

***BARBERTON CITY SCHOOL DISTRICT***

***SUMMIT COUNTY***

**Audit Report**

**For the Year Ended June 30, 2015**







# Dave Yost • Auditor of State

Board of Education  
Barberton City School District  
479 Norton Ave  
Barberton, OH 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, 2014 through June 30, 2015. 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 25, 2016

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**BARBERTON CITY SCHOOL DISTRICT  
SUMMIT COUNTY  
AUDIT REPORT  
For the Year Ending June 30, 2015**

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## **INDEPENDENT AUDITOR'S 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, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

### ***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, 2015, 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.

***Emphasis of Matter***

As discussed in Note 3 to the financial statements, during the year ended June 30, 2015, the District adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. We did not modify our opinion regarding these matters.

***Other Matters***

*Required Supplementary Information*

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

*Supplementary and Other Information*

Our audit was conducted to opine on the District's basic financial statements taken as a whole. The Schedule of Federal Awards Receipts and Expenditures 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 also 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 11, 2015, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



***Charles E. Harris & Associates, Inc.***  
December 11, 2015



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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(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, 2015. 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 2015 are as follows:

- In total, net position of governmental activities increased \$5,030,904 which represents a 20.54% increase from 2014 net position, as restated.
- General revenues accounted for \$42,160,571 in revenue or 74.55% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$14,395,275 or 25.45% of total revenues of \$56,555,846.
- The District had \$51,524,942 in expenses related to governmental activities; only \$14,395,275 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 \$42,160,571 were adequate to provide for these programs.
- The District's major governmental funds are the general fund, bond retirement fund and classroom facilities fund. The general fund had \$45,472,149 in revenues and other financing sources and \$40,672,391 in expenditures and other financing uses. During fiscal year 2015, the general fund's fund balance increased from \$7,393,428 to \$12,193,186.
- The District's bond retirement fund had \$29,748,919 in revenues and other financing sources and \$27,798,796 in expenditures and other financing uses. The bond retirement fund's fund balance increased from \$1,002,870 to \$2,952,993.
- The District's classroom facilities fund had \$102,403 in revenues and \$851,385 in expenditures. The classroom facilities fund's fund balance decreased from \$5,198,355 to \$4,449,373.

**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, bond retirement fund and classroom facilities fund are by far the most significant funds, and the only governmental funds reported as major funds.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(UNAUDITED)

**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 2015?" 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.

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 17-18 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 12. 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, bond retirement 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 19-23 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 24 and 25. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(UNAUDITED)**

***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 27-61 of this report.

***Required Supplementary Information***

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's net pension liability. The required supplementary information can be found on pages 64 through 70 of this report.

**The District as a Whole**

The statement of net position provides the perspective of the District as a whole. The following table provides a summary of the District's net position for fiscal years 2015 and 2014. The net position at June 30, 2014 has been restated as described in Note 3.A.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(UNAUDITED)

	<b>Net Position</b>	
	Governmental Activities 2015	Restated Governmental Activities 2014
<b><u>Assets</u></b>		
Current and other assets	\$ 41,126,214	\$ 36,027,589
Capital assets, net	<u>110,615,392</u>	<u>113,474,251</u>
Total assets	<u>151,741,606</u>	<u>149,501,840</u>
<b><u>Deferred outflows of resources</u></b>		
Unamortized deferred charges on debt refunding	2,721,060	515,208
Pensions	<u>3,698,147</u>	<u>2,854,788</u>
Total deferred outflows of resources	<u>6,419,207</u>	<u>3,369,996</u>
<b><u>Liabilities</u></b>		
Current liabilities	4,957,285	4,833,313
Long-term liabilities:		
Due within one year	2,987,319	1,446,073
Due in more than one year:		
Net pension liability	48,736,816	57,929,670
Other amounts	<u>50,832,349</u>	<u>50,779,068</u>
Long-term liabilities	<u>102,556,484</u>	<u>110,154,811</u>
Total liabilities	<u>107,513,769</u>	<u>114,988,124</u>
<b><u>Deferred inflows of resources</u></b>		
Property taxes levied for the next fiscal year	12,277,979	13,386,234
Pensions	<u>8,840,683</u>	<u>-</u>
Total deferred inflows of resources	<u>21,118,662</u>	<u>13,386,234</u>
<b><u>Net position</u></b>		
Net investment in capital assets	64,846,970	67,562,748
Restricted	6,918,817	5,005,351
Unrestricted (deficit)	<u>(42,237,405)</u>	<u>(48,070,621)</u>
Total net position	<u>\$ 29,528,382</u>	<u>\$ 24,497,478</u>

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(UNAUDITED)

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

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

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

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

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

As a result of implementing GASB 68, the District is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2014, from \$79,572,360 to \$24,497,478.

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2015, the District's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$29,528,382.

At year-end, capital assets represented 72.90% 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, 2015 was \$64,846,970. Capital assets are used to provide services to the students and are not available for future spending. Net capital assets decreased as a result of depreciation expense exceeding capital acquisitions in fiscal year 2015.

A portion of the District's net position, \$6,918,817, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position is \$(42,237,405).

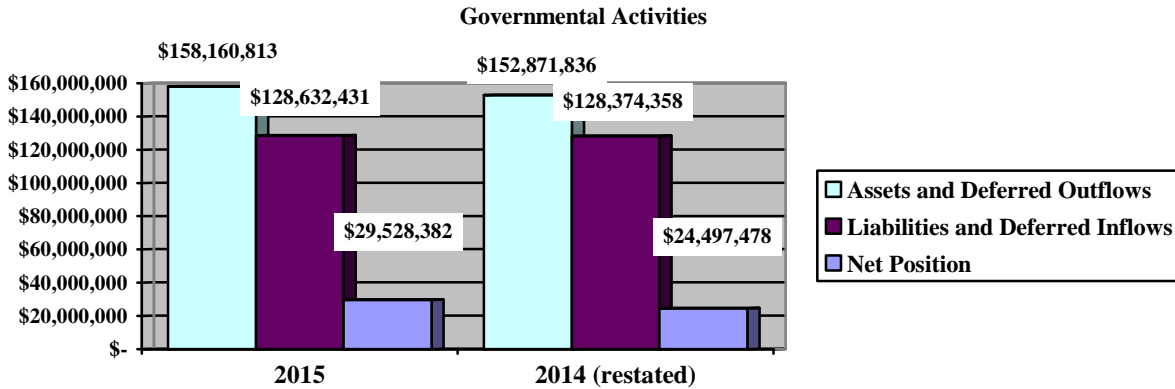
**BARBERTON CITY SCHOOL DISTRICT  
SUMMIT COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(UNAUDITED)

The overall increase in assets is mostly related to the District's 5-year emergency operating levy which became effective for calendar year 2014; the District realized a full year of collections in fiscal year 2015 compared to half a year in 2014.

Liabilities decreased for the District, mostly due to a significant decrease in net pension liability. This decrease, however, was offset by a similarly large increase in deferred inflows of resources related to pensions.

The graph below shows the District's assets and deferred outflows, liabilities and deferred inflows and net position at June 30, 2015 and 2014. Net position for 2014 has been restated as described in Note 3.A.



The table below shows the change in net position for fiscal years 2015 and 2014. Net position for 2014 has been restated as described in Note 3.A.

	Change in Net Position	
	Governmental Activities 2015	Restated Governmental Activities 2014
<b>Revenues</b>		
Program revenues:		
Charges for services and sales	\$ 3,365,007	\$ 3,453,684
Operating grants and contributions	11,030,268	9,195,465
General revenues:		
Property taxes	16,281,953	14,994,639
Grants and entitlements-not restricted	25,299,487	21,898,452
Investment earnings	123,779	35,715
Miscellaneous	455,352	256,295
Total revenues	<u>56,555,846</u>	<u>49,834,250</u>

- Continued

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(UNAUDITED)

	<b>Change in Net Position (Continueud)</b>	
	Governmental	Restated
	Activities	Governmental
	<u>2015</u>	<u>2014</u>
<b><u>Expenses</u></b>		
Program expenses:		
Instruction:		
Regular	\$ 17,369,947	\$ 17,229,037
Special	6,331,539	5,901,182
Vocational	1,159,275	1,068,776
Other	5,728,093	4,943,059
Support services:		
Pupil	2,311,637	2,090,095
Instructional staff	959,591	1,266,394
Board of education	38,670	28,721
Administration	3,154,738	2,976,120
Fiscal	707,036	670,394
Business	299,179	333,097
Operations and maintenance	4,878,579	4,414,228
Pupil transportation	1,384,182	1,163,492
Central	488,686	502,965
Operation of non-instructional services		
Food service operations	2,203,658	2,270,009
Other non-instructional services	422,507	294,484
Extracurricular activities	2,002,724	1,947,261
Interest and fiscal charges	<u>2,084,901</u>	<u>2,020,751</u>
Total expenses	<u>51,524,942</u>	<u>49,120,065</u>
Change in net position	5,030,904	714,185
Net position at beginning of year (restated)	<u>24,497,478</u>	<u>N/A</u>
Net position at end of year	<u>\$ 29,528,382</u>	<u>\$ 24,497,478</u>

