



Dave Yost • Auditor of State

**BARBERTON CITY SCHOOL DISTRICT
SUMMIT COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Barberton City School District, Summit County, Ohio (the District), as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Barberton City School District, Summit County, Ohio, as of June 30, 2010, and the respective changes in financial position and where applicable, cash flows, thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 14, 2011, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements taken as a whole. The federal awards receipts and expenditure schedule provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The federal awards receipts and expenditure schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This federal awards receipts and expenditure schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Dave Yost
Auditor of State

January 14, 2011

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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, 2010. 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 2010 are as follows:

- In total, net assets of governmental activities decreased \$933,053 which represents a 1.11% decrease from 2009.
- General revenues accounted for \$37,131,160 in revenue or 72.70% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$13,945,287 or 27.30% of total revenues of \$51,076,447.
- The District had \$52,009,005 in expenses related to governmental activities; only \$13,945,287 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$37,131,160 were not adequate to provide for these programs.
- The District's major governmental funds are the general fund and the classroom facilities fund. The general fund had \$36,028,610 in revenues and \$37,964,595 in expenditures and other financing uses. During fiscal year 2010, the general fund's fund balance decreased \$1,935,985 from \$7,593,787 to a balance of \$5,657,802.
- The District's classroom facilities fund had \$14,967,469 in revenues and \$8,786,327 in expenditures. During fiscal year 2010, the classroom facilities fund's fund balance increased \$6,181,142 from \$32,294,699 to a balance of \$38,475,841.

Using these Basic Financial Statements

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

The statement of net assets and statement of activities provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the District, the general fund and classroom facilities fund are by far the most significant funds, and the only governmental funds reported as major funds.

Reporting the District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2010?" The statement of net assets and the statement of activities answer this question. These statements include all assets, liabilities, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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

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

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

Reporting the District's Most Significant Funds

Fund Financial Statements

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

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 15-19 of this report.

Proprietary Funds

The District maintains a proprietary fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the District's various functions. The District's internal service fund accounts for insurance benefits. The basic proprietary fund financial statements can be found on pages 20-22 of this report.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for its scholarship programs. This activity is presented as a private-purpose trust fund. The District also acts in a trustee capacity as an agent for individuals. These activities are reported in an agency fund. All of the District's fiduciary activities are reported in separate statements of fiduciary net assets and changes in fiduciary net assets on pages 23 and 24. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 25-56 of this report.

The District as a Whole

The table below provides a summary of the District's net assets for 2010 and 2009.

	Net Assets	
	Governmental Activities <u>2010</u>	Governmental Activities <u>2009</u>
<u>Assets</u>		
Current and other assets	\$ 91,734,860	\$ 105,361,188
Capital assets, net	<u>70,101,875</u>	<u>59,491,134</u>
Total assets	<u>161,836,735</u>	<u>164,852,322</u>
<u>Liabilities</u>		
Current liabilities	18,564,242	18,619,058
Long-term liabilities	<u>59,979,803</u>	<u>62,007,521</u>
Total liabilities	<u>78,544,045</u>	<u>80,626,579</u>
<u>Net Assets</u>		
Invested in capital assets, net of related debt	42,681,505	32,759,052
Restricted	36,716,636	44,055,600
Unrestricted	<u>3,894,549</u>	<u>7,411,091</u>
Total net assets	<u>\$ 83,292,690</u>	<u>\$ 84,225,743</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2010, the District's assets exceeded liabilities by \$83,292,690.

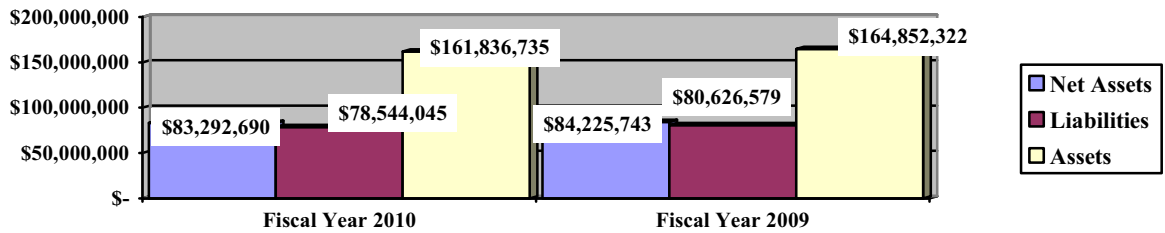
**BARBERTON CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

At year-end, capital assets represented 43.32% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment, vehicles and construction in progress. Capital assets, net of related debt to acquire the assets at June 30, 2010, were \$42,681,505. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net assets, \$36,716,636, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets is \$3,894,549.

