



Dave Yost • Auditor of State

**BARBERTON CITY SCHOOL DISTRICT
SUMMIT COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets.....	13
Statement of Activities.....	14
Fund Financial Statements:	
Balance Sheet – Governmental Funds	15
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities.....	16
Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds	17
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	18
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis) General Fund.....	19
Statement of Fiduciary Net Assets Fiduciary Funds.....	20
Statement of Changes in Fiduciary Net Assets Fiduciary Funds.....	21
Notes to the Basic Financial Statements	23
Federal Awards Receipts and Expenditures Schedule.....	53
Notes to the Federal Awards Receipts and Expenditures Schedule	54
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	55
Independent Accountants' Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance Required by OMB Circular A-133	57
Schedule of Findings.....	59

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Barberton City School District
Summit County
479 Norton Avenue
Barberton, Ohio 44203

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Barberton City School District, Summit County, Ohio (the District), as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Barberton City School District, Summit County, Ohio, as of June 30, 2012 and the respective changes in financial position thereof and the budgetary comparison for the General fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 11, 2013, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, as 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 have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements taken as a whole. The Federal Awards Receipts and Expenditure Schedule provides additional information 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 basic financial statements. The Federal Awards Receipts and Expenditure Schedule is management's responsibility, and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The Federal Awards Receipts and Expenditure Schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information 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 information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Dave Yost
Auditor of State

March 11, 2013

**BARBERTON CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

The Management's Discussion and Analysis of the Barberton City School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2012. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the transmittal letter, the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for 2012 are as follows:

- In total, net assets of governmental activities decreased \$3,064,966 which represents a 3.61% decrease from 2011.
- General revenues accounted for \$34,447,999 in revenue or 68.94% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$15,521,413 or 31.06% of total revenues of \$49,969,412.
- The District had \$53,034,378 in expenses related to governmental activities; only \$15,521,413 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$34,447,999 were not adequate to provide for these programs.
- The District's major governmental funds are the general fund and the classroom facilities fund. The general fund had \$36,776,274 in revenues and \$37,783,330 in expenditures and other financing uses. During fiscal year 2012, the general fund's fund balance decreased \$1,007,056 from \$4,191,009 to a balance of \$3,183,953.
- The District's classroom facilities fund had \$1,945,909 in revenues and \$22,403,544 in expenditures. During fiscal year 2012, the classroom facilities fund's fund balance decreased \$20,457,635 from \$30,968,658 to a balance of \$10,511,023.

Using these Basic Financial Statements

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

The statement of net assets and statement of activities provide information about the activities of the whole District, presenting both an aggregate view of the 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 District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the District, the general fund and classroom facilities fund are by far the most significant funds, and the only governmental funds reported as major funds.

Reporting the District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2012?" The statement of net assets and the statement of activities answer this question. These statements include all assets, liabilities, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

**BARBERTON CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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

In the statement of net assets and the statement of activities, the governmental activities include the District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations.

The District's statement of net assets and statement of activities can be found on pages 13-14 of this report.

Reporting the District's Most Significant Funds

Fund Financial Statements

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

Governmental Funds

Most of the 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 financial statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 15-19 of this report.

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for its scholarship programs. This activity is presented as a private-purpose trust fund. The District also acts in a trustee capacity as an agent for individuals. These activities are reported in an agency fund. All of the District's fiduciary activities are reported in separate statements of fiduciary net assets and changes in fiduciary net assets on pages 20 and 21. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 23-52 of this report.

**BARBERTON CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

The District as a Whole

The table below provides a summary of the District's net assets for 2012 and 2011.

	Net Assets	
	Governmental Activities 2012	Governmental Activities 2011
<u>Assets</u>		
Current and other assets	\$ 41,645,698	\$ 67,944,219
Capital assets, net	<u>115,482,207</u>	<u>96,239,690</u>
Total assets	<u>157,127,905</u>	<u>164,183,909</u>
<u>Liabilities</u>		
Current liabilities	19,602,442	21,865,511
Long-term liabilities	<u>55,660,274</u>	<u>57,388,243</u>
Total liabilities	<u>75,262,716</u>	<u>79,253,754</u>
<u>Net assets</u>		
Invested in capital assets, net of related debt	75,866,765	68,837,863
Restricted	4,646,699	13,039,646
Unrestricted	<u>1,351,725</u>	<u>3,052,646</u>
Total net assets	<u>\$ 81,865,189</u>	<u>\$ 84,930,155</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2012, the District's assets exceeded liabilities by \$81,865,189.

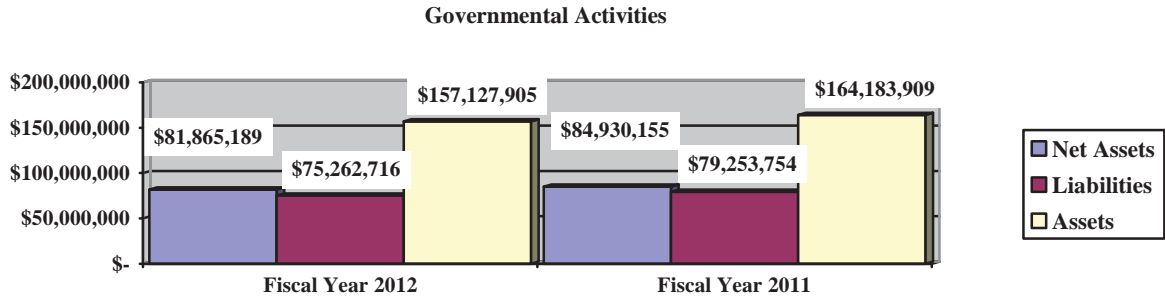
At year-end, capital assets represented 73.50% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment and vehicles. The large increase in capital assets is a result of expenditures for the District's construction project. This is also the reason for most of the decrease in current and other assets. Capital assets, net of related debt to acquire the assets at June 30, 2012, were \$75,866,765. These capital assets are used to provide services to the students and are not available for future spending. Although the 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 District's net assets, \$4,646,699, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets is \$1,351,725.

**BARBERTON CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

The graph below shows the District' assets, liabilities and net assets at June 30, 2012 and 2011:



The table below shows the change in net assets for fiscal years 2012 and 2011.

	Change in Net Assets	
	Governmental Activities 2012	Governmental Activities 2011
<u>Revenues</u>		
Program revenues:		
Charges for services and sales	\$ 3,226,779	\$ 2,285,237
Operating grants and contributions	12,294,634	16,027,032
General revenues:		
Property taxes	11,883,951	13,199,267
Grants and entitlements-not restricted	22,172,653	22,161,845
Investment earnings	76,334	139,380
Miscellaneous	315,061	417,853
Total revenues	<u>49,969,412</u>	<u>54,230,614</u>

**BARBERTON CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Change in Net Assets

	Governmental Activities <u>2012</u>	Governmental Activities <u>2011</u>
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	\$ 18,372,004	\$ 19,077,317
Special	5,474,899	6,516,272
Vocational	1,372,541	1,320,688
Other	4,914,650	4,930,186
Support services:		
Pupil	2,180,777	2,311,323
Instructional staff	2,749,627	2,515,505
Board of education	25,755	29,089
Administration	3,408,434	3,404,037
Fiscal	869,668	658,499
Business	344,838	380,576
Operations and maintenance	4,698,610	3,868,311
Pupil transportation	1,294,815	1,289,452
Central	109,408	140,497
Operation of non-instructional services		
Food service operations	2,218,849	2,110,998
Other non-instructional services	272,003	276,521
Extracurricular activities	2,059,837	2,044,778
Interest and fiscal charges	<u>2,667,663</u>	<u>2,708,959</u>
Total expenses	<u>53,034,378</u>	<u>53,583,008</u>
Change in net assets	(3,064,966)	647,606
Net assets at beginning of year	<u>84,930,155</u>	<u>84,282,549</u>
Net assets at end of year	<u>\$ 81,865,189</u>	<u>\$ 84,930,155</u>

Governmental Activities

Net assets of the District's governmental activities decreased \$3,064,966. Total governmental expenses of \$53,034,378 were offset by program revenues of \$15,521,413 and general revenues of \$34,447,999. Program revenues supported 29.27% of the total governmental expenses.

The largest source of general revenue comes from property taxes and unrestricted grants and entitlements, which account for 68.15% of total governmental revenues. The significant decrease in taxes revenue is primarily the result of declining assessed property values. Unrestricted grants and entitlements include monies received from the Ohio Department of Education, State foundation, and property tax relief such as homestead rollbacks and exemptions.

Program revenues include charges for services, grants and contributions that are program specific. These include grants from the Barberton Community Foundation, grants for specific purposes, reimbursements for services by third-parties, open enrollment, tuition, food service receipts, and extracurricular receipts. The significant decrease in operating grants and contributions resulted from the elimination of the federal ARRA grants and also reductions in funding for several other federally funded programs of the District.

**BARBERTON CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table 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 grants and entitlements.

