



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, 2014, 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, 2014, 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.

***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*, 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 19, 2015, 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 19, 2015

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**Brunswick City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2014*  
(Unaudited)

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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, 2014. 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 2014 are as follows:

- Net position decreased \$1,099,417, which represents a 14 percent decrease from 2013.
- Capital assets decreased \$431,368 during fiscal year 2014.
- During the year, outstanding debt decreased from \$35,153,264 to \$33,404,802 due to principal payments made by the School District.

***Using this Annual Report***

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

The *Statement of Net 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 2014?" 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. 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.

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

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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 18. 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 23. These activities are excluded from the School District's other financial statements because the assets cannot be utilized by the School District to finance its operations.

**Brunswick City School District**  
*Management's Discussion and Analysis*  
For the Fiscal Year Ended June 30, 2013  
(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 2014 compared to 2013:

**Table 1**  
**Net Position**

	Governmental Activities	
	2014	2013
<b>Assets</b>		
Current and Other Assets	\$ 47,656,738	\$ 50,288,241
Capital Assets	39,916,909	40,348,277
<i>Total Assets</i>	<u>87,573,647</u>	<u>90,636,518</u>
<b>Deferred Outflows of Resources</b>	<u>520,351</u>	<u>566,414</u>
<b>Liabilities</b>		
Other Liabilities	9,263,506	10,375,662
Long-Term Liabilities	39,677,923	41,025,324
<i>Total Liabilities</i>	<u>48,941,429</u>	<u>51,400,986</u>
<b>Deferred Inflows of Resources</b>	<u>32,143,916</u>	<u>31,693,876</u>
<b>Net Position</b>		
Net Investment in Capital Assets	6,125,447	5,911,260
Restricted	7,400,534	5,806,158
Unrestricted	<u>(6,517,328)</u>	<u>(3,609,348)</u>
<i>Total Net Position</i>	<u>\$ 7,008,653</u>	<u>\$ 8,108,070</u>

At year end, capital assets represented 46 percent of total assets. Capital assets include, land, land improvements, buildings and improvements, furniture and equipment and vehicles. Net investment in capital assets was \$6,125,447 at June 30, 2014. 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, \$7,400,534 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 \$6,517,328.

Current and other assets decreased due to a decrease in cash of \$1,708,547. The cash balance in the general fund continued to decrease as expenditures outpaced revenues. Other liabilities decreased \$1,112,156 from fiscal year 2013 through decreases in accounts payable and matured compensated absences. Accounts payable in fiscal year 2013 included over \$600,000 in technology purchases.

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

Long term liabilities decreased by \$1,347,401 which is mainly due to principal payments made by the School District.

Table 2 shows the changes in net position for fiscal year 2014 and 2013.

**Table 2**  
**Changes in Net Position**

	Governmental Activities	
	2014	2013
<b>Revenues</b>		
<i>Program Revenues:</i>		
Charges for Services	\$ 3,300,384	\$ 3,097,964
Operating Grants	4,187,064	4,028,380
Capital Grants	243	812
<i>Total Program Revenues</i>	<u>7,487,691</u>	<u>7,127,156</u>
<i>General Revenues:</i>		
Property Taxes	35,348,271	35,512,146
Grants and Entitlements Not Restricted	32,433,042	29,781,110
Payments in Lieu of Taxes	125,357	113,000
Other	106,472	412,372
<i>Total General Revenues</i>	<u>68,013,142</u>	<u>65,818,628</u>
<i>Total Revenues</i>	<u>75,500,833</u>	<u>72,945,784</u>
<b>Program Expenses</b>		
Instruction:		
Regular	31,392,206	33,138,167
Special	6,826,936	7,476,516
Vocational	230,612	206,544
Other	2,234,686	2,038,688
Support Services:		
Pupils	7,259,488	5,956,527
Instructional Staff	3,112,554	2,880,883
Board of Education	547,068	575,314
Administration	4,747,344	4,802,632
Fiscal	1,473,629	1,348,401
Business	577,003	602,432
Operation and Maintenance of Plant	6,127,650	5,582,146
Pupil Transportation	4,885,708	4,738,242
Central	287,889	250,595
Operation of Non-Instructional Services:		
Food Service Operations	2,144,960	2,288,159
Community Services	362,660	464,874
Extracurricular Activities	1,835,059	1,692,138
Interest and Fiscal Charges	2,554,798	2,004,067
<i>Total Expenses</i>	<u>76,600,250</u>	<u>76,046,325</u>
<i>Increase in Net Position</i>	(1,099,417)	(3,100,541)
<i>Net Position at Beginning of Year</i>	<u>8,108,070</u>	<u>11,208,611</u>
<i>Net Position at End of Year</i>	<u>\$ 7,008,653</u>	<u>\$ 8,108,070</u>

**Brunswick City School District**  
*Management's Discussion and Analysis*  
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Total revenues increased \$2,555,049 due, in part, to an increase in foundation revenue. The School District received a refund from Workers' Compensation in fiscal year 2013, causing miscellaneous revenue in fiscal year 2014 to be much lower.

Expenses increased a total of \$553,925 partially due to an increase in pupil support retirement and benefits.

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	
	2014	2013	2014	2013
Instruction:				
Regular	\$ 31,392,206	\$ 33,138,167	\$ 29,756,250	\$ 31,714,984
Special	6,826,936	7,476,516	6,005,688	6,359,631
Vocational	230,612	206,544	204,540	134,586
Other	2,234,686	2,038,688	2,234,686	2,038,688
Support Services:				
Pupils	7,259,488	5,956,527	6,073,197	4,960,527
Instructional Staff	3,112,554	2,880,883	2,796,468	2,596,930
Board of Education	547,068	575,314	434,929	575,314
Administration	4,747,344	4,802,632	4,747,344	4,613,037
Fiscal	1,473,629	1,348,401	1,473,629	1,348,401
Business	577,003	602,432	577,003	602,432
Operation and Maintenance of Plant	6,127,650	5,582,146	6,067,217	5,514,936
Pupil Transportation	4,885,708	4,738,242	4,810,064	4,667,134
Central	287,889	250,595	268,089	230,795
Operation of Non-Instructional Services:				
Food Service Operations	2,144,960	2,288,159	265,426	295,725
Community Services	362,660	464,874	(440,317)	43,194
Extracurricular Activities	1,835,059	1,692,138	1,283,548	1,218,788
Interest and Fiscal Charges	2,554,798	2,004,067	2,554,798	2,004,067
<i>Total Expenses</i>	\$ 76,600,250	\$ 76,046,325	\$ 69,112,559	\$ 68,919,169

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

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

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The School District received funding to cover the fiscal year 2014 costs in community services for mobile classrooms for the auxiliary schools which were capitalized.