Governmental Activities



The table below shows the change in net assets for fiscal years 2010 and 2009.

Change in Net Assets

	Governmental Activities 2010	Governmental Activities 2009
Revenues		
Program revenues:		
Charges for services and sales	\$ 1,915,210	\$ 2,094,252
Operating grants and contributions	12,030,077	14,450,978
Capital grants and contributions	-	8,027,172
General revenues:		
Property taxes	12,141,668	12,430,841
Grants and entitlements-not restricted	24,532,350	20,610,072
Ohio School Facilities Commission grant	-	45,668,462
Investment earnings	174,227	1,254,403
Miscellaneous	282,915	98,740
Total revenues	51,076,447	104,634,920

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Change in Net Assets

	<u>Governmental Activities 2010</u>	<u>Governmental Activities 2009</u>
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	\$ 17,952,342	\$ 16,239,450
Special	6,799,979	7,081,921
Vocational	1,341,807	1,343,329
Other	4,546,120	4,534,904
Support services:		
Pupil	2,179,881	2,057,266
Instructional staff	2,486,644	2,473,902
Board of education	30,701	26,876
Administration	3,256,598	3,325,434
Fiscal	685,717	678,139
Business	279,734	253,561
Operations and maintenance	4,193,819	4,473,283
Pupil transportation	1,105,787	1,122,430
Central	120,227	81,811
Operations of non-instructional services		
Food service operations	2,080,132	2,175,415
Other non-instructional services	291,000	276,216
Extracurricular activities	1,883,943	1,963,991
Interest and fiscal charges	<u>2,775,069</u>	<u>3,078,887</u>
Total expenses	<u>52,009,500</u>	<u>51,186,815</u>
Change in net assets	(933,053)	53,448,105
Net assets at beginning of year	<u>84,225,743</u>	<u>30,777,638</u>
Net assets at end of year	<u>\$ 83,292,690</u>	<u>\$ 84,225,743</u>

Governmental Activities

Net assets of the District's governmental activities decreased \$933,053. Total governmental expenses of \$52,009,500 were offset by program revenues of \$13,945,287 and general revenues of \$37,131,160. Program revenues supported 26.81% of the total governmental expenses.

The largest source of revenue comes from property taxes and unrestricted grants and entitlements, which account for 71.80% of total governmental revenues. Unrestricted grants and entitlements include monies received from the Ohio Department of Education, State foundation, and property tax relief such as homestead rollbacks and exemptions.

Program revenues include charges for services, grants and contributions that are program specific. These include grants from the Barberton Community Foundation, grants for specific purposes, reimbursements for services by third-parties, open enrollment, tuition, food service receipts, and extracurricular receipts. Instruction expenses totaled \$30,640,248 or 58.91% of total governmental expenses for fiscal year 2010.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

Governmental Activities				
	Total Cost of Services <u>2010</u>	Net Cost of Services <u>2010</u>	Total Cost of Services <u>2009</u>	Net Cost of Services <u>2009</u>
Program expenses				
Instruction:				
Regular	\$ 17,952,342	\$ 15,819,792	\$ 16,239,450	\$ 13,920,006
Special	6,799,979	3,089,528	7,081,921	716,605
Vocational	1,341,807	932,777	1,343,329	951,898
Other	4,546,120	4,175,387	4,534,904	3,887,495
Support services:				
Pupil	2,179,881	1,845,261	2,057,266	1,952,264
Instructional staff	2,486,644	1,230,418	2,473,902	1,487,584
Board of education	30,701	30,701	26,876	26,876
Administration	3,256,598	3,174,474	3,325,434	3,176,763
Fiscal	685,717	685,717	678,139	678,139
Business	279,734	279,734	253,561	253,561
Operations and maintenance	4,193,819	4,044,277	4,473,283	(3,633,352)
Pupil transportation	1,105,787	849,026	1,122,430	820,570
Central	120,227	68,012	81,811	51,353
Operations of non-instructional services				
Food service operations	2,080,132	14,619	2,175,415	218,942
Other non-instructional services	291,000	42,944	276,216	(7,851)
Extracurricular activities	1,883,943	1,321,054	1,963,991	1,302,110
Interest and fiscal charges	<u>2,775,069</u>	<u>460,492</u>	<u>3,078,887</u>	<u>811,450</u>
Total	<u>\$ 52,009,500</u>	<u>\$ 38,064,213</u>	<u>\$ 51,186,815</u>	<u>\$ 26,614,413</u>

