

BARBERTON CITY SCHOOL DISTRICT

SUMMIT COUNTY

Audit Report

For the Year Ended June 30, 2014





Dave Yost • Auditor of State

Board of Education
Barberton City School District
479 Norton Avenue
Barberton, Ohio 44203

We have reviewed the *Independent Auditors' Report* of the Barberton City School District, Summit County, prepared by Charles E. Harris & Associates, Inc., for the audit period July 1, 2013 through June 30, 2014. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

February 19, 2015

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**BARBERTON CITY SCHOOL DISTRICT
SUMMIT COUNTY
AUDIT REPORT
For the Year Ending June 30, 2014**

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INDEPENDENT AUDITORS' REPORT

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

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Barberton City School District, Summit County, Ohio (the District), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Barberton City School District, Summit County, Ohio, as of June 30, 2014, and the respective changes in financial position and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information


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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2014, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Charles E. Harris & Associates, Inc.
December 8, 2014

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)

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, 2014. 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 2014 are as follows:

- In total, net position of governmental activities increased \$714,185 which represents a 0.91% increase from 2013 net position.
- General revenues accounted for \$37,185,101 in revenue or 74.62% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$12,649,149 or 25.38% of total revenues of \$49,834,250.
- The District had \$49,120,065 in expenses related to governmental activities; only \$12,649,149 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 \$37,185,101 were adequate to provide for these programs.
- The District's major governmental funds are the general fund and classroom facilities fund. The general fund had \$41,374,480 in revenues and other financing sources and \$36,791,476 in expenditures and other financing uses. During fiscal year 2014, the general fund's fund balance increased \$4,583,004 from \$2,810,424 to a balance of \$7,393,428.
- The District's classroom facilities fund had \$461,107 in revenues and \$654,544 in expenditures. The classroom facilities fund's fund balance decreased \$193,437 from \$5,391,792 to \$5,198,355.

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 position 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 Position 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 2014?" The statement of net position and the statement of activities answer this question. These statements include all assets, liabilities, deferred inflows and outflows of resources, 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, 2014
(UNAUDITED)

These two statements report the District's net position and changes in that position. This change in net position 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 position 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 position 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 position 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 agency funds. All of the District's fiduciary activities are reported in separate statements of fiduciary net position and changes in fiduciary net position 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 23-49 of this report.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)

The District as a Whole

The table below provides a summary of the District's net position for 2014 and 2013.

	Net Position	
	Governmental Activities <u>2014</u>	Governmental Activities <u>2013</u>
<u>Assets</u>		
Current and other assets	\$ 36,027,589	\$ 34,777,116
Capital assets, net	<u>113,474,251</u>	<u>116,926,851</u>
Total assets	<u>149,501,840</u>	<u>151,703,967</u>
<u>Deferred outflows of resources</u>	<u>515,208</u>	<u>577,033</u>
<u>Liabilities</u>		
Current liabilities	4,833,313	5,365,421
Long-term liabilities	<u>52,225,141</u>	<u>54,479,122</u>
Total liabilities	<u>57,058,454</u>	<u>59,844,543</u>
<u>Deferred inflows of resources</u>	<u>13,386,234</u>	<u>13,578,282</u>
<u>Net position</u>		
Net investment in capital assets	67,562,748	70,128,367
Restricted	5,005,351	5,919,435
Unrestricted	<u>7,004,261</u>	<u>2,810,373</u>
Total net position	<u>\$ 79,572,360</u>	<u>\$ 78,858,175</u>

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2014, the District's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$79,572,360.

At year-end, capital assets represented 75.90% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment and vehicles. The District's net investment in capital assets at June 30, 2014 was \$67,562,748. Capital assets are used to provide services to the students and are not available for future spending. Net capital assets decreased due to depreciation expense, which totaled \$3,482,272 in fiscal year 2014.

A portion of the District's net position, \$5,005,351, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position is \$7,004,261.

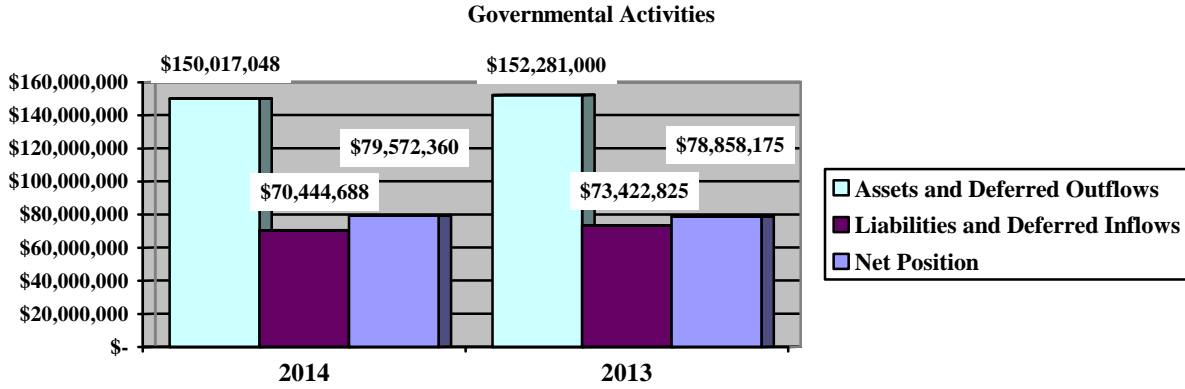
The increase in current assets is mostly a result of the District's 5-year emergency operating levy which was passed in May 2013. Collections on this levy began in 2014 which led to an increase in cash. Property taxes receivable also increased. These increases offset a decrease in intergovernmental receivables, which is primarily due to a \$1 million receivable recorded in fiscal year 2013 for the remaining State's share of the District's recent construction project.

Decreases in contracts and retainage payables relating to the construction project contributed to the decrease in current liabilities. Long-term liabilities decreased due to payments on the District's general obligation bonds.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)

The graph below shows the District's assets and deferred outflows, liabilities and deferred inflows and net position at June 30, 2014 and 2013.



The table below shows the change in net position for fiscal years 2014 and 2013.