***Governmental Funds***

Information about the School District's major funds starts on page 18. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$75,749,598 and expenditures of \$76,705,682 for the fiscal year.

The general fund's net change in fund balance for fiscal year 2014 was a decrease of \$2,236,247. Revenues increased by \$2,318,057 from the prior year. Intergovernmental revenue increased \$2,155,882, in a large part, from an increase in foundation basic aid. Expenditures increased \$708,681, which represents an increase of 1 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 2014, 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

For the general fund, actual budget basis revenue was \$1,126,291 higher than the final budget basis revenue of \$62,203,095 mainly due to intergovernmental revenues. Final budget basis revenue was \$2,166,672 more than original budget estimates of \$60,036,423 with taxes and intergovernmental revenues originally estimated lower.

Final expenditure appropriations of \$66,355,385 were \$179,163 higher than the actual expenditures of \$66,176,222, with actual costs of pupil transportation being lower than expected as the primary factor.

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

**Capital Assets and Debt Administration**

**Capital Assets**

At the end of fiscal year 2014, the School District had \$39,916,909 invested in capital assets. Table 4 shows fiscal year 2014 balances compared with 2013.

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

	Governmental Activities	
	2014	2013
Land	\$ 1,580,645	\$ 1,580,645
Land Improvements	1,553,636	1,556,103
Buildings and Improvements	32,356,848	32,700,284
Furniture and Equipment	2,026,897	1,996,147
Vehicles	2,398,883	2,515,098
Totals	\$ 39,916,909	\$ 40,348,277

The \$431,368 decrease in capital assets was attributable to current year depreciation exceeding additional purchases. See Note 8 for more information about the capital assets of the School District.

**Debt**

At June 30, 2014, the School District had \$33,404,802 in debt outstanding excluding unamortized premiums. See Note 13 for additional details. Table 5 summarizes bonds outstanding.

**(Table 5)**  
**Outstanding Debt at Year End**

	Governmental Activities	
	2014	2013
General Obligation Bonds:		
Serial Bonds	\$ 10,419,354	\$ 11,405,219
Unamortized Bond Premiums	715,469	779,291
Capital Appreciation Bonds	554,993	554,993
Accretion on Capital Appreciation Bonds	335,455	258,052
Certificates of Participation:		
Bonds	22,095,000	22,935,000
Unamortized Bond Premiums	6,646	9,969
Total	\$ 34,126,917	\$ 35,942,524

**Brunswick City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2013*  
(Unaudited)

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***Current Issues***

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

The School District has received increases in voter-approved taxes three times since 1992. In that period of time the School District passed three new five-year emergency levies, eleven emergency renewal issues, and one 28-year bond issue. In May 2005 and August 2005 the electors defeated two tax initiatives that could have raised approximately \$3.7 million per year. In November of 2007 there was a 1.45 mill (\$682,000) five year permanent improvement renewal levy passed. In May 2009 the voters renewed an Emergency Levy for an extended seven year period that was originally passed at 3.8 mills and is currently collecting at 3.1 mills. This levy received a 65.5% approval rate from the voters. In November 2010 the voters renewed another Emergency Levy for 4.6 mills for an extended seven years. With a 58.2% approval rate the voters renewed a 2.1 Emergency Levy for eight years, which will now expire in December 2020.

The School District placed an emergency levy on the November 2013 ballot which was defeated. It was anticipated that the two-year tax initiative would generate approximately \$4.9 million annually for the district effective January, 2014. Normally the Board selects a longer term for levies but with the uncertainty of the next biennial budget they decided to limit the tax request to the two year period.

The School District has an Emergency Tax Levy expiring in December 2014. This five year emergency levy generates approximately \$5.8 million per year and has been reduced from the initial 6.7 mills to 6.1 mills. The Board of Education decided to renew this issue in May 2014. Due to a change in the law, the district opted to renew this emergency for a term that exceeded the initial five-year period, by extending the levy an additional three years. This renewal levy passed on the first renewal attempt by 62.9 percent approval rate.

The School District has existing emergency levies expiring in December 2016, 2018, 2020 and 2022. With other changes in the law the School District may opt for a conversion levy to transform all emergency levies into permanent type levies, this would also require voter approval.

State law fixes the amount of tax revenue, forcing it to remain constant except for increases in valuation due to new construction in the School District. In addition, legislation passed in recent years has had the effect of further eroding tax revenues by the decrease in assessment rate upon both the inventory component of personal property tax valuation and public utility tangible property. House Bill (HB) 66 has also further eradicated personal (tangible) property tax revenue. Effective 2012, Governor Kasich's 2012-2013 Budget Bill eliminated the Property Tax Replacement Fund for us and resulted in additional lost revenue.

The Governor's new biennial budget (7/1/13-6/30/15) will generate additional *Basic Aid* for the School District however the lawmakers capped our increase at 6.25% in FY 2014 and 10.5% in FY 2015. Thus we should receive an additional \$1.3 million in FY 2014 and another increase of \$2.3 million in FY 2015.



**Brunswick City School District**  
*Management's Discussion and Analysis*  
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Externally, over eighteen years ago the *DeRolph* (school funding) Case was filed in Perry County, Ohio. The first case was heard in October 1993 and Judge Linton Lewis, Jr. ruled, in July 1994, the Ohio's school-funding system unconstitutional. Following his ruling, the 5<sup>th</sup> 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 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.

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.

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

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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 a decrease in State revenue and is anticipating future growth in State revenue (Basic Aid) 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.

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 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 district will need to seek new operating revenue prior to the end of calendar year 2015. Without the infusion of additional cash the school system's excellent educational program could be in jeopardy. In order to survive the need for the needed resources, management has delayed the inevitable by making cuts in areas of personnel, purchased services and supplies.

**Brunswick City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2013*  
(Unaudited)

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

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

***Contacting the School District's Financial Management***

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Patrick K. East, Treasurer of Brunswick City School District, 3643 Center Road, Brunswick, Ohio 44212 or [peast@bcsoh.org](mailto:peast@bcsoh.org).