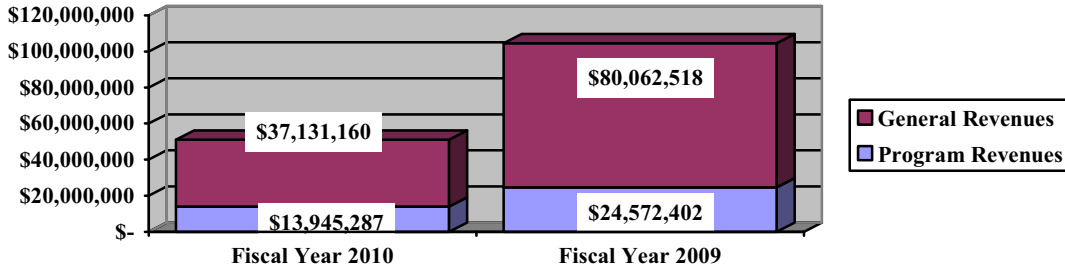
The dependence upon tax and other general revenues for governmental activities is apparent, 63.56% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 73.19%.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

The graph below presents the District's governmental activities revenue for fiscal years 2010 and 2009.

Governmental Activities - General and Program Revenues



The District's Funds

The District's governmental funds (as presented on the balance sheet on pages 15) reported a combined fund balance of \$46,888,432, which is higher than last year's total of \$44,415,268. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2010 and 2009.

	Fund Balance <u>June 30, 2010</u>	Fund Balance <u>June 30, 2009</u>	Increase <u>(Decrease)</u>
General	\$ 5,657,802	\$ 7,593,787	\$ (1,935,985)
Classroom Facilities	38,475,841	32,294,699	6,181,142
Other Governmental	<u>2,754,789</u>	<u>4,526,782</u>	<u>(1,771,993)</u>
Total	<u>\$ 46,888,432</u>	<u>\$ 44,415,268</u>	<u>\$ 2,473,164</u>

General Fund

The District's general fund's fund balance decreased by \$1,935,985. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>2010</u>	<u>2009</u>	<u>Percentage</u>
	<u>Amount</u>	<u>Amount</u>	<u>Change</u>
<u>Revenues</u>			
Taxes	\$ 10,578,390	\$ 11,686,091	(9.48) %
Tuition	395,523	675,063	(41.41) %
Earnings on investments	67,799	133,606	(49.25) %
Intergovernmental	24,624,231	22,854,020	7.75 %
Other revenues	<u>362,667</u>	<u>145,548</u>	149.17 %
 Total	 <u>\$ 36,028,610</u>	 <u>\$ 35,494,328</u>	 1.51 %
<u>Expenditures</u>			
Instruction	\$ 23,244,389	\$ 21,182,790	9.73 %
Support services	11,916,506	12,119,689	(1.68) %
Extracurricular activities	1,007,172	1,075,762	(6.38) %
Facilities acquisition and construction	1,736,988	33,671	5,058.71 %
Debt service	<u>37,902</u>	<u>64,655</u>	(41.38) %
 Total	 <u>\$ 37,942,957</u>	 <u>\$ 34,476,567</u>	 10.05 %

The phase out of tangible personal property taxes in 2010 resulted in a 9.48% decrease in tax revenue. Tuition revenue decreased 41.41% due to declining open enrollment. Earnings on investments decreased 49.25% as interest rates decreased on the District's accounts in which their funds were held. Revenues experienced an overall increase of 1.51% during 2010. The District purchased land for the Ohio School Facilities Project during the year which resulted in a significant increase in facilities acquisition and construction expenditures. A reduction in outstanding debt requirements compared to the prior fiscal year led to a decrease in debt service expenditures. Expenditures experienced an overall increase of 10.05% during 2010.