**Governmental Activities**

The information necessary to restate the 2014 beginning balances and the 2014 pension expense amounts for the effects of the initial implementation of GASB 68 is not available. Therefore, 2014 functional expenses still include pension expense of \$2,854,788 computed under GASB 27. GASB 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of pension expense. Under GASB 68, the 2015 statements report pension expense of \$2,042,063.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
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Consequently, in order to compare 2015 total program expenses to 2014, the following adjustments are needed:

Total 2015 program expenses under GASB 68	\$ 51,524,942
Pension expense under GASB 68	(2,042,063)
2015 contractually required contributions	<u>3,237,593</u>
Adjusted 2015 program expenses	52,720,472
Total 2014 program expenses under GASB 27	<u>49,120,065</u>
Increase in program expenses not related to pension	<u>\$ 3,600,407</u>

Net position of the District's governmental activities increased \$5,030,904. Total governmental expenses of \$51,524,942 were offset by program revenues of \$14,395,275 and general revenues of \$42,160,571. Program revenues supported 27.94% of the total governmental expenses.

Overall, revenues increased 13.49%. The largest sources of revenue are property taxes and unrestricted grants and entitlements, which together account for 73.52% of total governmental revenues. The District saw sizeable increases in both these revenue sources in fiscal year 2015. Property taxes revenue increased 7.08% due to the District recognizing a full year of revenue from the new operating levy. The increase in unrestricted grants and contributions is primarily due to an increase in State Foundation funding.

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 increase in operating grants and contributions is mostly due to a increase 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.

The largest expense of the District is for instructional programs. Instruction expenses totaled \$30,588,854 or 59.37% of total governmental expenses for fiscal year 2015. Total expenses increased 4.90%, which is primarily the result of higher wages and benefits costs due to the employment of additional staff.

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.



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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
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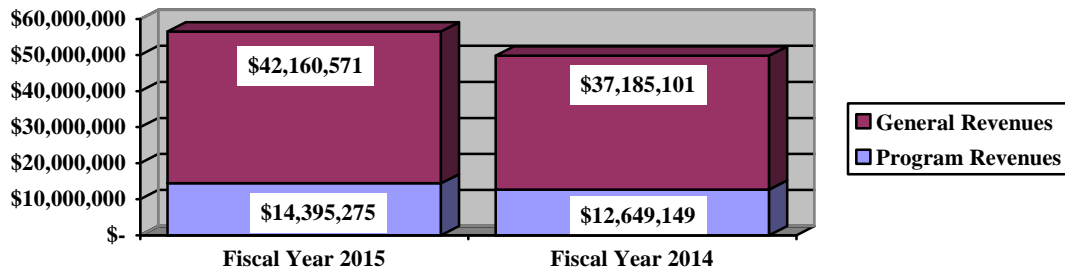
**Governmental Activities**

	Total Cost of Services <u>2015</u>	Net Cost of Services <u>2015</u>	Total Cost of Services <u>2014</u>	Net Cost of Services <u>2014</u>
<b>Program expenses</b>				
Instruction:				
Regular	\$ 17,369,947	\$ 15,124,470	\$ 17,229,037	\$ 14,385,497
Special	6,331,539	1,427,575	5,901,182	1,738,675
Vocational	1,159,275	786,127	1,068,776	690,787
Other	5,728,093	5,333,122	4,943,059	4,623,939
Support services:				
Pupil	2,311,637	2,195,685	2,090,095	1,899,944
Instructional staff	959,591	385,994	1,266,394	509,403
Board of education	38,670	38,670	28,721	28,721
Administration	3,154,738	3,154,738	2,976,120	2,976,120
Fiscal	707,036	706,370	670,394	669,776
Business	299,179	299,054	333,097	333,097
Operations and maintenance	4,878,579	4,699,881	4,414,228	4,241,950
Pupil transportation	1,384,182	1,198,437	1,163,492	930,985
Central	488,686	465,814	502,965	476,998
Operations of non-instructional services				
Food service operations	2,203,658	168,384	2,270,009	232,359
Other non-instructional services	422,507	24,989	294,484	(18,356)
Extracurricular activities	2,002,724	1,504,196	1,947,261	1,474,324
Interest and fiscal charges	<u>2,084,901</u>	<u>(383,839)</u>	<u>2,020,751</u>	<u>1,276,697</u>
Total	<u>\$ 51,524,942</u>	<u>\$ 37,129,667</u>	<u>\$ 49,120,065</u>	<u>\$ 36,470,916</u>

The dependence upon taxes and other general revenues for governmental activities is apparent; 74.12% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 72.06%.

The graph below presents the District's governmental activities general and program revenues for fiscal years 2015 and 2014.

**Governmental Activities - General and Program Revenues**



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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(UNAUDITED)

**The District's Funds**

The District's governmental funds (as presented on the balance sheet on page 17) reported a combined fund balance of \$22,253,059, which is \$6,192,618 higher than last year's total of \$16,060,441. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2015 and 2014.

	Fund Balance <u>June 30, 2015</u>	Fund Balance <u>June 30, 2014</u>	Increase <u>(Decrease)</u>
General	\$ 12,193,186	\$ 7,393,428	\$ 4,799,758
Bond Retirement	2,952,993	1,002,870	1,950,123
Classroom Facilities	4,449,373	5,198,355	(748,982)
Nonmajor Governmental	<u>2,657,507</u>	<u>2,465,788</u>	<u>191,719</u>
Total	<u>\$ 22,253,059</u>	<u>\$ 16,060,441</u>	<u>\$ 6,192,618</u>

**General Fund**

The District's general fund's fund balance increased \$4,799,758. The table that follows assists in illustrating the financial activities and change in fund balance of the general fund.

	<u>2015</u> <u>Amount</u>	<u>2014</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<b><u>Revenues</u></b>			
Taxes	\$ 13,829,146	\$ 12,938,346	6.88 %
Tuition	1,960,668	2,105,170	(6.86) %
Earnings on investments	77,409	27,904	177.41 %
Intergovernmental	28,176,489	25,493,090	10.53 %
Other revenues	<u>1,010,976</u>	<u>767,846</u>	31.66 %
Total	<u>\$ 45,054,688</u>	<u>\$ 41,332,356</u>	9.01 %
<b><u>Expenditures</u></b>			
Instruction	\$ 26,564,518	\$ 24,346,163	9.11 %
Support services	12,718,805	11,289,835	12.66 %
Other non-instructional services	156,422	125,564	24.58 %
Extracurricular activities	1,056,319	961,797	9.83 %
Facilities acquisition and construction	2,634	12,216	(78.44) %
Debt service	<u>105,143</u>	<u>-</u>	100.00 %
Total	<u>\$ 40,603,841</u>	<u>\$ 36,735,575</u>	10.53 %

Overall, both revenues and expenditures for the general fund expenditures increased considerably. The most significant change in general fund revenues was the increase in intergovernmental revenues; this is mostly due to additional allocated revenue from the State Foundation program. The increase in property taxes is the result of collecting a full year's worth of revenue on the new operating levy passed in 2013. Other revenues also increased due to a refund from the Ohio Bureau of Workers' Compensation and various other refunds and reimbursements received. The only significant decrease in revenues came from tuition revenue, which fell due to a decline in open enrollment revenues.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(UNAUDITED)

The increase in general fund expenditures is primarily due to an increase in staff. In addition, the District had higher costs in 2015 for payments to other school districts for students attending classes in those districts. The District entered into a capital lease in 2015 for four new school buses. Payments on the lease are recorded as debt service expenditures in the general fund.

***Bond Retirement Fund***

The District's bond retirement fund is used to account for a property taxes levy used to make principal and interest payments on the District's debt obligations. The bond retirement fund had \$4,937,458 in revenues and \$3,193,306 in expenditures. The fund also had other financing sources and uses of \$24,811,461 and \$24,605,490, respectively, which are related to the District's bond refunding undertaken during the year. The bond retirement fund's fund balance increased from \$1,002,870 to \$2,952,993.

***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 \$102,403 in revenues and \$851,385 in expenditures. The classroom facilities fund's fund balance decreased from \$5,198,355 to \$4,449,373.