	Governmental Activities			
	Total Cost of Services <u>2012</u>	Net Cost of Services <u>2012</u>	Total Cost of Services <u>2011</u>	Net Cost of Services <u>2011</u>
Program expenses				
Instruction:				
Regular	\$ 18,372,004	\$ 15,725,366	\$ 19,077,317	\$ 13,933,228
Special	5,474,899	817,192	6,516,272	1,495,069
Vocational	1,372,541	960,101	1,320,688	940,003
Other	4,914,650	4,621,230	4,930,186	4,418,834
Support services:				
Pupil	2,180,777	2,011,207	2,311,323	1,889,462
Instructional staff	2,749,627	1,347,592	2,515,505	1,191,156
Board of education	25,755	25,755	29,089	29,089
Administration	3,408,434	3,245,108	3,404,037	3,302,297
Fiscal	869,668	808,863	658,499	658,499
Business	344,838	344,838	380,576	380,576
Operations and maintenance	4,698,610	4,553,220	3,868,311	3,759,599
Pupil transportation	1,294,815	1,019,772	1,289,452	1,128,528
Central	109,408	66,689	140,497	99,213
Operations of non-instructional services				
Food service operations	2,218,849	119,018	2,110,998	72,252
Other non-instructional services	272,003	498	276,521	121,875
Extracurricular activities	2,059,837	1,507,801	2,044,778	1,471,066
Interest and fiscal charges	<u>2,667,663</u>	<u>338,715</u>	<u>2,708,959</u>	<u>379,993</u>
Total	<u>\$ 53,034,378</u>	<u>\$ 37,512,965</u>	<u>\$ 53,583,008</u>	<u>\$ 35,270,739</u>

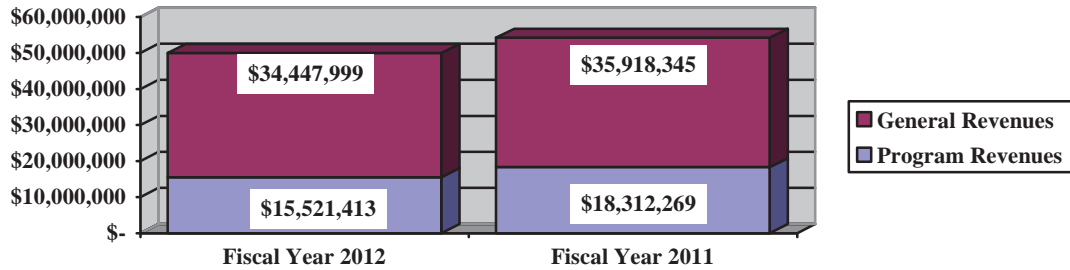
The dependence upon tax and other general revenues for governmental activities is apparent; 73.42% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 70.73%.

**BARBERTON CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

The graph below presents the District's governmental activities general and program revenues for fiscal years 2012 and 2011.

Governmental Activities - General and Program Revenues



The District's Funds

The District's governmental funds (as presented on the balance sheet on page 15) reported a combined fund balance of \$17,186,941, which is \$21,706,877 lower than last year's total of \$38,893,818. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2012 and 2011.

	Fund Balance <u>June 30, 2012</u>	Fund Balance <u>June 30, 2011</u>	<u>Decrease</u>
General	\$ 3,183,953	\$ 4,191,009	\$ (1,007,056)
Classroom Facilities	10,511,023	30,968,658	(20,457,635)
Other Governmental	<u>3,491,965</u>	<u>3,734,151</u>	<u>(242,186)</u>
Total	<u>\$ 17,186,941</u>	<u>\$ 38,893,818</u>	<u>\$ (21,706,877)</u>

General Fund

The District's general fund's fund balance decreased by \$1,007,056. Although revenues increased and expenditures decreased, expenditures still exceeded revenues. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

**BARBERTON CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>2012</u> <u>Amount</u>	<u>2011</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Revenues</u>			
Taxes	\$ 10,049,227	\$ 9,914,417	1.36 %
Tuition	1,652,430	1,043,414	58.37 %
Earnings on investments	23,932	15,317	56.24 %
Intergovernmental	24,111,001	24,056,689	0.23 %
Other revenues	<u>939,684</u>	<u>762,721</u>	23.20 %
 Total	 <u>\$ 36,776,274</u>	 <u>\$ 35,792,558</u>	 2.75 %
<u>Expenditures</u>			
Instruction	\$ 24,316,385	\$ 24,618,943	(1.23) %
Support services	12,149,299	12,375,049	(1.82) %
Other non-instructional services	112,466	132,205	(14.93) %
Extracurricular activities	1,115,089	1,185,417	(5.93) %
Facilities acquisition and construction	37,728	40,236	(6.23) %
Debt service	<u>-</u>	<u>11,147</u>	(100.00) %
 Total	 <u>\$ 37,730,967</u>	 <u>\$ 38,362,997</u>	 (1.65) %

Tuition revenue increased as a result of open enrollment revenues, which have increased significantly over the last few years. The increase in other revenues is primarily due to various refunds the District received in fiscal year 2012.

Classroom Facilities Fund

The District's classroom facilities fund is used to account for quarterly disbursements from the Ohio School Facilities Commission for the State share of the construction project and the local share of the project along with all related investment earnings and facilities acquisition and construction expenditures. The classroom facilities fund had \$1,945,909 in revenues and \$22,403,544 in expenditures. During fiscal year 2012, the classroom facilities fund's fund balance decreased \$20,457,635 from \$30,968,658 to a balance of \$10,511,023.

General Fund Budgeting Highlights

The 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 2012, the District amended its general fund budget numerous times. For the general fund, original and final budgeted revenues and other financing sources were \$39,265,396. Actual revenues and other financing sources for fiscal year 2012 were \$36,356,343. This represents a \$2,909,053 decrease from final budgeted revenues.

General fund original appropriations (appropriated expenditures plus other financing uses) of \$41,493,284 were decreased to \$37,327,326 in the final appropriations. The actual budget basis expenditures for fiscal year 2012 totaled \$38,222,582, which is \$895,256 higher than than the final budget appropriations.

**BARBERTON CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2012, the District had \$115,482,207 invested in land, land improvements, buildings and improvements, furniture and equipment, and vehicles. This entire amount is reported in governmental activities. The following table shows fiscal year 2012 balances compared to 2011:

Capital Assets at June 30 (Net of Depreciation)		
<u>Governmental Activities</u>		
	<u>2012</u>	<u>2011</u>
Land	\$ 16,285,923	\$ 16,285,923
Construction in progress	-	44,376,002
Land improvements	5,834,713	2,189,284
Building and improvements	92,165,801	32,055,291
Furniture and equipment	494,650	531,204
Vehicles	<u>701,120</u>	<u>801,986</u>
Total	<u>\$ 115,482,207</u>	<u>\$ 96,239,690</u>

Total additions to capital assets for 2012, mostly construction in progress, were \$21,139,784. The District's construction project is substantially complete, with most of the improvements now added to the buildings and improvements category.

See Note 8 to the basic financial statements for additional information on the District's capital assets.

Debt Administration

At June 30, 2012, the District had \$52,449,980 in general obligation bonds outstanding. Of this total, \$2,071,634 is due within one year and \$50,378,346 is due in greater than one year. The following table summarizes the bonds outstanding.

	<u>Governmental Activities 2012</u>	<u>Governmental Activities 2011</u>
Bonds	\$ 52,449,980	\$ 54,094,690
Notes	<u>-</u>	<u>145,000</u>
Total	<u>\$ 52,449,980</u>	<u>\$ 54,239,690</u>

See Note 9 to the basic financial statements for additional information on the District's debt administration.

**BARBERTON CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

Current Financial Related Activities

The District's voters passed an 8.57 mill emergency levy renewal for ten years in the November 2009 election. Collection of this levy began in 2010 and now will expire in 2019. The District placed an 8.74 mill emergency levy on the November 2011 ballot, which failed to pass. District voters passed an 8.52 mill emergency levy in November 2012. Collections on this five year levy begin in 2013.

Due to the current economic climate, management is required to plan carefully and prudently to provide the resources to meet student needs over the next several years. Since the local contribution to public education continues to be based on property taxes, the recent reduction in home value reappraisals will have a negative effect on collections.

Contacting the District's Financial Management

This financial report is designed to provide our citizens taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Ryan Pendleton, Treasurer/CFO, Barberton City School District, 479 Norton Avenue, Barberton, Ohio, 44203. Or if you prefer, you may email inquiries to: rpendleton@barbertonschools.org.

**BARBERTON CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

STATEMENT OF NET ASSETS
JUNE 30, 2012

	Governmental Activities
Assets:	
Equity in pooled cash and investments.	\$ 23,492,106
Receivables:	
Property taxes	14,371,946
Accounts.	196,313
Intergovernmental	3,137,801
Accrued interest	8,331
Materials and supplies inventory.	121,057
Unamortized bond issue costs	318,144
Capital assets:	
Land.	16,285,923
Depreciable capital assets, net.	99,196,284
Capital assets, net	115,482,207
 Total assets.	 157,127,905
 Liabilities:	
Accounts payable.	315,235
Contracts payable.	2,221,147
Retainage payable	648,431
Accrued wages and benefits	3,609,061
Pension obligation payable.	864,913
Intergovernmental payable	351,693
Accrued interest payable	298,678
Unearned revenue	11,293,284
Long-term liabilities:	
Due within one year.	2,482,705
Due in more than one year.	53,177,569
Total long-term liabilities	55,660,274
Total liabilities	75,262,716
 Net assets:	
Invested in capital assets, net of related debt.	75,866,765
Restricted for:	
Capital projects	1,224,171
Classroom facilities maintenance	889,472
Debt service.	2,122,147
Locally funded programs	75,285
State funded programs.	28,096
Federally funded programs	44,191
Student activities	75,335
Other purposes	188,002
Unrestricted.	1,351,725
Total net assets	\$ 81,865,189

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**BARBERTON CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

		Program Revenues		Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental activities:				
Instruction:				
Regular	\$ 18,372,004	\$ 1,536,908	\$ 1,109,730	\$ (15,725,366)
Special	5,474,899	314,217	4,343,490	(817,192)
Vocational	1,372,541	31,744	380,696	(960,101)
Other	4,914,650	-	293,420	(4,621,230)
Support services:				
Pupil	2,180,777	74	169,496	(2,011,207)
Instructional staff	2,749,627	3,805	1,398,230	(1,347,592)
Board of education	25,755	-	-	(25,755)
Administration	3,408,434	-	163,326	(3,245,108)
Fiscal	869,668	60,805	-	(808,863)
Business	344,838	-	-	(344,838)
Operations and maintenance	4,698,610	69,552	75,838	(4,553,220)
Pupil transportation	1,294,815	141,306	133,737	(1,019,772)
Central	109,408	16,052	26,667	(66,689)
Operation of non-instructional services:				
Food service operations	2,218,849	486,787	1,613,044	(119,018)
Other non-instructional services	272,003	103,306	168,199	(498)
Extracurricular activities	2,059,837	462,223	89,813	(1,507,801)
Interest and fiscal charges	2,667,663	-	2,328,948	(338,715)
Total governmental activities	\$ 53,034,378	\$ 3,226,779	\$ 12,294,634	(37,512,965)
 General revenues:				
Property taxes levied for:				
General purposes				9,809,575
Debt service				1,814,983
Capital outlay				259,393
Grants and entitlements not restricted to specific programs				22,172,653
Investment earnings				76,334
Miscellaneous				315,061
Total general revenues				34,447,999
Change in net assets				(3,064,966)
Net assets at beginning of year				84,930,155
Net assets at end of year				\$ 81,865,189

