926	\$198
Intergovernmental	23,354,771	24,890,979	24,890,987	8
Interest	91,517	92,464	97,537	5,073
Tuition and Fees	584,428	617,747	622,869	5,122
Rentals	30,270	32,261	32,261	0
Miscellaneous	160,109	170,483	170,641	158
<i>Total Revenues</i>	46,172,139	49,198,662	49,209,221	10,559
Expenditures				
Current:				
Instruction:				
Regular	22,705,169	24,040,940	25,903,136	(1,862,196)
Special	5,316,513	5,832,515	6,432,805	(600,290)
Support Services:				
Pupils	2,136,339	2,262,496	2,282,658	(20,162)
Instructional Staff	1,858,861	2,009,457	2,100,099	(90,642)
Board of Education	301,531	313,994	207,645	106,349
Administration	3,702,207	3,870,295	3,927,488	(57,193)
Fiscal	1,153,514	1,360,943	1,346,759	14,184
Business	308,137	338,213	312,032	26,181
Operation and Maintenance of Plant	8,855,286	9,006,694	5,743,103	3,263,591
Pupil Transportation	3,182,274	3,362,325	3,280,939	81,386
Central	73,114	74,950	77,822	(2,872)
Extracurricular Activities	955,249	939,206	1,102,611	(163,405)
<i>Total Expenditures</i>	50,548,194	53,412,028	52,717,097	694,931
<i>Excess of Revenues Under Expenditures</i>	(4,376,055)	(4,213,366)	(3,507,876)	705,490
Other Financing Sources (Uses):				
Notes Issued	938,282	1,000,000	1,000,000	0
Proceeds from the Sale of Capital Assets	23,058	24,575	24,575	0
Advances In	80,674	86,161	77,262	(8,899)
Advances Out	(49,805)	(49,805)	0	49,805
Transfers Out	(23,083)	(23,083)	0	23,083
<i>Total Other Financing Sources (Uses)</i>	969,126	1,037,848	1,101,837	63,989
<i>Net Change in Fund Balance</i>	(3,406,929)	(3,175,518)	(2,406,039)	769,479
<i>Fund Balance Beginning of the Year</i>	2,930,229	2,930,229	2,930,229	0
Prior Year Encumbrances Appropriated	534,636	534,636	534,636	0
<i>Fund Balance End of Year</i>	\$57,936	\$289,347	\$1,058,826	\$769,479

See accompanying notes to the basic financial statements.

Brunswick City School District
Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
June 30, 2005

	<u>Agency</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$170,799</u>
Liabilities	
Due to Students	\$149,376
Undistributed Monies	<u>21,423</u>
<i>Total Liabilities</i>	<u>\$170,799</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, 2005

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 288 classified employees, 461 certificated full-time teaching personnel and 26 administrators who provide services to 7,339 students and other community members.

Reporting Entity

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

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

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

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

Brunswick City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

Note 2 - Summary of Significant Accounting Policies

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

A. Basis of Presentation

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

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

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

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

B. Fund Accounting

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

Brunswick City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

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

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

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

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

C. Measurement Focus

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

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

D. Basis of Accounting

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

Brunswick City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

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

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

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

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

Property taxes for which there is an enforceable legal claim as of June 30, 2005, but which were levied to finance fiscal year 2006 operations, have been recorded as deferred revenue. Grants and entitlements received before eligibility requirements are met are also recorded as deferred revenue.

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

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

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

E. Budgetary Data

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

Brunswick City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

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

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

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

F. Cash and Cash Equivalents

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

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

During fiscal year 2005, investments were limited to Victory Federal Money Market Mutual Fund, a repurchase agreement and STAROhio.

Except for nonparticipating 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, 2005.

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 2005 amounted to \$91,743, which includes \$58,080 assigned from other School District funds.

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

Brunswick City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

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 create a reserve for budget stabilization. See Note 21 for additional information regarding set-asides.

H. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2005, are reported as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

I. 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.

J. Capital Assets

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

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The School District was able to estimate the historical cost for the initial reporting of assets by backtrending (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 asset or materially extend an asset's life are not.

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

<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

Brunswick City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

K. Interfund Balances

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

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.

For governmental funds, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account “matured compensated absences payable” in the fund from which the employees who have resigned or retired will be paid. The non-current portion of the liability is not reported.

M. Accrued Liabilities and Long-Term Obligations

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

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

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 expenditure 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

Brunswick City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

governments. The government-wide statement of net assets reports \$2,367,582 of restricted net assets, of which \$505,338 is restricted by enabling legislation. Net assets restricted for other purposes include teacher training, school supplies and technology services.

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

P. Fund Balance Reserves

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

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statute. The reserve for budget stabilization represents monies required to be set aside by statute to protect against cyclical fluctuations in revenues and expenditures.

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.

R. Estimates

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

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

For fiscal year 2005, the School District has implemented GASB Statement No. 40, “Deposit and Investment Risk Disclosures”, GASB Statement No. 46, “Net Assets Restricted by Enabling Legislation” and GASB Technical Bulletin No. 2004-2, “Recognition of Pension and Other Postemployment Benefit Expenditures/Expense and Liabilities by Cost-Sharing Employers.”

GASB Statement No. 40 establishes disclosure requirements for investment credit risk, interest rate risk, deposit custodial risk and foreign currency risk.

GASB Statement No. 46 clarifies how enabling legislation should be defined for determining restricted net assets.

GASB Technical Bulletin No. 2004-2 addresses the amount that should be recognized as expenditure/expense and as a liability each period by employers participating in a cost-sharing multiple-employer pension and other postemployment benefit (OPEB) plans.

Brunswick City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

The implementation of GASB Statement No. 46 did not affect the presentation of the financial statements of the School District. The implementation of GASB Technical Bulletin No. 2004-2 and the correction of understated accrued wages in the prior year had the following effect on fund balance at June 30, 2004.

	<u>Governmental Funds</u>
Fund Balance at June 30, 2004	(\$9,668,534)
Technical Bulletin No. 2004-2	(492,963)
Understated Accrued Wages	(899,132)
Restated Fund Balance at June 30, 2004	(\$11,060,629)

During fiscal year 2005 the School District raised their capitalization threshold for capital assets from \$500 to \$5,000. This change, along with the correction of understated compensated absences and accrued wages in the prior year had the following effect on net assets at June 30, 2004.

	<u>Governmental Activities</u>
Net Assets at June 30, 2004	(\$10,045,520)
Capitalization Threshold	(5,345,597)
Understated Compensated Absences	(1,028,391)
Understated Accrued Wages	(899,132)
Restated Net Assets at June 30, 2004	(\$17,318,640)

Note 4 – Accountability

The following funds had deficit fund balances as of June 30, 2005:

Major Fund	
General Fund	\$14,025,916
 NonMajor Funds	
<i>Special Revenue Funds</i>	
Summer School Subsidy	4,218
Title I	21,093
Drug Free Schools	2,277
Preschool	11,560
Professional Development	40,535

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

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

Brunswick City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

Note 5 - Budgetary Basis of Accounting

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

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

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

Net Change in Fund Balance	
GAAP Basis	(\$999,902)
Net Adjustment for Revenue Accruals	(2,267,671)
Advance In	77,262
Notes Issued	1,000,000
Net Adjustment for Expenditure Accruals	641,508
Adjustment for Encumbrances	(857,236)
Budget Basis	<u><u>(\$2,406,039)</u></u>

Note 6 - Deposits and Investments

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

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

Inactive deposits are public deposits that the Board 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.

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security 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;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations;
7. The State Treasurer's investment pool (STAR Ohio).
8. Commercial paper and bankers acceptances if training requirements have been met.

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. Investments may only be made through specified dealers and institutions.

At year end, the School District had \$4,200 in undeposited cash on hand which is included as part of "Equity in Pooled Cash and Cash Equivalents".