***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.

For the general fund, original and final budgeted revenues and other financing sources were \$42,788,496. Actual revenues and other financing sources for fiscal year 2015 were \$43,807,565. This represents a \$1,019,069 increase (2.38%) from final budgeted revenues. Intergovernmental revenues from the state were \$1,011,121 higher than the final budget due to an increased allocation of State Foundation funding that the District did not reflect in its budgeted revenues.

General fund original appropriations (appropriated expenditures plus other financing uses) of \$39,125,402 were increased slightly to \$39,825,402 in the final appropriations. The actual budget basis expenditures for fiscal year 2015 were \$39,876,106 or \$50,704 more than the final budget.

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal year 2015, the District had \$110,615,392 invested in land, land improvements, buildings and improvements, furniture and equipment, and vehicles. This entire amount is reported in governmental activities.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(UNAUDITED)

The following table shows fiscal year 2015 balances compared to 2014:

<b>Capital Assets at June 30 (Net of Depreciation)</b>		
<u>Governmental Activities</u>		
	<u>2015</u>	<u>2014</u>
Land	\$ 16,271,156	\$ 16,271,156
Land improvements	4,578,131	4,901,479
Building and improvements	88,455,013	91,278,713
Furniture and equipment	469,583	518,794
Vehicles	<u>841,509</u>	<u>504,109</u>
<b>Total</b>	<b><u>\$ 110,615,392</u></b>	<b><u>\$ 113,474,251</u></b>

Total additions to capital assets for 2015 were \$585,584 and disposals, net of accumulated depreciation, were \$9,852. The District recorded depreciation expense of \$3,434,591 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, 2015, the District had \$47,138,869 in general obligation bonds and capital leases outstanding. Of this total, \$2,651,333 is due within one year and \$44,487,536 is due in greater than one year. The following table summarizes the debt outstanding at June 30, 2015 and 2014.

	Governmental	Governmental
	Activities	Activities
	<u>2015</u>	<u>2014</u>
General obligation bonds	\$ 46,838,812	\$ 48,257,569
Capital leases	<u>300,057</u>	<u>-</u>
<b>Total</b>	<b><u>\$ 47,138,869</u></b>	<b><u>\$ 48,257,569</u></b>

Additions to debt obligations in 2015 were \$21,796,443 and reductions totaled \$22,915,143. The District issued \$21,215,000 in refunding bonds in order to refinance certain of its general obligation bonds at a lower interest rate. 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, 2015  
(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 have had a negative effect on collections. Assessed property tax values in the District have decreased \$62,435,870 or approximately 15.6% since 2011.

The State budget for fiscal years 2016 and 2017 proposes a new formula to fund school districts. Under the new funding formula, the District will see an increase of approximately \$1.8 million in fiscal year 2016.

**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 Shawna Jones, Treasurer/CFO, Barberton City School District, 479 Norton Avenue, Barberton, Ohio, 44203. Or if you prefer, you may email inquiries to: [sjones@barbertonschools.org](mailto:sjones@barbertonschools.org).

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

STATEMENT OF NET POSITION  
JUNE 30, 2015

	<b>Governmental Activities</b>
<b>Assets:</b>	
Equity in pooled cash and investments . . . . .	\$ 23,573,975
Receivables:	
Property taxes . . . . .	16,716,683
Accounts . . . . .	324,426
Intergovernmental . . . . .	422,735
Accrued interest . . . . .	41,395
Materials and supplies inventory . . . . .	14,747
Inventory held for resale . . . . .	32,253
Capital assets:	
Nondepreciable capital assets . . . . .	16,271,156
Depreciable capital assets, net . . . . .	94,344,236
Capital assets, net. . . . .	110,615,392
Total assets . . . . .	151,741,606
<b>Deferred outflows of resources:</b>	
Unamortized deferred charges on debt refunding . . . . .	2,721,060
Pension - STRS . . . . .	3,015,165
Pension - SERS . . . . .	682,982
Total deferred outflows of resources . . . . .	6,419,207
<b>Liabilities:</b>	
Accounts payable . . . . .	258,935
Contracts payable . . . . .	111,240
Retainage payable . . . . .	35,264
Accrued wages and benefits payable . . . . .	3,332,930
Matured compensated absences payable. . . . .	65,951
Intergovernmental payable. . . . .	330,534
Pension and postemployment benefits payable. . . . .	566,083
Accrued interest payable . . . . .	220,058
Unearned revenue . . . . .	36,290
Long-term liabilities:	
Due within one year. . . . .	2,987,319
Due in more than one year:	
Net pension liability (See Note 13). . . . .	48,736,816
Other amounts due in more than one year. . . . .	50,832,349
Total liabilities . . . . .	107,513,769
<b>Deferred inflows of resources:</b>	
Property taxes levied for the next fiscal year . . . . .	12,277,979
Pension - STRS . . . . .	7,583,695
Pension - SERS . . . . .	1,256,988
Total deferred inflows of resources . . . . .	21,118,662
<b>Net position:</b>	
Net investment in capital assets . . . . .	64,846,970
Restricted for:	
Capital projects. . . . .	2,873,633
Classroom facilities maintenance. . . . .	1,459,342
Debt service. . . . .	2,348,120
Locally funded programs . . . . .	52,078
State funded programs . . . . .	2,818
Federally funded programs . . . . .	73,917
Student activities . . . . .	53,553
Food service operations . . . . .	55,356
Unrestricted (deficit) . . . . .	(42,237,405)
Total net position . . . . .	\$ 29,528,382

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, 2015

	Expenses	Program Revenues		Net (Expense)
		Charges for Services and Sales	Operating Grants and Contributions	Revenue and Changes in Net Position
				Governmental Activities
<b>Governmental activities:</b>				
Instruction:				
Regular . . . . .	\$ 17,369,947	\$ 1,685,103	\$ 560,374	\$ (15,124,470)
Special . . . . .	6,331,539	397,173	4,506,791	(1,427,575)
Vocational . . . . .	1,159,275	31,104	342,044	(786,127)
Other . . . . .	5,728,093	-	394,971	(5,333,122)
Support services:				
Pupil . . . . .	2,311,637	62	115,890	(2,195,685)
Instructional staff . . . . .	959,591	2,443	571,154	(385,994)
Board of education . . . . .	38,670	-	-	(38,670)
Administration . . . . .	3,154,738	-	-	(3,154,738)
Fiscal . . . . .	707,036	666	-	(706,370)
Business . . . . .	299,179	-	125	(299,054)
Operations and maintenance . . . . .	4,878,579	178,698	-	(4,699,881)
Pupil transportation . . . . .	1,384,182	60,567	125,178	(1,198,437)
Central . . . . .	488,686	1,609	21,263	(465,814)
Operation of non-instructional services:				
Food service operations . . . . .	2,203,658	448,357	1,586,917	(168,384)
Other non-instructional services . . . . .	422,507	142,183	255,335	(24,989)
Extracurricular activities . . . . .	2,002,724	417,042	81,486	(1,504,196)
Interest and fiscal charges . . . . .	2,084,901	-	2,468,740	383,839
<b>Total governmental activities . . . . .</b>	<b>\$ 51,524,942</b>	<b>\$ 3,365,007</b>	<b>\$ 11,030,268</b>	<b>(37,129,667)</b>
<b>General revenues:</b>				
Property taxes levied for:				
General purposes . . . . .				13,848,805
Debt service . . . . .				2,153,872
Facilities maintenance . . . . .				226,240
Capital outlay . . . . .				53,036
Grants and entitlements not restricted to specific programs . . . . .				25,299,487
Investment earnings . . . . .				123,779
Miscellaneous . . . . .				455,352
<b>Total general revenues . . . . .</b>				<b>42,160,571</b>
Change in net position . . . . .				5,030,904
<b>Net position at beginning of year (restated) . . . . .</b>				<b>24,497,478</b>
<b>Net position at end of year . . . . .</b>				<b>\$ 29,528,382</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