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**BARBERTON CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012

	General	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
Assets:				
Equity in pooled cash and investments	\$ 5,949,658	\$ 13,372,715	\$ 4,169,733	\$ 23,492,106
Receivables:				
Property taxes	11,869,703	-	2,502,243	14,371,946
Accounts	195,685	-	628	196,313
Intergovernmental	255,393	1,632,324	1,250,084	3,137,801
Accrued interest	2,478	5,853	-	8,331
Interfund loans	3,587	-	-	3,587
Due from other funds	488,544	-	-	488,544
Materials and supplies inventory	79,756	-	41,301	121,057
Total assets	<u>\$ 18,844,804</u>	<u>\$ 15,010,892</u>	<u>\$ 7,963,989</u>	<u>\$ 41,819,685</u>
Liabilities:				
Accounts payable	\$ 205,415	\$ -	\$ 109,820	\$ 315,235
Contracts payable	-	2,221,147	-	2,221,147
Retainage payable	-	642,451	5,980	648,431
Accrued wages and benefits	3,100,466	-	508,595	3,609,061
Matured compensated absences payable	101,759	-	-	101,759
Intergovernmental payable	347,711	-	3,982	351,693
Pension obligation payable	756,674	-	108,239	864,913
Interfund loans payable	-	-	3,587	3,587
Due to other funds	-	-	488,544	488,544
Deferred revenue	1,866,332	1,636,271	1,232,487	4,735,090
Unearned revenue	9,282,494	-	2,010,790	11,293,284
Total liabilities	<u>15,660,851</u>	<u>4,499,869</u>	<u>4,472,024</u>	<u>24,632,744</u>
Fund balances:				
Nonspendable:				
Materials and supplies inventory	79,756	-	41,301	121,057
Restricted:				
Debt service	-	-	2,170,301	2,170,301
Capital improvements	-	10,511,023	993,635	11,504,658
Classroom facilities maintenance	-	-	889,472	889,472
Food service operations	-	-	194,105	194,105
Non-public schools	-	-	25,093	25,093
Special education	-	-	900	900
Other purposes	-	-	97,035	97,035
Extracurricular	-	-	75,335	75,335
Assigned:				
Student instruction	150,185	-	-	150,185
Student and staff support	183,219	-	-	183,219
Employee benefits	936,397	-	-	936,397
Non-instructional services	4,693	-	-	4,693
Subsequent year appropriation	1,609,052	-	-	1,609,052
Other purposes	227,734	-	-	227,734
Unassigned (deficit)	(7,083)	-	(995,212)	(1,002,295)
Total fund balances	<u>3,183,953</u>	<u>10,511,023</u>	<u>3,491,965</u>	<u>17,186,941</u>
Total liabilities and fund balances	<u>\$ 18,844,804</u>	<u>\$ 15,010,892</u>	<u>\$ 7,963,989</u>	<u>\$ 41,819,685</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**BARBERTON CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2012

Total governmental fund balances		\$ 17,186,941
<i>Amounts reported for governmental activities on the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		115,482,207
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Property taxes receivable	\$ 1,740,497	
Accrued interest receivable	5,786	
Accounts receivable	195,000	
Intergovernmental receivable	2,793,807	
Total	4,735,090	
On the statement of net assets, interest is accrued on outstanding bonds, whereas in governmental funds, interest is accrued when due.		(298,678)
Unamortized premiums on bond issuance are not recognized in the funds.		(1,805,285)
Unamortized bond issuance costs are not recognized in the funds.		318,144
Unamortized deferred charges on refundings are not recognized in the funds.		734,694
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 payable	(52,449,980)	
Compensated absences payable	(2,037,944)	
Total	(54,487,924)	
Net assets of governmental activities		\$ 81,865,189

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**BARBERTON CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>General</u>	<u>Classroom Facilities</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
From local sources:				
Taxes	\$ 10,049,227	\$ -	\$ 2,113,310	\$ 12,162,537
Tuition.	1,652,430	-	-	1,652,430
Charges for services	-	-	456,911	456,911
Earnings on investments	23,932	59,756	328	84,016
Extracurricular.	94,199	-	222,831	317,030
Classroom materials and fees	105,397	-	-	105,397
Contributions and donations	-	-	2,391,237	2,391,237
Other local revenues	740,088	-	162,775	902,863
Intergovernmental - intermediate	-	-	349,999	349,999
Intergovernmental - state	23,790,402	1,886,153	815,795	26,492,350
Intergovernmental - federal	320,599	-	7,167,946	7,488,545
Total revenues	<u>36,776,274</u>	<u>1,945,909</u>	<u>13,681,132</u>	<u>52,403,315</u>
Expenditures:				
Current:				
Instruction:				
Regular.	15,024,736	-	2,132,371	17,157,107
Special	3,258,901	-	2,211,451	5,470,352
Vocational	1,400,489	-	9	1,400,498
Other	4,632,259	-	282,391	4,914,650
Support services:				
Pupil	1,986,543	-	201,602	2,188,145
Instructional staff	1,419,511	-	1,327,778	2,747,289
Board of education	25,755	-	-	25,755
Administration	3,194,028	-	182,712	3,376,740
Fiscal	740,599	-	35,179	775,778
Business.	343,904	-	-	343,904
Operations and maintenance	3,323,424	-	126,451	3,449,875
Pupil transportation	1,034,679	-	137,666	1,172,345
Central	80,856	-	28,552	109,408
Operation of non-instructional services:				
Food service operations.	-	-	2,136,686	2,136,686
Other non-instructional services	112,466	-	159,194	271,660
Extracurricular activities.	1,115,089	-	501,661	1,616,750
Facilities acquisition and construction.	37,728	22,403,544	12,195	22,453,467
Debt service:				
Principal retirement.	-	-	2,140,000	2,140,000
Interest and fiscal charges	-	-	2,359,783	2,359,783
Total expenditures	<u>37,730,967</u>	<u>22,403,544</u>	<u>13,975,681</u>	<u>74,110,192</u>
Excess of expenditures over revenues	<u>(954,693)</u>	<u>(20,457,635)</u>	<u>(294,549)</u>	<u>(21,706,877)</u>
Other financing sources (uses):				
Transfers in	-	-	278,603	278,603
Transfers (out).	(52,363)	-	(226,240)	(278,603)
Total other financing sources (uses)	<u>(52,363)</u>	<u>-</u>	<u>52,363</u>	<u>-</u>
Net change in fund balances	(1,007,056)	(20,457,635)	(242,186)	(21,706,877)
Fund balances at beginning of year.	4,191,009	30,968,658	3,734,151	38,893,818
Fund balances at end of year	\$ 3,183,953	\$ 10,511,023	\$ 3,491,965	\$ 17,186,941

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**BARBERTON CITY SCHOOL DISTRICT
SUMMIT 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, 2012

Net change in fund balances - total governmental funds \$ (21,706,877)

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

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

Capital asset additions	\$ 21,139,784	
Current year depreciation	(1,872,923)	
Total		19,266,861

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.

(24,344)

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

Property taxes	(278,586)	
Accrued interest	(7,354)	
Accounts	125,000	
Intergovernmental	(2,194,846)	
Total		(2,355,786)

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

2,140,000

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in additional interest being reported in the statement of activities:

Decrease in accrued interest payable	7,276	
Accreted interest on capital appreciation bonds	(350,290)	
Amortization of bond issuance costs	(24,272)	
Amortization of bond premiums	130,505	
Amortization of deferred charges on refunding	(71,099)	
Total		(307,880)

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

(76,940)

Change in net assets of governmental activities \$ (3,064,966)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**BARBERTON CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
From local sources:				
Property taxes	\$ 11,003,829	\$ 11,003,829	\$ 10,188,589	\$ (815,240)
Tuition	1,784,541	1,784,541	1,652,330	(132,211)
Earnings on investments	18,813	18,813	17,419	(1,394)
Other local revenues	239,165	239,165	221,446	(17,719)
Intergovernmental - state	25,710,520	25,710,520	23,805,706	(1,904,814)
Intergovernmental - federal	288,502	288,502	267,128	(21,374)
Total revenues.	<u>39,045,370</u>	<u>39,045,370</u>	<u>36,152,618</u>	<u>(2,892,752)</u>
Expenditures:				
Current:				
Instruction:				
Regular	16,843,132	15,152,070	15,515,476	(363,406)
Special	3,540,227	3,184,785	3,261,169	(76,384)
Vocational.	1,582,951	1,424,021	1,458,175	(34,154)
Other.	5,029,275	4,524,332	4,632,843	(108,511)
Support services:				
Pupil.	2,173,613	1,955,380	2,002,278	(46,898)
Instructional staff	1,542,176	1,387,340	1,420,614	(33,274)
Board of education	28,773	25,884	26,505	(621)
Administration.	3,543,519	3,187,747	3,264,202	(76,455)
Fiscal	594,804	535,086	547,919	(12,833)
Business	433,671	390,130	399,487	(9,357)
Operations and maintenance.	3,777,001	3,397,787	3,479,279	(81,492)
Pupil transportation	1,083,889	975,066	998,452	(23,386)
Central.	77,320	69,557	71,225	(1,668)
Operation of non-instructional services	7,467	6,717	6,878	(161)
Extracurricular activities.	1,099,036	988,692	1,012,405	(23,713)
Facilities acquisition and construction	40,597	36,521	37,397	(876)
Total expenditures	<u>41,397,451</u>	<u>37,241,115</u>	<u>38,134,304</u>	<u>(893,189)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,352,081)</u>	<u>1,804,255</u>	<u>(1,981,686)</u>	<u>(3,785,941)</u>
Other financing sources (uses):				
Refund of prior year's expenditures	153,424	153,424	142,057	(11,367)
Refund of prior year's receipts.	(16,614)	(14,946)	(15,304)	(358)
Transfers (out).	(56,844)	(51,137)	(52,363)	(1,226)
Advances in.	23,098	23,098	21,387	(1,711)
Advances (out)	(22,375)	(20,128)	(20,611)	(483)
Sale of assets	43,504	43,504	40,281	(3,223)
Total other financing sources (uses)	<u>124,193</u>	<u>133,815</u>	<u>115,447</u>	<u>(18,368)</u>
Net change in fund balance	<u>(2,227,888)</u>	<u>1,938,070</u>	<u>(1,866,239)</u>	<u>(3,804,309)</u>
Fund balance at beginning of year	6,090,028	6,090,028	6,090,028	-
Prior year encumbrances appropriated	493,284	493,284	493,284	-
Fund balance at end of year.	<u>\$ 4,355,424</u>	<u>\$ 8,521,382</u>	<u>\$ 4,717,073</u>	<u>\$ (3,804,309)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**BARBERTON CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2012