**Brunswick City School District**  
**Medina County, Ohio**  
*Statement of Net Position*  
*June 30, 2014*

	Governmental Activities
<b>Assets</b>	
Equity in Pooled Cash and Cash Investments	\$ 7,041,245
Inventory Held For Resale	44,514
Materials and Supplies Inventory	296,976
Receivables:	
Intergovernmental	4,320,093
Property Taxes	35,953,910
Nondepreciable Capital Assets	1,580,645
Depreciable Capital Assets (Net)	38,336,264
<i>Total Assets</i>	<i>87,573,647</i>
<b>Deferred Outflows of Resources</b>	
Deferred Charges on Debt Refunding	\$ 520,351
<b>Liabilities</b>	
Accounts Payable	233,077
Accrued Wages and Benefits	7,072,759
Contracts Payable	110,815
Intergovernmental Payable	1,222,080
Accrued Vacation Leave Payable	131,792
Matured Compensated Absences Payable	335,288
Accrued Interest Payable	157,695
Long Term Liabilities:	
Due Within One Year	2,376,206
Due In More Than One Year	37,301,717
<i>Total Liabilities</i>	<i>48,941,429</i>
<b>Deferred Inflows of Resources</b>	
Property Taxes Levied for the Next Fiscal Year	32,143,916
<b>Net Position</b>	
Net Investment in Capital Assets	6,125,447
Restricted For:	
Capital Outlay	4,226,360
Debt Service	1,237,227
Other Purposes	1,936,947
Unrestricted	(6,517,328)
<i>Total Net Position</i>	<i>\$ 7,008,653</i>

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, 2014

	Expenses	Program Revenues		Capital Grants, Contributions and Interest	Net (Expense) Revenue and Changes in Net Position
		Charges for Services and Sales	Operating Grants, Contributions and Interest		Governmental Activities
<b>Governmental Activities</b>					
Instruction:					
Regular	\$ 31,392,206	\$ 1,392,653	\$ 243,303	\$ 0	\$ (29,756,250)
Special	6,826,936	204,517	616,731	0	(6,005,688)
Vocational	230,612	0	26,072	0	(204,540)
Other	2,234,686	0	0	0	(2,234,686)
Support Services:					
Pupils	7,259,488	0	1,186,291	0	(6,073,197)
Instructional Staff	3,112,554	0	316,086	0	(2,796,468)
Board of Education	547,068	0	112,139	0	(434,929)
Administration	4,747,344	0	0	0	(4,747,344)
Fiscal	1,473,629	0	0	0	(1,473,629)
Business	577,003	0	0	0	(577,003)
Operation and Maintenance of Plant	6,127,650	32,341	27,849	243	(6,067,217)
Pupil Transportation	4,885,708	75,644	0	0	(4,810,064)
Central	287,889	0	19,800	0	(268,089)
Operation of Non-Instructional Services:					
Food Service Operations	2,144,960	1,053,746	825,788	0	(265,426)
Community Services	362,660	0	802,977	0	440,317
Extracurricular Activities	1,835,059	541,483	10,028	0	(1,283,548)
Interest and Fiscal Charges	2,554,798	0	0	0	(2,554,798)
<i>Total</i>	<u>\$ 76,600,250</u>	<u>\$ 3,300,384</u>	<u>\$ 4,187,064</u>	<u>\$ 243</u>	<u>(69,112,559)</u>

**General Revenues**

Property Taxes Levied for:	
General Purposes	32,843,433
Debt Service	1,440,044
Capital Outlay	1,064,794
Grants and Entitlements Not Restricted to Specific Programs	32,433,042
Payments in Lieu of Taxes	125,357
Investment Earnings	47,437
Miscellaneous	59,035
<i>Total General Revenues</i>	<u>68,013,142</u>
<i>Change in Net Position</i>	(1,099,417)
<i>Net Position Beginning of Year</i>	<u>8,108,070</u>
<i>Net Position End of Year</i>	<u>\$ 7,008,653</u>

See accompanying notes to the basic financial statements.

**Brunswick City School District**  
**Medina County, Ohio**  
*Balance Sheet*  
*Governmental Funds*  
*June 30, 2014*

	General Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>			
Equity in Pooled Cash and Investments	\$ 2,728,835	\$ 4,312,410	\$ 7,041,245
Inventory Held For Resale	0	44,514	44,514
Materials and Supplies Inventory	296,976	0	296,976
Receivables:			
Interfund	461,719	0	461,719
Intergovernmental	357,733	3,962,360	4,320,093
Property Taxes	33,524,803	2,429,107	35,953,910
<i>Total Assets</i>	<u>\$ 37,370,066</u>	<u>\$ 10,748,391</u>	<u>\$ 48,118,457</u>
<b>Liabilities</b>			
Accounts Payable	\$ 130,325	\$ 102,752	\$ 233,077
Accrued Wages and Benefits	6,689,332	383,427	7,072,759
Contracts Payable	0	110,815	110,815
Intergovernmental Payable	1,135,785	86,295	1,222,080
Matured Compensated Absences Payable	335,288	0	335,288
Interfund Payable	0	461,719	461,719
<i>Total Liabilities</i>	<u>8,290,730</u>	<u>1,145,008</u>	<u>9,435,738</u>
<b>Deferred Inflows of Resources</b>			
Property Taxes Levied for the Next Fiscal Year	29,973,273	2,170,643	32,143,916
Unavailable Revenue - Delinquent Property Taxes	640,630	44,714	685,344
Unavailable Revenue - Other	0	2,901,666	2,901,666
<i>Total Deferred Inflows of Resources</i>	<u>30,613,903</u>	<u>5,117,023</u>	<u>35,730,926</u>
<b>Fund Balances</b>			
Nonspendable	338,298	0	338,298
Restricted	0	3,465,774	3,465,774
Committed	8,772	1,021,557	1,030,329
Unassigned (Deficit)	(1,881,637)	(971)	(1,882,608)
<i>Total Fund Balances</i>	<u>(1,534,567)</u>	<u>4,486,360</u>	<u>2,951,793</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$ 37,370,066</u>	<u>\$ 10,748,391</u>	<u>\$ 48,118,457</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, 2014*

<b>Total Governmental Fund Balances</b>		\$ 2,951,793
<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.		39,916,909
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Property Taxes	\$ 685,344	
Local Grant from Sales Tax Levy	1,365,101	
Intergovernmental	1,536,565	3,587,010
In the statement of net position, interest is accrued on outstanding bonds, whereas in the governmental funds, an interest expenditure is not reported.		(157,695)
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.		520,351
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	10,419,354	
Capital Appreciation Bonds	554,993	
Bond Premium	722,115	
Accretion of Interest - Capital Appreciation Bonds	335,455	
Certificates of Participation	22,095,000	
Vacation Benefits	131,792	
Compensated Absences	5,551,006	(39,809,715)
<i>Net Position of Governmental Activities</i>		<b>\$ 7,008,653</b>