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

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2015

	<u>General</u>	<u>Bond Retirement</u>	<u>Classroom Facilities</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>					
Equity in pooled cash and investments . . . . .	\$ 13,694,225	\$ 2,531,016	\$ 4,469,346	\$ 2,879,388	\$ 23,573,975
Receivables:					
Property taxes . . . . .	14,199,635	2,236,785	-	280,263	16,716,683
Accounts . . . . .	323,760	-	-	666	324,426
Intergovernmental . . . . .	94,341	-	-	328,394	422,735
Accrued interest . . . . .	14,465	-	26,930	-	41,395
Due from other funds . . . . .	40,096	-	-	-	40,096
Materials and supplies inventory . . . . .	-	-	-	14,747	14,747
Inventory held for resale . . . . .	-	-	-	32,253	32,253
Total assets . . . . .	<u>\$ 28,366,522</u>	<u>\$ 4,767,801</u>	<u>\$ 4,496,276</u>	<u>\$ 3,535,711</u>	<u>\$ 41,166,310</u>
<b>Liabilities:</b>					
Accounts payable . . . . .	\$ 154,827	\$ -	\$ -	\$ 104,108	\$ 258,935
Contracts payable . . . . .	-	-	-	111,240	111,240
Retainage payable . . . . .	-	-	35,264	-	35,264
Accrued wages and benefits payable . . . . .	3,092,149	-	-	240,781	3,332,930
Matured compensated absences payable . . . . .	65,951	-	-	-	65,951
Intergovernmental payable . . . . .	327,884	-	-	2,650	330,534
Pension and postemployment benefits payable . . . . .	509,094	-	-	56,989	566,083
Due to other funds . . . . .	-	-	-	40,096	40,096
Unearned revenue . . . . .	-	-	-	36,290	36,290
Total liabilities . . . . .	<u>4,149,905</u>	<u>-</u>	<u>35,264</u>	<u>592,154</u>	<u>4,777,323</u>
<b>Deferred inflows of resources:</b>					
Property taxes levied for the next fiscal year . . . . .	10,448,932	1,626,203	-	202,844	12,277,979
Delinquent property tax revenue not available . . . . .	1,168,892	188,605	-	23,880	1,381,377
Intergovernmental revenue not available . . . . .	91,142	-	-	59,326	150,468
Accrued interest not available . . . . .	14,465	-	11,639	-	26,104
Tuition revenue not available . . . . .	300,000	-	-	-	300,000
Total deferred inflows of resources . . . . .	<u>12,023,431</u>	<u>1,814,808</u>	<u>11,639</u>	<u>286,050</u>	<u>14,135,928</u>
<b>Fund balances:</b>					
Nonspendable:					
Materials and supplies inventory . . . . .	-	-	-	14,747	14,747
Restricted:					
Debt service . . . . .	-	2,952,993	-	-	2,952,993
Capital improvements . . . . .	-	-	4,449,373	893,652	5,343,025
Classroom facilities maintenance . . . . .	-	-	-	1,461,612	1,461,612
Food service operations . . . . .	-	-	-	105,888	105,888
Non-public schools . . . . .	-	-	-	5,893	5,893
Public school preschool . . . . .	-	-	-	27	27
Special education . . . . .	-	-	-	900	900
Targeted academic assistance . . . . .	-	-	-	124,173	124,173
Extracurricular activities . . . . .	-	-	-	53,553	53,553
Other purposes . . . . .	-	-	-	52,439	52,439
Assigned:					
Student instruction . . . . .	47,078	-	-	-	47,078
Student and staff support . . . . .	293,508	-	-	-	293,508
School supplies . . . . .	1,381	-	-	-	1,381
Other purposes . . . . .	61,120	-	-	-	61,120
Unassigned (deficit) . . . . .	11,790,099	-	-	(55,377)	11,734,722
Total fund balances . . . . .	<u>12,193,186</u>	<u>2,952,993</u>	<u>4,449,373</u>	<u>2,657,507</u>	<u>22,253,059</u>
Total liabilities, deferred inflows of resources and fund balances . . . . .	<u>\$ 28,366,522</u>	<u>\$ 4,767,801</u>	<u>\$ 4,496,276</u>	<u>\$ 3,535,711</u>	<u>\$ 41,166,310</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, 2015

<b>Total governmental fund balances</b>		\$ 22,253,059
<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.		110,615,392
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.		
Property taxes receivable	\$ 1,381,377	
Accounts receivable	300,000	
Intergovernmental receivable	150,468	
Accrued interest receivable	26,104	
Total	1,857,949	1,857,949
Unamortized premiums on bonds issued are not recognized in the funds.		(4,734,400)
Unamortized deferred charges on debt refundings are not recognized in the funds.		2,721,060
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.		(220,058)
The net pension liability is not due and payable in the current period, therefore, the liability and related deferred inflows and outflows of resources are not reported in governmental funds.		
Deferred outflows of resources - pension	3,698,147	
Deferred inflows of resources - pension	(8,840,683)	
Net pension liability	(48,736,816)	
Total	(53,879,352)	(53,879,352)
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	(46,838,812)	
Capital lease obligations	(300,057)	
Compensated absences	(1,946,399)	
Total	(49,085,268)	(49,085,268)
<b>Net position of governmental activities</b>		<b>\$ 29,528,382</b>

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, 2015

	<u>General</u>	<u>Bond Retirement</u>	<u>Classroom Facilities</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>					
From local sources:					
Property taxes . . . . .	\$ 13,829,146	\$ 2,135,384	\$ -	\$ 279,426	\$ 16,243,956
Tuition . . . . .	1,960,668	-	-	-	1,960,668
Charges for services . . . . .	-	-	-	371,121	371,121
Earnings on investments . . . . .	77,409	-	22,687	-	100,096
Extracurricular . . . . .	77,002	-	-	218,942	295,944
Classroom materials and fees . . . . .	88,606	-	-	-	88,606
Contributions and donations . . . . .	8,539	2,468,740	-	16,951	2,494,230
Other local revenues . . . . .	836,829	9,046	-	180,736	1,026,611
Intergovernmental - intermediate . . . . .	-	-	-	142,341	142,341
Intergovernmental - state . . . . .	28,147,307	324,288	79,716	559,578	29,110,889
Intergovernmental - federal . . . . .	29,182	-	-	4,695,523	4,724,705
Total revenues . . . . .	<u>45,054,688</u>	<u>4,937,458</u>	<u>102,403</u>	<u>6,464,618</u>	<u>56,559,167</u>
<b>Expenditures:</b>					
Current:					
Instruction:					
Regular . . . . .	14,987,301	-	-	588,473	15,575,774
Special . . . . .	5,043,216	-	-	1,418,236	6,461,452
Vocational . . . . .	1,187,728	-	-	1,000	1,188,728
Other . . . . .	5,346,273	-	-	389,969	5,736,242
Support services:					
Pupil . . . . .	2,258,204	-	-	116,354	2,374,558
Instructional staff . . . . .	423,481	-	-	559,731	983,212
Board of education . . . . .	39,105	-	-	-	39,105
Administration . . . . .	3,147,078	-	-	-	3,147,078
Fiscal . . . . .	656,210	52,787	-	6,907	715,904
Business . . . . .	301,328	-	-	126	301,454
Operations and maintenance . . . . .	3,727,303	-	-	236,507	3,963,810
Pupil transportation . . . . .	1,698,664	-	-	30,384	1,729,048
Central . . . . .	467,432	-	-	19,359	486,791
Operation of non-instructional services:					
Other non-instructional service . . . . .	156,422	-	-	274,889	431,311
Food service operations . . . . .	-	-	-	2,050,185	2,050,185
Extracurricular activities . . . . .	1,056,319	-	-	476,133	1,532,452
Facilities acquisition and construction . . . . .	2,634	-	851,385	173,196	1,027,215
Debt service:					
Principal retirement . . . . .	105,143	1,090,000	-	-	1,195,143
Interest and fiscal charges . . . . .	-	1,845,945	-	-	1,845,945
Refunding bond issuance costs . . . . .	-	204,574	-	-	204,574
Total expenditures . . . . .	<u>40,603,841</u>	<u>3,193,306</u>	<u>851,385</u>	<u>6,341,449</u>	<u>50,989,981</u>
Excess (deficiency) of revenues over (under) expenditures . . . . .	<u>4,450,847</u>	<u>1,744,152</u>	<u>(748,982)</u>	<u>123,169</u>	<u>5,569,186</u>
<b>Other financing sources (uses):</b>					
Premium on refunding bonds issued . . . . .	-	3,596,461	-	-	3,596,461
Refunding bonds issued . . . . .	-	21,215,000	-	-	21,215,000
Proceeds from sale of assets . . . . .	12,261	-	-	-	12,261
Transfers in . . . . .	-	-	-	68,550	68,550
Transfers (out) . . . . .	(68,550)	-	-	-	(68,550)
Capital lease transaction . . . . .	405,200	-	-	-	405,200
Payment to refunding bond escrow agent . . . . .	-	(24,605,490)	-	-	(24,605,490)
Total other financing sources (uses) . . . . .	<u>348,911</u>	<u>205,971</u>	<u>-</u>	<u>68,550</u>	<u>623,432</u>
Net change in fund balances . . . . .	4,799,758	1,950,123	(748,982)	191,719	6,192,618
<b>Fund balances at beginning of year . . . . .</b>	<b>7,393,428</b>	<b>1,002,870</b>	<b>5,198,355</b>	<b>2,465,788</b>	<b>16,060,441</b>
<b>Fund balances at end of year . . . . .</b>	<b><u>\$ 12,193,186</u></b>	<b><u>\$ 2,952,993</u></b>	<b><u>\$ 4,449,373</u></b>	<b><u>\$ 2,657,507</u></b>	<b><u>\$ 22,253,059</u></b>