	Change in Net Position	
	Governmental Activities 2014	Governmental Activities 2013
<u>Revenues</u>		
Program revenues:		
Charges for services and sales	\$ 3,453,684	\$ 3,463,625
Operating grants and contributions	9,195,465	11,037,341
General revenues:		
Property taxes	14,994,639	11,532,555
Grants and entitlements-not restricted	21,898,452	21,614,455
Investment earnings	35,715	7,766
Miscellaneous	256,295	226,355
Total revenues	49,834,250	47,882,097

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)

Change in Net Position

	Governmental Activities <u>2014</u>	Governmental Activities <u>2013</u>
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	\$ 17,229,037	\$ 17,698,383
Special	5,901,182	6,267,484
Vocational	1,068,776	1,195,459
Other	4,943,059	4,921,133
Support services:		
Pupil	2,090,095	2,356,487
Instructional staff	1,266,394	1,575,507
Board of education	28,721	28,193
Administration	2,976,120	2,972,571
Fiscal	670,394	389,834
Business	333,097	258,457
Operations and maintenance	4,414,228	4,488,266
Pupil transportation	1,163,492	1,224,932
Central	502,965	101,885
Operation of non-instructional services		
Food service operations	2,270,009	2,321,890
Other non-instructional services	294,484	283,415
Extracurricular activities	1,947,261	1,851,658
Interest and fiscal charges	<u>2,020,751</u>	<u>2,635,413</u>
Total expenses	<u>49,120,065</u>	<u>50,570,967</u>
Change in net position	714,185	(2,688,870)
Net position at beginning of year	<u>78,858,175</u>	<u>81,547,045</u>
Net position at end of year	<u>\$ 79,572,360</u>	<u>\$ 78,858,175</u>

Governmental Activities

Net position of the District's governmental activities increased \$714,185. Total governmental expenses of \$49,120,065 were offset by program revenues of \$12,649,149 and general revenues of \$37,185,101. Program revenues supported 25.75% of the total governmental expenses.

Overall, revenues increased 4.08%. The largest sources of revenue are property taxes and unrestricted grants and entitlements, which together account for 74.03% of total governmental revenues. Property taxes revenue increased 30.02% due to collections on a new levy passed in 2013. Program revenues include charges for services, grants and contributions that are program specific. These primarily include grants from the Barberton Community Foundation, State and Federal 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 is mostly due to a decrease in contributions from the Barberton Community Foundation. The Foundation entered into an agreement with the District in 1997 to annually contribute monies to the District to cover debt service payments on some of the District's bond issuances. In fiscal year 2014 the District retired the last of these bond issuances covered under the agreement.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)

The largest expense of the District is for instructional programs. Instruction expenses totaled \$29,142,054 or 59.33% of total governmental expenses for fiscal year 2014. Total expenses decreased 2.87%, which is primarily the result of lower costs for wages and benefits due to retirements and other reductions in staff. In addition, interest and fiscal charges decreased due to issuance costs associated with the refunding bonds issued in fiscal year 2013.

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	Net Cost of Services	Total Cost of Services	Net Cost of Services
	<u>2014</u>	<u>2014</u>	<u>2013</u>	<u>2013</u>
Program expenses				
Instruction:				
Regular	\$ 17,229,037	\$ 14,385,497	\$ 17,698,383	\$ 15,114,483
Special	5,901,182	1,738,675	6,267,484	1,945,078
Vocational	1,068,776	690,787	1,195,459	783,783
Other	4,943,059	4,623,939	4,921,133	4,679,359
Support services:				
Pupil	2,090,095	1,899,944	2,356,487	2,137,411
Instructional staff	1,266,394	509,403	1,575,507	625,260
Board of education	28,721	28,721	28,193	28,193
Administration	2,976,120	2,976,120	2,972,571	2,838,128
Fiscal	670,394	669,776	389,834	366,358
Business	333,097	333,097	258,457	258,457
Operations and maintenance	4,414,228	4,241,950	4,488,266	4,318,567
Pupil transportation	1,163,492	930,985	1,224,932	1,013,208
Central	502,965	476,998	101,885	80,545
Operations of non-instructional services				
Food service operations	2,270,009	232,359	2,321,890	258,703
Other non-instructional services	294,484	(18,356)	283,415	4,998
Extracurricular activities	1,947,261	1,474,324	1,851,658	1,311,871
Interest and fiscal charges	<u>2,020,751</u>	<u>1,276,697</u>	<u>2,635,413</u>	<u>305,599</u>
Total	<u>\$ 49,120,065</u>	<u>\$ 36,470,916</u>	<u>\$ 50,570,967</u>	<u>\$ 36,070,001</u>

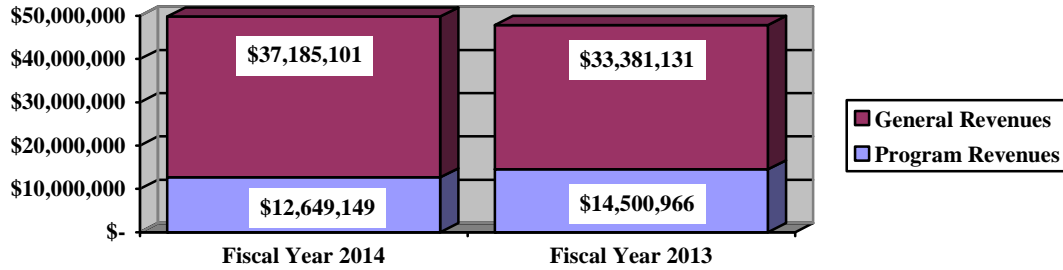
The dependence upon taxes and other general revenues for governmental activities is apparent; 73.57% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 74.25%.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)

The graph below presents the District's governmental activities general and program revenues for fiscal years 2014 and 2013.

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 \$16,060,441, which is \$3,666,776 higher than last year's total of \$12,393,665. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2014 and 2013.

	Fund Balance <u>June 30, 2014</u>	Fund Balance <u>June 30, 2013</u>	Increase <u>(Decrease)</u>
General	\$ 7,393,428	\$ 2,810,424	\$ 4,583,004
Classroom Facilities	5,198,355	5,391,792	(193,437)
Nonmajor Governmental	<u>3,468,658</u>	<u>4,191,449</u>	<u>(722,791)</u>
Total	<u>\$ 16,060,441</u>	<u>\$ 12,393,665</u>	<u>\$ 3,666,776</u>

General Fund

The District's general fund's fund balance increased by \$4,583,004. 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, 2014
(UNAUDITED)

	<u>2014</u> <u>Amount</u>	<u>2013</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Revenues</u>			
Taxes	\$ 12,938,346	\$ 9,639,929	34.22 %
Tuition	2,105,170	1,956,037	7.62 %
Earnings on investments	27,904	5,487	408.55 %
Intergovernmental	25,493,090	23,579,062	8.12 %
Other revenues	<u>767,846</u>	<u>939,391</u>	(18.26) %
 Total	 <u>\$ 41,332,356</u>	 <u>\$ 36,119,906</u>	 14.43 %
<u>Expenditures</u>			
Instruction	\$ 24,346,163	\$ 24,595,740	(1.01) %
Support services	11,289,835	10,783,950	4.69 %
Other non-instructional services	125,564	106,701	17.68 %
Extracurricular activities	961,797	952,685	0.96 %
Facilities acquisition and construction	<u>12,216</u>	<u>7,887</u>	54.89 %
 Total	 <u>\$ 36,735,575</u>	 <u>\$ 36,446,963</u>	 0.79 %

Overall, general fund expenditures were comparable to the prior year, while revenues increased considerably. The most significant change in general fund revenues was the increase in property taxes revenue, which resulted from collections on the recently passed operating levy. Intergovernmental revenues also increased, due to additional allocated revenue from the State Foundation program. The decrease in other revenues is primarily a result of reductions in fees charged for sports and music programs and also various reimbursements received in fiscal year 2013.

