



Dave Yost • Auditor of State

**BRUNSWICK CITY SCHOOL DISTRICT
MEDINA COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Brunswick City School District, Medina County, Ohio, (the District) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the Brunswick City School District, Medina County, Ohio, as of June 30, 2015, and the respective changes in financial position thereof and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the financial statements, during the year ended June 30, 2015, the District adopted Governmental Accounting Standard No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and also GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

Our audit was conducted to opine on the District's basic financial statements taken as a whole.

The Federal Awards Receipts and Expenditures Schedule presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 11, 2016, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

Dave Yost
Auditor of State
Columbus, Ohio

March 11, 2016

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Brunswick City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
(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, 2015. The intent of this discussion and analysis is to look at the School District's performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for 2015 are as follows:

- Net position increased \$5.1 million, which represents a 5.2 percent increase from 2014.
- Capital assets decreased \$0.6 million during fiscal year 2015.
- During the fiscal year, outstanding debt decreased from \$34.1 million to \$32.7 million due to principal payments made by the School District. During fiscal year 2015, the School District issued \$15.9 million in refunding bonds.
- The School District implemented GASB 68, which reduced beginning net position as previously reported by \$104.6 million.

Using this Annual Report

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

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

Reporting the School District as a Whole

Statement of Net Position and the Statement of Activities

While the basic financial statements contain the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2015?" The *Statement of Net Position* and the *Statement of Activities* answer this question. These statements include all nonfiduciary assets and deferred outflows of resources and liabilities and deferred inflows of resources using the accrual basis of accounting similar to the accounting used by most private-sector companies.

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

This basis of accounting has taken into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

In the *Statement of Net Position* and the *Statement of Activities*, Governmental Activities include the School District's programs and services, including instruction, support services, extracurricular activities, and non-instructional services, i.e., food service operations.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The major funds financial statements begin on page 20. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions; however, these fund financial statements focus on the School District's most significant funds. The School District's major governmental fund is the general fund.

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

Reporting the School District's Fiduciary Responsibilities

The School District also acts in a trustee capacity as an agent for individuals, private organizations, other governmental units and/or other funds. These activities are reported in three agency funds. The School District's fiduciary activities are reported in a separate *Statement of Fiduciary Assets and Liabilities* on page 25. These activities are excluded from the School District's other financial statements because the assets cannot be utilized by the School District to finance its operations.

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Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
(Unaudited)

The School District as a Whole

Recall that the Statement of Net Position provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position for 2015 compared to 2014:

Table 1
Net Position

	Governmental Activities	
	2015	Restated 2014
Assets		
Current and Other Assets	\$ 50,485,756	\$ 47,656,738
Capital Assets	39,324,812	39,916,909
<i>Total Assets</i>	<i>89,810,568</i>	<i>87,573,647</i>
Deferred Outflows of Resources		
Deferred Charges on Refunding Pension	474,292	520,351
	6,728,262	5,614,529
<i>Deferred Outflows of Resources</i>	<i>7,202,554</i>	<i>6,134,880</i>
Liabilities		
Other Liabilities	9,641,361	9,263,506
Long-Term Liabilities:		
Due Within One Year	2,527,583	2,376,206
Due in More Than One Year		
Net Pension Liability	92,748,091	110,197,186
Other Amounts	35,479,242	37,301,717
<i>Total Liabilities</i>	<i>140,396,277</i>	<i>159,138,615</i>
Deferred Inflows of Resources		
Property Taxes	32,339,120	32,143,916
Pension	16,760,649	0
<i>Total Deferred Inflows of Resources</i>	<i>49,099,769</i>	<i>32,143,916</i>
Net Position		
Net Investment in Capital Assets	7,004,312	6,125,447
Restricted	6,716,217	7,400,534
Unrestricted	(106,203,453)	(111,099,985)
<i>Total Net Position</i>	<i>\$ (92,482,924)</i>	<i>\$ (97,574,004)</i>

Brunswick City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
(Unaudited)

During 2015, the School District adopted GASB Statement 68, *Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27*, which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the School District's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability*. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

Under the new standards required by GASB 68, the net pension liability equals the School District's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service
2. Minus plan assets available to pay these benefits

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the School District is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

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In accordance with GASB 68, the School District's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's *change* in net pension liability not accounted for as deferred inflows/outflows of resources.

As a result of implementing GASB 68, the School District is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2014, from \$7,008,653 to a deficit of \$97,574,004.

At year end, capital assets represented 44 percent of total assets. Capital assets include, land, land improvements, buildings and improvements, furniture and equipment and vehicles. Net investment in capital assets was \$7.0 million at June 30, 2015. These capital assets are used to provide services to students and are not available for future spending. Although the School District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the School District's net position, \$6.7 million represents resources that are subject to external restrictions on how they may be used. The balance of government-wide unrestricted net position was a deficit of \$106.2 million, which is primarily caused by the implementation of GASB Statement No. 68.

Current and other assets increased \$2.8 million over fiscal year 2014, mainly due to an increase in cash while capital assets decreased \$0.6 million from depreciation and disposals exceeding current year acquisitions. Deferred inflows related to pension increased due to the implementation of GASB 68.

Accounts payable increased \$0.3 million over fiscal year 2014 due to technology purchases and matured compensated absences increased \$0.3 million from retirement payouts. The net pension liability decreased \$17.4 million from fiscal year 2014.

In order to further understand what makes up the changes in net position for the current year, the following table gives readers further details regarding the results of activities for 2015 and 2014.

Table 2
Changes in Net Position

	Governmental Activities	
	2015	2014
<i>Revenues</i>		
<i>Program Revenues:</i>		
Charges for Services	\$ 3,274,335	\$ 3,300,384
Operating Grants	6,223,755	6,408,212
Capital Grants	0	243
<i>Total Program Revenues</i>	9,498,090	9,708,839

(continued)

Brunswick City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
(Unaudited)

	Governmental Activities	
	2015	2014
<i>General Revenues:</i>		
Property Taxes	36,305,202	35,348,271
Grants and Entitlements Not Restricted	31,934,314	30,211,894
Payments in Lieu of Taxes	140,103	125,357
Other	1,068,203	106,472
<i>Total General Revenues</i>	<u>69,447,822</u>	<u>65,791,994</u>
<i>Total Revenues</i>	<u>78,945,912</u>	<u>75,500,833</u>
 <i>Program Expenses</i>		
Instruction:		
Regular	30,634,345	31,392,206
Special	6,903,464	6,826,936
Vocational	229,227	230,612
Other	2,388,114	2,234,686
Support Services:		
Pupils	7,267,567	7,259,488
Instructional Staff	2,827,037	3,112,554
Board of Education	331,047	547,068
Administration	4,451,593	4,747,344
Fiscal	1,457,095	1,473,629
Business	667,112	577,003
Operation and Maintenance of Plant	5,880,566	6,127,650
Pupil Transportation	4,698,975	4,885,708
Central	216,076	287,889
Operation of Non-Instructional Services:		
Food Service Operations	2,050,064	2,144,960
Community Services	519,195	362,660
Extracurricular Activities	1,639,345	1,835,059
Debt Service:		
Interest and Fiscal Charges	1,373,800	2,554,798
Issuance Costs	320,210	0
<i>Total Expenses</i>	<u>73,854,832</u>	<u>76,600,250</u>
<i>Increase (Decrease) in Net Position</i>	<u>\$ 5,091,080</u>	<u>\$ (1,099,417)</u>

The information necessary to restate the 2014 beginning balances and the 2014 pension expense amounts for the effects of the initial implementation of GASB 68 is not available. Therefore, 2014 functional expenses still include pension expense of \$5,614,529 computed under GASB 27. GASB 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows. The

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Management's Discussion and Analysis
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(Unaudited)

contractually required contribution is no longer a component of pension expense. Under GASB 68, the 2015 statements report pension expense of \$4,052,754. Consequently, in order to compare 2015 total program expenses to 2014, the following adjustments are needed:

Total 2015 program expenses under GASB 68	\$	73,854,832
Pension expense under GASB 68		(4,052,754)
2015 contractually required contribution		5,854,933
Adjusted 2015 program expenses		75,657,011
Total 2014 program expenses under GASB 27		76,600,250
Decrease in program expenses not related pension	\$	(943,239)

Certain foundation payments for special education and transportation were reclassified to program revenue from general revenue for fiscal year 2015. For comparability purposes, fiscal year 2014 was also updated in Tables 2 and 3 to reflect this change.

Total revenues increased \$3.4 million over fiscal year 2014 due, in part, to an increase in foundation revenue. The increase in miscellaneous revenues is mainly from a \$0.7 million refund received from the County from past fees.

Expenses not related to pension decreased over \$0.9 million with most of that in interest expense. Bond acquisition costs of \$0.7 million were written off in fiscal year 2014 in conjunction with a refunding in fiscal year 2015 and lower debt in total accounts for lower interest.