	Private Purpose Trust	
	Scholarship	Agency
Assets:		
Equity in pooled cash and investments	\$ 43,545	\$ 76,790
Receivables:		
Accounts	-	4,740
Total assets.	43,545	\$ 81,530
Liabilities:		
Accounts payable.	-	\$ 2,688
Due to students.	-	78,842
Total liabilities	-	\$ 81,530
Net assets:		
Held in trust for scholarships	43,545	
Total net assets	\$ 43,545	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**BARBERTON CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Private Purpose Trust
	Scholarship
Additions:	
Interest	\$ 58
Gifts and contributions	6,806
Total additions	6,864
 Deductions:	
Scholarships awarded	10,480
 Change in net assets	(3,616)
Net assets at beginning of year	47,161
Net assets at end of year	\$ 43,545

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**BARBERTON CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

The Barberton City School District (the "District") is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The District operates under a locally-elected five-member Board form of government and provides educational services as mandated by State and/or federal agencies. The Board controls the District's 4 instructional/support facilities staffed by 185 non-certified employees, 294 certified teaching personnel and 22 administrators, who provide services to 3,981 students and other community members.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District also applies Financial Accounting Standards Board (FASB) guidance issued on or before November 30, 1989, to its governmental type activity provided it does not conflict with or contradict GASB pronouncements. The District's significant accounting policies are described below.

A. Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units". The reporting entity is composed of the primary government and component units. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's Governing Board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary governments financial statements incomplete or misleading. Based upon the application of these criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government).

Within the boundaries of the District, Saint Augustine School is operated as a private school. State legislation provides funding to this private school. The District receives the money and then disburses the money as directed by the private school. The accounting for the monies is reflected in a special revenue fund of the District.

**BARBERTON CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The following organizations are described due to their relationship to the District:

RELATED ORGANIZATION

The Barberton Public Library is a distinct subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The District is not involved in the budgeting process or operational management of the Library, nor does it subsidize or finance its operations. The selection of directors and approval of the annual budget by the District is conducted only to comply with statutory requirements. There were no related party transactions during fiscal year 2012.

JOINTLY GOVERNED ORGANIZATIONS

Northeast Ohio Network for Educational Technology (NEOnet)

NEOnet was established as a jointly governed organization among sixteen school districts and the Summit County Educational Service Center that was formed July 1, 1995. NEOnet was formed for the purpose of applying modern technology (with the aid of computers and other electronic equipment) to improve administrative and instructional functions of member districts. NEOnet has since been restructured and organized as a council of governments (COG) under Ohio Revised Code 3301.075 and Chapter 167. The new COG is called the Metropolitan Regional Service Council. The Council serves several program functions for the nineteen school district members, such as NEOnet ITC functions and as a collaborative purchasing agent. The Council is self supporting and conducts its fiscal services in house with a licensed treasurer.

The Council employs an Executive Director who works cooperatively with a seven-member Board of Directors consisting of four superintendents, the ESC superintendent, one member of the treasurers' committee and one member of the technology committee. The degree of control exercised by any participating school district is limited to its representation on the assembly, which elects the board of directors, who exercises total control over the operation of NEOnet including budgeting, appropriating, contracting and designating management. All revenues are generated from State funding and an annual fee per student to participating districts. The Metropolitan Regional Services Council and NEOnet are located at 700 Graham Rd., Cuyahoga Falls, Ohio 44221. During the current fiscal year, the District contributed \$92,052 to NEOnet.

Four Cities Vocational Compact

The Four Cities Vocational Compact (Compact) is a jointly governed organization to provide for the vocational and special education needs of the students of four participating school districts. The four-member Board consists of the superintendent from each of the participating school districts. Students may attend any vocational or special education class offered by any of the four districts. If a student elects to attend a class offered by a school district other than the school district in which the student resides, the school district of residence pays an instructional fee to the school district that offered the class. Wadsworth City School District serves as the fiscal agent for this Compact, collecting and distributing payments. The committee exercises total control over the operation of the compact, including budgeting, appropriating, contracting and designating management. All revenues are generated from charges for services.

**BARBERTON CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

PUBLIC ENTITY RISK POOL

In July 2010, the District joined together with Wadsworth City School District, Copley-Fairlawn City School District, Norton City School District, and Revere Local School District to establish a regional council of governments, organized under Chapter 167 of the Ohio Revised Code, known as the Summit Regional Health Care Consortium (SRHCC) for the purpose of promoting cooperative agreements and activities among its members in purchasing supplies and services and dealing with problems of mutual concern. The members of the SRHCC have undertaken a Health Benefits Program on a cooperative basis for the provision of certain medical, hospitalization, dental, prescription drug, vision, life, and disability income benefits for their employees and the eligible dependents of those employees, and any other health care benefits which the members may determine. As part of this agreement, each member is required to share in the program costs by making monthly payments to cover the program costs. The Treasurer of the fiscal agent (Copley-Fairlawn City School District) serves as the Treasurer of the SHRCC and is responsible for coordinating and administering the Health Benefits Program.

The Health Benefits Program is governed by the Board of Directors of the SHRCC (Board), which consists of one designee by each member school district (with at least one Superintendent designee), and the representative of the fiscal agent or designee. The fiscal agent Treasurer and program consultant shall serve as non-voting members. The SRHCC representatives and the fiscal agent treasurer's representative shall serve a two-year term of office. The officers consist of a Chairperson and Vice-Chairperson who are elected for one year terms by the Board. The fiscal agent Treasurer shall be a permanent member of the Board and shall serve as the Recording Secretary.

In the event of withdrawal, members are entitled to recover its contributions to the SRHCC, if any, along with the proportionate share of interest earned on these contributions which are not encumbered for payment of its share of program costs. Claims submitted by covered persons of a withdrawing member after the recovery of funds will be exclusively the liability of the withdrawing member. Financial information for the SRHCC can be obtained from John Wheadon, Treasurer of the Copley-Fairlawn City School District at 3797 Ridgewood Road, Copley, Ohio 44321-1665.

B. Fund Accounting

The District uses funds to report its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain school district activities or functions. Funds are classified into three categories: governmental, proprietary and fiduciary. Each category is divided into separate fund types. The District has no proprietary funds.

**BARBERTON CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

GOVERNMENTAL FUNDS

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

General fund - The general fund is used to account for and report all financial resources not accounted for and reported in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the general laws of Ohio.

Classroom facilities fund - The classroom facilities capital projects fund is used to account for financial resources and expenditures related to the school facilities construction project.

Other governmental funds of the District are used to account for (a) financial resources that are restricted, committed, or assigned to expenditures for capital outlays including the acquisition or construction of capital facilities and other capital assets, (b) specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects and (c) financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

FIDUCIARY FUNDS

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into two classifications: private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The District's only trust fund is a private-purpose trust which accounts for several scholarship programs for students. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District reports two agency funds with one used to account for student activities managed by the student body and the other for monies held in fiscal agency capacity for another entity's Head Start program.

C. Basis of Presentation and Measurement Focus

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

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the governmental activities of the District. 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 amounts paid by the recipient of goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues of the District.

**BARBERTON CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the District are included on the statement of net assets.

Fund Financial Statements - Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column, and all nonmajor funds are aggregated into one column. Fiduciary funds are reported by fund type.

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

The private-purpose trust fund is reported using the economic resources measurement focus. The agency funds do not report a measurement focus as they do not report operations.

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds also use the accrual basis of accounting.

Revenues - Exchange and Nonexchange 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 District, available means expected to be received within sixty days of fiscal year end.

Nonexchange transactions, in which the 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 year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

**BARBERTON CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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.

Unearned Revenue and Deferred Revenue - Unearned revenue and deferred revenue arise when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2012, but which were levied to finance fiscal year 2013 operations and other revenues received in advance of the fiscal year for which they are intended to finance, have been recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met and delinquent property taxes due at June 30, 2012 are recorded as deferred revenue on the fund financial statements.

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

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The entitlement value of donated commodities used during the year is reported in the statement of revenues, expenditures and changes in fund balances as an expenditure with a like amount reported as intergovernmental revenue.

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 Accounting

Tax Budget - Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The purpose of this budget document is to reflect the need for existing (or increased) tax rates. By no later than January 20, the Board-adopted budget is filed with the Summit County Budget Commission for tax rate determination.

Estimated Resources - Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to July 1, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the certificate of estimated resources is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The certificate of estimated resources may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported as the original and final budgeted amount in the budgetary statement reflect the amounts set forth in the original and final amended certificate of estimated resources issued for fiscal year 2012.

**BARBERTON CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Appropriations - Upon receipt from the County Fiscal Officer of an amended certificate of resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution must be legally enacted by the Board of Education at the fund level for all funds for expenditures, which is the legal level of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the District. The Appropriation Resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at the legal level of control. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education. The Board may pass supplemental fund appropriations so long as the total appropriations do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, several supplemental appropriations were legally enacted.