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 District's classroom facilities fund had \$461,107 in revenues and \$654,544 in expenditures. The classroom facilities fund's fund balance decreased \$193,437 from \$5,391,792 to \$5,198,355.

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 2014, the District amended its general fund budget numerous times. For the general fund, original budgeted revenues and other financing sources were \$39,293,100. These were decreased slightly to \$39,269,558 in the final budget. Actual revenues and other financing sources for fiscal year 2014 were \$39,888,988. This represents a \$619,430 increase (1.58%) from final budgeted revenues.

General fund original appropriations (appropriated expenditures plus other financing uses) of \$37,660,583 were increased to \$38,220,169 in the final appropriations. The actual budget basis expenditures for fiscal year 2014 were \$37,560,429. This represents a \$659,740 decrease (1.73%) from final budgeted expenditures.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2014, the District had \$113,474,251 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 2014 balances compared to 2013:

Capital Assets at June 30 (Net of Depreciation)		
<u>Governmental Activities</u>		
	<u>2014</u>	<u>2013</u>
Land	\$ 16,271,156	\$ 16,285,923
Land improvements	4,901,479	5,365,895
Building and improvements	91,278,713	94,102,412
Furniture and equipment	518,794	577,045
Vehicles	<u>504,109</u>	<u>595,576</u>
Total	<u>\$ 113,474,251</u>	<u>\$ 116,926,851</u>

Total additions to capital assets for 2014 were \$60,201 and disposals, net of accumulated depreciation, were \$30,529. The District recorded depreciation expense of \$3,482,272 during the year.

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

Debt Administration

At June 30, 2014, the District had \$48,257,569 in general obligation bonds outstanding. Of this total, \$1,090,000 is due within one year and \$47,167,569 is due in greater than one year. The following table summarizes the bonds outstanding at June 30, 2014 and 2013.

	<u>Governmental Activities 2014</u>	<u>Governmental Activities 2013</u>
General obligation bonds	<u>\$ 48,257,569</u>	<u>\$ 50,235,465</u>

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

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. District voters passed an 8.45 mill emergency levy in May 2013. Collections on this five year levy began in 2014 and will expire at the end of 2018.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)**

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 reductions in home value reappraisals will have a negative effect on collections.

The State budget for fiscal year 2014-2015 proposes a new formula to fund school districts. The Office of Budget and Management has estimated that the District's distributions from the State will increase in fiscal years 2014 and 2015 by about 6.25% and 10%, respectively, on the District's estimated 2.5% growth.

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 Cliff Reinhardt, Treasurer/CFO, Barberton City School District, 479 Norton Avenue, Barberton, Ohio, 44203. Or if you prefer, you may email inquiries to: creinhardt@barbertonschools.org.

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

STATEMENT OF NET POSITION
JUNE 30, 2014

	Governmental Activities
Assets:	
Equity in pooled cash and investments	\$ 18,166,520
Receivables:	
Property taxes	16,821,327
Accounts	243,454
Intergovernmental	732,679
Accrued interest	4,979
Materials and supplies inventory	58,630
Capital assets:	
Land	16,271,156
Depreciable capital assets, net.	97,203,095
Capital assets, net	113,474,251
Total assets.	149,501,840
 Deferred outflows of resources:	
Unamortized deferred charges on debt refunding	515,208
Total deferred outflows of resources	515,208
 Liabilities:	
Accounts payable	207,517
Contracts payable	156,688
Retainage payable	35,264
Accrued wages and benefits payable	3,284,141
Pension obligation payable	635,064
Intergovernmental payable	273,736
Accrued interest payable	219,958
Unearned revenue	20,945
Long-term liabilities:	
Due within one year	1,446,073
Due in more than one year	50,779,068
Total liabilities	57,058,454
 Deferred inflows of resources:	
Property taxes levied for the next fiscal year	13,386,234
Total deferred inflows of resources.	13,386,234
 Net position:	
Net investment in capital assets.	67,562,748
Restricted for:	
Capital projects	2,901,942
Classroom facilities maintenance	1,295,977
Debt service.	550,453
Locally funded programs	48,519
State funded programs.	28,138
Federally funded programs	43,096
Student activities	65,131
Food service operations	72,095
Unrestricted.	7,004,261
Total net position.	\$ 79,572,360

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, 2014

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position Governmental Activities
		Charges for Services and Sales	Operating Grants and Contributions	
Governmental activities:				
Instruction:				
Regular	\$ 17,229,037	\$ 2,004,669	\$ 838,871	\$ (14,385,497)
Special	5,901,182	168,470	3,994,037	(1,738,675)
Vocational	1,068,776	30,037	347,952	(690,787)
Other	4,943,059	-	319,120	(4,623,939)
Support services:				
Pupil	2,090,095	1,043	189,108	(1,899,944)
Instructional staff	1,266,394	2,396	754,595	(509,403)
Board of education	28,721	-	-	(28,721)
Administration	2,976,120	-	-	(2,976,120)
Fiscal	670,394	618	-	(669,776)
Business	333,097	-	-	(333,097)
Operations and maintenance	4,414,228	166,693	5,585	(4,241,950)
Pupil transportation	1,163,492	103,061	129,446	(930,985)
Central	502,965	2,434	23,533	(476,998)
Operation of non-instructional services:				
Food service operations	2,270,009	464,131	1,573,519	(232,359)
Other non-instructional services	294,484	127,527	185,313	18,356
Extracurricular activities	1,947,261	382,605	90,332	(1,474,324)
Interest and fiscal charges	2,020,751	-	744,054	(1,276,697)
Total governmental activities	\$ 49,120,065	\$ 3,453,684	\$ 9,195,465	(36,470,916)
General revenues:				
Property taxes levied for:				
General purposes				12,725,714
Debt service				1,985,903
Facilities maintenance				226,240
Capital outlay				56,782
Grants and entitlements not restricted				
to specific programs				21,898,452
Investment earnings				35,715
Miscellaneous				256,295
Total general revenues				37,185,101
Change in net position				714,185
Net position at beginning of year				78,858,175
Net position at end of year				\$ 79,572,360