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

Table 3
Governmental Activities

	Total Cost of Service		Net Cost of Service	
	2015	2014	2015	2014
Instruction:				
Regular	\$ 30,634,345	\$ 31,392,206	\$ 29,120,334	\$ 29,756,250
Special	6,903,464	6,826,936	3,969,599	3,952,493
Vocational	229,227	230,612	212,609	204,540
Other	2,388,114	2,234,686	2,388,114	2,234,686
Support Services:				
Pupils	7,267,567	7,259,488	6,199,122	6,073,197
Instructional Staff	2,827,037	3,112,554	2,545,200	2,796,468
Board of Education	331,047	547,068	331,047	434,929
Administration	4,451,593	4,747,344	4,307,930	4,747,344

(continued)

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Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
(Unaudited)

	Total Cost of Service		Net Cost of Service	
	2015	2014	2015	2014
Fiscal	1,457,095	1,473,629	1,457,095	1,473,629
Business	667,112	577,003	667,112	577,003
Operation and Maintenance of Plant	5,880,566	6,127,650	5,773,343	6,067,217
Pupil Transportation	4,698,975	4,885,708	4,409,043	4,642,111
Central	216,076	287,889	216,076	268,089
Operation of Non-Instructional Services:				
Food Service Operations	2,050,064	2,144,960	168,814	265,426
Community Services	519,195	362,660	33,386	(440,317)
Extracurricular Activities	1,639,345	1,835,059	1,068,219	1,283,548
Debt Service:				
Interest and Fiscal Charges	1,373,800	2,554,798	1,169,489	2,554,798
Issuance Costs	320,210	0	320,210	0
<i>Total Expenses</i>	<u>\$ 73,854,832</u>	<u>\$ 76,600,250</u>	<u>\$ 64,356,742</u>	<u>\$ 66,891,411</u>

The dependence upon general revenues for governmental activities is apparent. Over 87 percent of governmental activities are supported through taxes and other general revenues; such revenues are 88 percent of total governmental revenues. The community, as a whole, is by far the primary support for the School District students.

Governmental Funds

Information about the School District's major funds starts on page 20. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$78.9 million and expenditures of \$77.3 million for the fiscal year.

The general fund's net change in fund balance for fiscal year 2015 was an increase of \$2.0 million. Revenues increased by \$3.7 million from the prior year. Intergovernmental revenue increased \$2.1 million, in a large part, from an increase in foundation basic aid and miscellaneous revenue increased \$0.8 million from the County refunds. Expenditures decreased \$0.2 million, which represents a decrease of less than 0.3 percent.

General Fund Budgeting Highlights

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

During the course of fiscal year 2015, the School District amended its general fund budget. The School District uses site-based budgeting and budgeting systems are designed to tightly control total site budgets but provide flexibility for site management.

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Management's Discussion and Analysis
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(Unaudited)

For the general fund, actual budget basis revenue was \$0.5 million lower than the final budget basis revenue of \$66.5 million mainly due to taxes. Final budget basis revenue was \$1.9 million more than original budget estimates of \$64.6 million with nearly all revenue sources being estimated lower.

Final expenditure appropriations of \$68.1 million were \$1.9 million higher than the actual expenditures of \$66.2 million, with actual costs of regular and special instruction being lower than expected. Original expenditure appropriations of \$67.1 million were \$1.0 million lower than final expenditure appropriations with no individually significant expenditure accounting for the difference.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2015, the School District had \$39.3 million invested in capital assets. Table 4 shows fiscal year 2015 balances compared with 2014.

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

	Governmental Activities	
	2015	2014
Land	\$ 1,580,645	\$ 1,580,645
Land Improvements	1,563,829	1,553,636
Buildings and Improvements	31,735,201	32,356,848
Furniture and Equipment	2,332,986	2,026,897
Vehicles	2,112,151	2,398,883
Totals	\$ 39,324,812	\$ 39,916,909

The \$0.6 million decrease in capital assets was attributable to current year depreciation and disposals exceeding additional purchases. See Note 8 for more information about the capital assets of the School District.

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Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
(Unaudited)

Debt

At June 30, 2015, the School District had \$32.7 million in debt outstanding. See Note 13 for additional details. Table 5 summarizes bonds outstanding.

(Table 5)
Outstanding Debt at Year End

	Governmental Activities	
	2015	2014
General Obligation Bonds:		
Serial Bonds	\$ 9,565,537	\$ 10,419,354
Unamortized Bond Premiums	651,647	715,469
Capital Appreciation Bonds	554,993	554,993
Accretion on Capital Appreciation Bonds	420,227	335,455
Certificates of Participation:		
Bonds	21,545,000	22,095,000
Unamortized Bond Premiums	3,323	6,646
Total	<u>\$ 32,740,727</u>	<u>\$ 34,126,917</u>

In fiscal year 2015, the School District issued \$15.9 in refunding bonds to retire the build America bonds.

Current Issues

Brunswick City School District will have another year of financial stability. As the preceding information indicates, the School District heavily depends on its property taxpayers as well as state sources for its revenue sources.

Emergency Levy I was originally passed in November 1992 for a five year period for 5.91 mills and it generates \$2.02 million per year. It has been renewed four times and in March of 2012 was renewed for an eight year period and it will expire in December 2020. It is currently collected at 2.2 mills. Emergency Levy II was originally passed in November 1994 for a five year period for 7.82 mills and it generates \$3.2 million per year. It has been renewed three times and in May of 2009 was renewed for an eight year period and it will expire in December 2016. It is currently collected at 3.4 mills. The Board anticipates putting this issue on the March 2016 ballot for renewal. Emergency Levy III was originally passed in May 2004 for a five year period for 6.7 mills and it generates \$5.78 million per year. It has been renewed twice and in May of 2014 was renewed for an eight year period and it will expire in December 2022. It is currently collected at 6.1 mills. Emergency Levy IV was originally passed in May 2006 for a five year period for 4.9 mills and it generates approximately \$4.67 million per year. It has been renewed once in November of 2010 for a seven year period and it will expire in December 2018. It is currently collected at 4.9 mils.

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(Unaudited)

State law fixes the amount of tax revenue, forcing it to remain constant except for increases in valuation due to new construction in the School District. In addition, legislation passed in recent years has had the effect of further eroding tax revenues by the decrease in assessment rate upon both the inventory component of personal property tax valuation and public utility tangible property. House Bill (HB) 66 has also further eradicated personal (tangible) property tax revenue. Effective 2015, Governor Kasich's 2016-2017 Budget Bill all but eliminated the Property Tax Replacement Fund for us and resulted in additional lost revenue. The School District lost over \$41.6 Million in Taxable Valuation and this class of property was not subject to HB 920.

The Governor's new biennial budget (7/1/15-6/30/17) will generate additional *Basic Aid* for the School District however the lawmakers capped our increase at 10% in FY 2016 and 10.5% in FY 2017. Thus we should receive an additional \$1.5 million in FY 2016 and another increase of \$2.0 million in FY 2017.

As you recall the legislature modifies the aid to school every two years in the State's Biennial Budget.

- In FY 2008 - FY 2009 the State used the Foundation Program changing from a per pupil formula amount to a computer base cost funding and categorical funding.
- In FY 2010 - FY 2011 the State introduced the Evidenced Based Model providing for an adequacy amount and aid was calculated as a sum of delineated factors.
- In FY 2012 - FY 2013 the ODE used a Temporary Formula based on a wealth-adjusted portion.
- In FY 2014 - FY 2015 the State Budget Act repealed the funding system and imposed caps on increases in State Aid. This limited the calculated growth in state aid a district could receive.
- In FY 2016 - FY 2017 the State again modified the "formula" using the Opportunity Grant moniker to distinguish it from prior years. Again the State set caps so that districts would be limited in the amount of State Aid.

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

In May 2007, Medina County residents passed the first-ever Sales Tax Initiative for Permanent Improvements for School Districts. The one-half of one percent (0.5%) sales tax will generate approximately \$10 million dollars per year for the school districts in Medina County. Based upon our School District's pro-rata share of the student population, Brunswick City Schools will receive approximately \$2.6 million per year. This levy became effective October 1, 2007 and will last until 2037.

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

Brunswick City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
(Unaudited)

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

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

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

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

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

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

The School District has experienced an increase in State revenue and is anticipating future growth in State revenue (Opportunity Grant) based upon the most recent two-year State budget. Through the American Recovery and Reinvestment Act (ARRA) the School District received approximately \$1.4 million in Federal dollars to augment the loss of State Revenue in the Foundation (Basic Aid) Program. This infusion of cash was only a two-year program and expired at the end of fiscal year 2011.

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

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

Brunswick City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
(Unaudited)

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

The School District was limited by the Ohio School Facilities Commission (OSFC) in the amount of QSCBs the School District could issue. We sold \$4 million in QSCB, 16% of the total COPs issue at a net interest cost of less than one percent (0.94%). We sold \$15.5 million in BABs, 63% of the total COPs issue at a net interest cost of 4.22%. The remainder, \$5.1 million, was sold as TEDs at a net interest cost of 2.42%. The length of the entire issue is approximately 23 years and an average net debt service payment of less than \$1.6 million per year. Subsequently the School District refunded 100% (\$15.5 M) of the Build America Bonds; this action was prompted by the government's sequestration and reduction of the rebate from the IRS.

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

The School District recently (2014) refunded the Build America Bonds (BABs) with standard tax exempt debt. This enabled the School District to save additional funds through a lower interest rate. The covenants of the debt instrument permitted the refunding because the federal government failed to provide 100% of the rebate as initially guaranteed.

The School District's current five-year forecast projects no new infusion of cash through voted referendums. As mentioned earlier in the MD&A the School District will have an emergency levy expiring at the end of calendar year 2016. Failure to renew this levy could have devastating effects on the operation of the School District and the elimination of instruction programs.

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

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

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact James Estle, Interim Treasurer, Treasurer of Brunswick City School District, 3643 Center Road, Brunswick, Ohio 44212 or jestle@bcsoh.org.