Classroom Facilities Fund

The District's classroom facilities fund had \$14,967,469 in revenues and \$8,786,327 in expenditures. The classroom facilities fund will be used to account for quarterly disbursements from the OSFC for the State share of the project and the local share of the project along with all related investment earnings and facilities acquisition and construction expenditures. The District will not begin spending the bond proceeds until the entire State share of the project has been spent. During fiscal year 2010, the classroom facilities fund's fund balance increased \$6,181,142 from \$32,294,699 to a balance of \$38,475,841.

General Fund Budgeting Highlights

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

During the course of fiscal year 2010, the District amended its general fund budget numerous times. For the general fund, final budgeted revenues and other financing sources were \$33,914,292, which is lower than the original budgeted revenues estimate of \$34,161,605. Actual revenues and other financing sources for fiscal year 2010 was \$35,147,897. This represents a \$1,233,605 increase from final budgeted revenues.

General fund original appropriations (appropriated expenditures plus other financing uses) of \$35,576,500 were increased to \$44,999,060 in the final appropriations. The actual budget basis expenditures for fiscal year 2010 totaled \$38,278,261, which was \$6,720,799 less than the final budget appropriations.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2010, the District had \$70,101,875 invested in land, construction in progress, land improvements, buildings and improvements, furniture and equipment, and vehicles. This entire amount is reported in governmental activities. The following table shows fiscal year 2010 balances compared to 2009:

Capital Assets at June 30 (Net of Depreciation)		
<u>Governmental Activities</u>		
	<u>2010</u>	<u>2009</u>
Land	\$ 16,285,923	\$ 15,755,923
Construction in progress	16,682,864	5,457,005
Land improvements	2,454,162	2,719,956
Building and improvements	33,171,473	34,287,655
Furniture and equipment	703,597	799,082
Vehicles	<u>803,856</u>	<u>471,513</u>
Total	<u>\$ 70,101,875</u>	<u>\$ 59,491,134</u>

Total additions to capital assets for 2010 were \$12,237,763.

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

Debt Administration

At June 30, 2010, the District had \$55,715,591 in general obligation bonds and \$290,000 in notes payable outstanding. Of this total, \$2,070,000 is due within one year and \$53,935,591 is due in greater than one year. The following table summarizes the bonds and notes outstanding.

Outstanding Debt, at June 30		
	Governmental Activities <u>2010</u>	Governmental Activities <u>2009</u>
Bonds	\$ 55,715,591	\$ 57,389,975
Notes	<u>290,000</u>	<u>-</u>
Total	<u>\$ 56,005,591</u>	<u>\$ 57,389,975</u>

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

Current Financial Related Activities

The District's electors 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.

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

Contacting the District's Financial Management

This financial report is designed to provide our citizens taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Ryan Pendleton, Treasurer/CFO, Barberton City School District, 479 Norton Avenue, Barberton, Ohio, 44203. Or if you prefer, you may email inquiries to: rpndleton@barberton.summit.k12.oh.us.

BASIC
FINANCIAL STATEMENTS

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

STATEMENT OF NET ASSETS
JUNE 30, 2010

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents. . .	\$ 18,365,577
Investments.	35,252,133
Receivables:	
Property taxes	12,227,774
Accounts.	90,691
Intergovernmental	25,281,636
Accrued interest	17,349
Materials and supplies inventory.	133,012
Unamortized bond issue costs	366,688
Capital assets:	
Land	16,285,923
Construction in progress.	16,682,864
Depreciable capital assets, net.	37,133,088
Capital assets, net	70,101,875
 Total assets.	 161,836,735
 Liabilities:	
Accounts payable.	271,947
Contracts payable.	1,866,877
Retainage payable	92,631
Accrued wages and benefits	3,528,551
Pension obligation payable.	1,048,429
Intergovernmental payable	331,328
Accrued interest payable	314,720
Claims payable.	591,853
Unearned revenue	10,517,906
Long-term liabilities:	
Due within one year.	3,189,620
Due in more than one year	56,790,183
 Total liabilities	 78,544,045
 Net Assets:	
Invested in capital assets, net of related debt.	42,681,505
Restricted for:	
Capital projects	34,538,266
Debt service.	1,479,849
Locally funded programs	16,385
State funded programs.	22,638
Federally funded programs	144,138
Public school support	166,653
Student activities	99,730
Food service operations.	225,073
Other purposes	23,904
Unrestricted.	3,894,549
 Total net assets	 \$ 83,292,690