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014

	General	Classroom Facilities	Nonmajor Governmental Funds	Total Governmental Funds
Assets:				
Equity in pooled cash and investments	\$ 9,373,287	\$ 5,389,692	\$ 3,403,541	\$ 18,166,520
Receivables:				
Property taxes.	14,439,963	-	2,381,364	16,821,327
Accounts	243,332	-	122	243,454
Intergovernmental.	105,725	-	626,954	732,679
Accrued interest.	3,920	1,059	-	4,979
Due from other funds	289,031	-	-	289,031
Materials and supplies inventory.	-	-	58,630	58,630
Total assets.	<u>\$ 24,455,258</u>	<u>\$ 5,390,751</u>	<u>\$ 6,470,611</u>	<u>\$ 36,316,620</u>
Liabilities:				
Accounts payable.	\$ 193,715	\$ -	\$ 13,802	\$ 207,517
Contracts payable.	-	156,688	-	156,688
Retainage payable.	-	35,264	-	35,264
Accrued wages and benefits payable	3,038,194	-	245,947	3,284,141
Intergovernmental payable	271,770	-	1,966	273,736
Pension obligation payable	571,601	-	63,463	635,064
Due to other funds	-	-	289,031	289,031
Unearned revenue.	-	-	20,945	20,945
Total liabilities	<u>4,075,280</u>	<u>191,952</u>	<u>635,154</u>	<u>4,902,386</u>
Deferred inflows of resources:				
Property taxes levied for the next fiscal year	11,504,615	-	1,881,619	13,386,234
Delinquent property tax revenue not available	1,149,233	-	194,147	1,343,380
Accrued interest not available.	1,977	444	-	2,421
Intergovernmental revenue not available	105,725	-	291,033	396,758
Tuition revenue not available	225,000	-	-	225,000
Total deferred inflows of resources	<u>12,986,550</u>	<u>444</u>	<u>2,366,799</u>	<u>15,353,793</u>
Fund balances:				
Restricted:				
Debt service	-	-	1,002,870	1,002,870
Capital improvements	-	5,198,355	1,066,933	6,265,288
Classroom facilities maintenance	-	-	1,298,573	1,298,573
Food service operations	-	-	135,546	135,546
Non-public schools	-	-	28,006	28,006
Special education	-	-	900	900
Other purposes.	-	-	53,164	53,164
Extracurricular.	-	-	65,131	65,131
Assigned:				
Student instruction.	76,726	-	-	76,726
Student and staff support.	310,491	-	-	310,491
Other purposes.	16,214	-	-	16,214
Unassigned (deficit).	6,989,997	-	(182,465)	6,807,532
Total fund balances	<u>7,393,428</u>	<u>5,198,355</u>	<u>3,468,658</u>	<u>16,060,441</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 24,455,258</u>	<u>\$ 5,390,751</u>	<u>\$ 6,470,611</u>	<u>\$ 36,316,620</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2014

Total governmental fund balances		\$ 16,060,441
<i>Amounts reported for governmental activities on the statement of net position are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		113,474,251
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.		
Property taxes receivable	\$ 1,343,380	
Accounts receivable	225,000	
Intergovernmental receivable	396,758	
Accrued interest receivable	2,421	
Total	1,967,559	1,967,559
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.		(219,958)
Unamortized premiums on bonds issued are not recognized in the funds.		(1,959,538)
Unamortized deferred charges on debt refundings are not recognized in the funds.		515,208
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	(48,257,569)	
Compensated absences payable	(2,008,034)	
Total	(50,265,603)	(50,265,603)
Net position of governmental activities		\$ 79,572,360

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, 2014

	General	Classroom Facilities	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:				
From local sources:				
Property taxes	\$ 12,938,346	\$ -	\$ 2,340,537	\$ 15,278,883
Tuition.	2,105,170	-	-	2,105,170
Charges for services	-	-	398,111	398,111
Earnings on investments	27,904	6,902	-	34,806
Extracurricular.	76,769	-	201,830	278,599
Classroom materials and fees	92,738	-	-	92,738
Contributions and donations	19,952	-	805,728	825,680
Other local revenues	578,387	-	151,822	730,209
Intergovernmental - intermediate	-	-	188,729	188,729
Intergovernmental - state	25,108,999	454,205	809,999	26,373,203
Intergovernmental - federal	384,091	-	4,707,739	5,091,830
Total revenues.	<u>41,332,356</u>	<u>461,107</u>	<u>9,604,495</u>	<u>51,397,958</u>
Expenditures:				
Current:				
Instruction:				
Regular.	14,068,785	-	801,396	14,870,181
Special	4,540,678	-	1,296,523	5,837,201
Vocational	1,114,691	-	-	1,114,691
Other	4,622,009	-	321,050	4,943,059
Support services:				
Pupil	1,905,243	-	193,807	2,099,050
Instructional staff	501,739	-	745,202	1,246,941
Board of education	28,721	-	-	28,721
Administration	2,878,113	-	-	2,878,113
Fiscal	631,235	-	37,576	668,811
Business.	288,862	-	50,784	339,646
Operations and maintenance	3,539,554	-	130,694	3,670,248
Pupil transportation	1,051,949	-	21,501	1,073,450
Central	464,419	-	38,546	502,965
Operation of non-instructional services:				
Food service operations.	-	-	2,086,665	2,086,665
Other non-instructional services.	125,564	-	167,189	292,753
Extracurricular activities	961,797	-	445,512	1,407,309
Facilities acquisition and construction	12,216	654,544	77,488	744,248
Debt service:				
Principal retirement.	-	-	1,268,538	1,268,538
Interest and fiscal charges.	-	-	2,849,273	2,849,273
Total expenditures	<u>36,735,575</u>	<u>654,544</u>	<u>10,531,744</u>	<u>47,921,863</u>
Excess (deficiency) of revenues over (under) expenditures.	4,596,781	(193,437)	(927,249)	3,476,095
Other financing sources (uses):				
Proceeds from sale of assets	10,945	-	179,736	190,681
Transfers in	31,179	-	55,901	87,080
Transfers (out).	(55,901)	-	(31,179)	(87,080)
Total other financing sources (uses)	<u>(13,777)</u>	<u>-</u>	<u>204,458</u>	<u>190,681</u>
Net change in fund balances	4,583,004	(193,437)	(722,791)	3,666,776
Fund balances at beginning of year	<u>2,810,424</u>	<u>5,391,792</u>	<u>4,191,449</u>	<u>12,393,665</u>
Fund balances at end of year	<u>\$ 7,393,428</u>	<u>\$ 5,198,355</u>	<u>\$ 3,468,658</u>	<u>\$ 16,060,441</u>

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, 2014

Net change in fund balances - total governmental funds	\$	3,666,776
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Capital asset additions	\$ 60,201	
Current year depreciation	(3,482,272)	
Total		(3,422,071)
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.		
		(30,529)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes	(284,244)	
Accounts	(55,000)	
Intergovernmental	(1,354,465)	
Earnings on investments	909	
Total		(1,692,800)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position.		
		1,268,538
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 less interest being reported in the statement of activities:		
Decrease in accrued interest payable	653	
Accreted interest on capital appreciation bonds	(182,104)	
Payment of accreted interest on capital appreciation bonds	891,462	
Amortization of bond premiums	180,336	
Amortization of deferred charges on debt refunding	(61,825)	
Total		828,522
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.		
		95,749
Change in net position of governmental activities	\$	714,185