Brunswick City School District
Medina County, Ohio
Statement of Net Position
June 30, 2015

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Investments	\$ 9,898,047
Inventory Held For Resale	16,143
Materials and Supplies Inventory	317,519
Receivables:	
Intergovernmental	4,045,164
Property Taxes	36,208,883
Nondepreciable Capital Assets	1,580,645
Depreciable Capital Assets (Net)	37,744,167
<i>Total Assets</i>	89,810,568
Deferred Outflows of Resources	
Deferred Charges on Debt Refunding	474,292
Pension	6,728,262
<i>Total Deferred Outflows of Resources</i>	7,202,554
Liabilities	
Accounts Payable	497,190
Accrued Wages and Benefits	6,924,482
Contracts Payable	155,596
Intergovernmental Payable	1,161,596
Retainage Payable	72,562
Accrued Vacation Leave Payable	118,747
Matured Compensated Absences Payable	596,136
Accrued Interest Payable	115,052
Long Term Liabilities:	
Due Within One Year	2,527,583
Due In More Than One Year:	
Net Pension Liability (See Note 10)	92,748,091
Other Amounts Due in More Than One Year	35,479,242
<i>Total Liabilities</i>	140,396,277
Deferred Inflows of Resources	
Property Taxes Levied for the Next Year	32,339,120
Pension	16,760,649
<i>Total Deferred Inflows of Resources</i>	49,099,769
Net Position	
Net Investment in Capital Assets	7,004,312
Restricted For:	
Capital Outlay	3,088,054
Debt Service	1,499,909
Other Purposes	2,128,254
Unrestricted	(106,203,453)
<i>Total Net Position</i>	\$ (92,482,924)

See accompanying notes to the basic financial statements.

Brunswick City School District
Medina County, Ohio
Statement of Activities
For the Fiscal Year Ended June 30, 2015

	Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services and Sales	Operating Grants, Contributions and Interest	Governmental Activities
Governmental Activities				
Instruction:				
Regular	\$ 30,634,345	\$ 1,370,575	\$ 143,436	\$ (29,120,334)
Special	6,903,464	167,739	2,766,126	(3,969,599)
Vocational	229,227	0	16,618	(212,609)
Other	2,388,114	0	0	(2,388,114)
Support Services:				
Pupils	7,267,567	0	1,068,445	(6,199,122)
Instructional Staff	2,827,037	0	281,837	(2,545,200)
Board of Education	331,047	0	0	(331,047)
Administration	4,451,593	0	143,663	(4,307,930)
Fiscal	1,457,095	0	0	(1,457,095)
Business	667,112	0	0	(667,112)
Operation and Maintenance of Plant	5,880,566	18,300	88,923	(5,773,343)
Pupil Transportation	4,698,975	77,793	212,139	(4,409,043)
Central	216,076	0	0	(216,076)
Operation of Non-Instructional Services:				
Food Service Operations	2,050,064	1,079,877	801,373	(168,814)
Community Services	519,195	0	485,809	(33,386)
Extracurricular Activities	1,639,345	560,051	11,075	(1,068,219)
Debt Service:				
Interest and Fiscal Charges	1,373,800	0	204,311	(1,169,489)
Issuance Costs	320,210	0	0	(320,210)
Total	\$ 73,854,832	\$ 3,274,335	\$ 6,223,755	(64,356,742)

General Revenues

Property Taxes Levied for:

General Purposes	33,778,937
Debt Service	1,452,086
Capital Outlay	1,074,179
Grants and Entitlements Not Restricted to Specific Programs	31,934,314
Payments in Lieu of Taxes	140,103
Investment Earnings	26,282
Miscellaneous	1,041,921

Total General Revenues 69,447,822

Change in Net Position 5,091,080

Net Position Beginning of Year (Restated, See Note 2R) (97,574,004)

Net Position End of Year \$ (92,482,924)

See accompanying notes to the basic financial statements.

Brunswick City School District
Medina County, Ohio
Balance Sheet
Governmental Funds
June 30, 2015

	General Fund	Other Governmental Funds	Total Governmental Funds
Assets			
Equity in Pooled Cash and Investments	\$ 5,261,162	\$ 4,636,885	\$ 9,898,047
Inventory Held For Resale	0	16,143	16,143
Materials and Supplies Inventory	317,519	0	317,519
Receivables:			
Interfund	146,965	0	146,965
Intergovernmental	202,328	3,842,836	4,045,164
Property Taxes	33,757,374	2,451,509	36,208,883
<i>Total Assets</i>	<u>\$ 39,685,348</u>	<u>\$ 10,947,373</u>	<u>\$ 50,632,721</u>
Liabilities			
Accounts Payable	\$ 114,531	\$ 382,659	\$ 497,190
Accrued Wages and Benefits	6,540,227	384,255	6,924,482
Contracts Payable	132,176	23,420	155,596
Intergovernmental Payable	1,089,229	72,367	1,161,596
Retainage Payable	72,562	0	72,562
Matured Compensated Absences Payable	589,744	6,392	596,136
Interfund Payable	0	146,965	146,965
<i>Total Liabilities</i>	<u>8,538,469</u>	<u>1,016,058</u>	<u>9,554,527</u>
Deferred Inflows of Resources			
Property Taxes Levied for the Next Fiscal Year	30,150,939	2,188,181	32,339,120
Unavailable Revenue - Delinquent Property Taxes	455,225	31,588	486,813
Unavailable Revenue - Other	0	3,058,729	3,058,729
<i>Total Deferred Inflows of Resources</i>	<u>30,606,164</u>	<u>5,278,498</u>	<u>35,884,662</u>
Fund Balances			
Nonspendable	370,533	0	370,533
Restricted	0	3,719,743	3,719,743
Committed	4,375	1,028,651	1,033,026
Assigned	117,182	0	117,182
Unassigned (Deficit)	48,625	(95,577)	(46,952)
<i>Total Fund Balances</i>	<u>540,715</u>	<u>4,652,817</u>	<u>5,193,532</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$ 39,685,348</u>	<u>\$ 10,947,373</u>	<u>\$ 50,632,721</u>

See accompanying notes to the basic financial statements.

Brunswick City School District
Medina County, Ohio
Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
June 30, 2015

Total Governmental Fund Balances		\$ 5,193,532
<i>Amounts reported for governmental activities in the statement of net position are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		39,324,812
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Property Taxes	\$ 486,813	
Local Grant from Sales Tax Levy	1,339,900	
Intergovernmental	1,718,829	3,545,542
In the statement of net position, interest is accrued on outstanding bonds, whereas in the governmental funds, an interest expenditure is not reported.		(115,052)
In the statement of activities, a gain/loss on refunding is amortized over the term of the bonds, whereas in governmental funds a refunding gain/loss is reported when bonds are issued.		474,292
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds:		
Deferred Outflows - Pension	6,728,262	
Deferred Inflows - Pension	(16,760,649)	
Net Pension Liability	(92,748,091)	(102,780,478)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
General Obligation Bonds	9,565,537	
Capital Appreciation Bonds	554,993	
Bond Premium	654,970	
Accretion of Interest - Capital Appreciation Bonds	420,227	
Certificates of Participation	21,545,000	
Vacation Benefits	118,747	
Compensated Absences	5,266,098	(38,125,572)
<i>Net Position of Governmental Activities</i>		\$ (92,482,924)

See accompanying notes to the basic financial statements.

Brunswick City School District
Medina County, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2015

	General Fund	Other Governmental Funds	Total Governmental Funds
Revenues			
Property and Other Local Taxes	\$ 33,964,342	\$ 2,539,391	\$ 36,503,733
Intergovernmental	30,810,812	7,256,696	38,067,508
Investment Income	25,627	655	26,282
Tuition and Fees	857,300	0	857,300
Extracurricular Activities	828,121	60,510	888,631
Rentals	40,800	317,373	358,173
Charges for Services	0	1,079,877	1,079,877
Contributions and Donations	16,662	11,075	27,737
Payment in Lieu of Taxes	140,103	0	140,103
Miscellaneous	865,256	172,780	1,038,036
<i>Total Revenues</i>	<u>67,549,023</u>	<u>11,438,357</u>	<u>78,987,380</u>
Expenditures			
Current:			
Instruction:			
Regular	29,927,682	1,327,954	31,255,636
Special	6,341,630	612,697	6,954,327
Vocational	231,628	0	231,628
Other	2,388,114	0	2,388,114
Support Services:			
Pupils	6,399,073	1,035,204	7,434,277
Instructional Staff	2,294,375	640,830	2,935,205
Board of Education	331,047	0	331,047
Administration	4,349,578	167,519	4,517,097
Fiscal	1,383,348	75,876	1,459,224
Business	405,428	194,830	600,258
Operation and Maintenance of Plant	5,553,882	469,963	6,023,845
Pupil Transportation	4,278,446	202,570	4,481,016
Central	223,497	0	223,497
Extracurricular Activities	1,241,109	436,306	1,677,415
Operation of Non-Instructional Services:			
Food Service Operations	7,332	2,006,743	2,014,075
Community Services	21,329	491,576	512,905
Capital Outlay	116,275	540,536	656,811
Debt Service:			
Principal Retirement	0	1,838,817	1,838,817
Interest and Fiscal Charges	0	1,486,139	1,486,139
Issuance Costs	0	320,210	320,210
<i>Total Expenditures</i>	<u>65,493,773</u>	<u>11,847,770</u>	<u>77,341,543</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>2,055,250</u>	<u>(409,413)</u>	<u>1,645,837</u>
Other Financing Sources (Uses)			
Proceeds from Sale of Assets	20,032	7,488	27,520
Refunding Bonds Issued	0	15,895,000	15,895,000
Premium on Refunding Bonds Issued	0	133,382	133,382
Payment to Refund Bond Escrow Agent	0	(15,460,000)	(15,460,000)
<i>Total Other Financing Sources (Uses)</i>	<u>20,032</u>	<u>575,870</u>	<u>595,902</u>
<i>Net Change in Fund Balance</i>	2,075,282	166,457	2,241,739
<i>Fund Balances Beginning of Year</i>	<u>(1,534,567)</u>	<u>4,486,360</u>	<u>2,951,793</u>
<i>Fund Balances End of Year</i>	<u>\$ 540,715</u>	<u>\$ 4,652,817</u>	<u>\$ 5,193,532</u>

See accompanying notes to the basic financial statements.