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, 2014*

	General Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>			
Property and Other Local Taxes	\$ 33,139,205	\$ 2,530,569	\$ 35,669,774
Intergovernmental	28,665,960	7,845,036	36,510,996
Investment Income	47,435	340	47,775
Tuition and Fees	894,320	0	894,320
Extracurricular Activities	908,522	294,241	1,202,763
Rentals	32,341	24,122	56,463
Charges for Services	0	1,053,746	1,053,746
Contributions and Donations	29,076	7,200	36,276
Payment in Lieu of Taxes	125,366	0	125,366
Miscellaneous	25,053	127,066	152,119
<i>Total Revenues</i>	<u>63,867,278</u>	<u>11,882,320</u>	<u>75,749,598</u>
<b>Expenditures</b>			
Current:			
Instruction:			
Regular	29,993,900	808,726	30,802,626
Special	6,124,598	546,377	6,670,975
Vocational	225,011	0	225,011
Other	2,234,686	0	2,234,686
Support Services:			
Pupils	6,077,178	1,094,934	7,172,112
Instructional Staff	2,597,531	296,012	2,893,543
Board of Education	547,068	0	547,068
Administration	4,471,577	103,948	4,575,525
Fiscal	1,377,407	72,541	1,449,948
Business	380,847	207,517	588,364
Operation and Maintenance of Plant	5,630,740	545,726	6,176,466
Pupil Transportation	4,353,247	516,405	4,869,652
Central	246,893	19,800	266,693
Extracurricular Activities	1,436,013	399,046	1,835,059
Operation of Non-Instructional Services:			
Food Service Operations	9,119	2,053,677	2,062,796
Community Services	17,065	422,204	439,269
Capital Outlay	0	246,082	246,082
Debt Service:			
Principal Retirement	0	1,825,865	1,825,865
Interest and Fiscal Charges	0	1,823,942	1,823,942
<i>Total Expenditures</i>	<u>65,722,880</u>	<u>10,982,802</u>	<u>76,705,682</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(1,855,602)</u>	<u>899,518</u>	<u>(956,084)</u>
<b>Other Financing Sources (Uses)</b>			
Proceeds from Sale of Capital Assets	4,355	100	4,455
Transfers In	0	385,000	385,000
Transfers Out	(385,000)	0	(385,000)
<i>Total Other Financing Sources (Uses)</i>	<u>(380,645)</u>	<u>385,100</u>	<u>4,455</u>
<i>Net Change in Fund Balance</i>	(2,236,247)	1,284,618	(951,629)
<i>Fund Balances Beginning of Year</i>	<u>701,680</u>	<u>3,201,742</u>	<u>3,903,422</u>
<i>Fund Balances End of Year</i>	<u>\$ (1,534,567)</u>	<u>\$ 4,486,360</u>	<u>\$ 2,951,793</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, 2014*

<b>Net Change in Fund Balances - Total Governmental Funds</b>	\$	(951,629)
 <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	\$ 1,134,621	
Current Year Depreciation	<u>(1,500,592)</u>	(365,971)
 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.		
		(65,397)
 Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property Taxes	(321,504)	
Sales Taxes	77,332	
Intergovernmental	<u>(92,848)</u>	(337,020)
 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	985,865	
Certificates of Participation	<u>840,000</u>	1,825,865
 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	6,506	
Amortization of Issuance Costs *	(681,041)	
Amortization of Premium on Bonds	67,145	
Amortization of Refunding Loss	<u>(46,063)</u>	(653,453)
 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	(468,206)	
Accrued Vacation Payable	<u>(6,203)</u>	(474,409)
 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.		
		<u>(77,403)</u>
<i>Change in Net Position of Governmental Activities</i>	\$	<u><u>(1,099,417)</u></u>

\* Prior year bond issuance costs written off in current year (immaterial) with the implementation of GASB 65.

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, 2014*

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	
<b>Revenues</b>				
Property and Other Local Taxes	\$ 33,143,976	\$ 33,298,960	\$ 33,621,835	\$ 322,875
Intergovernmental	28,036,566	27,692,635	28,440,788	748,153
Investment Income	41,955	42,000	42,560	560
Tuition and Fees	873,879	821,000	886,478	65,478
Extracurricular Activities	31,881	152,000	154,149	2,149
Rentals	151,958	65,000	32,341	(32,659)
Contributions and Donations	12,919	500	13,105	12,605
Miscellaneous	136,166	131,000	138,130	7,130
<i>Total Revenues</i>	<u>62,429,300</u>	<u>62,203,095</u>	<u>63,329,386</u>	<u>1,126,291</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	29,415,311	29,300,408	29,493,914	(193,506)
Special	6,513,659	6,444,062	6,089,940	354,122
Vocational	209,571	215,840	225,320	(9,480)
Other	2,372,915	2,481,932	2,355,029	126,903
Support Services:				
Pupils	5,969,342	5,988,390	6,145,081	(156,691)
Instructional Staff	2,239,613	2,311,382	2,589,157	(277,775)
Board of Education	617,533	674,484	657,977	16,507
Administration	4,443,439	4,637,957	4,638,634	(677)
Fiscal	1,380,760	1,419,429	1,387,002	32,427
Business	463,845	479,235	418,805	60,430
Operation and Maintenance of Plant	5,987,666	5,591,055	5,971,045	(379,990)
Pupil Transportation	4,420,491	5,106,948	4,555,591	551,357
Central	296,223	287,983	249,560	38,423
Extracurricular Activities	1,158,969	1,312,889	1,384,596	(71,707)
Operation of Non-Instructional Services:				
Food Service Operations	41,711	42,204	7,816	34,388
Community Services	45,398	61,187	6,755	54,432
<i>Total Expenditures</i>	<u>65,576,446</u>	<u>66,355,385</u>	<u>66,176,222</u>	<u>179,163</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(3,147,146)</u>	<u>(4,152,290)</u>	<u>(2,846,836)</u>	<u>1,305,454</u>
<b>Other Financing Sources (Uses)</b>				
Proceeds from Sale of Capital Assets	0	1,000	4,355	3,355
Advances In	0	900,000	879,368	(20,632)
Advances Out	(420,800)	(420,800)	(420,800)	0
Transfers Out	(385,000)	(385,000)	(385,000)	0
<i>Total Other Financing Sources (Uses)</i>	<u>(805,800)</u>	<u>95,200</u>	<u>77,923</u>	<u>(17,277)</u>
<i>Net Change in Fund Balance</i>	<u>(3,952,946)</u>	<u>(4,057,090)</u>	<u>(2,768,913)</u>	<u>1,288,177</u>
<i>Fund Balance Beginning of Year</i>	<u>3,058,467</u>	<u>3,058,467</u>	<u>3,058,467</u>	<u>0</u>
Prior Year Encumbrances Appropriated	<u>1,022,227</u>	<u>1,022,227</u>	<u>1,022,227</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$ 127,748</u>	<u>\$ 23,604</u>	<u>\$ 1,311,781</u>	<u>\$ 1,288,177</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, 2014*

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	<u>Agency</u>
<b>Assets</b>	
Equity in Pooled Cash and Investments	\$ 227,327
<i>Total Assets</i>	<u>\$ 227,327</u>
<b>Liabilities</b>	
Undistributed Monies	\$ 24,045
Due to Students	<u>203,282</u>
<i>Total Liabilities</i>	<u>\$ 227,327</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, 2014*

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**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, 2014*

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**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, 2014*

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***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 three 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.