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, 2014

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
From local sources:				
Property taxes	\$ 11,442,324	\$ 11,435,466	\$ 11,668,189	\$ 232,723
Tuition	2,064,420	2,063,183	2,105,170	41,987
Earnings on investments	19,717	19,705	20,106	401
Extracurricular	3,562	3,560	3,632	72
Other local revenues	199,525	199,405	203,463	4,058
Intergovernmental - state	24,673,162	24,658,381	25,160,198	501,817
Intergovernmental - federal	366,112	365,893	373,339	7,446
Total revenues	<u>38,768,822</u>	<u>38,745,593</u>	<u>39,534,097</u>	<u>788,504</u>
Expenditures:				
Current:				
Instruction:				
Regular	14,359,806	14,675,513	14,422,191	253,322
Special	4,657,234	4,726,435	4,644,849	81,586
Vocational	1,180,506	1,198,047	1,177,367	20,680
Other	4,634,333	4,703,193	4,622,009	81,184
Support services:				
Pupil	2,023,848	2,053,920	2,018,466	35,454
Instructional staff	496,834	504,217	495,513	8,704
Board of education	30,124	30,572	30,044	528
Administration	2,962,568	3,006,587	2,954,689	51,898
Fiscal	635,891	645,340	634,200	11,140
Business	299,063	303,507	298,268	5,239
Operations and maintenance	3,653,598	3,707,886	3,643,882	64,004
Pupil transportation	1,149,170	1,166,245	1,146,114	20,131
Central	440,702	447,250	439,530	7,720
Extracurricular activities	916,428	930,045	913,991	16,054
Facilities acquisition and construction	113,092	12,431	12,216	215
Total expenditures	<u>37,553,197</u>	<u>38,111,188</u>	<u>37,453,329</u>	<u>657,859</u>
Excess of revenues over expenditures	<u>1,215,625</u>	<u>634,405</u>	<u>2,080,768</u>	<u>1,446,363</u>
Other financing sources (uses):				
Refund of prior year's expenditures	215,915	215,786	220,177	4,391
Refund of prior year's receipts	(51,336)	(52,098)	(51,199)	899
Transfers in	114,683	114,615	116,947	2,332
Transfers (out)	(56,050)	(56,883)	(55,901)	982
Proceeds from sale of assets	193,680	193,564	17,767	(175,797)
Total other financing sources (uses)	<u>416,892</u>	<u>414,984</u>	<u>247,791</u>	<u>(167,193)</u>
Net change in fund balance	1,632,517	1,049,389	2,328,559	1,279,170
Fund balance at beginning of year	4,095,669	4,095,669	4,095,669	-
Prior year encumbrances appropriated	660,583	660,583	660,583	-
Fund balance at end of year	<u>\$ 6,388,769</u>	<u>\$ 5,805,641</u>	<u>\$ 7,084,811</u>	<u>\$ 1,279,170</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2014

	Private Purpose Trust	
	Scholarship	Agency
Assets:		
Equity in pooled cash and investments.	\$ 44,256	\$ 74,257
Total assets.	44,256	\$ 74,257
Liabilities:		
Accounts payable.	-	\$ 113
Due to students.	-	74,144
Total liabilities	-	\$ 74,257
Net position:		
Held in trust for scholarships	44,256	
Total net position	\$ 44,256	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Private Purpose Trust
	Scholarship
Additions:	
Gifts and contributions	\$ 9,775
Deductions:	
Scholarships awarded	7,700
Change in net position	2,075
Net position at beginning of year.	42,181
Net position at end of year	\$ 44,256

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, 2014

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 169 non-certified employees, 273 certified teaching personnel and 21 administrators, who provide services to 4,070 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'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" and GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an Amendment of GASB Statements No. 14 and No. 34". 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 government's 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, 2014

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 2014.

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 paid \$79,125 to NEOnet for services provided.

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, 2014

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 SRHCC and is responsible for coordinating and administering the Health Benefits Program.

The Health Benefits Program is governed by the Board of Directors of the SRHCC (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.

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 deferred outflows and liabilities and deferred inflows is reported as fund balance.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

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) financial resources that are restricted, committed, or assigned to expenditure for principal and interest and (c) specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects.

FIDUCIARY FUNDS

Fiduciary fund reporting focuses on net position and changes in net position. 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 three agency funds which are used to account for student activities managed by the student body and other District agency activities and 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 position 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.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

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

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

Deferred Inflows of Resources and Deferred Outflows of Resources - A deferred inflow of resources is an acquisition of net position by the District that is applicable to a future reporting period. A deferred outflow of resources is a consumption of net position by the District that is applicable to a future reporting period.

Property taxes for which there is an enforceable legal claim as of June 30, 2014, but which were levied to finance fiscal year 2015 operations, and other revenues received in advance of the fiscal year for which they were intended to finance, have been recorded as deferred inflows of resources. Grants not received within the available period, grants and entitlements received before the timing requirements are met, and delinquent property taxes due at June 30, 2014, are recorded as deferred inflows of resources on the governmental fund financial statements.

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

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 2014.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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 2014, investments were limited to federal agency securities, U.S. Treasury obligations, U.S. government money market mutual funds, commercial paper and a repurchase agreement. Investments are reported at fair value.

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 and the classroom facilities capital projects fund. Interest revenue credited to the general fund during fiscal year 2014 amounted to \$27,904 which includes \$13,053 assigned from other District funds.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

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, 2014, 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, 2014.

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 expended 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 position, 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.

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	9 - 40 years
Furniture and equipment	5 - 20 years
Vehicles	8 - 15 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". These amounts are eliminated in the governmental type activities column on the statement of net position.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

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.

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

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 a deferred outflow of resources on the statement of net position.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

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.

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

P. Net Position

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. The net position component “net investment in capital assets,” consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the District 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 position is available.

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 position.

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 2014.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2014, the District has implemented GASB Statement No. 70, “Accounting and Financial Reporting for Nonexchange Financial Guarantees”.

GASB Statement No. 70 improves the recognition, measurement, and disclosures for state and local governments that have extended or received financial guarantees that are nonexchange transactions. The implementation of GASB Statement No. 70 did not have an effect on the financial statements of the District.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

B. Deficit Fund Balances

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

<u>Nonmajor funds</u>	<u>Deficit</u>
Public school preschool	\$ 7,313
Alternative schools	5,479
Race to the top	957
IDEA - Part B	52,065
Title I school improvement A	11,183
Title I	79,166
Improving teacher quality	26,302

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.

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 five years 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;

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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.