The amounts reported as the original budget expenditure amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior years. The final budget figures, which appear in the statements of budgetary comparisons, represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds, other than agency funds, consistent with statutory provisions. Under Ohio law advances are not required to be budgeted.

As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. Expenditures plus encumbrances may not legally exceed appropriations. On the GAAP basis, encumbrances outstanding at fiscal year end may be reported as part of restricted, committed or assigned classifications of fund balance.

Lapsing of Appropriations - At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not reappropriated.

F. Cash and Investments

To improve cash management, all cash received by the District is pooled in several bank accounts. Monies for all funds are maintained in these accounts or temporarily used to purchase short-term investments. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "equity in pooled cash and investments" on the basic financial statements.

During fiscal year 2012, investments were limited to federal agency securities, U.S. Treasury obligations, U.S. government money market mutual funds and a repurchase agreement. Investments are reported at fair value.

**BARBERTON CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest is legally required to be placed in the general fund; the food service, district managed student activities and auxiliary special revenue funds; the classroom facilities capital projects fund; the scholarships private purpose fund; and the student activities and district agency funds. Interest revenue credited to the general fund during fiscal year 2012 amounted to \$23,932 which includes \$10,516 assigned from other District funds.

For presentation on the financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

An analysis of the District's investments at year end is provided in Note 4.

G. Prepayments

Payments made to vendors for services that will benefit periods beyond June 30, 2012, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year in which services are consumed. The District had no prepayments at June 30, 2012.

H. Inventory

Inventories of governmental funds are stated at cost. For all funds, cost is determined on a first-in, first-out basis. Inventories of the food service fund consist of donated food, purchased food and supplies held for resale. Inventories reported on the fund financial statements are expensed when used. On the government-wide financial statements, inventories are also presented at cost on a first-in, first-out basis and are expensed when used.

I. Capital Assets and Depreciation

General capital assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets, but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$5,000. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset life are not. It is the policy of the District to not capitalize interest costs incurred as part of construction.

**BARBERTON CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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

<u>Description</u>	<u>Estimated Lives</u>
Land improvements	15 - 20 years
Buildings and improvements	25 - 40 years
Furniture and equipment	5 - 20 years
Vehicles	8 years

J. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans as a result of cash deficits in certain funds at fiscal year end are classified as “due to/from other funds.” On fund financial statements, receivables and payables resulting from other short-term interfund loans are classified as “interfund loans receivable/payable.” These amounts are eliminated in the governmental type activities columns of the statement of net assets.

K. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees’ rights to receive compensation are attributable to services already rendered and it is probable that the District will compensate the employees for the benefit through paid time off or some other means.

Sick leave benefits are accrued as a liability using the termination method. An accrual for earned sick leave is made to extent that it is probable that the benefits will result in termination payments. The liability is based on the District’s past experience of making termination payments. The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements.

The District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

L. Accrued Liabilities and Long-Term Obligations

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, compensated absences 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 year. Long-term bonds are recognized as a liability on the fund financial statements when due.

**BARBERTON CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

M. Unamortized Bond Issuance Costs/Bond Premium and Discount/Accounting Gain or Loss

On government-wide financial statements, issuance costs are deferred and amortized over the term of the bonds using the straight-line method. Unamortized issuance costs are recorded as a separate line item on the statement of net assets.

Bond premiums are deferred and amortized over the term of the bonds using the straight-line method, which approximates the effective interest method. Bond premiums are presented as an addition to the face amount of the bonds.

For advance refundings resulting in the defeasance of debt, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as a component of interest expense. This accounting gain or loss is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter, and is presented as an addition to or reduction of the face amount of the new debt.

On the governmental fund financial statements, issuance costs and bond premiums are recognized in the current period. A reconciliation between the bonds face value and the amount reported on the statement of net assets is presented in Note 9.A.

N. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable - The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.

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

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 District Board of Education (the highest level of decision making authority). Those committed amounts cannot be used for any other purpose unless the District Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

**BARBERTON CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Assigned - Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted nor 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 District Board of Education, which includes giving the Treasurer the authority to constrain monies for intended purposes.

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 only used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The District applies restricted resources first when expenditures are incurred for purposes for which restricted and unrestricted (committed, assigned, and unassigned) fund balance is 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. Estimates

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

P. Net Assets

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

The District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. As of June 30, 2012, no net assets were restricted by enabling legislation.

Q. Interfund Transactions

Interfund transfers are reported as other financing sources/uses for governmental funds in the fund financial statements. All transfers between governmental funds have been eliminated within the governmental activities column of the statement of net assets.

**BARBERTON CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

R. 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 2012.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2012, the District has implemented GASB Statement No. 57, "OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans", and GASB Statement No. 64, "Derivative Instruments: Application of Hedge Accounting Termination Provisions - an Amendment of GASB Statement No. 53".

GASB Statement No. 57 addresses issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit (OPEB) plans. The implementation of GASB Statement No. 57 did not have an effect on the financial statements of the District.

GASB Statement No. 64 clarifies the circumstances in which a hedge accounting should continue when a swap counterparty, or a swap counterparty's credit support provider, is replaced. The implementation of GASB Statement No. 64 did not have an effect on the financial statements of the District.

B. Deficit Fund Balances

Fund balances at June 30, 2012 included the following individual fund deficits:

<u>Nonmajor funds</u>	<u>Deficit</u>
Public school preschool	\$ 18,261
Education jobs	254,923
Race to the top	82,834
IDEA - Part B	163,572
Project head start	80,014
Stimulus Title II D	8,687
Title I school improvement A	39,029
Title I	280,226
Improving teacher quality	67,666

The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances resulted from adjustments for accrued liabilities.

**BARBERTON CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

**BARBERTON CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Protection of the 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.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the 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.

A. Deposits with Financial Institutions

At June 30, 2012, the carrying amount of all District deposits was \$3,307,089, exclusive of the \$650,000 repurchase agreement included in investments below. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2012, the District's entire bank balance of \$3,500,133 was covered by the FDIC.

B. Investments

As of June 30, 2012, the District had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities</u>				
		<u>6 months or less</u>	<u>7 to 12 months</u>	<u>13 to 18 months</u>	<u>19 to 24 months</u>	<u>Greater than 24 months</u>
FFCB	\$ 2,309,986	\$ 1,725,466	\$ -	\$ 584,520	\$ -	\$ -
FHLB	4,936,236	-	4,635,519	300,717	-	-
FHLB - Discount Note	1,999,980	1,999,980	-	-	-	-
FHLMC	3,529,089	3,529,089	-	-	-	-
FHLMC - Discount Note	1,299,935	1,299,935	-	-	-	-
FNMA	3,678,882	3,527,890	150,992	-	-	-
U.S. Treasury obligations	1,894,464	1,339,973	-	299,496	-	254,995
U.S. Government money market mutual funds	6,780	6,780	-	-	-	-
Repurchase agreement	650,000	650,000	-	-	-	-
	<u>\$ 20,305,352</u>	<u>\$ 14,079,113</u>	<u>\$ 4,786,511</u>	<u>\$ 1,184,733</u>	<u>\$ -</u>	<u>\$ 254,995</u>

The weighted average maturity of investments is 0.42 years.

Interest Rate Risk: Interest rate risk is the possibility that changes in interest rates will adversely affect the fair value of an investment. The District's investment policy places a five year limit on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**BARBERTON CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Credit Risk: The District's U.S. Treasury obligations, federal agency securities, and the federal agency securities that underlie the repurchase agreements, were rated AA+ and Aaa by Standard & Poor's and Moody's Investor Services, respectively. Standard & Poor's has assigned the U.S. government money market mutual funds an AAAM money market rating. The District's investment policy does not specifically address credit risk beyond the adherence to all relevant sections of the Ohio Revised Code.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The federal agency securities and U.S. Treasury Bills are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty's trust department or agent but not in the District's name. Of the District's investment in repurchase agreements, the entire balance is collateralized by underlying securities that are held by the investment's counterparty, not in the name of the District. Ohio law requires the market value of the securities subject to repurchase agreements must exceed the principal value of securities subject to a repurchase agreement by 2%. The District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

Concentration of Credit Risk: The District's investment policy places specific limits on the percentage of the District's portfolio that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2012:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
FFCB	\$ 2,309,986	11.38
FHLB	4,936,236	24.31
FHLB - Discount Note	1,999,980	9.85
FHLMC	3,529,089	17.38
FHLMC - Discount Note	1,299,935	6.40
FNMA	3,678,882	18.12
U.S. Treasury obligations	1,894,464	9.33
U.S. Government money market mutual funds	6,780	0.03
Repurchase agreement	<u>650,000</u>	<u>3.20</u>
	<u>\$ 20,305,352</u>	<u>100.00</u>

**BARBERTON CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

C. Reconciliation of Cash and Investments to the Statement of Net Assets

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net assets as of June 30, 2012:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 3,307,089
Investments	<u>20,305,352</u>
Total	<u>\$ 23,612,441</u>
<u>Cash and investments per statement of net assets</u>	
Governmental activities	\$ 23,492,106
Private-purpose trust funds	43,545
Agency funds	<u>76,790</u>
Total	<u>\$ 23,612,441</u>

NOTE 5 - INTERFUND TRANSACTIONS

- A.** Interfund transfers for the year ended June 30, 2012, consisted of the following, as reported on the fund financial statements:

Transfers to nonmajor governmental funds from:		
General	\$	52,363
Nonmajor governmental fund		<u>226,240</u>
Total	\$	<u>278,603</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, and (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

All transfers were made in compliance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16. Interfund transfers between governmental funds are eliminated for reporting in the statement of activities.

- B.** Interfund balances at June 30, 2012, as reported on the fund statements consist of the following amounts due to/from other funds:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General	Nonmajor governmental funds	\$ 488,544

The primary purpose of the due to/from other funds is to cover negative cash in the various nonmajor governmental funds. The interfund balance will be repaid once the anticipated revenues are received.

Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances at June 30, 2012 are reported on the statement of net assets.

**BARBERTON CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 5 - INTERFUND TRANSACTIONS - (Continued)

- C. Interfund balances at June 30, 2012, as reported on the fund statements consist of the following interfund loans receivable/payable:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General	Nonmajor governmental funds	\$ 3,587

The primary purpose of the interfund balances is to cover costs in specific funds where revenues were not received by June 30. These interfund balances will be repaid once the anticipated revenues are received.

Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances at June 30, 2012 are reported on the statement of net assets.

NOTE 6 - PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis while the District fiscal year runs from July through June. First half tax collections are received by the 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 property and public utility property. Real property tax revenues received in calendar year 2012 represent the collection of calendar year 2011 taxes. Real property taxes received in calendar year 2012 were levied after April 1, 2011, on the assessed values as of January 1, 2011, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2012 represent the collection of calendar year 2011 taxes. Public utility real and personal property taxes received in calendar year 2012 became a lien on December 31, 2010, were levied after April 1, 2011, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The District receives property taxes from Summit County. The County Fiscal Officer periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2012, are available to finance fiscal year 2012 operations. The amount available as an advance at June 30, 2012 was \$1,132,466 in the general fund, \$214,855 in the bond retirement debt service fund (a nonmajor governmental fund) and \$30,214 in the permanent improvement fund (a nonmajor governmental fund). This amount is recorded as revenue. The amount available as an advance at June 30, 2011 was \$1,271,828 in the general fund, \$234,919 in the bond retirement debt service fund (a nonmajor governmental fund) and \$38,441 in the permanent improvement fund (a nonmajor governmental 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.

**BARBERTON CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 6 - PROPERTY TAXES - (Continued)

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2012 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 unearned revenue.

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 deferred.

The assessed values upon which the fiscal year 2012 taxes were collected are:

	2011 Second Half Collections		2012 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 391,025,660	97.68	\$ 342,596,900	97.29
Public utility personal	<u>9,266,860</u>	<u>2.32</u>	<u>9,558,630</u>	<u>2.71</u>
Total	<u>\$ 400,292,520</u>	<u>100.00</u>	<u>\$ 352,155,530</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$ 57.95		\$ 60.04	

NOTE 7 - RECEIVABLES

Receivables at June 30, 2012 consisted of taxes, accounts (billings for user charged services and student fees), intergovernmental grants and entitlements, and accrued interest. 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 current year guarantee of federal funds. A summary of the principal items of receivables reported on the statement of net assets follows:

Governmental activities:	
Property taxes	\$ 14,371,946
Accounts	196,313
Intergovernmental	3,137,801
Accrued interest	<u>8,331</u>
Total	<u>\$ 17,714,391</u>

Receivables have been disaggregated on the face of the financial statements. All receivables, except for \$1,632,324 of intergovernmental grants due from the Ohio Schools Facilities Commission (OSFC), are expected to be collected in the subsequent year. The OSFC grant amount will be collected over the life of the construction project.

**BARBERTON CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 8 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2012, was as follows:

	Balance <u>June 30, 2011</u>	<u>Additions</u>	<u>Disposals</u>	Balance <u>June 30, 2012</u>
Governmental activities:				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 16,285,923	\$ -	\$ -	\$ 16,285,923
Construction in progress	44,376,002	21,028,518	(65,404,520)	-
Total capital assets, not being depreciated	<u>60,661,925</u>	<u>21,028,518</u>	<u>(65,404,520)</u>	<u>16,285,923</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	5,634,592	4,009,949	(39,360)	9,605,181
Buildings and improvements	50,084,884	61,394,571	(1,157,377)	110,322,078
Furniture and equipment	2,684,742	77,851	(214,212)	2,548,381
Vehicles	1,702,984	33,415	(76,076)	1,660,323
Total capital assets, being depreciated	<u>60,107,202</u>	<u>65,515,786</u>	<u>(1,487,025)</u>	<u>124,135,963</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(3,445,308)	(364,520)	39,360	(3,770,468)
Buildings and improvements	(18,029,593)	(1,284,061)	1,157,377	(18,156,277)
Furniture and equipment	(2,153,538)	(97,670)	197,477	(2,053,731)
Vehicles	(900,998)	(126,672)	68,467	(959,203)
Total accumulated depreciation	<u>(24,529,437)</u>	<u>(1,872,923)</u>	<u>1,462,681</u>	<u>(24,939,679)</u>
Governmental activities capital assets, net	<u>\$ 96,239,690</u>	<u>\$ 84,671,381</u>	<u>\$ (65,428,864)</u>	<u>\$ 115,482,207</u>

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 1,182,503
Special	11,524
Vocational	2,569
<u>Support Services:</u>	
Instructional staff	3,835
Administration	22,132
Fiscal	967
Operations and maintenance	18,452
Pupil transportation	117,767
Extracurricular activities	438,825
Food service operations	<u>74,349</u>
Total depreciation expense	<u>\$ 1,872,923</u>

**BARBERTON CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 9 - LONG-TERM OBLIGATIONS

A. Activity in the District's long-term obligations during fiscal year 2012 were as follows:

<u>Governmental activities</u>	<u>Interest</u>	Balance <u>June 30, 2011</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>June 30, 2012</u>	Due within <u>One Year</u>
<u>Bonds</u>						
School improvements refunding, series 2005						
Serial	3.00-5.00%	\$ 18,175,000	\$ -	\$ (1,500,000)	\$ 16,675,000	\$ -
Capital appreciation	4.09-4.19%	1,409,990	-	-	1,409,990	741,452
Accreted interest		1,173,583	281,605	-	1,455,188	765,182
School improvements, series 2008						
Serial	3.00-5.25%	33,150,000	-	(495,000)	32,655,000	565,000
Capital appreciation	3.92%	74,993	-	-	74,993	-
Accreted interest		111,124	68,685	-	179,809	-
Total bonds		<u>54,094,690</u>	<u>350,290</u>	<u>(1,995,000)</u>	<u>52,449,980</u>	<u>2,071,634</u>
<u>Other obligations</u>						
Notes payable		145,000	-	(145,000)	-	-
Compensated absences		<u>2,018,556</u>	<u>510,047</u>	<u>(388,900)</u>	<u>2,139,703</u>	<u>411,071</u>
Total other obligations		<u>2,163,556</u>	<u>510,047</u>	<u>(533,900)</u>	<u>2,139,703</u>	<u>411,071</u>
Total long-term liabilities		<u>\$ 56,258,246</u>	<u>\$ 860,337</u>	<u>\$ (2,528,900)</u>	54,589,683	2,482,705
Add: Unamortized premium on bond issue					1,805,285	-
Less: Unamortized deferred charges on refunding					(734,694)	-
Total on statement of net assets					<u>\$ 55,660,274</u>	<u>\$ 2,482,705</u>

B. Compensated Absences - Compensated absences will be paid from the fund from which the employee is paid, which for the District is primarily the general fund and the following nonmajor governmental funds: auxiliary services, other grants, alternative education grant, education jobs, Title IV-B, project head start, Title I, improving teacher quality and the food service funds.

School Improvement Refunding Bonds (Series 2005) - On August 24, 2005, the District issued general obligation School Improvement Bonds to advance refund \$22,880,000 of the current interest Series 1998 School Improvement Bonds. The refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net assets.

The refunding issue is comprised of both current interest bonds, par value \$21,470,000, and capital appreciation bonds, par value \$1,409,990. The interest rate on the current interest bonds ranges from 3.00-5.00%. The capital appreciation bonds mature November 1, 2012 (approximate initial offering yield to maturity of 4.09%) and November 1, 2013 (approximate initial offering yield to maturity of 4.19%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The present value reported in the statement of net assets at June 30, 2012 was \$1,409,990. Total accreted interest of \$1,455,188 has been included in the statement of net assets.

**BARBERTON CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

Interest payments on the current interest bonds are due on May 1 and November 1 each year. The final maturity stated in the issue is November 1, 2022.

The reacquisition price exceeded the net carrying amount of the old debt by \$1,220,537. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is equal to the life of the new debt issued.

The following is a summary of the future debt service requirements to maturity for the series 2005 general obligation refunding bonds:

Fiscal Year Ended,	Current Interest Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2013	\$ -	\$ 771,582	\$ 771,582	\$ 741,452	\$ 818,548	\$ 1,560,000
2014	-	771,582	771,582	668,538	891,462	1,560,000
2015	1,555,000	740,482	2,295,482	-	-	-
2016	1,620,000	676,172	2,296,172	-	-	-
2017	1,690,000	600,712	2,290,712	-	-	-
2018 - 2022	9,740,000	1,689,831	11,429,831	-	-	-
2023	2,070,000	51,750	2,121,750	-	-	-
Total	<u>\$ 16,675,000</u>	<u>\$ 5,302,111</u>	<u>\$ 21,977,111</u>	<u>\$ 1,409,990</u>	<u>\$ 1,710,010</u>	<u>\$ 3,120,000</u>

School Improvement Bonds (Series 2008): During fiscal year 2009, the District issued general obligation bonds to provide funds for the construction of new buildings and to improve existing buildings (hereinafter called "Construction Project"). These bonds are general obligations of the District for which the full faith and credit of the District is pledged for repayment. Accordingly, such unmatured obligations of the District are accounted for in the statement of net assets. Payments of principal and interest relating to this bond are recorded as an expenditure in the debt service fund.

These bonds represent the amount of the Construction Project that the District itself was required to finance, in accordance with the terms of a facilities grant from the Ohio School Facilities Commission (OSFC). OSFC will make quarterly disbursements to the District as the project is completed. As of June 30, 2012, the total estimated cost of the Construction Project is \$76,114,103, of which OSFC will pay \$45,668,462. The District has \$11,951,988 in unspent bond proceeds at June 30, 2012.