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***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*** - A deferred inflow of resources is an acquisition of assets by the School District that is applicable to a future reporting period. A deferred outflow of resources is a consumption of assets by the School District that is applicable to a future reporting period.

Property taxes for which there is an enforceable legal claim as of June 30, 2014, but which were levied to finance fiscal year 2015 operations, and other revenues received in advance of the year for which they were intended to finance, have been recorded as deferred inflows of resources. Grants and entitlements received before the eligibility requirements are met and delinquent property taxes due at June 30, 2014, are recorded as deferred inflows of resources in governmental funds.

On governmental fund financial statements, receivables that will not be collected within the available period have been reported as a deferred inflow of resources.



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On the accrual basis of accounting, unamortized deferred charges on debt refunding are reported as a deferred outflow of resources. 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.

***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.

During fiscal year 2014, investments were limited to a money market mutual fund, government agency securities and STAR Ohio.

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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, 2014.

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 2014 amounted to \$47,435, which includes \$25,911 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:

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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. 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.

***K. Accrued Liabilities and Long-Term Obligations***

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

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

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***L. 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.

***M. 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, 2014, 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.

***N. Fund Balance***

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

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

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

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

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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.

***O. 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 2014.

***P. 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.

***Q. Implementation of New Accounting Policies***

For the fiscal year ended June 30, 2014, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*, GASB Statement No. 66, *Technical Corrections—2012—an amendment of GASB Statements No. 10 and No. 62*, and GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*.

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GASB Statement No. 65 properly classifies certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or recognizes certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues). These changes were incorporated in the School District's fiscal year 2014 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 66 resolves conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting and thereby enhance the usefulness of the financial reports. The implementation of GASB Statement No. 66 did not have an effect on the financial statements of the School District.

GASB Statement No. 70 improves comparability of financial statements by requiring consistent reporting and specifying information required to be disclosed for extending and receiving nonexchange financial guarantees. The implementation of GASB Statement No. 70 did not have an effect on the financial statements of the School District.

**NOTE 3: FUND DEFICITS**

Fund balances at June 30, 2014 included the following individual fund deficits:

	<u>Deficit</u>
General Fund	\$ 1,534,567
Non-Major Governmental Funds:	
Alternate School	96
Preschool Grant	875

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).

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3. Encumbrances are treated as expenditures (budget basis) rather than assigned or committed fund balance (GAAP basis).
4. Advances in and advances out are operating transactions (budget) as opposed to balance sheet transactions (GAAP).
5. Some funds are included in the general fund, (GAAP basis), but have separate legally adopted budgets (budget basis).

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

<b>Net Change in Fund Balance</b>	
GAAP Basis	\$ (2,236,247)
Net Adjustment for Revenue Accruals	252,685
Net Adjustment for Expenditure Accruals	(318,810)
Advances In	879,368
Advances Out	(420,800)
Funds Budgeted Elsewhere**	(36,914)
Adjustment for Encumbrances	<u>(888,195)</u>
Budget Basis	<u>\$ (2,768,913)</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.

**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.

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

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

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



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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 2014, the School District and public depositories complied with the provisions of these statutes.

***Deposits with Financial Institutions***

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

At fiscal year-end, the carrying amount of the School District's deposits (including change funds of \$5,084) was \$4,740,629. Based on the criteria described in GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, as of June 30, 2014, \$4,947,047 of the School District's bank balance of \$5,400,027 was exposed to custodial risk as discussed above, while \$452,980 was covered by Federal Deposit Insurance Corporation.

Although the securities were held by the pledging financial institutions' trust department and all statutory requirements for the investment of money had been followed, noncompliance with Federal requirements could potentially subject the School District to a successful claim by the FDIC.

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

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**Investments** As of June 30, 2014, the School District had the following investments:

Standard & Poor's Rating	Investment Type	Fair Value	Maturity			Percent of Total
			3 months or Less	4 - 24 Months	25 - 60 Months	
AAAm	STAROhio	\$ 51,786	\$ 51,786	\$ 0	\$ 0	2.05%
N/A	First American Treasury Money Market	23,915	23,915	0	0	0.95%
AA+	Federal National Mortgage Association Notes	1,504,945	0	365,166	1,139,779	59.53%
AA+	Federal Home Loan Bank Notes	947,297	0	270,236	677,061	37.47%
Total		<u>\$ 2,527,943</u>	<u>\$ 75,701</u>	<u>\$ 635,402</u>	<u>\$ 1,816,840</u>	<u>100.00%</u>

**Interest Rate Risk.** The School District has no investment policy that addresses interest rate risk. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School District, and that an investment must be purchased with the expectation that it will be held to maturity. State statute limits investments in commercial paper to a maximum maturity of 180 days from the date of purchase. Repurchase agreements are limited to 30 days and the market value of the securities must exceed the principal value of the agreement by at least 2 percent and be marked to market daily. The weighted average of maturity of the portfolio held by STAROhio as of June 30, 2014, is 51 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, 2014 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, 2014.

**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 2014 represents collections of calendar year 2013 taxes. Real property taxes received in calendar year 2014 were levied after April 1, 2013, on the assessed value listed as of January 1, 2013, 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

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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 2014 represents collections of calendar year 2013 taxes. Public utility real and tangible personal property taxes received in calendar year 2014 became a lien December 31, 2012, were levied after April 1, 2013 and are collected in 2014 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

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, 2014, are available to finance fiscal year 2014 operations. The amount available as an advance at June 30, 2014 was \$2,910,900 in the general fund, \$120,000 in the debt service fund, and \$93,750 in the permanent improvement fund, a nonmajor governmental fund. The amount available as an advance at June 30, 2013 was \$3,393,530 in the general fund, \$147,760 in the bond retirement debt service fund, and \$115,440 in the permanent improvement capital projects fund. 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, 2014 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 2014 taxes were collected are:

	2013 Second Half Collections		2014 First Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$ 1,018,025,190	98.63%	\$ 1,051,194,780	98.57%
Public Utility Personal Property	14,144,500	1.37%	15,271,940	1.43%
Total Assessed Values	<u>\$ 1,032,169,690</u>	<u>100.00%</u>	<u>\$ 1,066,466,720</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	<u>\$ 68.92</u>		<u>\$ 69.12</u>	

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**NOTE 7: RECEIVABLES**

Receivables at June 30, 2014 consisted of taxes, interfund and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the guarantee of federal funds. All current fiscal year receivables are expected to be collected within one year.