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, 2014, the carrying amount of all District deposits was \$2,722,741, exclusive of the \$3,390,000 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, 2014, \$2,572,979 of the District's bank balance of \$2,858,243 was exposed to custodial risk as discussed below, while \$285,264 was covered by the FDIC.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Custodial credit risk is the risk that, in the event of bank failure, the District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

B. Investments

As of June 30, 2014, the District had the following investments and maturities:

Investment type	Fair Value	Investment Maturities				
		6 months or less	7 to 12 months	13 to 18 months	19 to 24 months	Greater than 24 months
FFCB	\$ 955,302	\$ 665,273	\$ -	\$ -	\$ -	\$ 290,029
FHLB	3,184,254	1,735,267	600,432	-	334,065	514,490
FHLB - discount note	809,990	809,990	-	-	-	-
FHLMC	1,452,041	-	-	-	565,243	886,798
FHLMC - discount note	999,790	999,790	-	-	-	-
FNMA	992,301	-	-	-	310,527	681,774
U.S. Treasury obligations	300,258	-	-	300,258	-	-
Commercial paper	2,946,578	2,946,578	-	-	-	-
U.S. Government money market mutual fund	531,778	531,778	-	-	-	-
Repurchase agreements	3,390,000	3,390,000	-	-	-	-
	<u>\$ 15,562,292</u>	<u>\$ 11,078,676</u>	<u>\$ 600,432</u>	<u>\$ 300,258</u>	<u>\$ 1,209,835</u>	<u>\$ 2,373,091</u>

The weighted average maturity of investments is 0.74 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.

Credit Risk: The District's U.S. Treasury obligations, commercial paper, 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.

**BARBERTON CITY SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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, commercial paper and U.S. Treasury obligations 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, 2014:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
FFCB	\$ 955,302	6.14
FHLB	3,184,254	20.46
FHLB - discount note	809,990	5.20
FHLMC	1,452,041	9.33
FHLMC - discount note	999,790	6.42
FNMA	992,301	6.38
U.S. Treasury obligations	300,258	1.93
Commercial paper	2,946,578	18.93
U.S. Government money market mutual fund	531,778	3.42
Repurchase agreements	3,390,000	21.79
	<u>\$ 15,562,292</u>	<u>100.00</u>

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

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 position as of June 30, 2014:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 2,722,741
Investments	<u>15,562,292</u>
Total	<u>\$ 18,285,033</u>
<u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 18,166,520
Private-purpose trust fund	44,256
Agency funds	<u>74,257</u>
Total	<u>\$ 18,285,033</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 5 - INTERFUND TRANSACTIONS

- A. Interfund transfers for the year ended June 30, 2014, consisted of the following, as reported on the fund financial statements:

<u>Transfers to nonmajor governmental funds from:</u>	
General fund	\$ 55,901
<u>Transfers to general fund from:</u>	
Nonmajor governmental funds	31,179
Total	\$ 87,080

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. The \$31,179 transfer to the general fund was residual balance transfer from a 1992 bond retirement fund after all debt service obligations had been met.

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, 2014, as reported on the fund statements consist of \$289,031 due to the general fund from various nonmajor governmental funds. The primary purpose of the due to/from other funds is to cover negative cash in those funds. The 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, 2014 are reported on the statement of net position.

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 2014 represent the collection of calendar year 2013 taxes. Real property taxes received in calendar year 2014 were levied after April 1, 2013, on the assessed values as of January 1, 2013, 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 2014 represent the collection of calendar year 2013 taxes. Public utility real and personal property taxes received in calendar year 2014 became a lien on December 31, 2012, were levied after April 1, 2013, 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 6 - PROPERTY TAXES - (Continued)

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, 2014, are available to finance fiscal year 2014 operations. The amount available as an advance at June 30, 2014 was \$1,786,115 in the general fund, \$267,772 in the bond retirement fund (a nonmajor governmental fund) and \$37,826 in the permanent improvement fund (a nonmajor governmental fund). This amount is recorded as revenue. The amount available for advance at June 30, 2013 was \$515,958 in the general fund, \$95,506 in the bond retirement fund (a nonmajor governmental fund) and \$13,909 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.

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2014 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows.

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

The assessed values upon which the fiscal year 2014 taxes were collected are:

	2013 Second Half Collections		2014 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 344,449,140	97.00	\$ 338,877,620	96.75
Public utility personal	<u>10,545,740</u>	<u>3.00</u>	<u>11,398,410</u>	<u>3.25</u>
Total	<u>\$ 354,994,880</u>	<u>100.00</u>	<u>\$ 350,276,030</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$ 59.74		\$ 68.83	

NOTE 7 - RECEIVABLES

Receivables at June 30, 2014 consisted of property 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. Receivables have been disaggregated on the face of the financial statements. All receivables are expected to be collected within the subsequent year.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 8 - CAPITAL ASSETS

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

	<u>Balance</u> <u>June 30, 2013</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>June 30, 2014</u>
Governmental activities:				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 16,285,923	\$ -	\$ (14,767)	\$ 16,271,156
Total capital assets, not being depreciated	<u>16,285,923</u>	<u>-</u>	<u>(14,767)</u>	<u>16,271,156</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	9,517,215	-	(83,670)	9,433,545
Buildings and improvements	114,313,093	-	(1,309,398)	113,003,695
Furniture and equipment	2,730,057	60,201	(204,936)	2,585,322
Vehicles	<u>1,660,323</u>	<u>-</u>	<u>-</u>	<u>1,660,323</u>
Total capital assets, being depreciated	<u>128,220,688</u>	<u>60,201</u>	<u>(1,598,004)</u>	<u>126,682,885</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(4,151,320)	(464,416)	83,670	(4,532,066)
Buildings and improvements	(20,210,681)	(2,823,699)	1,309,398	(21,724,982)
Furniture and equipment	(2,153,012)	(102,690)	189,174	(2,066,528)
Vehicles	<u>(1,064,747)</u>	<u>(91,467)</u>	<u>-</u>	<u>(1,156,214)</u>
Total accumulated depreciation	<u>(27,579,760)</u>	<u>(3,482,272)</u>	<u>1,582,242</u>	<u>(29,479,790)</u>
Governmental activities capital assets, net	<u>\$ 116,926,851</u>	<u>\$ (3,422,071)</u>	<u>\$ (30,529)</u>	<u>\$ 113,474,251</u>

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 2,465,651
Special	83,950
Vocational	6,491
<u>Support Services:</u>	
Instructional staff	9,986
Administration	83,077
Fiscal	385
Operations and maintenance	26,894
Pupil transportation	80,466
Extracurricular activities	539,208
Food service operations	<u>186,164</u>
Total depreciation expense	<u>\$ 3,482,272</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 9 - LONG-TERM OBLIGATIONS