Brunswick City School District
Medina County, Ohio
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2015*

Net Change in Fund Balances - Total Governmental Funds	\$	2,241,739
 <i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.		
Capital Asset Additions	\$ 921,498	
Current Year Depreciation	(1,510,201)	(588,703)
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.		
		(3,394)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property Taxes	(198,531)	
Sales Taxes	(25,201)	
Intergovernmental	182,264	(41,468)
Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
General Obligation Bonds	853,817	
Certificates of Participation	985,000	1,838,817
Issuance of refunding bonds results in expenditures and other financing sources and uses in the governmental funds, but these transactions are reflected in the statement of net position as long-term assets and liabilities.		
Payments to Refund Bond Escrow Agent	15,460,000	
Proceeds of Refunding Bonds	(15,895,000)	(435,000)
In the statement of activities, interest is accrued on outstanding bonds, bond premium and the gain/loss on refunding are amortized over the term of the bonds, whereas in governmental funds, an interest expenditure is reported when bonds are issued.		
Accrued Interest Payable	42,643	
Amortization of Premium on Bonds	67,145	
Amortization of Refunding Loss	(46,059)	63,729
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows.		
		5,854,933
Except for amount reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities		
		(4,052,754)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Compensated Absences	284,908	
Accrued Vacation Payable	13,045	297,953
Accretion on capital appreciation bonds is an expenditure in the governmental funds, but is allocated as an expense over the life of the bonds in the statement of activities.		
		(84,772)
<i>Change in Net Position of Governmental Activities</i>	\$	5,091,080

See accompanying notes to the basic financial statements.

Brunswick City School District
Medina County, Ohio
Statement of Revenues, Expenditures, and Changes in Fund Balance -
Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2015

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Property and Other Local Taxes	\$ 33,047,904	\$ 34,091,172	\$ 33,724,032	\$ (367,140)
Intergovernmental	30,427,063	31,084,549	31,049,571	(34,978)
Investment Income	18,183	42,643	18,555	(24,088)
Tuition and Fees	833,000	909,852	850,042	(59,810)
Extracurricular Activities	142,158	159,026	145,066	(13,960)
Rentals	17,933	14,634	18,300	3,666
Contributions and Donations	196	1,007	200	(807)
Payment in Lieu of Taxes	137,294	144,957	140,103	(4,854)
Miscellaneous	0	12,000	0	(12,000)
<i>Total Revenues</i>	<u>64,623,731</u>	<u>66,459,840</u>	<u>65,945,869</u>	<u>(513,971)</u>
Expenditures				
Current:				
Instruction:				
Regular	32,353,269	32,834,498	29,495,982	3,338,516
Special	8,085,760	8,121,654	6,375,947	1,745,707
Vocational	78,645	82,383	228,373	(145,990)
Other	2,649,596	2,653,596	2,483,772	169,824
Support Services:				
Pupils	8,176,981	8,247,662	6,249,320	1,998,342
Instructional Staff	1,052,956	984,568	2,320,815	(1,336,247)
Board of Education	641,158	743,889	481,004	262,885
Administration	1,592,046	1,666,471	4,475,896	(2,809,425)
Fiscal	1,014,605	1,036,120	1,394,973	(358,853)
Business	236,510	249,103	435,867	(186,764)
Operation and Maintenance of Plant	5,995,312	6,294,067	6,032,829	261,238
Pupil Transportation	2,919,705	2,926,852	4,471,124	(1,544,272)
Central	132,044	182,130	235,438	(53,308)
Extracurricular Activities	1,398,540	1,314,423	1,206,181	108,242
Operation of Non-Instructional Services:				
Food Service Operations	9,845	9,726	7,518	2,208
Community Services	62,753	56,306	22,898	33,408
Capital Outlay	720,700	720,700	314,787	405,913
<i>Total Expenditures</i>	<u>67,120,425</u>	<u>68,124,148</u>	<u>66,232,724</u>	<u>1,891,424</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(2,496,694)</u>	<u>(1,664,308)</u>	<u>(286,855)</u>	<u>1,377,453</u>
Other Financing Sources (Uses)				
Proceeds from Sale of Assets	11,000	11,000	20,032	9,032
Refund of Prior Year Expenditures	867,341	867,341	851,340	(16,001)
Refund of Prior Year Receipts	(107,004)	(2,301)	(1,741)	560
Advances In	420,800	420,800	420,800	0
Advances Out	(476,846)	(278,946)	(106,046)	172,900
Transfers Out	(350,000)	(9,503)	0	9,503
<i>Total Other Financing Sources (Uses)</i>	<u>365,291</u>	<u>1,008,391</u>	<u>1,184,385</u>	<u>175,994</u>
<i>Net Change in Fund Balance</i>	<u>(2,131,403)</u>	<u>(655,917)</u>	<u>897,530</u>	<u>1,553,447</u>
<i>Fund Balance Beginning of Year</i>	<u>1,311,781</u>	<u>1,311,781</u>	<u>1,311,781</u>	<u>0</u>
Prior Year Encumbrances Appropriated	<u>888,194</u>	<u>888,194</u>	<u>888,194</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$ 68,572</u>	<u>\$ 1,544,058</u>	<u>\$ 3,097,505</u>	<u>\$ 1,553,447</u>

See accompanying notes to the basic financial statements.

Brunswick City School District
Medina County, Ohio
Statement of Fiduciary Assets and Liabilities
Fiduciary Fund
June 30, 2015

	<u>Agency</u>
Assets	
Equity in Pooled Cash and Investments	\$ 211,527
<i>Total Assets</i>	<u>\$ 211,527</u>
Liabilities	
Undistributed Monies	\$ 15,997
Due to Students	<u>195,530</u>
<i>Total Liabilities</i>	<u>\$ 211,527</u>

See accompanying notes to the basic financial statements.

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Brunswick City School District
Medina County, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2015

Note 1 – Description of the School District and Reporting Entity

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

The School District is located in Medina County and encompasses the entire City of Brunswick. The Board of Education controls the School District’s 11 instructional/support facilities.

Reporting Entity

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

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

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization’s governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization’s resources; the School District is legally obligated or has otherwise assumed the responsibility to finance deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. The School District has no component units.

The School District participates in three jointly governed organizations and two public entity risk pools. These organizations are the Medina County Career Center, the Ohio Schools Council Association, the Northeast Ohio Network for Educational Technology (NEOnet), the Ohio School Boards Association Workers’ Compensation Group Rating Program and the Suburban Health Consortium. These organizations are presented in Notes 15 and 16 to the basic financial statements.

Brunswick City School District
Medina County, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2015

Note 2 - Summary of Significant Accounting Policies

The basic financial statements of the School District have been prepared in conformity with accounting principles generally accepted in the United States of America (“GAAP”) as applied to government units. The Governmental Accounting Standards Board (“GASB”) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. 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 position 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 position 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 position presents the financial condition of the governmental activities of the School District at fiscal year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District’s governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School District.

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

B. Fund Accounting

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

Brunswick City School District
Medina County, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2015

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 deferred outflows of resources and liabilities and deferred inflows of resources is reported as fund balance. The following is the School District's major governmental fund:

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

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

Fiduciary Fund Type - Fiduciary fund reporting focuses on net position and changes in net position. 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 agency funds account for student activities, employee medical savings accounts and Ohio High School Athletics Association (OHSAA) tournaments.

C. Measurement Focus

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

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 deferred outflows of resources and current liabilities and deferred inflows of resources generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Brunswick City School District
Medina County, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2015

D. Basis of Accounting

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

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

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

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

Deferred Inflows of Resources and Deferred Outflows of Resources - In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School District, deferred outflows of resources are reported on the government-wide statement of net position for deferred charges on refunding and for pension. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred outflows of resources related to pension are explained in Note 10.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the School District, deferred inflows of resources include property taxes, pension, and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2015, but which were levied to finance fiscal year 2016 operations. These amounts have been recorded as a deferred inflow on

Brunswick City School District
Medina County, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2015

both the government-wide statement of net position and governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the School District, unavailable revenue may include delinquent property taxes, intergovernmental grants and miscellaneous revenues. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. Deferred inflows of resources related to pension are reported on the government-wide statement of net position. (See Note 10).

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

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

E. Budgetary Data

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

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

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

F. Cash and Investments

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

Brunswick City School District
Medina County, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2015

During fiscal year 2015, investments were limited to a money market, commercial paper, government agency securities and STAR Ohio.

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

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio 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 STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2015.

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 2015 amounted to \$25,627, which includes \$11,129 assigned from other School District funds.

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the District are presented on the financial statements as "equity in pooled cash and investments." Investments with an original maturity of more than three months that are not made from the pool are reported as "investments."

G. 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, school supplies held for resale, and materials and supplies held for consumption.

H. 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 position but are not reported in the fund financial statements.

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

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

Brunswick City School District
Medina County, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2015

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

I. Compensated Absences

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

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

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

J. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

K. Bond Premiums

Bond premiums are recorded as other financing sources on the governmental fund statements. The bond premiums are deferred and amortized over the term of the bond using the straight-line method on the government-wide statements since the results are not significantly different from the effective-interest or bonds outstanding methods. Bond premiums are presented as an increase of the face amount of the bonds payable.

L. Accrued Liabilities and Long-Term Obligations

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

Brunswick City School District
Medina County, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2015

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

M. Interfund Activity

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

N. Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net investment in capital assets 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. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. At June 30, 2015, there was no net position restricted by enabling legislation.