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$1,258,107 of the School District's bank balance of \$1,384,571 was exposed to custodial credit risk because it was uninsured and collateralized. 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.

Brunswick City School District
Notes to the Basic Financial Statements
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The School District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the School District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Investments

As of June 30, 2005, the School District had the following investments. All investments are in an internal investment pool.

	Carrying and Fair Value	Maturity
Repurchase Agreement:		
Federal National Mortgage Security	\$2,572,000	Daily
Victory Federal Money Market Mutual Fund	33,196	23 days
STAROhio	51,868	33 days
Total	\$2,657,064	

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% and be marked to market daily.

Credit Risk STAROhio carries a rating of AAAM by Standard and Poor's. The victory federal money market mutual fund carries a rating of AAAM by Standard and Poor's. The federal national mortgage security carries a rating of AAA by Standard and Poor's. Ohio law requires that STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service and that the money market mutual fund be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service. The School District has no investment policy that would further limit its investment choices.

Custodial Credit Risk For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Federal National Mortgage Security is exposed to custodial credit risk in that it is uninsured, unregistered, and held by the counterparty's trust department or agent but not in the School District's name. The School District has no investment policy dealing with investment custodial risk beyond the requirement in state statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

Concentration of Credit Risk The School District places no limit on the amount it may invest in any one issuer. The School District's investment in the repurchase agreement represents 96.8% of the School District's total investments.

Brunswick City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

Note 7 - Property Taxes

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the school district. Real property tax revenue received in calendar 2005 represents collections of calendar year 2004 taxes. Real property taxes received in calendar year 2005 were levied after April 1, 2004, on the assessed value listed as of January 1, 2004, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2005 represents collections of calendar year 2004 taxes. Public utility real and tangible personal property taxes received in calendar year 2005 became a lien December 31, 2003, were levied after April 1, 2004 and are collected in 2005 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 2005 (other than public utility property) represents the collection of 2005 taxes. Tangible personal property taxes received in calendar year 2005 were levied after April 1, 2004, on the value as of December 31, 2004. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-three percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Medina County. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2005, are available to finance fiscal year 2005 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2005 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, 2005 was \$1,482,022 in the general fund, \$80,468 in the bond retirement debt service fund, and \$85,333 in the permanent improvements capital projects fund. The amount available as an advance at June 30, 2004, was \$1,061,019 in the general fund, \$71,432 in the bond retirement debt service fund, and \$77,894 in the permanent improvement capital projects fund.

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

Brunswick City School District
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The assessed values upon which the fiscal year 2005 taxes were collected are:

	2004 Second Half Collections		2005 First Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$800,116,470	92.72 %	\$890,839,090	93.48 %
Public Utility Personal	16,400,000	1.90	15,909,690	1.67
Tangible Personal Property	46,443,437	5.38	46,187,559	4.85
Total	\$862,959,907	100.00 %	\$952,936,339	100.00 %
 Tax rate per \$1,000 of assessed valuation	 \$60.67		 \$67.17	

At the March, 2004 election the voters passed a new 6.5 mill emergency levy.

Note 8 - Receivables

Receivables at June 30, 2005, consisted of taxes, accounts (rent and student fees) and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of state programs and the guarantee of federal funds. All current fiscal year receivables are expected to be collected within one year.

A summary of the principal items of intergovernmental receivables follows:

	Amounts
General Fund	\$7,772
Nonmajor Funds	
Food Service	86,285
Ohio Reads	991
Student Intervention	11,924
Alternative Schools	15,402
Title VI-B	223,434
Title I	115,435
Title VI	12,026
Preschool	8,790
Title VI-R	25,983
Miscellaneous Federal Grants	7,783
Total Nonmajor Funds	508,053
Total All Funds	\$515,825

Brunswick City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

Note 9 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2005, was as follows:

	(Restated) Balance 6/30/04	Additions	Deductions	Balance 6/30/05
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	1,751,252	34,020	0	1,785,272
Building and Improvements	33,469,389	137,554	0	33,606,943
Furniture and Equipment	5,159,431	90,571	(5,080)	5,244,922
Vehicles	5,132,994	549,244	(395,359)	5,286,879
 <i>Total Capital Assets, being depreciated</i>	<u>45,513,066</u>	<u>811,389</u>	<u>(400,439)</u>	<u>45,924,016</u>
 Less Accumulated Depreciation				
Land Improvements	(840,744)	(105,391)	0	(946,135)
Building and Improvements	(19,512,684)	(430,810)	0	(19,943,494)
Furniture and Equipment	(3,669,899)	(319,068)	5,080	(3,983,887)
Vehicles	(2,706,993)	(491,649)	318,173	(2,880,469)
 Total Accumulated Depreciation	<u>(26,730,320)</u>	<u>(1,346,918) *</u>	<u>323,253</u>	<u>(27,753,985)</u>
 Total capital assets, being depreciated, Net	<u>18,782,746</u>	<u>(535,529)</u>	<u>(77,186)</u>	<u>18,170,031</u>
 Governmental Activities Capital Assets, Net	<u>\$20,188,391</u>	<u>(\$535,529)</u>	<u>(\$77,186)</u>	<u>\$19,575,676</u>

*Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$484,261
Special	111,578
Support Services:	
Pupils	42,715
Instructional Staff	38,767
Administration	58,719
Fiscal	11,094
Business	6,656
Operation and Maintenance of Plant	70,640
Pupil Transportation	466,885
Operation of Non-Instructional Activities	55,603
Total Depreciation Expense	<u>\$1,346,918</u>

Brunswick City School District
Notes to the Basic Financial Statements
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Note 10 - Risk Management

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2005, the School District contracted with several companies for various types of insurance as follows:

Company	Type of Coverage	Coverage
Indiana Insurance Company	Liability	\$1,000,000
	Aggregate	2,000,000
Indiana Insurance Company	Fleet Insurance	1,000,000
Indiana Insurance Company	Property/Inland Marine Insurance	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 2005, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 20). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP.

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

Note 11 – Defined Benefit Pension Plans

A. School Employees Retirement System

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial

Brunswick City School District
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statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling (614) 222-5853.

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2005, 10.57 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2004, 9.09 percent of annual covered salary was used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2005, 2004, and 2003 were \$818,752, \$674,756 and \$303,227, respectively; 56.28 percent has been contributed for fiscal year 2005 and 100 percent for fiscal years 2004 and 2003.

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 Street, Columbus, OH 43215-3371 or by calling (614) 227-4090.

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

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

For the fiscal year ended June 30, 2005, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum

Brunswick City School District
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rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2005, 2004, and 2003 were \$3,635,952, \$3,535,944 and \$2,426,727, respectively; 82.26 percent has been contributed for fiscal year 2005 and 100 percent for fiscal years 2004 and 2003. Contributions to the DC and Combined Plans for fiscal year 2005 were \$43,335 made by the School District and \$84,912 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2005, one member of the Board of Education has elected Social Security. The Board's liability is 6.2 percent of wages paid.

Note 12 - Postemployment Benefits

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

STRS 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 cost will be absorbed by STRS. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2005, the STRS Board allocated employer contributions equal to 1.0 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$283,022 for fiscal year 2005.

STRS pays health care benefits from the Health Care Stabilization Fund. At June 30, 2005, (the latest information available) the balance in the Fund was \$3.3 billion. For the year ended June 30, 2005, net health care costs paid by STRS were \$254,780,000 and STRS had 115,395 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, 2005, employer contributions to fund health care benefits were 3.43 percent of covered payroll, a decrease of 1.48 percent from fiscal year 2004. 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 2005, the minimum pay has been established at \$27,400. However, the surcharge is

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capped at 2 percent of each employer's SERS salaries. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2005 fiscal year equaled \$421,319.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2005, (the latest information available) were \$178,221,113 and the target level was \$238.2 million. At June 30, 2005, SERS had net assets available for payment of health care benefits of \$267.5 million. SERS has approximately 58,123 participants receiving health care benefits.