A. Activity in the District's long-term obligations during fiscal year 2014 were as follows:

<u>Governmental activities</u>	<u>Interest</u>	Balance <u>June 30, 2013</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>June 30, 2014</u>	Due within <u>One Year</u>
<u>Bonds</u>						
School improvements refunding, series 2005						
Capital appreciation	4.09-4.19%	\$ 668,538	\$ -	\$ (668,538)	\$ -	\$ -
Accreted interest		838,092	53,370	(891,462)	-	-
School improvements, series 2008						
Serial	3.00-5.25%	32,090,000	-	(600,000)	31,490,000	635,000
Capital appreciation	3.92%	74,993	-	-	74,993	-
Accreted interest		273,842	128,734	-	402,576	-
School improvements refunding, series 2013						
Serial	0.55-4.00%	16,290,000	-	-	16,290,000	455,000
Total bonds		<u>50,235,465</u>	<u>182,104</u>	<u>(2,160,000)</u>	<u>48,257,569</u>	<u>1,090,000</u>
<u>Other obligations</u>						
Compensated absences		<u>2,103,783</u>	<u>202,737</u>	<u>(298,486)</u>	<u>2,008,034</u>	<u>356,073</u>
Total long-term liabilities		<u>\$ 52,339,248</u>	<u>\$ 384,841</u>	<u>\$ (2,458,486)</u>	50,265,603	1,446,073
Add: Unamortized premium on bond issue					<u>1,959,538</u>	-
Total on statement of net position					<u>\$ 52,225,141</u>	<u>\$ 1,446,073</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: classroom facilities maintenance, auxiliary services, alternative education, IDEA - Part B, Title I, improving teacher quality and food service.

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 position. The series 2005 current interest bonds were refunded during fiscal year 2013.

The non-refunded portion of the series 2005 refunding issue was comprised of capital appreciation bonds, par value \$668,538. The bonds matured November 1, 2013 (approximate initial offering yield to maturity of 4.19%) at an accreted value at maturity of \$1,560,000.

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 position. Payments of principal and interest relating to this bond are recorded as an expenditure in the bond retirement fund (a nonmajor governmental fund).

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

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 makes quarterly disbursements to the District as the project is completed. As of June 30, 2014, the total estimated cost of the Construction Project is \$76,114,103, of which OSFC will pay \$45,668,462. The District has \$3,387,820 in unspent bond proceeds at June 30, 2014.

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, 2015 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 accreted value at maturity for the capital appreciation bond is \$765,000. Total accreted interest of \$402,576 has been included in the statement of net position.

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

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 series 2008 general obligation bonds:

<u>Fiscal Year Ended</u>	<u>Current Interest Bonds</u>			<u>Capital Appreciation Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	830,000	1,439,932	2,269,932	-	-	-
2019	975,000	1,403,832	2,378,832	-	-	-
2020 - 2024	6,155,000	6,293,297	12,448,297	-	-	-
2025 - 2029	9,210,000	4,444,524	13,654,524	-	-	-
2030 - 2034	<u>12,905,000</u>	<u>1,593,001</u>	<u>14,498,001</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 31,490,000</u>	<u>\$ 19,630,855</u>	<u>\$ 51,120,855</u>	<u>\$ 74,993</u>	<u>\$ 690,007</u>	<u>\$ 765,000</u>

School Improvement Refunding Bonds (Series 2013): During fiscal year 2013, the District issued general obligation refunding bonds to advance refund the series 2005 current interest bonds. These bonds are general obligations of the District for which the full faith and credit of the District is pledged for repayment. Payments of principal and interest relating to this bond are recorded as an expenditure in the bond retirement fund (a nonmajor governmental fund).

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

The issuance proceeds of \$17,600,115 were used to purchase securities which were placed in an irrevocable trust to provide resources for all future debt service payments on the refunded debt. This refunded debt in considered defeased (in substance) and accordingly has been removed from the statement of net position. At June 30, 2014, none of this debt was outstanding.

The reacquisition price exceeded the net carrying amount of the old debt by \$582,185. This amount is amortized over the remaining life of the refunded debt, which is equal to the life of the new debt issued, and is reported as a deferred outflow of resources on the statement of net position.

This issue is comprised of current interest bonds, par value \$16,290,000, with interest rates ranging from 0.55% to 4.00%. Interest payments are due on May 1 and November 1 of each year. The final maturity date stated in the issue is November 1, 2022.

The following is a summary of the future debt service requirements to maturity for the series 2013 general obligation refunding bonds:

Fiscal Year Ended	Current Interest Bonds		
	Principal	Interest	Total
2015	\$ 455,000	\$ 482,794	\$ 937,794
2016	1,845,000	475,085	2,320,085
2017	1,860,000	460,258	2,320,258
2018	1,880,000	423,688	2,303,688
2019	1,935,000	364,044	2,299,044
2020 - 2023	<u>8,315,000</u>	<u>672,300</u>	<u>8,987,300</u>
Total	<u>\$ 16,290,000</u>	<u>\$ 2,878,169</u>	<u>\$ 19,168,169</u>

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.

At June 30, 2014, the District’s unvoted debt margin was \$350,276.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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.

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".

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 12 - PENSION PLANS - (Continued)

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 2014, 13.05 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 14 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, 2014, 2013 and 2012 were \$571,149, \$578,600 and \$607,801, respectively; 77.77 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

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.

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 2014, plan members were required to contribute 11 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 14 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 12 - PENSION PLANS - (Continued)

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2014, 2013 and 2012 were \$2,286,319, \$2,388,827 and \$2,661,759, respectively; 84.07 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012. Contributions to the DC and Combined Plans for fiscal year 2014 were \$97,485 made by the District and \$76,596 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, 2014 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 monthly premium for calendar year 2014 was \$104.90 for most participants, but could be as high as \$335.70 per month depending on their income 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*".

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 2014, 0.14 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2014, the actuarially determined amount was \$20,250.

Active members do not contribute to the postemployment benefit plans. The 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 13 - POSTEMPLOYMENT BENEFITS - (Continued)

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2014, 2013 and 2012 were \$84,610, \$79,917 and \$105,119, respectively; 77.77 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2014, this actuarially required allocation was 0.76 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2014, 2013, and 2012 were \$33,135, \$32,684 and \$35,894, respectively; 77.77 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

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 2014, 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, 2014, 2013 and 2012 were \$175,871, \$183,756 and \$204,751, respectively; 84.07 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 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);

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 14 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

- (d) Investments are reported at fair value (GAAP basis) as opposed to cost (budget basis); and,
- (e) 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	\$ 2,328,559
Net adjustment for revenue accruals	1,320,698
Net adjustment for expenditure accruals	148,314
Net adjustment for other sources/uses	(175,800)
Funds budgeted elsewhere	411,791
Adjustment for encumbrances	549,442
GAAP basis	<u>\$ 4,583,004</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.

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 are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the District at June 30, 2014, 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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.