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

O. Fund Balance

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

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

Brunswick City School District
Medina County, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2015

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

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

Assigned – Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the School District Board of Education. The Board of Education has by resolution authorized the Treasurer to assign fund balance. The Board of Education may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget.

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

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

P. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2015.

Q. Estimates

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

Brunswick City School District
Medina County, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2015

R. Implementation of New Accounting Policies

For the fiscal year ended June 30, 2015, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*, GASB Statement No. 69, *Government Combinations and Disposals of Government Operations* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68*.

GASB Statement No. 68 requires recognition of the entire net pension liability and a more comprehensive measure of pension expense for defined benefit pensions and defined contribution pensions provided to the employees of state and local governmental employers through pension plans that are administered through trusts or equivalent arrangements. The implementation of GASB Statement No. 68 resulted in the inclusion of net pension liability and pension expense components on the full-accrual financial statements. See below for the effect on net position as previously reported.

GASB Statement No. 69 addresses accounting and financial reporting for government combinations (including mergers, acquisitions and transfers of operations) and disposals of government operations. The implementation of GASB Statement No. 69 did not have an effect on the financial statements of the School District.

GASB Statement No. 71 amends paragraph 137 of GASB Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. The provisions of this Statement are required to be applied simultaneously with the provisions of Statement 68. See below for the effect on net position as previously reported.

Net Position June 30, 2014	\$ 7,008,653
Adjustments:	
Net Pension Liability	(110,197,186)
Deferred Outflow - Payments Subsequent to Measurement Date	5,614,529
Restated Net Position, July 1, 2014	\$ (97,574,004)

Other than employer contributions subsequent to the measurement date, the School District made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available.

Note 3 – Fund Balance

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

Brunswick City School District
Medina County, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2015

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

	General	Other Governmental Funds	Total
	<u> </u>	<u> </u>	<u> </u>
Nonspendable for:			
Inventory	\$ 317,519	\$ 0	\$ 317,519
Unclaimed Monies	53,014	0	53,014
Total Nonspendable	<u>370,533</u>	<u>0</u>	<u>370,533</u>
Restricted for:			
Debt Service	0	1,571,904	1,571,904
Capital Projects	0	1,744,842	1,744,842
Other Purposes	0	402,997	402,997
Total Restricted	<u>0</u>	<u>3,719,743</u>	<u>3,719,743</u>
Committed for:			
Termination Payments	4,375	0	4,375
Permanent Improvement	0	1,028,651	1,028,651
Total Committed	<u>4,375</u>	<u>1,028,651</u>	<u>1,033,026</u>
Assigned for:			
Encumbrances:			
Regular Instruction	6,177	0	6,177
Support Services	123	0	123
Subsequent Year Appropriations	110,882	0	110,882
Total Assigned	<u>117,182</u>	<u>0</u>	<u>117,182</u>
Unassigned	<u>48,625</u>	<u>(95,577)</u>	<u>(46,952)</u>
<i>Total Fund Balance</i>	<u>\$ 540,715</u>	<u>\$ 4,652,817</u>	<u>\$ 5,193,532</u>

* Fund balances at June 30, 2015 included the following individual fund deficits:

	<u>Deficit</u>
Non-Major Governmental Funds:	
Food Service	\$ 77,626
Alternate School	1,407
Title III	7,333
Preschool Grant	1,416
Improving Teacher Quality	7,795

Brunswick City School District
Medina County, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2015

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

Note 4 - Budgetary Basis of Accounting

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than assigned or committed fund balance (GAAP basis).
4. Some funds are included in the general fund, (GAAP basis), but have separate legally adopted budgets (budget basis).

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

GAAP Basis	\$ 2,075,282
Net Adjustment for Revenue Accruals	414,176
Net Adjustment for Expenditure Accruals	37,601
Funds Budgeted Elsewhere **	(40,938)
Adjustment for Encumbrances	<u>(1,588,591)</u>
Budget Basis	<u>\$ 897,530</u>

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

Brunswick City School District
Medina County, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2015

Note 5 - Deposits and Investments

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above, provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and that the term of the agreement must not exceed 30 days;
4. Bonds and any other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and
6. The State Treasurer's investment pool (STAR Ohio and STAR Plus).

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7. Certain bankers acceptances and commercial paper notes for a period not to exceed 180 days from the purchase date in any amount not to exceed 25 percent of the interim monies available for investment at any one time; and
8. Under limited circumstances, corporate debt interests noted in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

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

According to State law, public depositories must give security for all uninsured public funds on deposit. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by FDIC, or may pledge a pool of government securities valued at least 105 percent of the total value of uninsured public monies on deposit at the institution. Repurchase agreements must be secured by the specific government securities upon which the repurchase agreements are based. These securities must be obligations of or guaranteed by the United States and mature or be redeemable within 5 years of the date of the related repurchase agreement. State law does not require security for public deposits and investments to be maintained in the School District's name. During 2015, the School District and public depositories complied with the provisions of these statutes.

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

Cash on Hand At year end, the School District had \$5,084 in undeposited cash on hand which is included on the balance sheet of the School District as part of equity in pooled cash and investments.

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Deposits At fiscal year-end, the carrying amount of the School District's deposits was \$7,592,751 and the bank balance was \$7,951,199. Of the bank balance:

1. \$702,980 of the bank balance was covered by depository insurance; and
2. \$7,248,219 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging institution in the pledging institution's name, and all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

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

Investments As of June 30, 2015, the School District had the following investments:

Standard & Poor's Rating	Investment Type	Fair Value	Maturity					Percent of Total
			6 months or Less	7-12 Months	13-18 Months	19-24 Months	Over 24 Months	
AAAm	STAR Ohio	\$ 16,676	\$ 16,676	\$ 0	\$ 0	\$ 0	\$ 0	0.66%
N/A	First American Treasury Money Market	2,032	2,032	0	0	0	0	0.08%
AA+	Federal Home Loan Mortgage	829,927	0	0	311,220	0	518,707	33.04%
AA+	Federal Farm Credit Corp Note	165,217	0	0	0	165,217	0	6.58%
AA+	Federal National Mortgage Association Notes	1,152,675	0	270,777	0	250,042	631,856	45.89%
AA+	Federal Home Loan Bank Notes	220,248	0	220,248	0	0	0	8.77%
A-1	Commercial Paper	124,964	124,964	0	0	0	0	4.98%
Total		\$ 2,511,739	\$ 143,672	\$ 491,025	\$ 311,220	\$ 415,259	\$ 1,150,563	100.00%

Interest Rate Risk. The School District has no investment policy that addresses interest rate risk. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School District, and that an investment must be purchased with the expectation that it will be held to maturity. State statute limits investments in commercial paper to a maximum maturity of 180 days from the date of purchase. Repurchase agreements are limited to 30 days and the market value of the securities must exceed the principal value of the agreement by at least 2 percent and be marked to market daily. The weighted average of maturity of the portfolio held by STAR Ohio as of June 30, 2015, is 53 days.

Custodial Credit Risk For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District has no investment policy dealing with investment custodial risk beyond the requirement in Ohio law that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

Credit Risk The School District's investments at June 30, 2015 are rated as shown above.

Concentration of Credit Risk. The School District places no limit on the amount that may be invested in any one issuer. The table above includes the percentage total of each investment type held by the School District as of June 30, 2015.

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Note 6 – Property Taxes

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenue received in calendar year 2015 represents collections of calendar year 2014 taxes. Real property taxes received in calendar year 2015 were levied after April 1, 2014, on the assessed value listed as of January 1, 2014, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2015 represents collections of calendar year 2014 taxes. Public utility real and tangible personal property taxes received in calendar year 2015 became a lien December 31, 2013, were levied after April 1, 2014 and are collected in 2015 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The School District receives property taxes from Medina County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2015, are available to finance fiscal year 2015 operations. The amount available as an advance at June 30, 2015 in the general, debt service and permanent improvement funds were \$3,151,210, \$130,100, and \$101,640, respectively. The amount available for advance at June 30, 2014, in the general, debt service and permanent improvement funds were \$2,910,900, \$120,000, and \$93,750, respectively. The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2015 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 inflows of resources.

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

The assessed values upon which the fiscal year 2015 taxes were collected are:

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	2014 Second Half Collections		2015 First Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$ 1,051,194,780	98.57%	\$ 1,069,082,120	98.50%
Public Utility Personal Property	15,271,940	1.43%	16,236,460	1.50%
Total Assessed Values	<u>\$ 1,066,466,720</u>	<u>100.00%</u>	<u>\$ 1,085,318,580</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	<u>\$ 69.12</u>		<u>\$ 69.12</u>	

Note 7 - Receivables

Receivables at June 30, 2015 consisted of taxes, interfund and intergovernmental. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the guarantee of federal funds. All current fiscal year receivables are expected to be collected within one year.

During 2007, the voters of Medina County passed a one-half percent sales tax to be used for capital improvements at all school districts within Medina County. Collection began in October 2007 for a period of 30 years. Vendor collections of the tax are paid to the State Treasurer by the twenty-third day of the month following collection. Sales tax is distributed to the school districts of Medina County based on what is essentially a per pupil distribution formula. A receivable is recognized at year end for an estimated amount to be received based on calendar year 2015 sales transactions yet to be received as of June 30, 2015.