This issue is comprised of both current interest bonds, par value \$34,175,000, and a capital appreciation bond, par value \$74,993. The interest rates on the current interest bonds range from 3.00% to 5.25%. The capital appreciation bond matures on December 1, 2016 at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The approximate initial offering yield to maturity is 3.92%. The present value reported in the statement of net assets at June 30, 2012 was \$74,993. Total accreted interest of \$179,809 has been included in the statement of net assets. The current interest bonds maturing on or after December 1, 2018 are subject to early redemption at the sole option of the District, at the following redemption prices, plus accrued interest:

<u>Redemption Dates</u>	<u>Redemption Price</u>
On or after December 1, 2018	100% of par

**BARBERTON CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

Interest payments on the current interest bonds are due on June 1 and December 1 of each year. The final maturity stated in the issue is December 1, 2033.

The following is a summary of the future debt service requirements to maturity for the general obligation bonds:

Fiscal Year Ended	Current Interest Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2013	\$ 565,000	\$ 1,539,163	\$ 2,104,163	\$ -	\$ -	\$ -
2014	600,000	1,519,482	2,119,482	-	-	-
2015	635,000	1,497,869	2,132,869	-	-	-
2016	-	1,486,756	1,486,756	74,993	690,007	765,000
2017	780,000	1,471,644	2,251,644	-	-	-
2018 - 2022	5,195,000	6,795,580	11,990,580	-	-	-
2023 - 2027	7,850,000	5,293,862	13,143,862	-	-	-
2028 - 2032	11,515,000	2,839,106	14,354,106	-	-	-
2033 - 2034	5,515,000	246,038	5,761,038	-	-	-
Total	<u>\$ 32,655,000</u>	<u>\$ 22,689,500</u>	<u>\$ 55,344,500</u>	<u>\$ 74,993</u>	<u>\$ 690,007</u>	<u>\$ 765,000</u>

Notes Payables - During fiscal year 2010, the District issued \$435,000 in long-term notes for the purpose of purchasing buses and vehicles. These notes matured on September 1, 2011.

C. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations.

The Ohio Revised Code further provides that when a board of education declares a resolution that the student population is not adequately served by existing facilities, and that insufficient capacity exists within the 9 percent limit to finance additional facilities, the State Department of Education may declare that District a "special needs" District. This permits the incurrence of additional debt based upon projected 5-year growth of the school district's assessed valuation. The District was determined to be a "special needs" District on November 14, 2007. In addition, the unvoted net debt of a school district cannot exceed 0.1 percent of the total assessed value of property.

**BARBERTON CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 10 - EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave components are derived from negotiated agreements and state laws. Classified employees earn ten to thirty days of vacation per year, depending upon length of service. Administrator employees earn twenty vacation days per year and teachers do not earn vacation time.

Teachers, administrators, and classified employees can earn sick leave at a rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of two hundred fifty-nine days for certified employees, two hundred forty-seven days for year round classified employees and two hundred thirty-two days for nine month classified employees. Upon retirement, payment is made for one-fourth of their accrued, but unused sick leave credit to a maximum established by negotiated agreements.

B. Health Care Benefits

The District provides medical, dental, vision and life insurance benefits to most employees. The premium and coverage varies with employee depending on the terms of the union contract.

NOTE 11 - RISK MANAGEMENT

The 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. These risks are covered by commercial insurance purchased from independent third parties. There have been no settlements paid in excess of insurance nor has insurance coverage been significantly reduced in any of the past three years.

In July 2010, the District joined the Summit Regional Health Care Consortium (SRHCC) Health Benefits Program, a public entity risk pool, to provide employee hospitalization, dental, prescription drug, vision, life, and disability benefits (see Note 2.A for detail). Premium rates are set or determined by the Board of Directors of the SRHCC. To the extent and in the manner permitted by any applicable agreements, policies, rules, regulations and laws, each member of the SRHCC may require contributions from its employees toward the cost of any benefit program being offered by the District and such contributions shall be included in the payments from the District to the fiscal agent of the SRHCC. The District pays a monthly premium to the SRHCC. Because the District is a member of the SRHCC and the SRHCC holds the reserves for Incurred But Not Reported (IBNR) claims, not the individual districts, IBNR information is not available on a district-by-district basis.

**BARBERTON CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 12 - PENSION PLANS

A. School Employees Retirement System

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

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2012, 12.65 percent and 0.05 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 a 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 District's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2012, 2011 and 2010 were \$607,801, \$615,772 and \$688,668, respectively; 59.50 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

B. State Teachers Retirement System of Ohio

Plan Description - The 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 stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio website at www.strsoh.org, under "*Publications*".

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.

**BARBERTON CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 12 - PENSION PLANS - (Continued)

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

Funding Policy - For fiscal year 2012, plan members were required to contribute 10 percent of their annual covered salaries. The 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 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2012, 2011 and 2010 were \$2,661,759, \$2,757,443 and \$2,704,176, respectively; 83.60 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010. Contributions to the DC and Combined Plans for fiscal year 2012 were \$81,841 made by the District and \$58,458 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2012, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

NOTE 13 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) 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 program 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 Section 3309.69 of the Ohio Revised Code. 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 premium for calendar year 2011 (latest information available) was \$96.40 for most participants, but could be as high as \$369.10 per month depending on their income and the 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 the SERS' Ohio website, www.ohsers.org, under "Employers/Audit Resources".

**BARBERTON CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 13 - POSTEMPLOYMENT BENEFITS - (Continued)

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 2012, 0.55 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 2012, the actuarially determined amount was \$35,800.

Active members do not contribute to the postemployment benefit plans. The 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. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility and retirement status.

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2012, 2011 and 2010 were \$105,119, \$155,838 and \$114,818, respectively; 59.50 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2012, this actuarially required allocation was 0.75 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2012, 2011, and 2010 were \$35,894, \$39,626 and \$40,954, respectively; 59.50 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

B. State Teachers Retirement System of Ohio

Plan Description - The 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 report of STRS Ohio which may be obtained by visiting www.strsoh.org, under "Publications" or by calling (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 2012, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2012, 2011 and 2010 were \$204,751, \$212,111 and \$208,014, respectively; 83.60 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

**BARBERTON CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 14 - BUDGETARY BASIS OF ACCOUNTING

While 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 and disbursements.

The statement of revenue, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);
- (d) Investments are reported at fair value (GAAP basis) as opposed to cost (budget basis);
- (e) Advances-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis); and,
- (f) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the general fund is as follows:

Net Change in Fund Balance

	<u>General fund</u>
Budget basis	\$ (1,866,239)
Net adjustment for revenue accruals	69,767
Net adjustment for expenditure accruals	52,587
Net adjustment for other sources/uses	(170,135)
Funds budgeted elsewhere	396,148
Adjustment for encumbrances	510,816
GAAP basis	<u>\$ (1,007,056)</u>

Certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes the special trust, uniform school supplies, rotary - special services, rotary, public school support, special enterprises and internal service funds.

**BARBERTON CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 15 - CONTINGENCIES

A. Grants

The 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 is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. This also encompasses the Auditor of State's ongoing review of student attendance data. However, the effect of any such disallowed claims on the overall financial position of the District at June 30, 2012, if applicable, cannot be determined at this time.

B. Litigation

The District is a party to legal proceedings seeking damages or injunctive relief generally incidental to its operations and spending projects. The District management is of the opinion that disposition of the claim and legal proceedings will not have a material effect, if any, on the financial condition of the District.

NOTE 16 - SET-ASIDES

The District is required by State law to annually set-aside certain general fund revenue amounts, as defined by statutory formula, for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at fiscal year-end. This amount must be carried forward to be used for the same purpose in future years. Expenditures exceeding the set-aside requirement may not be carried forward to the next fiscal year.

**BARBERTON CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 16 - SET-ASIDES - (Continued)

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

	<u>Capital Improvements</u>
Set-aside reserve balance June 30, 2011	\$ -
Current year set-aside requirement	627,669
Contributions in excess of the current fiscal year set-aside requirement	-
Current year qualifying expenditures	-
Excess qualified expenditures from prior years	-
Current year offsets	(550,943)
Waiver granted by ODE	-
Prior year offset from bond proceeds	<u>(76,726)</u>
Total	<u>\$ -</u>
Balance carried forward to fiscal year 2013	<u>\$ -</u>
Set-aside reserve balance June 30, 2012	<u>\$ -</u>

During fiscal year 2009, the District issued \$34,249,993 in capital related school improvement bonds. These proceeds may be used to reduce the capital improvements set-aside amount to below zero for future years. The amount presented for prior year offset from bond proceeds is limited to an amount needed to reduce the capital improvements set-aside balance to \$0. The District is responsible for tracking the amount of bond proceeds that may be used as an offset in future periods, which was \$31,288,457 at June 30, 2012.

NOTE 17 - CONTRACTUAL COMMITMENTS

As of June 30, 2012, the District has commitments outstanding with vendors for the following projects.

Project	Contract Amount	Amount Paid as of June 30, 2012	Amount Remaining on Contract
New Elementary School	\$ 13,915,434	\$ (11,037,566)	\$ 2,877,868
UL Light Renovation & Addition	<u>12,070,386</u>	<u>(9,110,094)</u>	<u>2,960,292</u>
Total	<u>\$ 25,985,820</u>	<u>\$ (20,147,660)</u>	<u>\$ 5,838,160</u>

**BARBERTON CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 17 - CONTRACTUAL COMMITMENTS - (Continued)

These contractual commitments relate to the OSFC project undertaken by the District. In addition to the amounts paid above, the District has recorded contracts payable and retainage payable in the amounts of \$2,221,147 and \$648,431, respectively, for costs incurred prior to fiscal year end on the OSFC project. Costs incurred by fiscal year end (including contracts and retainage payable) have been recorded in the District's capital assets (See Note 8).