Note 13 - Other Employee Benefits

A. Compensated Absences

The criteria for determining vacation, personal and sick leave benefits are derived from negotiated agreements and State laws. Employees earn three days of personal leave per year. Classified employees may accumulate up to ten days of personal leave. Classified employees and twelve month administrators earn ten to twenty-five days of vacation per year, depending upon length of service. Administrators and exempt secretaries are able to carryover any unused vacation time at year-end, however, support staff (those employees in the bargaining unit) are unable to carry-over unused vacation time. Accumulated unused vacation time is paid to 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 or SERS.

B. Insurance

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

Brunswick City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

Note 14 - Capital Leases - Lessee Disclosure

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

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

Governmental Activities

Capital Assets, Acquired through Capital Lease:

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

Less Accumulated Depreciation:

Land Improvements	(111,805)
Buildings	(2,574)
Furniture and Equipment	(1,162,829)
<i>Total Accumulated Depreciation</i>	<u>(1,277,208)</u>

<i>Capital Assets Acquired through Capital Lease, Net</i>	<u><u>\$1,372,875</u></u>
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The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the minimum lease payments as of June 30, 2005.

Fiscal Year Ending June 30,	Governmental Activities
2006	\$230,078
2007	225,548
2008	183,399
2009	142,958
2010	143,652
2011-2013	431,476
Total	1,357,111
Less: Amount Representing Interest	(191,951)
Present Value of Net Minimum Lease Payments	<u><u>\$1,165,160</u></u>

Brunswick City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

Note 15 - Contingencies

A. Grants

The School District received financial assistance from federal and State agencies in the form of grants. The disbursements of funds received under these programs generally require compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2005.

B. Litigation

The School District is party to legal proceedings. The amount of the liability, if any, cannot be reasonably estimated at this time. However, in the opinion of management, any such claims and lawsuits will not have a material adverse effect on the overall financial position of the School District at June 30, 2005.

Note 16 - Short-Term Obligations

The School District's note activity, including amount outstanding and interest rate, is as follows:

	Outstanding 6/30/04	Additions	Deletions	Outstanding 6/30/05
General Fund				
2005 Tax Anticipation Notes 2.75%	\$0	\$1,000,000	\$1,000,000	\$0

In January 2005, the School District issued \$1,000,000 of tax anticipation notes. These notes were repaid during the fiscal year, on April 18, 2005.

Note 17 - Long-Term Obligations

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

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

Brunswick City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

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

	Outstanding 6/30/04	Issued	Retired	Outstanding 6/30/05	Amount Due in One Year
Governmental Activities					
General Obligation Bonds					
School Improvement	\$8,815,000	\$0	\$250,000	\$8,565,000	\$270,000
School Improvement Refunding	3,690,000	0	320,000	3,370,000	330,000
School Improvement	7,160,000	0	160,000	7,000,000	165,000
School Improvement	770,833	0	39,742	731,091	41,670
<i>Total General Obligation Bonds</i>	<u>20,435,833</u>	<u>0</u>	<u>769,742</u>	<u>19,666,091</u>	<u>806,670</u>
Long-Term Loan					
Asbestos Removal Loan	5,060	0	5,060	0	0
Notes					
Tax Anticipation	1,620,000	0	405,000	1,215,000	405,000
Tax Anticipation	3,200,000	0	500,000	2,700,000	675,000
Tax Anticipation	5,780,000	0	0	5,780,000	1,156,000
<i>Total Notes</i>	<u>10,600,000</u>	<u>0</u>	<u>905,000</u>	<u>9,695,000</u>	<u>2,236,000</u>
Compensated Absences	5,039,100	364,398	245,846	5,157,652	339,956
Capital Leases Payable	1,452,376	0	287,216	1,165,160	187,544
<i>Total Governmental Activities</i>	<u>\$37,532,369</u>	<u>\$364,398</u>	<u>\$2,212,864</u>	<u>\$35,683,903</u>	<u>\$3,570,170</u>

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.