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Note 8 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2015, was as follows:

Governmental Activities	Balance 07/01/2014	Additions	Reductions	Balance 06/30/2015
<i>Capital Assets, not being depreciated</i>				
Land	\$ 1,580,645	\$ 0	\$ 0	\$ 1,580,645
<i>Capital Assets, being depreciated</i>				
Land Improvements	3,084,847	88,326	0	3,173,173
Buildings and Improvements	56,517,658	0	0	56,517,658
Furniture and Equipment	7,101,494	630,602	(337,527)	7,394,569
Vehicles	6,846,517	202,570	(240,641)	6,808,446
<i>Total Capital Assets, being depreciated</i>	<u>73,550,516</u>	<u>921,498</u>	<u>(578,168)</u>	<u>73,893,846</u>
<i>Less: Accumulated Depreciation</i>				
Land Improvements	(1,531,211)	(78,133)	0	(1,609,344)
Buildings and Improvements	(24,160,810)	(621,647)	0	(24,782,457)
Furniture and Equipment	(5,074,597)	(323,529)	336,543	(5,061,583)
Vehicles	(4,447,634)	(486,892)	238,231	(4,696,295)
<i>Total Accumulated Depreciation</i>	<u>(35,214,252)</u>	<u>(1,510,201) *</u>	<u>574,774</u>	<u>(36,149,679)</u>
<i>Total Capital Assets being depreciated, net</i>	<u>38,336,264</u>	<u>(588,703)</u>	<u>(3,394)</u>	<u>37,744,167</u>
Governmental Activities Capital Assets, Net	<u>\$ 39,916,909</u>	<u>\$ (588,703)</u>	<u>\$ (3,394)</u>	<u>\$ 39,324,812</u>

* Depreciation expense was charged to governmental functions as follows:

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Instruction:			
Regular	\$		578,497
Special			124,491
Support Services:			
Pupils			52,405
Instructional Staff			64,679
Administration			71,912
Fiscal			14,183
Business			8,510
Operation and Maintenance of Plant			70,625
Pupil Transportation			458,158
Operation of Non-Instructional Services:			
Food Service Operations			65,749
Community Services			992
Total Depreciation Expense	\$		1,510,201

Note 9 – Risk Management

A. Property and Liability

The School District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. Settlements have not exceeded coverage in any of the last three fiscal years and there have been no significant reductions in insurance coverage from the prior year.

For fiscal year 2015, the School District participated in the Ohio Schools Council’s (OSC) property, fleet, and liability, an insurance purchasing pool. The intent of the OSC property and fleet insurance program is to provide coverage that is essential for school districts while keeping said premiums under control.

B. Workers’ Compensation

For fiscal year 2015, the School District participated in the Ohio School Boards Association Workers’ Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 16). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers’ compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP.

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

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B. Employee Health Benefits

The School District participates in the Suburban Health Consortium, a shared risk pool (Note 16) to provide employee medical/surgical benefits. Rates are set through an annual calculation process. The School District pays a monthly contribution which is placed in a common fund from which the claim payments are made for all participating districts. The employees share the cost of the monthly premium with the Board.

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

Note 10 - Defined Benefit Pension Plans

Net Pension Liability

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the School District's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the School District's obligation for this liability to annually required payments. The School District cannot control benefit terms or the manner in which pensions are financed; however, the School District does receive the benefit of employees' services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

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The proportionate share of each plan's unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting.

Plan Description - School Employees Retirement System (SERS)

Plan Description – School District non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS' fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017*	Eligible to Retire on or after August 1, 2017*
Full Benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

*Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on years of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2015, the allocation to pension, death benefits, and Medicare B was 13.18 percent. The remaining 0.82 percent of the 14 percent employer contribution rate was allocated to the Health Care Fund.

The School District's contractually required contribution to SERS was \$1,410,462 for fiscal year 2015. Of this amount \$84,725 is reported as an intergovernmental receivable.

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Plan Description - State Teachers Retirement System (STRS)

Plan Description – School District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS’ fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at www.strsoh.org.

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, member contributions are allocated among investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member’s defined contribution account or the defined contribution portion of a member’s Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability benefits. Members in the DC Plan who

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become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2015, plan members were required to contribute 12 percent of their annual covered salary. The School District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2015 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS was \$4,444,471 for fiscal year 2015. Of this amount \$740,343 is reported as an intergovernmental payable.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>STRS</u>	<u>SERS</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability	\$ 75,211,417	\$ 17,536,674	\$ 92,748,091
Proportion of the Net Pension Liability	0.30921347%	0.34651000%	
Pension Expense	\$ 2,887,624	\$ 1,165,130	\$ 4,052,754

At June 30, 2015, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>STRS</u>	<u>SERS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$ 724,073	\$ 149,256	\$ 873,329
School District contributions subsequent to the measurement date	4,444,471	1,410,462	5,854,933
Total Deferred Outflows of Resources	<u>\$ 5,168,544</u>	<u>\$ 1,559,718</u>	<u>\$ 6,728,262</u>

Deferred Inflows of Resources			
Net difference between projected and actual earnings on pension plan investments	<u>\$ 13,914,397</u>	<u>\$ 2,846,252</u>	<u>\$ 16,760,649</u>

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\$5,854,933 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	STRS	SERS	Total
Fiscal Year Ending June 30:			
2016	\$ (3,297,581)	\$ (674,249)	\$ (3,971,830)
2017	(3,297,581)	(674,249)	(3,971,830)
2018	(3,297,581)	(674,249)	(3,971,830)
2019	(3,297,581)	(674,249)	(3,971,830)
	\$ (13,190,324)	\$ (2,696,996)	\$ (15,887,320)

Actuarial Assumptions - SERS

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2014, are presented below:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	4.00 percent to 22 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.75 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

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The most recent experience study was completed June 30, 2010.

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Cash	1.00 %	0.00 %
US Stocks	22.50	5.00
Non-US Stocks	22.50	5.50
Fixed Income	19.00	1.50
Private Equity	10.00	10.00
Real Assets	10.00	5.00
Multi-Asset Strategies	15.00	7.50
	100.00 %	

Discount Rate The total pension liability was calculated using the discount rate of 7.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.75 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.75 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent), or one percentage point higher (8.75 percent) than the current rate.

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$ 25,019,622	\$ 17,536,674	\$ 11,242,868

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Actuarial Assumptions - STRS

The total pension liability in the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Projected salary increase	2.75 percent at 70 to 12.25 percent at age 20
Investment Rate of Return	7.75 percent, net of investment expenses
Cost-of-Living Adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year, for members retiring August 1, 2013, or later, 2 percent COLA paid on fifth anniversary of retirement date

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2014, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

The 10 year expected real rate of return on pension plan investments was determined by STRS' investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	<u>1.00</u>	3.00
	<u>100.00 %</u>	

Discount Rate The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2014. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2014. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2014.

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Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the School District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$ 107,673,344	\$ 75,211,417	\$ 47,759,550

Note 11 - Postemployment Benefits

A. School Employees Retirement System

Health Care Plan Description - The School District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2015, 0.82 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2015, this amount was \$20,450. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge.

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The School District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2015, 2014, and 2013 were \$221,496, \$151,735 and \$163,200, respectively. The full amount has been contributed for fiscal years 2015, 2014 and 2013.

B. State Teachers Retirement System

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2015, STRS did not allocate any employer contributions to post-employment health care. The School District's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$0, \$313,633, and \$313,252, respectively. The full amount has been contributed for fiscal years 2015, 2014 and 2013.

Note 12 – Other Employee Benefits

A. Compensated Absences

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

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

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B. Life Insurance

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

Note 13 – Long-Term Obligations

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

	Restated Amount Outstanding 7/1/2014	Additions	Deductions	Refunding	Amount Outstanding 06/30/2015	Due Within One Year
Governmental Activities						
General Obligation Bonds						
School Improvement - 2003	\$ 274,354	\$ 0	\$ 63,817	\$ 0	\$ 210,537	\$ 66,912
School Improvement Refunding - 2005						
Serial and Term Bonds	5,025,000	0	270,000	0	4,755,000	290,000
Unamortized Premium	498,043	0	40,935	0	457,108	0
School Improvement Refunding - 2009						
Serial Bonds	5,120,000	0	520,000	0	4,600,000	540,000
Capital Appreciation Bonds	554,993	0	0	0	554,993	0
Accretion on Capital Appreciation Bond	335,455	84,772	0	0	420,227	0
Unamortized Premium	217,426	0	22,887	0	194,539	0
<i>Total General Obligation Bonds</i>	<u>12,025,271</u>	<u>84,772</u>	<u>917,639</u>	<u>0</u>	<u>11,192,404</u>	<u>896,912</u>
Certificates of Participation						
Series 2010						
Taxable Qualified School						
Construction Bonds - (QSCB)	4,000,000	0	0	0	4,000,000	0
Taxable Build America Bonds - (BABS)	15,460,000	0	0	15,460,000	0	0
Tax-Exempt	2,635,000	0	860,000	0	1,775,000	875,000
Unamortized Premium	6,646	0	3,323	0	3,323	0
Refunding Series 2014	0	15,895,000	125,000	0	15,770,000	55,000
<i>Total Certificates of Participation</i>	<u>22,101,646</u>	<u>15,895,000</u>	<u>988,323</u>	<u>15,460,000</u>	<u>21,548,323</u>	<u>930,000</u>
Net Pension Liability						
STRS	89,591,348	0	14,379,931	0	75,211,417	0
SERS	20,605,838	0	3,069,164	0	17,536,674	0
<i>Total Net Pension Liability</i>	<u>110,197,186</u>	<u>0</u>	<u>17,449,095</u>	<u>0</u>	<u>92,748,091</u>	<u>0</u>
Compensated Absences	5,551,006	101,381	386,289	0	5,266,098	700,671
<i>Total Governmental Activities</i>	<u>\$149,875,109</u>	<u>\$ 16,081,153</u>	<u>\$ 19,741,346</u>	<u>\$ 15,460,000</u>	<u>\$ 130,754,916</u>	<u>\$2,527,583</u>

General obligation bonds will be paid from property taxes in the bond retirement fund. Compensated absences will be paid from the general fund and the food service fund. Obligations related to employee compensation will be paid from the fund benefitting from their service.