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, 2013	\$ -
Current year set-aside requirement	642,970
Current year offsets	(313,922)
Prior year offset from bond proceeds	<u>(329,048)</u>
Total	<u>\$ -</u>
Balance carried forward to fiscal year 2015	<u>\$ -</u>
Set-aside reserve balance June 30, 2014	<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 \$30,867,294 at June 30, 2014.

NOTE 17 - 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>Year-End Encumbrances</u>
<u>Fund</u>	
General	\$ 253,474
Classroom facilities	206,754
Nonmajor governmental	<u>184,454</u>
Total	<u>\$ 644,682</u>

**BARBERTON CITY SCHOOL DISTRICT
SUMMIT COUNTY**

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

Federal Grantor/Pass-through Grantor/Program Title	Pass-Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
<u>U.S. DEPARTMENT OF AGRICULTURE</u>						
<i>Passed Through the Ohio Department of Education:</i>						
Child Nutrition Cluster:						
School Breakfast Program	N/A	10.553	\$ 255,209		\$ 255,209	
National School Lunch Program	N/A	10.555	1,132,434	\$ 114,820	1,132,434	\$ 114,820
Total Child Nutrition Cluster			1,387,643	114,820	1,387,643	114,820
Fresh Fruit and Vegetable Program	043539-3L60-2014	10.582	38,011		38,011	
Total U.S. Department of Agriculture			1,425,654	114,820	1,425,654	114,820
<u>U.S. DEPARTMENT OF EDUCATION</u>						
<i>Passed Through the Ohio Department of Education:</i>						
Special Education Cluster:						
Special Education - Grants to States (IDEA, Part B)	043539-3M20-2013	84.027	143,413		80,563	
Special Education - Grants to States (IDEA, Part B)	043539-3M20-2014	84.027	756,019		881,279	
Special Education - Preschool Grants (IDEA Preschool)	043539-3C50-2014	84.173	56,251		56,251	
Total Special Education Cluster			955,683		1,018,093	
Title I Cluster:						
Title I Grants to Local Educational Agencies	043539-M00-2013	84.010	280,536		198,795	
Title I Grants to Local Educational Agencies	043539-M00-2014	84.010	1,232,524		1,336,759	
Title I-A Grants to Local Educational Agencies - School Improvement	043539-3DM0-2013	84.010	11,271		11,271	
Title I-A Grants to Local Educational Agencies - School Improvement	043539-3DM0-2014	84.010	69,898		99,348	
Title I-A Non Resident Student	N/A	84.010	46,150		-	
Total Title I Cluster			1,640,379		1,646,173	
Improving Teacher Quality State Grants	043539-3Y60-2013	84.367	60,734		40,163	
Improving Teacher Quality State Grants	043539-3Y60-2014	84.367	166,125		193,976	
Total Improving Teacher Quality State Grants			226,859		234,139	
ARRA - Race to the Top Fund	043539-3FD0-2013	84.395	41,576		33,769	
ARRA - Race to the Top Fund	043539-3FD0-2014	84.395	179,297		203,427	
ARRA - Race to the Top - FAMS Pilot Project	043539-3FD0-2013	84.395A	21,386		14,919	
ARRA - Race to the Top - Resident Educator	N/A	84.395	3,500		3,500	
			245,759		255,615	
Title III - Limited English Proficiency	043539-3Y70-2014	84.365	5,455		5,455	
<i>Total Passed through the Ohio Department of Education</i>			3,074,135		3,159,475	
<i>Direct Award</i>						
Impact Aid	N/A	84.041	8,734		8,734	
Total U.S. Department of Education			3,082,869		3,168,209	
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>						
<i>Passed Through the Summit County Children's Services</i>						
Latchkey	N/A	93.673	10,752		10,752	
Total U.S. Department of Health and Human Services			10,752		10,752	
Totals			\$ 4,519,275	\$ 114,820	\$ 4,604,615	\$ 114,820

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

BARBERTON CITY SCHOOL DISTRICT
Summit County, Ohio
Notes to the Federal Awards Receipts and Expenditures Schedule
For the Year Ended June 30, 2014

1. Significant Accounting Policies

The accompanying federal awards receipts and expenditures schedule is a summary of the activity of the District's federal award programs. The schedule has been prepared on the cash basis of accounting. Consequently, certain revenues are recognized when received rather than when earned and certain expenditures are recognized when paid rather than when the obligation is incurred.

2. Food Distribution

Nonmonetary assistance is reported in the schedule at the entitlement value of the commodities received and disbursed. Monies are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2014, the District had food commodities in inventory.

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

**INDEPENDENT AUDITORS' 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, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Barberton City School District, Summit County, (the District) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 8, 2014.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

We did note certain matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated December 8, 2014.

Purpose of this Report

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



Charles E. Harris & Associates, Inc.
December 8, 2014

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Certified Public Accountants

**INDEPENDENT AUDITORS' 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:

Report on Compliance for Each Major Federal Program

We have audited the Barberton City School District's (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the District's major federal programs for the year ended June 30, 2014. The *Summary of Audit Results* in the accompanying schedule of findings identifies the District's major federal programs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on the Major Federal Program

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


Report on Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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



Charles E. Harris & Associates, Inc.
December 8, 2014

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 SECTION .505**

**BARBERTON CITY SCHOOL DISTRICT
SUMMIT COUNTY
June 30, 2014**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	<i>Type of Financial Statement Opinion</i>	Unmodified
(d)(1)(ii)	<i>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</i>	No
(d)(1)(ii)	<i>Were there any significant deficiencies reported at the financial statement level (GAGAS)?</i>	No
(d)(1)(iii)	<i>Was there any reported material non-compliance at the financial statement level (GAGAS)?</i>	No
(d)(1)(iv)	<i>Were there any material internal control weaknesses reported for major federal programs?</i>	No
(d)(1)(iv)	<i>Were there any significant deficiencies reported for major federal programs?</i>	No
(d)(1)(v)	<i>Type of Major Programs' Compliance Opinion</i>	Unmodified
(d)(1)(vi)	<i>Are there any reportable findings</i>	No
(d)(1)(vii)	<i>Major Programs:</i>	Nutrition Cluster - CFDA #10.553 & CFDA #10.555 Title I Cluster - CFDA #84.010 Race to the Top - ARRA - CFDA #84.395
(d)(1)(viii)	<i>Dollar Threshold: Type A/B Programs</i>	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	<i>Low Risk Auditee?</i>	No

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

None.

3. FINDINGS FOR FEDERAL AWARDS

None.

**BARBERTON CITY SCHOOL DISTRICT
SUMMIT COUNTY
JUNE 30, 2014**

SCHEDULE OF PRIOR AUDIT FINDINGS

The prior audit report, for the year ending June 30, 2013, reported no material citations or recommendations.

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Dave Yost • Auditor of State

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
MARCH 3, 2015**