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

Brunswick City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

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

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

The School District's overall legal debt margin was \$105,633,283 with an unvoted debt margin of \$952,936 at June 30, 2005.

Principal and interest requirements to retire long-term obligations outstanding at June 30, 2005, are as follows:

Fiscal Year Ending June 30,	General Obligation Bonds		Notes	
	Principal	Interest	Principal	Interest
2006	\$806,670	\$1,014,703	\$2,236,000	\$500,126
2007	863,691	975,831	2,236,000	232,535
2008	905,810	934,111	2,236,000	159,879
2009	958,031	889,511	1,831,000	94,906
2010	1,015,361	841,957	1,156,000	23,409
2011-2015	4,375,899	4,214,613	0	0
2016-2020	4,585,629	2,320,414	0	0
2021-2025	5,085,000	963,650	0	0
2026-2027	1,070,000	36,200	0	0
Total	<u>\$19,666,091</u>	<u>\$12,190,990</u>	<u>\$9,695,000</u>	<u>\$1,010,855</u>

Fiscal Year Ending June 30,	Totals	
	Principal	Interest
2006	\$3,042,670	\$1,514,829
2007	3,099,691	1,208,366
2008	3,141,810	1,093,990
2009	2,789,031	984,417
2010	2,171,361	865,366
2011-2015	4,375,899	4,214,613
2016-2020	4,585,629	2,320,414
2021-2025	5,085,000	963,650
2026-2027	1,070,000	36,200
Total	<u>\$29,361,091</u>	<u>\$13,201,845</u>

Brunswick City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

Note 18 - Interfund Balances

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

Interfund balances at June 30, 2005 consist of the following:

	Interfund Receivable:
Interfund Payable:	General
Nonmajor Funds	
<i>Special Revenue Funds</i>	
Uniform School Supplies	\$4,637
Preschool Grant	13,203
Professional Development	42,482
Total	\$60,322

Note 19 - 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 2005, no monies were paid by Brunswick City School District to the Career Center. To obtain financial information write to the Medina Career Center, John Streett, who serves as Treasurer, at 1101 West Liberty, Medina, Ohio 44256.

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 2005, the School District paid \$1,518 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.

Brunswick City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

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

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

Note 20 - Insurance Purchasing Pool

The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect and Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

Note 21 - Set-Asides

The School District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by fiscal year end or offset by similarly restricted resources received during the year must be held in cash at fiscal year end and carried forward to be used for the same purposes in future fiscal years. In prior years, the School District was also required to set aside money for budget stabilization. At June 30, 2005, only the unspent portion of certain workers' compensation refunds continues to be set aside.

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

Brunswick City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

	Instructional Materials Reserve	Improvements Reserve	Stabilization Reserve
Set-Aside Reserve Balance as of June 30, 2004	\$26,416	\$0	\$447,196
Current Year Set-Aside Requirement	1,000,052	1,000,052	0
Qualifying Disbursements	(968,326)	(1,657,367)	0
Totals	\$58,142	(\$657,315)	\$447,196
Set-Aside Balance Carried Forward to Future Fiscal Years	\$58,142	\$0	\$447,196
Set-Aside Reserve Balance as of June 30, 2005	\$58,142	\$0	\$447,196

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

Brunswick City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

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Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

March 9, 2006

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

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 accompanying 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, 2005, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated March 9, 2006. 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's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of Brunswick City School District in a separate letter dated March 9, 2006.

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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

Hea & Associates, Inc.

Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

March 9, 2006

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

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 Schools 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 the School District's major program for the year ended June 30, 2005. The School District's major Federal program is 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 program is the responsibility of Brunswick City School District's management. Our responsibility is to express an opinion on Brunswick City School'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 the major federal program occurred. An audit includes examining, on a test basis, evidence about Brunswick City School'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'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 its major program for the year ended June 30, 2005. The results of our auditing procedures disclosed no instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133.