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2003 School Improvement General Obligation Bonds

In fiscal year 2003, the School District issued \$800,000 of general obligation bonds at an interest rate of 4.85 percent maturing December 1, 2017.

2005 School Improvement Advance Refunding General Obligation Bonds

On September 22, 2005, the School District issued \$6,075,000 of general obligation bonds, which included serial and term bonds in the amount of \$1,550,000 and \$4,525,000, respectively. The bonds refunded \$6,075,000 of outstanding 2000 School Improvement General Obligation Bonds. The bonds were issued for a twenty-one year period with final maturity at December 1, 2026. At the date of refunding, \$6,726,930 (including premium and after underwriting fees, and other issuance costs) was received to pay off old debt. As a result, \$6,075,000 of the 2000 School Improvement Bonds are considered to be defeased and the liability for those bonds has been removed from the financial statements. The defeased debt in the amount of \$6,075,000 was called December 1, 2009.

These refunding bonds were issued with a premium of \$859,636, which is reported as an increase to bonds payable. The amounts are being amortized to interest expense over the life of the bonds using the straight-line method. The amortization of the premium for fiscal year 2015 was \$40,935. The refunding resulted in a difference between net carrying amount of the debt and the acquisition price of \$651,930. This difference, reported in the accompanying financial statements as a deferred outflow of resources, is being amortized to interest expense over the life of the bonds using the straight-line method. The amortization of this difference for fiscal year 2015 was \$31,044.

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

The \$6,075,000 bond issue consists of serial and term bonds. The serial bonds were issued with a varying interest rate of 4.00-5.50 percent.

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

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

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

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

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

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

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

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

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

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

2009 School Improvement Advance Refunding General Obligation Bonds

On April 20, 2009, the School District issued \$6,534,993 of general obligation bonds, which included serial, term and capital appreciation bonds in the amount of \$5,765,000, \$215,000 and \$554,993, respectively. The bonds refunded \$6,535,000 of outstanding 1999 School Improvement General Obligation Bonds. The bonds were issued for a fifteen year period with final maturity at December 1, 2023. At the date of refunding, \$6,534,993 (including premium and after underwriting fees, and other issuance costs) was received to pay off old debt. As a result, \$6,535,000 of the 1999 School Improvement Bonds are considered to be defeased and the liability for those bonds has been removed from the financial statements. The balance of the defeased debt at June 30, 2015 was \$5,665,000.

These refunding bonds were issued with a premium of \$343,305, which is reported as an increase to bonds payable. The amounts are being amortized to interest expense over the life of the bonds using the straight-line method. The amortization of the premium for fiscal year 2015 was \$22,887. The issuance costs of \$118,068 were expensed. The refunding resulted in a difference between net carrying amount of the debt and the acquisition price of \$225,230. This difference, reported in the accompanying financial statements as a deferred outflow of resources, is being amortized to interest expense over the life of the bonds using the straight-line method. The amortization of this difference for fiscal year 2015 was \$15,016.

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

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The capital appreciation bonds will mature December 1, 2016 and December 1, 2017. These bonds were purchased at a discount at the time of issuance and at maturity all compounded interest is paid and the bond holder collects the face value. However, since interest is technically earned and compounded semiannually, the value of the bond increases. Therefore, as the value increases, the accretion is booked as principal liability. The maturity amount of the bonds is \$1,160,000. The fiscal year 2015 accretion amount was \$84,772.

The serial and capital appreciation bonds are not subject to early redemption.

Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2015 are as follows:

Fiscal Year Ending June 30,	General Obligation Bonds		Capital Appreciation Bonds		Total	
	Principal	Interest	Principal	Accretion	Principal	Interest/ Accretion
2016	\$ 896,912	\$ 440,026	\$ 0	\$ 0	\$ 896,912	\$ 440,026
2017	375,157	410,966	287,719	287,281	662,876	698,247
2018	393,468	390,220	267,274	317,726	660,742	707,946
2019	925,000	353,110	0	0	925,000	353,110
2020	980,000	309,490	0	0	980,000	309,490
2021 - 2025	4,970,000	820,489	0	0	4,970,000	820,489
2026 - 2030	1,025,000	57,062	0	0	1,025,000	57,062
Total	<u>\$ 9,565,537</u>	<u>\$ 2,781,363</u>	<u>\$ 554,993</u>	<u>\$ 605,007</u>	<u>\$ 10,120,530</u>	<u>\$ 3,386,370</u>

2010 Certificates of Participation

On June 17, 2010 the School District issued \$24,570,000 of certificates of participation, series 2010 bonds. They consisted of \$4,000,000 in taxable qualified school construction series 2010A (QSCB) term bonds. The bonds were issued for a sixteen year period with final maturity at December 1, 2026. Also included in the issue was \$15,460,000 of taxable build America bonds (BABS) series 2010B which is made up of \$2,880,000 serial bonds and term bonds in the amount of \$12,580,000. The series 2010B bonds were refunded on July 31, 2014. The final issue was tax exempt series 2010C serial bonds in the amount of \$5,110,000 with a varying interest rate of 2.00-3.00 percent. The maturity dates for the tax exempt bonds is December 1, 2011 through 2016. The proceeds will be used to acquire, construct, purchase equipment, install and renovate recreational, school and transportation facilities. The series 2010B was refunded in 2014.

The tax exempt series 2010C bonds were issued with a premium of \$19,938, which is reported as an increase to bonds payable. The amounts are being amortized to interest expense over the life of the bonds using the straight-line method. The amortization of the premium for fiscal year 2015 was \$3,323. The issuance costs of \$586,116 were expensed.

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

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

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

2014 Current Refunding Certificates of Participation

On July 30, 2014, the School District issued \$15,895,000 in refunded certificates of participation, series 2014 bonds. The proceeds were used to refund \$15,460,000 of the School District's outstanding build America bonds (BABS) series 2010B. The bonds were issued for a 20 year period with final maturity at December 1, 2033.

These refunding bonds were issued with a premium of \$133,382, which has been offset against expenses related to issuance costs. The issuance resulted in a difference between the cash flows required to service the old debt and the cash flows required to service the new debt of \$1,274,219. The issuance resulted in an economic gain of \$923,894.

Principal and interest requirements to retire the certificates of participation outstanding at June 30, 2015 are as follows:

Fiscal Year Ending June 30,	Certificate of Participation	
	Principal	Interest
2016	\$ 930,000	\$ 831,543
2017	960,000	805,380
2018	985,000	776,206
2019	1,015,000	746,206
2020	1,045,000	715,306
2021 - 2025	5,700,000	3,012,000
2026 - 2030	6,280,000	1,501,097
2031 - 2034	4,630,000	296,433
Total	\$ 21,545,000	\$ 8,684,171

Note 14 – Interfund Activity

Interfund Balances

Interfund balances at June 30, 2015, consist of the following:

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	Interfund Receivable	Interfund Payable
General Fund	\$ 146,965	\$ 0
<i>Nonmajor Governmental Funds:</i>		
Auxiliary Services Fund	0	40,919
Miscellaneous State Grants Fund	0	1,505
Title III Fund	0	10,291
Improving Teacher Quality Fund	0	4,000
Miscellaneous Federal Grants Fund	0	90,250
Total	\$ 146,965	\$ 146,965

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

Note 15 – Jointly Governed Organizations

A. Medina County Career Center

The Medina County Career Center is a separate body politic and corporate, established by the Ohio Revised Code to provide for the vocational needs of the students. The Board of Education is comprised of representatives appointed by the board of each participating school district. The Board is responsible for approving its own budgets, appointing personnel, and accounting and finance related activities. Brunswick City School District students may attend the vocational school. Each school district's control is limited to its representation on the Board. During fiscal year 2015, no monies were paid by Brunswick City School District to the Career Center. To obtain financial information write to the Medina Career Center, Aaron Butts, 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 2015, the School District paid \$1,537 to the Council. Financial information can be obtained by contacting Dr. William Zelei, the Executive Director of the Ohio Schools Council at 6393 Oak Tree Boulevard, Suite 377, Independence, Ohio 44131.

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

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

C. Northeast Ohio Network for Educational Technology (NEOnet)

The Northeast Ohio Network for Educational Technology (NEOnet) is a jointly governed organization among 27 school districts. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. Each of these schools supports NEOnet based upon a per pupil charge dependent upon the software package utilized. The NEOnet assembly consists of a superintendent or designated representative from each participating school district and a representative from the fiscal agent. NEOnet is governed by a Board of Directors chosen from the general membership of the NEOnet Assembly. The Board of Directors consists of a representative from the fiscal agent, the chairman of each of the operating committees, and at least three at-large Assembly members. During the fiscal year 2015 the School District paid \$121,790 to NEOnet. Financial information can be obtained by contacting the Fiscal Officer at 700 Graham Road, Cuyahoga Falls, OH 44221.

Note 16 – Public Entity Risk Pools

A. Insurance Purchasing Pool

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

B. Risk Sharing Pool

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

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Note 17 – Set Asides

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

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

	Capital Improvements Reserve
Set Aside Restricted Balance June 30, 2014	\$ 0
Current Year Set Aside Requirement	1,276,172
Current Year Qualifying Expenditures	(2,621,202)
Total	\$ (1,345,030)
Balance Carried Forward to Fiscal Year 2016	\$ 0
Set Aside Restricted Balance June 30, 2015	\$ 0

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

Note 18 – Contingencies and Commitments

A. Grants

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and 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, 2015.

B. Litigation

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

C. School District Funding

School District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2014-2015 school year, traditional school districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to

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adjust as enrollment information is updated by the school districts, which can extend past the fiscal year end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2015 Foundation funding for the School District; therefore, the financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or liability of the School District.