During 2007, the voters of Medina County passed a one-half percent sales tax to be used for capital improvements at all school districts within Medina County. Collection began in October 2007 for a period of 30 years. Vendor collections of the tax are paid to the State Treasurer by the twenty-third day of the month following collection. Sales tax is distributed to the school districts of Medina County based on what is essentially a per pupil distribution formula. A receivable is recognized at year end for an estimated amount to be received based on calendar year 2014 sales transactions yet to be received as of June 30, 2014.

**NOTE 8: CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2014, was as follows:

	Balance 07/01/2013	Additions	Reductions	Balance 06/30/2014
<b>Governmental Activities</b>				
<i>Capital Assets, not being depreciated</i>				
Land	\$ 1,580,645	\$ 0	\$ 0	\$ 1,580,645
<i>Capital Assets, being depreciated</i>				
Land Improvements	3,012,022	72,825	0	3,084,847
Buildings and Improvements	56,334,911	344,799	(162,052)	56,517,658
Furniture and Equipment	6,782,049	319,445	0	7,101,494
Vehicles	6,528,688	397,552	(79,723)	6,846,517
<i>Total Capital Assets, being depreciated</i>	<u>72,657,670</u>	<u>1,134,621</u>	<u>(241,775)</u>	<u>73,550,516</u>
<i>Less: Accumulated Depreciation</i>				
Land Improvements	(1,455,919)	(75,292)	0	(1,531,211)
Buildings and Improvements	(23,634,627)	(622,838)	96,655	(24,160,810)
Furniture and Equipment	(4,785,902)	(288,695)	0	(5,074,597)
Vehicles	(4,013,590)	(513,767)	79,723	(4,447,634)
<i>Total Accumulated Depreciation</i>	<u>(33,890,038)</u>	<u>(1,500,592)</u> *	<u>176,378</u>	<u>(35,214,252)</u>
<i>Total Capital Assets being depreciated, net</i>	<u>38,767,632</u>	<u>(365,971)</u>	<u>(65,397)</u>	<u>38,336,264</u>
Governmental Activities Capital Assets, Net	<u>\$ 40,348,277</u>	<u>\$ (365,971)</u>	<u>\$ (65,397)</u>	<u>\$ 39,916,909</u>

\* Depreciation expense was charged to governmental functions as follows:

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Instruction:					
Regular		\$		574,816	
Special				123,699	
Support Services:					
Pupils				52,071	
Instructional Staff				64,267	
Administration				71,455	
Fiscal				14,093	
Business				8,456	
Operation and Maintenance of Plant				70,175	
Pupil Transportation				455,243	
Operation of Non-Instructional Services:					
Food Service Operations				65,331	
Community Services				986	
				<u>986</u>	
Total Depreciation Expense		\$		<u>1,500,592</u>	

**NOTE 9: RISK MANAGEMENT**

***A. Property and Liability***

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

For fiscal year 2014, 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 2014, 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 than 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**

***A. School Employees Retirement System***

Plan Description - The School District contributes to the School Employees Retirement System of Ohio ("SERS"), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2014, 13.05 percent and .05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2014, 2013 and 2012 were \$1,385,563, \$1,230,450 and \$1,215,748, respectively; 91 percent has been contributed for fiscal year 2014 and 100 percent for the fiscal years 2013 and 2012.

***B. State Teachers Retirement System***

Plan Description - The School District participates in the State Teachers Retirement System of Ohio ("STRS Ohio"), a cost-sharing, multiple-employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a publicly-available, stand-alone financial report that may be obtained by writing to STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3371, by calling (888) 227-7877, or by visiting the STRS Ohio website at [www.strsoh.org](http://www.strsoh.org).

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New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB Plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

Funding Policy - For fiscal year 2014, plan members were required to contribute 11 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 11 percent for members and 14 percent for employer contributions. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2014, 2013 and 2012 were \$4,077,231, \$4,072,276 and \$4,345,350, respectively; 83 percent has been contributed for fiscal year 2014 and 100 percent for the fiscal years 2013 and 2012. Contributions to the DC and Combined Plans for fiscal year 2014 were \$227,356 made by the School District and \$178,637 made by the plan members.

***C. Social Security System***

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2014, certain members of the Board of Education have elected social security. The Board's liability is 6.2 percent of wages paid.

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**NOTE 11: POSTEMPLOYMENT BENEFITS**

***A. School Employees Retirement System***

Plan Description – The School District participates in two cost-sharing, multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage and traditional indemnity plans. A prescription drug plan is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code Section 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B monthly premium for calendar year 2014 was \$104.90 for most participants, but could be as high as \$335.70 per month depending on their income. SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For fiscal year 2014, 0.14 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2014, the actuarially determined amount was \$20,250.

Active members do not contribute to the postemployment benefit plans. The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The School District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2014, 2013, and 2012 were \$151,735, \$163,200, and \$203,037, respectively; 91 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.



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The Retirement Board, acting with advice of the actuary, allocates a portion of the current employer contribution to the Medicare B Fund. For fiscal year 2014, the actuarially required allocation was 0.76 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2014, 2013, and 2012 were \$80,384, \$69,506, and \$72,080, respectively; 91 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

***B. State Teachers Retirement System***

Plan Description - The School District contributes to the cost sharing, multiple-employer defined benefit Health Plan (the "Plan") administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the financial report of STRS. Interested parties can view the most recent Comprehensive Annual Financial Report by visiting [www.strsoh.org](http://www.strsoh.org) or by requesting a copy by calling toll-free (888) 227-7877.

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2014, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2014, 2013, and 2012 were \$313,633, \$313,252, and \$334,258, respectively; 83 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

**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**

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

Debt Issue	Interest Rate	Original Issue Amount	Date of Maturity
General Obligation Bonds:			
School Improvement - 2003	4.85%	800,000	December 1, 2017
School Improvement Refunding - 2005	4.00-5.50%	6,075,000	December 1, 2026
School Improvement Refunding - 2009	2.10-4.00%	6,534,993	December 1, 2023
Certificates of Participation:			
Taxable Qualified School Construction Bonds - 2010	6.375%	4,000,000	December 1, 2026
Taxable Build America Bonds - 2010	5.50-6.75%	15,460,000	December 1, 2033
Tax Exempt Bonds- 2010	2.00-3.00%	5,110,000	December 1, 2016