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, 2010

	<u>Program Revenues</u>			Net (Expense) Revenue and Changes in Net Assets
	<u>Expenses</u>	<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>
Governmental activities:				
Instruction:				
Regular	\$ 17,952,342	\$ 386,584	\$ 1,745,966	\$ (15,819,792)
Special	6,799,979	122,468	3,587,983	(3,089,528)
Vocational	1,341,807	22,488	386,542	(932,777)
Other	4,546,120	-	370,733	(4,175,387)
Support services:				
Pupil	2,179,881	6,753	327,867	(1,845,261)
Instructional staff	2,486,644	6,178	1,250,048	(1,230,418)
Board of education	30,701	-	-	(30,701)
Administration	3,256,598	-	82,124	(3,174,474)
Fiscal	685,717	-	-	(685,717)
Business	279,734	-	-	(279,734)
Operations and maintenance	4,193,819	76,963	72,579	(4,044,277)
Pupil transportation	1,105,787	151,864	104,897	(849,026)
Central	120,227	15,906	36,309	(68,012)
Operation of non-instructional services:				
Food service operations	2,080,132	542,656	1,522,857	(14,619)
Other non-instructional services	291,000	101,644	146,412	(42,944)
Extracurricular activities	1,883,943	481,706	81,183	(1,321,054)
Interest and fiscal charges	2,775,069	-	2,314,577	(460,492)
Totals	\$ 52,009,500	\$ 1,915,210	\$ 12,030,077	(38,064,213)

General Revenues:

Property taxes levied for:	
General purposes	9,988,200
Debt service	1,852,218
Capital outlay	301,250
Grants and entitlements not restricted to specific programs	24,532,350
Investment earnings	389,824
Change in FMV of investments	(215,597)
Miscellaneous	282,915
Total general revenues	37,131,160
Change in net assets	(933,053)
Net assets at beginning of year	84,225,743
Net assets at end of year	\$ 83,292,690

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2010

	General	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
Assets:				
Equity in pooled cash and cash equivalents.	\$ 4,976,125	\$ 8,226,277	\$ 3,614,952	\$ 16,817,354
Investments.	3,057,004	32,195,129	-	35,252,133
Receivables:				
Property taxes.	10,157,156	-	2,070,618	12,227,774
Accounts.	89,912	-	779	90,691
Accrued interest	1,952	15,397	-	17,349
Intergovernmental	25,946	23,559,165	1,696,525	25,281,636
Due from other funds	1,081,826	-	-	1,081,826
Materials and supplies inventory.	80,378	-	52,634	133,012
Total assets	<u>\$ 19,470,299</u>	<u>\$ 63,995,968</u>	<u>\$ 7,435,508</u>	<u>\$ 90,901,775</u>
Liabilities:				
Accounts payable	\$ 231,357	\$ -	\$ 40,590	\$ 271,947
Contracts payable.	-	1,864,710	2,167	1,866,877
Retainage payable.	-	86,651	5,980	92,631
Accrued wages and benefits.	2,857,689	-	670,862	3,528,551
Matured compensated absences payable.	162,386	-	4,030	166,416
Intergovernmental payable	295,370	-	35,958	331,328
Pension obligation payable	916,731	-	131,698	1,048,429
Due to other funds	-	-	1,081,826	1,081,826
Deferred revenue	220,446	23,568,766	580,990	24,370,202
Unearned revenue.	8,391,288	-	2,126,618	10,517,906
Accrued interest payable	2,230	-	-	2,230
Notes payable.	735,000	-	-	735,000
Total liabilities.	<u>13,812,497</u>	<u>25,520,127</u>	<u>4,680,719</u>	<u>44,013,343</u>
Fund Balances:				
Reserved for encumbrances	508,920	17,410,552	143,083	18,062,555
Reserved for materials and supplies inventory.	80,378	-	52,634	133,012
Reserved for property tax unavailable for appropriation	1,635,827	-	-	1,635,827
Reserved for debt service	-	-	1,792,339	1,792,339
Unreserved, undesignated, (deficit) reported in:				
General fund.	3,432,677	-	-	3,432,677
Special revenue funds	-	-	(468,382)	(468,382)
Capital projects funds	-	21,065,289	1,235,115	22,300,404
Total fund balances	<u>5,657,802</u>	<u>38,475,841</u>	<u>2,754,789</u>	<u>46,888,432</u>
Total liabilities and fund balances	<u>\$ 19,470,299</u>	<u>\$ 63,995,968</u>	<u>\$ 7,435,508</u>	<u>\$ 90,901,775</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2010