D. Encumbrance Commitments

Outstanding encumbrances for governmental funds include \$1,274,270 in the general fund and \$2,152,174 in the nonmajor governmental funds.

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Brunswick City School District
Medina County, Ohio
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net Pension Liability
Last Two Fiscal Years (1)

	<u>2014</u>	<u>2013</u>
<i>State Teachers Retirement System (STRS)</i>		
School District's proportion of the net pension liability (asset)	0.30921347%	0.30921347%
School District's proportionate share of the net pension liability (asset)	\$ 75,211,417	\$ 89,591,348
School District's covered-employee payroll	\$ 31,363,315	\$ 31,325,200
School District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	239.81%	286.00%
Plan fiduciary net position as a percentage of the total pension liability	74.70%	69.30%
<i>School Employees Retirement System (SERS)</i>		
School District's proportion of the net pension liability (asset)	0.34651000%	0.34651000%
School District's proportionate share of the net pension liability (asset)	\$ 17,536,674	\$ 20,605,838
School District's covered-employee payroll	\$ 11,091,616	\$ 10,069,725
School District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	158.11%	204.63%
Plan fiduciary net position as a percentage of the total pension liability	71.70%	65.52%

(1) Information prior to 2013 is not available.

Note: The amounts presented for each fiscal year were determined as of the measurement date.

Brunswick City School District
Medina County, Ohio
Required Supplementary Information
Schedule of School District Contributions
Last Ten Fiscal Years

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
<i>State Teachers Retirement System (STRS)</i>				
Contractually Required Contribution	\$ 4,444,471	\$ 4,077,231	\$ 4,072,276	\$ 4,345,350
Contributions in Relation to the Contractually Required Contribution	<u>(4,444,471)</u>	<u>(4,077,231)</u>	<u>(4,072,276)</u>	<u>(4,345,350)</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
School District's covered-employee payroll	\$ 31,746,221	\$ 31,363,315	\$ 31,325,200	\$ 33,425,769
Contributions as a percentage of covered-employee payroll	14.00%	13.00%	13.00%	13.00%
 <i>School Employees Retirement System (SERS)</i>				
Contractually required contribution	\$ 1,410,462	\$ 1,537,298	\$ 1,393,650	\$ 1,418,785
Contributions in relation to the contractually required contribution	<u>(1,410,462)</u>	<u>(1,537,298)</u>	<u>(1,393,650)</u>	<u>(1,418,785)</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
School District's covered-employee payroll	\$ 10,701,533	\$ 11,091,616	\$ 10,069,725	\$ 10,548,587
Contributions as a percentage of covered-employee payroll	13.18%	13.86%	13.84%	13.45%

n/a - Information prior to 2008 is not available.

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$ 4,375,384	\$ 4,102,013	\$ 3,836,441	\$ 4,072,848	\$ 4,166,772	\$ 3,676,931
<u>(4,375,384)</u>	<u>(4,102,013)</u>	<u>(3,836,441)</u>	<u>(4,072,848)</u>	<u>(4,166,772)</u>	<u>(3,676,931)</u>
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
\$ 33,656,800	\$ 31,553,946	\$ 29,511,085	\$ 31,329,600	\$ 32,052,092	\$ 28,284,085
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%
\$ 954,799	\$ 1,498,162	\$ 1,321,404	\$ 1,172,628	n/a	n/a
<u>(954,799)</u>	<u>(1,498,162)</u>	<u>(1,321,404)</u>	<u>(1,172,628)</u>	n/a	n/a
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	n/a	n/a
\$ 7,595,855	\$ 11,064,712	\$ 13,428,902	\$ 11,941,222	n/a	n/a
12.57%	13.54%	9.84%	9.82%	n/a	n/a

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**BRUNSWICK CITY SCHOOL DISTRICT
MEDINA COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2015**

<u>Federal Grantor/ Pass Through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Receipts</u>	<u>Expenditures</u>
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
<i>Passed Through the Ohio Department of Education:</i>			
<u>Child Nutrition Cluster:</u>			
School Breakfast Program	10.553	\$141,250	\$141,250
National School Lunch Program	10.555	643,786	643,786
Non-cash Assistance		76,600	76,600
Total National School Lunch Program		<u>720,386</u>	<u>720,386</u>
Total Child Nutrition Cluster		<u>861,636</u>	<u>861,636</u>
Total U.S. Department of Agriculture		861,636	861,636
<u>U.S. DEPARTMENT OF EDUCATION</u>			
<i>Direct:</i>			
School Emergency Response to Violence (SERV)	84.184S		73,892
<i>Passed Through the Ohio Department of Education:</i>			
<u>Special Education Cluster:</u>			
Special Education - Grants to States	84.027	220,520	202,454
		<u>1,412,184</u>	<u>1,195,924</u>
Total Special Education - Grants to States		1,632,704	1,398,378
Special Education - Preschool Grants	84.173	2,728	2,766
		24,580	22,503
Total Special Education - Preschool Grants		<u>27,308</u>	<u>25,269</u>
Total Special Education Cluster		1,660,012	1,423,647
Title I Grants to Local Educational Agencies	84.010	43,871	63,508
		<u>570,566</u>	<u>403,967</u>
Total Title I Grants to Local Educational Agencies		614,437	467,475
Improving Teacher Quality State Grants	84.367	7,717	4,596
		114,936	113,446
Total Improving Teacher Quality State Grants		<u>122,653</u>	<u>118,042</u>
English Language Acquisition Grants	84.365	1,329	2,986
		2,514	9,734
Total English Language Acquisition Grants		<u>3,843</u>	<u>12,720</u>
ARRA- State Fiscal Stabilization Fund (SFSF) Race-to-the-Top Incentive Grants, Recovery Act	84.395		3,821
Total U.S. Department of Education		<u>2,400,945</u>	<u>2,099,597</u>
TOTAL		<u><u>\$3,262,581</u></u>	<u><u>\$2,961,233</u></u>

The accompanying notes are an integral part of this schedule.

**BRUNSWICK CITY SCHOOL DISTRICT
MEDINA COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2015**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER

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

NOTE C – FOOD DONATION PROGRAM

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



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Brunswick City School District, Medina County, Ohio, (the District) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 11, 2016, wherein we noted the District adopted Governmental Accounting Standard No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and also GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the District's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

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

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

March 11, 2016



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

To the Board of Education:

Report on Compliance for the Major Federal Program

We have audited the Brunswick City School District's (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the Brunswick City School District's major federal program for the year ended June 30, 2015. The *Summary of Auditor's Results* in the accompanying schedule of findings and questioned costs identifies the District's major federal program.

Management's Responsibility

The District's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the District's compliance for the District's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the District's major program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on the Major Federal Program

In our opinion, the Brunswick City School District, Medina County, Ohio complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2015.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which OMB Circular A-133 requires us to report, described in the accompanying schedule of findings and questioned costs as item 2015-001. This finding did not require us to modify our compliance opinion on the major federal program.

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

Report on Internal Control over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency, described in the accompanying schedule of findings and questioned costs as item 2015-001.

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

This report only describes the scope of our tests of internal control over compliance and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.

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

Dave Yost
Auditor of State
Columbus, Ohio

March 11, 2016

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**BRUNSWICK CITY SCHOOL DISTRICT
MEDINA COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
JUNE 30, 2015**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	Yes
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	Yes
<i>(d)(1)(vii)</i>	Major Programs (list):	Special Education Cluster, CFDA 84.027 and 84.173
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

Finding Number	2015-001
CFDA Title and Number	Special Education Cluster: Special Education Grants to States, CFDA #84.027 Special Education Preschool Grants, CFDA #84.173
Federal Award Number/Year	2015
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

Significant Deficiency/Noncompliance/Questioned Cost

2 C.F.R. Part 225, Appendix B (8)(h) provides, in part, salaries and wages will be based on payrolls documented in accordance with generally accepted practice of the governmental unit and approved by a responsible official of the government unit. Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personal activity reports or equivalent documentation. Such documentary support will be required where employees work on more than one Federal award, or a federal award and a non-Federal award.

Personal activity reports or equivalent documentation must meet the following standards:

1. They must reflect an after-the-fact distribution of the actual activity of each employee;
2. They must account for the total activity for which the employee is compensated;
3. They must be prepared at least monthly and must coincide with one or more pay periods; and;
4. They must be signed by the employee.

Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for that period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first-hand knowledge of the work performed by the employee.

For one hourly employee tested, a time sheet documenting the hours worked on the grant, could not be provided, and we were unable to satisfy ourselves through alternative means the gross payroll and related benefits charged to the grant were adequately supported. The salary and related benefits for this employee was \$2,237. When this amount is projected to the population it comes to \$42,837, which we consider to be a questioned cost.

The District should ensure proper time and effort documentation is maintained for all employees working on Federal programs. For employees working solely on one cost objective, a semi-annual certification can be utilized by the District. For employees working on multiple cost objectives (Federal and non-Federal), the employees should use personal activity reports that document the specific time spent on each cost objective and they should be signed by the employee.

Officials' Response: See Corrective Action Plan

**BRUNSWICK CITY SCHOOL DISTRICT
MEDINA COUNTY**

**CORRECTIVE ACTION PLAN
OMB CIRCULAR A -133 § .315 (c)
JUNE 30, 2015**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2015-001	Corrective action we will be taking in the payroll department is to make sure all filing is completed in a timely manner with everything being filed on a quarterly basis. Also, filing that has to be filed will be locked in the file room which has limited access and will be stored in one secure place.	Immediately	James Estle, Interim Treasurer

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Dave Yost • Auditor of State

BRUNSWICK CITY SCHOOL DISTRICT

MEDINA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
APRIL 5, 2016**