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, 2015

<b>Net change in fund balances - total governmental funds</b>	\$	6,192,618
<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	\$ 585,584	
Current year depreciation	(3,434,591)	
Total		(2,849,007)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net position.		
		(9,852)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes	37,997	
Accounts	75,000	
Intergovernmental	(246,290)	
Earnings on investments	23,683	
Total		(109,610)
Repayment of bond and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position.		
		1,195,143
Issuances of bonds and capital leases are recorded as other financing sources in the funds; however, in the statement of activities, they are not reported as other financing sources as they increase liabilities on the statement of net position.		
Refunding bonds issued	(21,215,000)	
Capital lease transaction	(405,200)	
Total		(21,620,200)
Payment to refunded bond escrow agent for the retirement of bonds is an other financing use in the governmental funds but the payment reduces long-term liabilities on the statement of net position.		
		24,605,490
Premiums on refunding bonds issued are amortized over the life of the issuance in the statement of activities.		
		(3,596,461)
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in additional interest being reported in the statement of activities:		
Increase in accrued interest payable	(100)	
Accreted interest on capital appreciation bonds	(176,243)	
Amortization of bond premiums	272,852	
Amortization of deferred charges on refunding	(130,891)	
Total		(34,382)
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows of resources.		
		3,237,593
Except for amounts reported as deferred inflows/outflows of resources, changes in the net pension liability are reported as pension expense in the statement of activities.		
		(2,042,063)
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.		
		61,635
<b>Change in net position of governmental activities</b>	\$	5,030,904

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, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
From local sources:				
Property taxes . . . . .	\$ 13,033,450	\$ 13,033,450	\$ 13,033,450	\$ -
Tuition. . . . .	1,960,668	1,960,668	1,960,668	-
Earnings on investments . . . . .	52,569	52,569	54,679	2,110
Extracurricular. . . . .	3,225	3,225	3,225	-
Other local revenues . . . . .	224,731	224,731	230,469	5,738
Intergovernmental - state . . . . .	27,165,083	27,165,083	28,176,204	1,011,121
Intergovernmental - federal . . . . .	19,954	19,954	19,954	-
<b>Total revenues . . . . .</b>	<b>42,459,680</b>	<b>42,459,680</b>	<b>43,478,649</b>	<b>1,018,969</b>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	15,389,512	14,792,087	14,842,938	(50,851)
Special. . . . .	4,929,961	4,963,524	4,963,524	-
Vocational. . . . .	1,198,770	1,194,976	1,194,976	-
Other. . . . .	3,713,305	5,346,273	5,346,273	-
Support services:				
Pupil. . . . .	2,251,594	2,222,650	2,222,650	-
Instructional staff . . . . .	482,183	396,981	396,981	-
Board of education . . . . .	30,221	40,126	40,126	-
Administration. . . . .	3,105,557	3,087,599	3,087,599	-
Fiscal . . . . .	1,243,217	652,283	652,136	147
Business. . . . .	327,581	302,650	302,650	-
Operations and maintenance . . . . .	3,717,160	3,829,052	3,829,052	-
Pupil transportation . . . . .	1,206,295	1,437,472	1,437,472	-
Central. . . . .	435,840	453,883	453,883	-
Other non-instructional services. . . . .	-	17,556	17,556	-
Extracurricular activities. . . . .	976,454	986,003	986,003	-
Facilities acquisition and construction . . . . .	12,752	2,634	2,634	-
<b>Total expenditures . . . . .</b>	<b>39,020,402</b>	<b>39,725,749</b>	<b>39,776,453</b>	<b>(50,704)</b>
<b>Excess of revenues over expenditures. . . . .</b>	<b>3,439,278</b>	<b>2,733,931</b>	<b>3,702,196</b>	<b>968,265</b>
<b>Other financing sources (uses):</b>				
Refund of prior year's expenditures . . . . .	309,631	309,631	309,631	-
Refund of prior year's receipts. . . . .	(50,000)	(14,776)	(14,776)	-
Proceeds from sale of assets . . . . .	19,185	19,185	19,285	100
Transfers (out) . . . . .	(55,000)	(68,550)	(68,550)	-
Advances (out). . . . .	-	(16,327)	(16,327)	-
<b>Total other financing sources (uses). . . . .</b>	<b>223,816</b>	<b>229,163</b>	<b>229,263</b>	<b>100</b>
<b>Net change in fund balance . . . . .</b>	<b>3,663,094</b>	<b>2,963,094</b>	<b>3,931,459</b>	<b>968,365</b>
<b>Fund balance at beginning of year. . . . .</b>	<b>7,084,811</b>	<b>7,084,811</b>	<b>7,084,811</b>	<b>-</b>
<b>Prior year encumbrances appropriated. . . . .</b>	<b>549,442</b>	<b>549,442</b>	<b>549,442</b>	<b>-</b>
<b>Fund balance at end of year . . . . .</b>	<b>\$ 11,297,347</b>	<b>\$ 10,597,347</b>	<b>\$ 11,565,712</b>	<b>\$ 968,365</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2015

	<b>Private-Purpose Trust</b>	
	<b>Scholarship</b>	<b>Agency</b>
<b>Assets:</b>		
Equity in pooled cash and investments . . . . .	\$ 43,671	\$ 73,623
Total assets. . . . .	43,671	\$ 73,623
<b>Liabilities:</b>		
Accounts payable . . . . .	-	\$ 53
Due to students. . . . .	-	73,570
Total liabilities . . . . .	-	\$ 73,623
<b>Net position:</b>		
Held in trust for scholarships . . . . .	43,671	
Total net position . . . . .	\$ 43,671	

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, 2015

	<b>Private-Purpose Trust</b>
	<b>Scholarship</b>
<b>Additions:</b>	
Gifts and contributions. . . . .	\$ 8,303
<b>Deductions:</b>	
Scholarships awarded . . . . .	8,888
Change in net position . . . . .	(585)
<b>Net position at beginning of year . . . . .</b>	<b>44,256</b>
<b>Net position at end of year. . . . .</b>	<b>\$ 43,671</b>

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, 2015

**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 171 non-certified employees, 276 certified teaching personnel and 23 administrators who provide services to 4,061 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, 2015

**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 2015.

*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 \$115,533 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, 2015

**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, 2015

**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.

Bond retirement fund - The bond retirement fund is used to account for the accumulation of resources for, and payment of, general long-term and short-term debt principal and interest.

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 and (b) 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, 2015

**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, 2015

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

Deferred Outflows of Resources and Deferred Inflows of Resources - In addition to assets, the government-wide statement of net position will report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the District, deferred outflows of resources have been reported for the following two items related the District's net pension liability: (1) the difference between expected and actual experience of the pension systems, and (2) the District's contributions to the pension systems subsequent to the measurement date. In addition, deferred outflows of resources include a deferred charge on debt refunding. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, both the government-wide statement of net position and the governmental fund financial statements report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources include property taxes and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2015, but which were levied to finance fiscal year 2016 operations. These amounts have been recorded as a deferred inflow of resources on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the District unavailable revenue includes, but is not limited to, delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

The District also reports a deferred inflow of resources for the net difference between projected and actual earnings on pension plan investments related to the District's net pension liability. This deferred inflow of resources is only reported on the government-wide statement of net position.

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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

***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 2015.

***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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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

**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 2015, investments were limited to federal agency securities, U.S. Treasury obligations, U.S. government money market mutual funds, commercial paper and repurchase agreements. 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 2015 amounted to \$77,409 which includes \$29,196 assigned from other District funds.

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

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

**G. Prepayments**

Payments made to vendors for services that will benefit periods beyond June 30, 2015, 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, 2015.

**H. Inventory**

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

**I. Capital Assets and Depreciation**

General capital assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net 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.



**BARBERTON CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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

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

<u>Description</u>	<u>Estimated Lives</u>
Land improvements	15 - 20 years
Buildings and improvements	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.

**K. Compensated Absences**

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

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

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

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

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

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

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

**BARBERTON CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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

**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.

**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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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

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

**O. Estimates**

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

**P. Net 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 2015.

**S. Pensions**

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles/Restatement of Net Position**

For fiscal year 2015, the District has implemented GASB Statement No. 68, "Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27", GASB Statement No. 69 "Government Combinations and Disposals of Government Operations", and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68".

GASB Statement No. 69 establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The Statement improves the decision usefulness of financial reporting by requiring that disclosures be made by governments about combination arrangements in which they engage and for disposals of government operations. The implementation of GASB Statement No. 69 did not have an effect on the financial statements of the District.