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

	<b>Amount Outstanding 7/1/2013</b>	<b>Additions</b>	<b>Deductions</b>	<b>Amount Outstanding 06/30/2014</b>	<b>Due Within One Year</b>
<b>Governmental Activities</b>					
<b>General Obligation Bonds</b>					
School Improvement Refunding - 2000	\$ 175,000	\$ 0	\$ 175,000	\$ 0	\$ 0
School Improvement - 2003	335,219	0	60,865	274,354	63,817
School Improvement Refunding - 2005					
Serial and Term Bonds	5,280,000	0	255,000	5,025,000	270,000
Unamortized Premium	538,978	0	40,935	498,043	0
School Improvement Refunding - 2009					
Serial Bonds	5,615,000	0	495,000	5,120,000	520,000
Capital Appreciation Bonds	554,993	0	0	554,993	0
Accretion on Capital Appreciation Bond	258,052	77,403	0	335,455	0
Unamortized Premium	240,313	0	22,887	217,426	0
<i>Total General Obligation Bonds</i>	<u>12,997,555</u>	<u>77,403</u>	<u>1,049,687</u>	<u>12,025,271</u>	<u>853,817</u>
<b>Certificates of Participation, Series 2010</b>					
Taxable Qualified School					
Construction Bonds - (QSCB)	4,000,000	0	0	4,000,000	0
Taxable Build America Bonds - (BABS)	15,460,000	0	0	15,460,000	0
Tax-Exempt	3,475,000	0	840,000	2,635,000	860,000
Unamortized Premium	9,969	0	3,323	6,646	0
<i>Total Certificates of Participation</i>	<u>22,944,969</u>	<u>0</u>	<u>843,323</u>	<u>22,101,646</u>	<u>860,000</u>
Compensated Absences	5,082,800	664,091	195,885	5,551,006	662,389
<i>Total Governmental Activities</i>	<u>\$ 41,025,324</u>	<u>\$ 741,494</u>	<u>\$ 2,088,895</u>	<u>\$ 39,677,923</u>	<u>\$2,376,206</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.

On September 16, 2000, the School District issued \$4,500,000 in general obligation bonds with interest rates varying from 5.00 percent to 7.25 percent. Proceeds were used to refund \$4,500,000 of the outstanding 1991 and 1993 school improvement bonds. The bonds were paid in December 2013.

***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.

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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 2014 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 2014 was \$31,047.

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:

Redemption Date <u>December 1</u>	Principal Amount Subject to Mandatory <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:

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Redemption Date	Principal Amount Subject to Mandatory Redemption
December 1	
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, 2014 was \$6,535,000.

These refunding bonds were issued with a premium of \$343,305, which is reported as an increase to bonds payable. The amounts are being amortized to interest expense over the life of the bonds using the straight-line method. The amortization of the premium for fiscal year 2014 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 2014 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.

The capital appreciation bonds will mature December 1, 2016. These bonds were purchased at a discount at the time of issuance and at maturity all compounded interest is paid and the bond holder collects the face value. However, since interest is technically earned and compounded semiannually, the value of the bond increases. Therefore, as the value increases, the accretion is booked as principal liability. The maturity amount of the bonds is \$1,160,000. The fiscal year 2014 accretion amount was \$77,403.

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

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Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2014 are as follows:

Fiscal Year Ending June 30,	General Obligation Bonds		Capital Appreciation Bonds		Total	
	Principal	Interest	Principal	Accretion	Principal	Interest/ Accretion
2015	\$ 853,817	\$ 475,628	\$ 0	\$ 0	\$ 853,817	\$ 475,628
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 - 2024	5,475,000	1,060,541	0	0	5,475,000	1,060,541
2025 - 2029	1,500,000	126,500	0	0	1,500,000	126,500
Total	<u>\$ 10,419,354</u>	<u>\$ 3,256,991</u>	<u>\$ 554,993</u>	<u>\$ 605,007</u>	<u>\$ 10,974,347</u>	<u>\$ 3,861,998</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. Final maturity on the serial and term bonds is December 1, 2033. The final issue was tax exempt series 2010C serial bonds in the amount of \$5,110,000 with a varying interest rate of 2.00-3.00 percent. The maturity 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 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 2014 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:

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

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

The \$12,580,000 series 2010B bond issue consisted of term bonds. The serial bonds were issued with a varying interest rate of 6.00-6.75 percent.

**Brunswick City School District**  
**Medina County, Ohio**  
*Notes to the Basic Financial Statements*  
*For The Fiscal Year Ended June 30, 2014*

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

Redemption Date December 1	Principal Amount Subject to Mandatory Redemption
2020	\$ 1,030,000
2021	1,070,000
2021	1,110,000

Unless previously redeemed, the remaining principal amount of \$755,000 will mature at stated maturity (December 1, 2023).

The series 2010B bonds maturing December 1, 2033 were subject to mandatory sinking fund redemption at a price of 100 percent of the principal amount to be redeemed plus accrued interest to the date of redemption on December 1 in the years and in the respective principal amounts:

Redemption Date December 1	Principal Amount Subject to Mandatory Redemption
2027	\$ 1,220,000
2028	1,275,000
2028	1,330,000
2029	1,385,000
2030	1,450,000
2031	1,510,000

Unless previously redeemed, the remaining principal amount of \$445,000 will mature at stated maturity (December 1, 2023).

Principal and interest requirements to retire the certificates of participation outstanding at June 30, 2014 are as follows:

<b>Fiscal Year Ending June 30,</b>	<b>Certificate of Participation</b>	
	<b>Principal</b>	<b>Interest</b>
2015	\$ 860,000	\$ 1,294,770
2016	875,000	1,274,695
2017	900,000	1,250,257
2018	925,000	1,211,320
2019	960,000	1,159,002
2020 - 2024	5,360,000	4,888,816
2025 - 2029	6,095,000	3,086,530
2030 - 2034	6,120,000	921,714
Total	\$ 22,095,000	\$15,087,104

**Brunswick City School District**  
**Medina County, Ohio**  
*Notes to the Basic Financial Statements*  
*For The Fiscal Year Ended June 30, 2014*

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**NOTE 14: INTERFUND ACTIVITY**

***A. Interfund Balances***

Interfund balances at June 30, 2014, consist of the following:

	Interfund Receivable	Interfund Payable
General	\$ 461,719	\$ 0
<i>Nonmajor Governmental Funds:</i>		
Auxiliary Services	0	40,919
Alternate School Grants	0	5,000
Miscellaneous State Grants	0	6,000
Title VI-B	0	330,000
Title III	0	1,300
Title I	0	60,000
Preschool Grants	0	2,500
Improving Teacher Quality	0	16,000
Total	\$ 461,719	\$ 461,719

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.

***B. Interfund Transfers***

During the fiscal year, the general fund transferred \$385,000 to the food service fund to provide additional resources for current operations.

**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 2014, no monies were paid by Brunswick City School District to the Career Center. To obtain financial information write to the Medina Career Center, John Streett, who serves as Treasurer, at 1101 West Liberty, Medina, Ohio 44256.