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 requirements that could have a direct and material effect on its major program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

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

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 the Brunswick City Schools as of and for the year ended June 30, 2005, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated March 9, 2006. 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. 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 management, and the federal awarding agency and is not intended to be and should not be used by anyone other than these specified parties.

Hea & Associates, Inc.

BRUNSWICK CITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

Federal Grantor/ Pass Through Grantor/ Program Title	CFDA Number	Grant Number	Federal Receipts	Federal Disbursements	Non-Cash Disbursements
U. S. Department of Education					
<i>Passed Through Ohio Department of Education:</i>					
Title I	84.010	043661-CIS1-2004	\$ 65,964	\$ 126,932	\$ 0
Title I	84.010	043661-CIS1-2005	506,883	502,414	0
Total Title I			572,847	629,346	0
Title II-A - Improving Teacher Quality	84.367	043661-TRS1-2004	46,637	58,427	0
Title II-A - Improving Teacher Quality	84.367	043661-TRS1-2005	157,462	155,777	0
Total Title II-A - Improving Teacher Quality			204,099	214,204	0
IDEA B - Grant	84.027	043661-6BSF-2004	89,439	174,006	0
IDEA B - Grant	84.027	043661-6BSF-2005	1,068,667	999,960	0
Early Childhood Special Education	84.173	043661-PGS1-2004	3,304	6,883	0
Early Childhood Special Education	84.173	043661-PGS1-2005	25,973	23,745	0
Total Special Education Cluster			1,187,383	1,204,594	0
Drug Free Schools	84.186	043661-DRS1-2004	3,623	3,887	0
Drug Free Schools	84.186	043661-DRS1-2005	26,749	26,749	0
Total Drug Free Schools			30,372	30,636	0
Title V - Innovative Edu. Prog. Strategies	84.298	043661-C2S1-2004	12,932	28,274	0
Title V - Innovative Edu. Prog. Strategies	84.298	043661-C2S1-2005	14,485	12,541	0
Total Title V			27,417	40,815	0
SchoolNet Professional Development Funds {C}	84.276		(10)	0	0
Total School Net Professional Development Funds			(10)	0	0
Reading Improvement Grant {C}	84.338		(29,329)	0	0
Total Reading Improvement Grant			(29,329)	0	0
Title VI-R {C}	84.340	043661-CR-S1-2001	(6,975)	0	0
Total Title VI-R			(6,975)	0	0
Technology Literacy Challenge Fund Grant {C}	84.318	43661-TJ-S1-2004	(2,753)	3,444	0
Technology Literacy Challenge Fund Grant	84.318	043661-TJ-S1-2005	4,174	1,399	0
Total Technology Literacy Challenge Fund Grant			1,421	4,843	0
Safe and Drug Free Community	84.184	043661-S1-04-158	2,863	3,969	0
Safe and Drug Free Community	84.184	043661-S1-04-158	8,804	8,170	0
Total Safe and Drug Free Community			11,667	12,139	0
<i>Total Passed Through Ohio Department of Education</i>			1,998,892	2,136,577	0
U. S. Department of Agriculture					
<i>Passed Through Ohio Department of Education:</i>					
Nutrition Cluster					
Food Distribution (A)	10.550		98,191	0	98,191
School Breakfast Program (B)	10.553	043661-05PU-2005	10,178	10,178	0
National School Lunch Program (B)	10.555	043661-LLP4-2005	301,388	301,388	0
Total Department of Agriculture - Nutrition Cluster			409,757	311,566	98,191
TOTAL FEDERAL FINANCIAL ASSISTANCE			\$ 2,408,649	\$ 2,448,143	\$ 98,191

(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.

{C} Refunded Receipt

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 , Section .505
JUNE 30, 2005**

1. SUMMARY OF AUDITOR'S RESULTS

(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) (iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d) (1) (iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d) (1) (iv)	Were there any other reportable internal control weakness conditions 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):	Child Nutrition Cluster, CFDA's #10.550, 10.553 and 10.555 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?	No

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

None were noted.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None were noted.



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

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
JUNE 13, 2006**