GASB Statement No. 68 improves the accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. The implementation of GASB Statement No. 68 affected the District's pension plan disclosures, as presented in Note 12 to the financial statements, and added required supplementary information which is presented on pages 60-66.

GASB Statement No. 71 improves the accounting and financial reporting by addressing an issue in GASB Statement No. 68, concerning transition provisions related to certain pension contributions made to defined benefit pension plans prior to implementation of that Statement by employers and nonemployer contributing entities.

A net position restatement is required in order to implement GASB Statement No 68 and 71. The governmental activities at July 1, 2014 have been restated as follows:

	Governmental Activities
Net position as previously reported	\$ 79,572,360
Deferred outflows - payments subsequent to measurement date	2,854,788
Net pension liability	(57,929,670)
Restated net position at July 1, 2014	\$ 24,497,478

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

**B. Deficit Fund Balance**

Fund balances at June 30, 2015 included a \$55,377 deficit in the Title I fund (a nonmajor governmental fund). The general fund is liable for the deficit in this fund and provides transfers when cash is required, not when accruals occur. The deficit fund balance resulted from adjustments for accrued liabilities.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**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;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in item (1) or (2) above of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

**BARBERTON CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

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

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

**A. Deposits with Financial Institutions**

At June 30, 2015, the carrying amount of all District deposits was \$2,268,621, exclusive of the \$4,275,000 repurchase agreements included in investments below. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2015, \$2,075,169 of the District's bank balance of \$2,360,433 was exposed to custodial risk as discussed below, while \$285,264 was covered by the FDIC.

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

**B. Investments**

As of June 30, 2015, the District had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities</u>				
		<u>6 months or less</u>	<u>7 to 12 months</u>	<u>13 to 18 months</u>	<u>19 to 24 months</u>	<u>Greater than 24 months</u>
FFCB	\$ 748,958	\$ -	\$ -	\$ -	\$ -	\$ 748,958
FHLB	3,153,305	-	-	1,200,288	1,347,037	605,980
FHLMC	3,487,253	694,778	-	-	1,239,330	1,553,145
FNMA	5,971,491	-	310,431	1,722,323	-	3,938,737
U.S. Treasury note	300,141	300,141	-	-	-	-
Commercial paper	3,475,310	3,475,310	-	-	-	-
U.S. Government money market mutual fund	11,190	11,190	-	-	-	-
Repurchase agreements	<u>4,275,000</u>	<u>4,275,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 21,422,648</u>	<u>\$ 8,756,419</u>	<u>\$ 310,431</u>	<u>\$ 2,922,611</u>	<u>\$ 2,586,367</u>	<u>\$ 6,846,820</u>

The weighted average maturity of investments is 1.34 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.

*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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

*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, 2015:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
FFCB	\$ 748,958	3.50
FHLB	3,153,305	14.72
FHLMC	3,487,253	16.28
FNMA	5,971,491	27.87
U.S. Treasury note	300,141	1.40
Commercial paper	3,475,310	16.22
U.S. Government money market mutual fund	11,190	0.05
Repurchase agreements	4,275,000	19.96
	<u>\$ 21,422,648</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, 2015:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 2,268,621
Investments	<u>21,422,648</u>
Total	<u>\$ 23,691,269</u>
<u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 23,573,975
Private-purpose trust fund	43,671
Agency funds	<u>73,623</u>
Total	<u>\$ 23,691,269</u>

**NOTE 5 - INTERFUND TRANSACTIONS**

- A. Interfund transfers for the year ended June 30, 2015, consisted of the following, as reported on the fund financial statements:

<u>Transfers to nonmajor governmental funds from:</u>	
General fund	\$ 68,550

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.



**BARBERTON CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**NOTE 5 - INTERFUND TRANSACTIONS**

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, 2015, as reported on the fund statements consist of \$40,096 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, 2015 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's 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 2015 represent the collection of calendar year 2014 taxes. Real property taxes received in calendar year 2015 were levied after April 1, 2014, on the assessed values as of January 1, 2014, 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 2015 represent the collection of calendar year 2014 taxes. Public utility real and personal property taxes received in calendar year 2015 became a lien on December 31, 2013, were levied after April 1, 2014, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The District receives property taxes from Summit County. The County Fiscal Officer periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2015, are available to finance fiscal year 2015 operations. The amount available as an advance at June 30, 2015 was \$2,581,811 in the general fund, \$421,977 in the bond retirement fund and \$53,539 in the permanent improvement fund (a nonmajor governmental fund). This amount is recorded as revenue. 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 and \$37,826 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, 2015 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows.

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.

**BARBERTON CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**NOTE 6 - PROPERTY TAXES - (Continued)**

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

	2014 Second Half Collections		2015 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 338,877,620	96.75	\$ 325,588,870	96.37
Public utility personal	<u>11,398,410</u>	<u>3.25</u>	<u>12,267,780</u>	<u>3.63</u>
Total	<u>\$ 350,276,030</u>	<u>100.00</u>	<u>\$ 337,856,650</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$ 68.83		\$ 70.21	

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2015 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  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**NOTE 8 - CAPITAL ASSETS**

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

	Balance <u>June 30, 2014</u>	<u>Additions</u>	<u>Disposals</u>	Balance <u>June 30, 2015</u>
<b>Governmental activities:</b>				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 16,271,156	\$ -	\$ -	\$ 16,271,156
Total capital assets, not being depreciated	<u>16,271,156</u>	<u>-</u>	<u>-</u>	<u>16,271,156</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	9,433,545	134,605	-	9,568,150
Buildings and improvements	113,003,695	-	(46,226)	112,957,469
Furniture and equipment	2,585,322	18,777	-	2,604,099
Vehicles	<u>1,660,323</u>	<u>432,202</u>	<u>(60,500)</u>	<u>2,032,025</u>
Total capital assets, being depreciated	<u>126,682,885</u>	<u>585,584</u>	<u>(106,726)</u>	<u>127,161,743</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(4,532,066)	(457,953)	-	(4,990,019)
Buildings and improvements	(21,724,982)	(2,823,700)	46,226	(24,502,456)
Furniture and equipment	(2,066,528)	(67,988)	-	(2,134,516)
Vehicles	<u>(1,156,214)</u>	<u>(84,950)</u>	<u>50,648</u>	<u>(1,190,516)</u>
Total accumulated depreciation	<u>(29,479,790)</u>	<u>(3,434,591)</u>	<u>96,874</u>	<u>(32,817,507)</u>
Governmental activities capital assets, net	<u>\$ 113,474,251</u>	<u>\$ (2,849,007)</u>	<u>\$ (9,852)</u>	<u>\$ 110,615,392</u>

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 2,435,503
Special	83,944
Vocational	7,794
<u>Support Services:</u>	
Instructional staff	8,510
Administration	82,590
Fiscal	291
Operations and maintenance	24,894
Pupil transportation	75,554
Extracurricular activities	539,130
Food service operations	<u>176,381</u>
Total depreciation expense	<u>\$ 3,434,591</u>

**BARBERTON CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**NOTE 9 - LONG-TERM OBLIGATIONS**

A. Long-term obligations at June 30, 2014 have been restated as described in Note 3.A. Activity in the District's long-term obligations during fiscal year 2015 were as follows:

<u>Governmental activities</u>	<u>Interest</u>	Restated Balance June 30, 2014	<u>Additions</u>	<u>Reductions</u>	Balance June 30, 2015	Due within <u>One Year</u>
<u>Bonds</u>						
School improvements, series 2008						
Serial	3.00-5.25%	\$ 31,490,000	\$ -	\$ (22,355,000)	\$ 9,135,000	\$ -
Capital appreciation	3.92%	74,993	-	-	74,993	74,993
Accreted interest		402,576	176,243	-	578,819	578,819
School improvements refunding, series 2013						
Serial	0.55-4.00%	16,290,000	-	(455,000)	15,835,000	1,845,000
School improvements refunding, series 2015						
Serial	2.00-5.25%	-	21,215,000	-	21,215,000	55,000
Total bonds		<u>48,257,569</u>	<u>21,391,243</u>	<u>(22,810,000)</u>	46,838,812	<u>2,553,812</u>
<u>Other obligations</u>						
Compensated absences		2,008,034	339,358	(400,993)	1,946,399	335,986
Net pension liability		57,929,670	-	(9,192,854)	48,736,816	-
Capital lease		-	405,200	(105,143)	300,057	97,521
Total long-term liabilities		<u>\$ 108,195,273</u>	<u>\$ 22,135,801</u>	<u>\$ (32,508,990)</u>	97,822,084	2,987,319
Add: Unamortized premium on bonds					4,734,400	-
Total on statement of net position					<u>\$ 102,556,484</u>	<u>\$ 2,987,319</u>

B. See Note 10 for detail on the capital lease and Note 12 for detail on the net pension liability.

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 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 on the statement of net position. Payments of principal and interest relating to this bond are recorded as expenditures in the bond retirement fund. The District refunded the callable serial bonds for this issue in fiscal year 2015.