**Brunswick City School District**  
**Medina County, Ohio**  
*Notes to the Basic Financial Statements*  
*For The Fiscal Year Ended June 30, 2014*

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***B. Ohio Schools Council Association***

The Ohio Schools Council Association (Council) is a jointly governed organization among ninety-one school districts. The jointly governed organization was formed to purchase quality products and services at the lowest possible cost to the member districts. Each district supports the Council by paying an annual participation fee. The Council's Board consists of seven superintendents of the participating districts whose term rotates every year. The degree of control exercised by any school district is limited to its representation on the Board. In fiscal year 2014, the School District paid \$1,575 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.

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 2014 the School District paid \$119,045 to NEOnet. Financial information can be obtained by contacting the Treasurer at the Educational Service Center of Summit County, who serves as the fiscal agent, at 420 Washington Avenue, Cuyahoga Falls, OH 44221.

**Brunswick City School District**  
**Medina County, Ohio**  
*Notes to the Basic Financial Statements*  
*For The Fiscal Year Ended June 30, 2014*

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**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.

**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, 2013	\$ 0
Current Year Set Aside Requirement	1,277,772
Current Year Qualifying Expenditures	(2,259,441)
Total	\$ (981,669)
Balance Carried Forward to Fiscal Year 2015	\$ 0
Set Aside Restricted Balance June 30, 2014	\$ 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.

**Brunswick City School District**  
**Medina County, Ohio**  
*Notes to the Basic Financial Statements*  
*For The Fiscal Year Ended June 30, 2014*

**NOTE 18: FUND BALANCE**

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

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

	General	Other Governmental Funds	Total
Nonspendable for:			
Inventory	\$ 296,976	\$ 0	\$ 296,976
Unclaimed Monies	41,322	0	41,322
Total Nonspendable	<u>338,298</u>	<u>0</u>	<u>338,298</u>
Restricted for:			
Debt Service	0	1,212,125	1,212,125
Capital Projects	0	1,791,455	1,791,455
Food Service	0	32,206	32,206
Other Purposes	0	429,988	429,988
Total Restricted	<u>0</u>	<u>3,465,774</u>	<u>3,465,774</u>
Committed for:			
Termination Payments	8,772	0	8,772
Permanent Improvement	0	1,021,557	1,021,557
Total Committed	<u>8,772</u>	<u>1,021,557</u>	<u>1,030,329</u>
Unassigned	<u>(1,881,637)</u>	<u>(971)</u>	<u>(1,882,608)</u>
<i>Total Fund Balance</i>	<u>\$ (1,534,567)</u>	<u>\$ 4,486,360</u>	<u>\$ 2,951,793</u>

**NOTE 19: 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, 2014.

**Brunswick City School District**  
**Medina County, Ohio**  
*Notes to the Basic Financial Statements*  
*For The Fiscal Year Ended June 30, 2014*

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***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. Encumbrance Commitments***

Outstanding encumbrances for governmental funds include \$734,167 in the general fund and \$1,428,958 in the nonmajor governmental funds.

**BRUNSWICK CITY SCHOOL DISTRICT  
MEDINA COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2014**

<u>Federal Grantor/ Pass Through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Receipts</u>	<u>Expenditures</u>
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>			
<i>Passed Through the Ohio Department of Education:</i>			
<u>Child Nutrition Cluster:</u>			
School Breakfast Program	10.553	\$148,593	\$148,593
National School Lunch Program	10.555	660,416	660,416
Non-cash Assistance	10.555	<u>110,879</u>	<u>110,879</u>
Total Child Nutrition Cluster		<u>919,888</u>	<u>919,888</u>
<b>TOTAL U.S. DEPARTMENT OF AGRICULTURE</b>		<b>919,888</b>	<b>919,888</b>
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>			
<i>Passed Through the Ohio Department of Education:</i>			
<u>Special Education Cluster:</u>			
Special Education - Grants to States	84.027	139,169	161,669
		<u>1,129,302</u>	<u>1,147,368</u>
Total Special Education - Grants to States		1,268,471	1,309,037
Special Education - Preschool Grants	84.173	5,925	5,757
		<u>30,322</u>	<u>30,283</u>
Total Special Education - Preschool Grants		<u>36,247</u>	<u>36,040</u>
Total Special Education Cluster		1,304,718	1,345,077
<u>Title I, Part A Cluster:</u>			
Title I Grants to Local Educational Agencies	84.010	298,796	60,074
		<u>521,522</u>	<u>501,885</u>
Total Title I Grants to Local Educational Agencies		820,318	561,959
Improving Teacher Quality State Grants	84.367	35,526	32,439
		<u>124,791</u>	<u>127,912</u>
Total Improving Teacher Quality State Grants		160,317	160,351
English Language Acquisition Grants	84.365	4,466	2,841
		<u>16,259</u>	<u>14,602</u>
Total English Language Acquisition Grants		20,725	17,443
ARRA- State Fiscal Stabilization Fund (SFSF) Race-to-the-Top Incentive Grants, Recovery Act	84.395	4,200	4,200
		<u>7,700</u>	<u>3,879</u>
Total ARRA- State Fiscal Stabilization Fund (SFSF) Race-to-the-Top Incentive Grants, Recovery Act		<u>11,900</u>	<u>8,079</u>
<b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>		<b>2,317,978</b>	<b>2,092,909</b>
<b>TOTAL</b>		<b><u>\$3,237,866</u></b>	<b><u>\$3,012,797</u></b>

*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, 2014**

**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, 2014, 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 19, 2015.

### ***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.

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 19, 2015





# Dave Yost • Auditor of State

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

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

To the Board of Education:

### ***Report on Compliance for Each 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 each of the Brunswick City School District's major federal programs for the year ended June 30, 2014. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal programs.

### ***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 each of the District's major federal programs 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 programs. However, our audit does not provide a legal determination of the District's compliance.

***Opinion on Each Major Federal Program***

In our opinion, the Brunswick City School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2014.

***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, material weaknesses may exist that have not been identified.

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



**Dave Yost**  
Auditor of State  
Columbus, Ohio

March 19, 2015

**BRUNSWICK CITY SCHOOL DISTRICT  
MEDINA COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2014**

**1. SUMMARY OF AUDITOR'S RESULTS**

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unmodified
<b>(d)(1)(ii)</b>	<b>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weaknesses reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unmodified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510(a)?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	<ul style="list-style-type: none"> <li>➤ Title I Grants to Local Educational Agencies, CFDA 84.010;</li> <li>➤ Special Education Cluster, CFDA 84.027, 84.173.</li> </ul>
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	No

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

None

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None

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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 2, 2015**