NOTE 18 - OTHER COMMITMENTS

The District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year end may be reported as part of restricted, committed, or assigned classifications of fund balance. At year end, the District's commitments for encumbrances in the governmental funds were as follows:

<u>Fund</u>	<u>Year-End Encumbrances</u>
General fund	\$ 348,468
Classroom facilities	2,397,051
Other governmental	<u>119,911</u>
Total	<u>\$ 2,865,430</u>

NOTE 19 - SUBSEQUENT EVENTS

On July 30, 2012, the Board voted to discontinue operations as Delegate Agency for the Barberton Head Start program effective December 31, 2012. The new Delegate Agency is Akron Summit Community Action, Inc.

**BARBERTON CITY SCHOOL DISTRICT
SUMMIT COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2012**

Federal Grantor/ Pass Through Grantor/ Program Title	Pass-Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
U.S. DEPARTMENT OF AGRICULTURE						
<i>Passed Through the Ohio Department of Education:</i>						
Child Nutrition Cluster:						
School Breakfast Program	N/A	10.553	\$302,341		\$302,341	
National School Lunch Program	N/A	10.555	1,090,654	\$116,206	1,090,654	\$116,206
Total Child Nutrition Cluster			1,392,995	116,206	1,392,995	116,206
Fresh Fruit and Vegetable Program	043539-3L60-2012	10.582	23,326		23,326	
Child and Adult Care Food Program	043539-3L80-2012	10.558	15,078		15,078	
Total U.S. Department of Agriculture			1,431,399	116,206	1,431,399	116,206
U.S. DEPARTMENT OF EDUCATION						
<i>Passed Through the Ohio Department of Education:</i>						
Special Education Cluster:						
Special Education - Grants to States (IDEA, Part B)	043539-3M20-2011	84.027	111,533		74,770	
Special Education - Grants to States (IDEA, Part B)	043539-3M20-2012	84.027	751,297		837,222	
ARRA - Special Education Grants to States (IDEA, Part B)	043539-3DJ0-2011	84.391	26,515		15,719	
Special Education - Preschool Grants (IDEA Preschool)	043539-3C50-2011	84.173	12,362		564	
Special Education - Preschool Grants (IDEA Preschool)	043539-3C50-2012	84.173	56,987		56,987	
ARRA - Special Education - Preschool Grants (IDEA Preschool)	043539-3DL0-2011	84.392	2		2	
Total Special Education Cluster			958,696		985,264	
Title I Cluster:						
Title I Grants to Local Educational Agencies	043539-M00-2011	84.010	215,064		177,880	
Title I Grants to Local Educational Agencies	043539-M00-2012	84.010	1,285,725		1,400,433	
ARRA - Title I Grants to Local Educational Agencies	043539-3DK0-2011	84.389	99,985		87,512	
Title I-A Grants to Local Educational Agencies - School Improvement	043539-3DM0-2011	84.010	30,228		8,028	
Title I-A Grants to Local Educational Agencies - School Improvement	043539-3DM0-2012	84.010	153,973		190,896	
Total Title I Cluster			1,784,975		1,864,749	
Improving Teacher Quality State Grants	043539-3Y60-2011	84.367	73,845		74,263	
Improving Teacher Quality State Grants	043539-3Y60-2012	84.367	228,529		254,474	
Total Improving Teacher Quality State Grants			302,374		328,737	
Education Jobs Fund Grant	043539-3ET0-2012	84.410	805,735		898,594	
ARRA - Race to the Top Fund	043539-3FD0-2012	84.395	304,865		351,119	
ARRA - Race to the Top - Formative Assessment in Middle School Pilot Project	043539-3FD0-2012	84.395A	15,063		17,886	
			319,928		369,005	
ARRA - Educational Technology State Grants	043539-3DM0-2011	84.386	63,656		56,583	
Educational Technology State Grants	043539-3S20-2012	84.318	2,666		2,666	
Educational Technology State Grants	043539-3S20-2011	84.318	3,000		3,000	
			69,322		62,249	
Consolidated Administration	043539-3Z30-2012	84.000	82		82	
<i>Total Passed through the Ohio Department of Education</i>			<i>4,241,112</i>		<i>4,508,680</i>	
<i>Passed through Cuyahoga County Educational Service Center</i>						
English Language Acquisition State Grants	043539-3Y70-2012	84.365A	5,215		4,797	
<i>Direct Award</i>						
Impact Aid	N/A	84.041	23,732		23,732	
Total U.S. Department of Education			4,270,059		4,537,209	
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES						
<i>Passed Through the Akron Summit County Action Agency:</i>						
Head Start Cluster:						
Head Start	N/A	93.600	1,506,466		1,504,926	
<i>Total Passed through the Akron Summit County Action Agency</i>			<i>1,506,466</i>		<i>1,504,926</i>	
<i>Passed Through the Ohio Department of Mental Retardation and Developmental Disabilities:</i>						
Medical Assistance Program - CAFS	N/A	93.778	201,759		201,759	
<i>Passed Through the Summit County Children's Services</i>						
Latchkey	N/A	93.673	15,162		15,162	
Wrap Around Child Care	N/A	13.600	337		337	
Total U.S. Department of Health and Human Services			1,723,724		1,722,184	
Totals			\$7,425,182	\$116,206	\$7,690,792	\$116,206

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

**BARBERTON CITY SCHOOL DISTRICT
SUMMIT COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2012**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Receipts and Expenditures Schedule (the Schedule) reports the Barberton City School District (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.

NOTE D - TRANSFERS BETWEEN PROGRAM YEARS

The District generally must spend Federal assistance within 15 months of receipt. However, with Ohio Department of Education (ODE) approval, a School can transfer (carryover) unspent Federal assistance to the succeeding year, thus allowing the School a total of 27 months to spend the assistance. During fiscal year 2013, the District requested the Ohio Department of Education to authorize the following transfers:

<u>Program Title</u>	<u>CFDA Number</u>	<u>Amount Transferred from 2012 to 2013</u>
Title 1 Grants to Local Educational Agencies	84.010	\$3,807
School Improvement, Sub A, Title 1	84.010	3,886
Educational Technology State Grants	84.318	330
Early Childhood Education, IDEA	84.173	166
Race To The Top	84.395	33,654



Dave Yost • Auditor of State

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

Barberton City School District
Summit County
479 Norton Avenue
Barberton, Ohio 44203

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Barberton City School District, Summit County, (the District) as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 11, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

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 more than a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and timely corrected.

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

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, providing an opinion 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*.

We did note certain matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated March 11, 2013.

We intend this report solely for the information and use of management, the audit committee, the Board of Education and federal awarding agencies and pass-through entities, and others within the District. We intend it for no one other than these specified parties.

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

March 11, 2013



Dave Yost • Auditor of State

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

Barberton City School District
Summit County
479 Norton Avenue
Barberton, Ohio 44203

To the Board of Education:

Compliance

We have audited the compliance of Barberton City School District, Summit County, Ohio (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the Barberton City School District's major federal program for the year ended June 30, 2012. The *summary of auditor's results* section of the accompanying schedule of findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to opine on the District's compliance based on our audit.

Our compliance audit followed auditing standards generally accepted in the United States of America; the standards applicable to 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 that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with these requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with these requirements.

In our opinion, the Barberton City School District complied, in all material respects, with the requirements referred to above that could directly and materially affect its major federal programs for the year ended June 30, 2012. However, the results of our auditing procedures disclosed an instance of noncompliance with these requirements that, while not affecting our opinion on compliance, OMB Circular A-133 requires us to report. The accompanying schedule of findings lists this instance as Finding 2012-001.

Internal Control over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with the requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of expressing our opinion on compliance, and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining 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 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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency, described in the accompanying schedule of findings as item 2012-001. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a federal program 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.

The District's response to the finding we identified is described in the accompanying schedule of findings. We did not audit the District's response and, accordingly, we express no opinion on it.

We also noted a matter involving federal compliance or internal control over federal compliance not requiring inclusion in this report, that we reported to the District's management in a separate letter dated March 11, 2013.

We intend this report solely for the information and use of the audit committee, management, Board of Education, others within the entity, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



Dave Yost
Auditor of State

March 11, 2013

**BARBERTON CITY SCHOOL DISTRICT
SUMMIT COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2012**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	Yes
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	Yes
<i>(d)(1)(vii)</i>	Major Programs (list):	- Child Nutrition Cluster (CFDA #10.553 & #10.555) - Title IIA (Improving Teacher Quality CFDA #84.367) - Race to the Top - ARRA (CFDA #84.395) - Education Jobs (CFDA #84.410)
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

None.

3. FINDINGS FOR FEDERAL AWARDS

NONCOMPLIANCE AND SIGNIFICANT DEFICIENCY

Finding Number	2012-001
CFDA Title and Number	ARRA - Race to the Top - Formative Assessment in Middle School Pilot Project CFDA# 84.395A
Federal Award Number / Year	July 1, 2011 - June 30, 2012
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

CFR 80.41(b)(4) states, in part, that final reports will be due 90 days after the expiration or termination of grant support or as determined in the grant Notification of Award.

The Final Expenditure Report for the District's ARRA - Race to the Top - Formative Assessment in Middle School Pilot Project grant was to be submitted to the Ohio Department of Education (ODE) by August 30, 2012. The District did not submit their Final Expenditure Report to the ODE until it was brought to their attention by the auditors. The Report was subsequently filed on January 31, 2013.

The District should ensure Final Expenditure Reports are submitted to the ODE by the filing deadline documented in the grant Notification of Award. By not filing with the ODE by the required deadline the District could risk suspension of its federal funding.

Official's Response: Barberton City Schools received ARRA – Race to the Top – Formative Assessment in Middle School Pilot Project CFDA #84.395A in August 2011. The District was awarded the grant via letter in place of the Comprehensive Continuous Improvement Planning Application (CCIP). The district followed all guidelines required for the grant and spent the money accordingly. The audit cited no issues with the way the money was spent. The District did miss the filing deadline of the Final Expenditure Report after it misinterpreted guidance from the Ohio Department of Education (ODE) at a grant meeting in Columbus (District received a letter dated 3-1-13 from ODE explaining the same). The district did submit the final expenditure report to ODE and received no penalties due to the late filing of the report.



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BARBERTON CITY SCHOOL DISTRICT

SUMMIT 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 4, 2013