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. The District has \$2,504,911 in unspent bond proceeds at June 30, 2015.

**BARBERTON CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)**

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 \$578,819 has been included in the statement of net position.

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:

Fiscal Year Ended	Current Interest Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2016	\$ -	\$ 392,000	\$ 392,000	\$ 74,993	\$ 690,007	\$ 765,000
2017	780,000	376,888	1,156,888	-	-	-
2018	830,000	344,287	1,174,287	-	-	-
2019	975,000	309,075	1,284,075	-	-	-
2020	1,035,000	268,875	1,303,875	-	-	-
2021 - 2025	-	1,240,875	1,240,875	-	-	-
2026 - 2030	-	1,240,875	1,240,875	-	-	-
2031 - 2034	<u>5,515,000</u>	<u>742,388</u>	<u>6,257,388</u>	-	-	-
Total	<u>\$ 9,135,000</u>	<u>\$ 4,915,263</u>	<u>\$ 14,050,263</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 expenditures in the bond retirement fund.

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 is considered defeased (in substance) and accordingly has been removed from the statement of net position. At June 30, 2015, 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.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)**

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
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	1,995,000	292,700	2,287,700
2021 - 2023	<u>6,320,000</u>	<u>379,600</u>	<u>6,699,600</u>
Total	<u>\$ 15,835,000</u>	<u>\$ 2,395,375</u>	<u>\$ 18,230,375</u>

*School Improvement Refunding Bonds (Series 2015):* During fiscal year 2015, the District issued general obligation refunding bonds to advance refund a portion of the series 2008 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 expenditures in the bond retirement fund.

The issuance proceeds of \$24,605,490 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 is considered defeased (in substance) and accordingly has been removed from the statement of net position. At June 30, 2015, \$21,720,000 of this debt was outstanding.

The reacquisition price exceeded the net carrying amount of the old debt by \$2,336,743. 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. The refunding was undertaken to reduce total debt service payments by \$1,761,170 and resulted in an economic gain of \$1,379,233.

This issue is comprised of current interest bonds, par value \$21,215,000, with interest rates ranging from 2.00% to 5.25%. Interest payments are due on June 1 and December 1 of each year. The final maturity date stated in the issue is December 1, 2031.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)**

The following is a summary of the future debt service requirements to maturity for the series 2015 general obligation refunding bonds:

Fiscal Year Ended	Current Interest Bonds		
	Principal	Interest	Total
2016	\$ 55,000	\$ 1,023,725	\$ 1,078,725
2017	-	1,023,175	1,023,175
2018	-	1,023,175	1,023,175
2019	-	1,023,175	1,023,175
2020	-	1,023,175	1,023,175
2021 - 2025	6,505,000	4,399,375	10,904,375
2026 - 2030	9,635,000	2,389,750	12,024,750
2031 - 2032	<u>5,020,000</u>	<u>189,937</u>	<u>5,209,937</u>
Total	<u>\$ 21,215,000</u>	<u>\$ 12,095,487</u>	<u>\$ 33,310,487</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, 2015, the District’s unvoted debt margin was \$337,857.

**NOTE 10 - CAPITAL LEASES - LESSEE DISCLOSURE**

During fiscal year 2015, the District entered into a lease agreement to acquire school buses. The lease agreement meets the criteria of a capital lease as defined by GAAP, which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**NOTE 10 - CAPITAL LEASES - LESSEE DISCLOSURE - (Continued)**

Capital assets consisting of vehicles have been capitalized in the amount of \$405,200. At June 30, 2015, accumulated depreciation was \$12,156, leaving a book value of \$393,044. A liability is recorded in the government-wide financial statements for the present value of the future minimum lease payments. Principal payments on the lease were \$105,143 and were paid from the general fund.

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the future minimum lease payments as of June 30, 2015:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2016	\$ 105,143
2017	105,143
2018	<u>105,143</u>
Total minimum lease payments	315,429
Less: amount representing interest	<u>(15,372)</u>
Total	<u>\$ 300,057</u>

**NOTE 11 - 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 12 - 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.



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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**NOTE 12 - RISK MANAGEMENT - (Continued)**

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 13 - DEFINED BENEFIT PENSION PLANS**

*Net Pension Liability*

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

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

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

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

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

**BARBERTON CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)**

*Plan Description - School Employees Retirement System (SERS)*

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

Age and service requirements for retirement are as follows:

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

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

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

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

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

The District’s contractually required contribution to SERS was \$617,066 for fiscal year 2015. Of this amount \$67,836 is reported as pension and postemployment benefits payable.

**BARBERTON CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)**

*Plan Description - State Teachers Retirement System (STRS)*

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

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

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

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

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

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

**BARBERTON CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)**

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

The District’s contractually required contribution to STRS was \$2,620,527 for fiscal year 2015. Of this amount, \$391,176 is reported as pension and postemployment benefits payable.

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

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability	\$ 7,744,711	\$ 40,992,105	\$ 48,736,816
Proportion of the Net Pension Liability	0.15302900%	0.16852908%	
Pension Expense	\$ 451,956	\$ 1,590,107	\$ 2,042,063

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<b>Deferred Outflows of Resources</b>			
Differences between expected and actual experience	\$ 65,916	\$ 394,638	\$ 460,554
School District contributions subsequent to the measurement date	<u>617,066</u>	<u>2,620,527</u>	<u>3,237,593</u>
Total Deferred Outflows of Resources	<u>\$ 682,982</u>	<u>\$3,015,165</u>	<u>\$ 3,698,147</u>
<b>Deferred Inflows of Resources</b>			
Net difference between projected and actual earnings on pension plan investments	<u>\$1,256,988</u>	<u>\$7,583,695</u>	<u>\$ 8,840,683</u>

\$3,237,593 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)**

Fiscal Year Ending June 30:	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
2016	\$ (297,768)	\$ (1,797,264)	\$ (2,095,032)
2017	(297,768)	(1,797,264)	(2,095,032)
2018	(297,768)	(1,797,264)	(2,095,032)
2019	<u>(297,768)</u>	<u>(1,797,265)</u>	<u>(2,095,033)</u>
Total	<u>\$ (1,191,072)</u>	<u>\$ (7,189,057)</u>	<u>\$ (8,380,129)</u>

***Actuarial Assumptions - SERS***

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

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

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

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

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)**

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

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

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

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

	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
District's proportionate share of the net pension liability	\$ 11,049,400	\$ 7,744,711	\$ 4,965,181

**Actuarial Assumptions - STRS**

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)**

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

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

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

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)**

*Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate*

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$ 58,684,667	\$ 40,992,105	\$ 26,030,151

**NOTE 14 - POSTEMPLOYMENT BENEFITS**

**A. School Employees Retirement System**

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

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2015, 0.82 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2015, this amount was \$20,450. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2015, the District's surcharge obligation was \$82,041.

The District's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$116,702, \$84,610, and \$79,917, respectively. For fiscal year 2015, 90.17 percent has been contributed, with the balance being reported as pension and postemployment benefits payable. The full amount has been contributed for fiscal years 2014 and 2013.



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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**NOTE 14 - POSTEMPLOYMENT BENEFITS - (Continued)**

**B. State Teachers Retirement System**

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2015, STRS did not allocate any employer contributions to post-employment health care. The District's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$0, \$175,871, and \$183,756 respectively. The full amount has been contributed for fiscal years 2015, 2014 and 2013.

**NOTE 15 - BUDGETARY BASIS OF ACCOUNTING**

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts and disbursements.

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**NOTE 15 - BUDGETARY BASIS OF ACCOUNTING - (Continued)**

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	\$ 3,931,459
Net adjustment for revenue accruals	1,109,327
Net adjustment for expenditure accruals	(475,891)
Net adjustment for other sources/uses	103,321
Funds budgeted elsewhere	(410,265)
Adjustment for encumbrances	541,807
GAAP basis	<u>\$ 4,799,758</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 16 - 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, 2015, if applicable, cannot be determined at this time.

**B. Litigation**

The District is involved in no material litigation as either plaintiff or defendant.

**C. Foundation Funding**

District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2014-2015 school year, traditional Districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the District, which can extend past the fiscal year-end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2015 Foundation funding for the District; therefore, the financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or liability of the District.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**NOTE 17 - 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, 2014	\$ -
Current year set-aside requirement	651,192
Current year offsets	(319,655)
Prior year offset from bond proceeds	<u>(331,537)</u>
Total	<u>\$ -</u>
Balance carried forward to fiscal year 2016	<u>\$ -</u>
Set-aside reserve balance June 30, 2015	<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 \$30,535,757 at June 30, 2015.

**NOTE 18 - OTHER COMMITMENTS**

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

<u>Fund</u>	<u>Year-End Encumbrances</u>
General	\$ 223,585
Classroom facilities	67,765
Nonmajor governmental	<u>79,800</u>
Total	<u>\$ 371,150</u>

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**REQUIRED SUPPLEMENTARY INFORMATION**

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF  
THE NET PENSION LIABILITY  
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST TWO FISCAL YEARS

	<b>2014</b>	<b>2013</b>
District's proportion of the net pension liability	0.15302900%	0.15302900%
District's proportionate share of the net pension liability	\$ 7,744,711	\$ 9,100,143
District's covered-employee payroll	\$ 4,446,724	\$ 4,416,792
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	174.17%	206.04%
Plan fiduciary net position as a percentage of the total pension liability	71.70%	65.52%

Note: Information prior to fiscal year 2013 was unavailable.

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF  
THE NET PENSION LIABILITY  
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST TWO FISCAL YEARS

	<b>2014</b>	<b>2013</b>
District's proportion of the net pension liability	0.16852908%	0.16852908%
District's proportionate share of the net pension liability	\$ 40,992,105	\$ 48,829,527
District's covered-employee payroll	\$ 17,219,015	\$ 18,375,592
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	238.06%	265.73%
Plan fiduciary net position as a percentage of the total pension liability	74.70%	69.30%

Note: Information prior to fiscal year 2013 was unavailable.

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF DISTRICT CONTRIBUTIONS  
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST TEN FISCAL YEARS

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Contractually required contribution	\$ 617,066	\$ 616,316	\$ 611,284	\$ 643,695
Contributions in relation to the contractually required contribution	<u>(617,066)</u>	<u>(616,316)</u>	<u>(611,284)</u>	<u>(643,695)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 4,681,836	\$ 4,446,724	\$ 4,416,792	\$ 4,785,836
Contributions as a percentage of covered-employee payroll	13.18%	13.86%	13.84%	13.45%



<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>
\$ 655,398	\$ 729,622	\$ 500,743	\$ 489,960	\$ 502,900	\$ 478,484
<u>(655,398)</u>	<u>(729,622)</u>	<u>(500,743)</u>	<u>(489,960)</u>	<u>(502,900)</u>	<u>(478,484)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 5,213,986	\$ 5,388,641	\$ 5,088,852	\$ 4,989,409	\$ 4,708,801	\$ 4,522,533
12.57%	13.54%	9.84%	9.82%	10.68%	10.58%

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF DISTRICT CONTRIBUTIONS  
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST TEN FISCAL YEARS

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Contractually required contribution	\$ 2,620,527	\$ 2,238,472	\$ 2,388,827	\$ 2,661,759
Contributions in relation to the contractually required contribution	<u>(2,620,527)</u>	<u>(2,238,472)</u>	<u>(2,388,827)</u>	<u>(2,661,759)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 18,718,050	\$ 17,219,015	\$ 18,375,592	\$ 20,475,069
Contributions as a percentage of covered-employee payroll	14.00%	13.00%	13.00%	13.00%

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$ 2,757,443	\$ 2,704,176	\$ 2,593,088	\$ 2,475,060	\$ 2,388,409	\$ 2,403,583
<u>(2,757,443)</u>	<u>(2,704,176)</u>	<u>(2,593,088)</u>	<u>(2,475,060)</u>	<u>(2,388,409)</u>	<u>(2,403,583)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 21,211,100	\$ 20,801,354	\$ 19,946,831	\$ 19,038,923	\$ 18,372,377	\$ 18,489,100
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

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

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

*SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO*

Information about factors that significantly affect trends in the amounts reported in the schedules should be presented as notes to the schedule.

*Changes in benefit terms* : There were no changes in benefit terms from the amounts reported for fiscal year 2014 and 2015.

*Changes in assumptions* : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2014 and 2015. See the notes to the basic financials for the methods and assumptions in this calculation.

*STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO*

*Changes in benefit terms* : There were no changes in benefit terms from the amounts reported for fiscal year 2014 and 2015.

*Changes in assumptions* : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2014 and 2015. See the notes to the basic financials for the methods and assumptions in this calculation.

**BARBERTON CITY SCHOOL DISTRICT**  
**SUMMIT COUNTY**  
**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES**  
**FOR THE YEAR ENDED JUNE 30, 2015**

Federal Grantor/Pass-through Grantor/Program Title	Pass-Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>						
<i>Passed Through the Ohio Department of Education:</i>						
Child Nutrition Cluster:						
School Breakfast Program	N/A	10.553	\$ 312,708		\$ 312,708	
National School Lunch Program	N/A	10.555	1,129,284	\$ 112,471	1,129,284	\$ 112,471
Total Child Nutrition Cluster			<u>1,441,992</u>	<u>112,471</u>	<u>1,441,992</u>	<u>112,471</u>
<b>Total U.S. Department of Agriculture</b>			<b>1,441,992</b>	<b>112,471</b>	<b>1,441,992</b>	<b>112,471</b>
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>						
<i>Passed Through the Ohio Department of Education:</i>						
Special Education Cluster:						
Special Education - Grants to States (IDEA, Part B)	043539-3M20-2014	84.027	172,889		47,628	
Special Education - Grants to States (IDEA, Part B)	043539-3M20-2015	84.027	833,724		863,886	
Special Education - Preschool Grants (IDEA Preschool)	043539-3C50-2015	84.173	56,249		56,249	
Total Special Education Cluster			<u>1,062,862</u>		<u>967,763</u>	
Title I Cluster:						
Title I Grants to Local Educational Agencies	043539-M00-2014	84.010	250,387		146,152	
Title I Grants to Local Educational Agencies	043539-M00-2015	84.010	1,156,510		1,166,004	
Title I-A Grants to Local Educational Agencies - School Improv.	043539-3DM0-2014	84.010	40,102		10,652	
Title I-A Grants to Local Educational Agencies - School Improv.	043539-3DM0-2015	84.010	90,172		98,656	
Title I-A Non Resident Student	N/A	84.010	62,880		41,071	
Total Title I Cluster			<u>1,600,051</u>		<u>1,462,535</u>	
Improving Teacher Quality State Grants	043539-3Y60-2014	84.367	101,696		73,845	
Improving Teacher Quality State Grants	043539-3Y60-2015	84.367	218,381		219,861	
Total Improving Teacher Quality State Grants			<u>320,077</u>		<u>293,706</u>	
ARRA - Race to the Top Fund	043539-3FD0-2014	84.395	24,808		678	
ARRA - Race to the Top Fund	043539-3FD0-2015	84.395	169,543		169,543	
Total Race to the Top			<u>194,351</u>		<u>170,221</u>	
Title III - Limited English Proficiency	043539-3Y70-2015	84.365	5,578		5,578	
<i>Total Passed through the Ohio Department of Education</i>			3,182,919		2,899,803	
<i>Direct Award:</i>						
Impact Aid	N/A	84.041	13,108		13,108	
<b>Total U.S. Department of Education</b>			<b>3,196,027</b>		<b>2,912,911</b>	
<b><u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u></b>						
<i>Passed Through the Summit County Children's Services:</i>						
Latchkey	N/A	93.673	8,166		8,166	
<b>Total U.S. Department of Health and Human Services</b>			<b>8,166</b>		<b>8,166</b>	
<b>Totals</b>			<b><u>\$ 4,646,185</u></b>	<b><u>\$ 112,471</u></b>	<b><u>\$ 4,363,069</u></b>	<b><u>\$ 112,471</u></b>

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

**BARBERTON CITY SCHOOL DISTRICT**  
**Summit County, Ohio**  
**Notes to the Schedule of Federal Awards Receipts and Expenditures**  
**For the Year Ended June 30, 2015**

**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, 2015, the District had food commodities in inventory.

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

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**INDEPENDENT AUDITOR'S 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, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 11, 2015. We noted the District adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68*.

***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 opinion 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 11, 2015.

***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 11, 2015



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

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, 2015. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal programs.

***Management's Responsibility***

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

***Auditor's Responsibility***

Our responsibility is to opine on the District's compliance for 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, 2015.

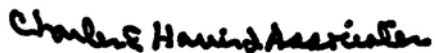
***Report on Internal Control Over Compliance***

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 11, 2015

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

**BARBERTON CITY SCHOOL DISTRICT  
SUMMIT COUNTY  
June 30, 2015**

**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>	Special Education Cluster - CFDA #84.027 & CFDA #84.173 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>	Yes

**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, 2015**

**SCHEDULE OF PRIOR AUDIT FINDINGS**

The prior audit report, for the year ending June 30, 2014, reported no material citations or recommendations.



# 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 17, 2016**