Total governmental fund balances		\$ 46,888,432
<i>Amounts reported for governmental activities on the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		70,101,875
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Property taxes receivable	\$ 130,041	
Accrued interest receivable	10,672	
Accounts receivable	89,334	
Intergovernmental receivable	<u>24,140,155</u>	
Total		24,370,202
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.		956,370
In the statement of net assets, interest is accrued on outstanding bonds, whereas in governmental funds, interest is accrued when due.		(312,490)
Unamortized premiums on bond issuance are not recognized in the funds.		(2,066,295)
Unamortized bond issuance costs are not recognized in the funds.		366,688
Unamortized deferred charges on refundings are not recognized in the funds.		876,892
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
General obligation bonds payable	(55,715,591)	
Notes payable	(290,000)	
Compensated absences payable	<u>(1,883,393)</u>	
Total		<u>(57,888,984)</u>
Net assets of governmental activities		<u><u>\$ 83,292,690</u></u>

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, 2010

	<u>General</u>	<u>Classroom Facilities</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
From local sources:				
Taxes	\$ 10,578,390	\$ -	\$ 2,153,468	\$ 12,731,858
Tuition	395,523	-	-	395,523
Charges for services	-	-	502,759	502,759
Earnings on investments	65,874	349,959	974	416,807
Extracurricular	-	-	302,313	302,313
Classroom materials and fees	-	-	109,627	109,627
Contributions and donations	-	-	2,394,857	2,394,857
Other local revenues	362,667	-	531,667	894,334
Intergovernmental - Intermediate	-	-	90,184	90,184
Intergovernmental - State	24,187,982	14,791,676	703,378	39,683,036
Intergovernmental - Federal	436,249	-	8,589,867	9,026,116
Change in FMV of investments	1,925	(174,166)	(43,356)	(215,597)
Total revenue	<u>36,028,610</u>	<u>14,967,469</u>	<u>15,335,738</u>	<u>66,331,817</u>
Expenditures:				
Current:				
Instruction:				
Regular	15,010,628	-	1,751,992	16,762,620
Special	2,800,392	-	4,004,389	6,804,781
Vocational	1,286,834	-	34,028	1,320,862
Other	4,146,535	-	404,952	4,551,487
Support services:				
Pupil	1,811,966	-	370,394	2,182,360
Instructional staff	1,257,004	-	1,216,699	2,473,703
Board of education	30,701	-	-	30,701
Administration	3,068,608	-	138,974	3,207,582
Fiscal	646,505	-	32,106	678,611
Business	273,857	-	-	273,857
Operations and maintenance	3,976,215	-	215,092	4,191,307
Pupil transportation	781,619	-	602,503	1,384,122
Central	70,031	-	50,196	120,227
Operation of non-instructional services:				
Food service operations	-	-	2,024,666	2,024,666
Other non-instructional services	-	-	290,832	290,832
Extracurricular activities	1,007,172	-	575,098	1,582,270
Facilities acquisition and construction	1,736,988	8,786,327	1,256,356	11,779,671
Debt service:				
Principal retirement	-	-	2,085,000	2,085,000
Interest and fiscal charges	37,902	-	2,503,681	2,541,583
Note issuance costs	-	-	7,411	7,411
Total expenditures	<u>37,942,957</u>	<u>8,786,327</u>	<u>17,564,369</u>	<u>64,293,653</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,914,347)</u>	<u>6,181,142</u>	<u>(2,228,631)</u>	<u>2,038,164</u>
Other financing sources (uses):				
Sale of notes	-	-	435,000	435,000
Transfers in	-	-	21,638	21,638
Transfers (out)	(21,638)	-	-	(21,638)
Total other financing sources (uses)	<u>(21,638)</u>	<u>-</u>	<u>456,638</u>	<u>435,000</u>
Net change in fund balances	(1,935,985)	6,181,142	(1,771,993)	2,473,164
Fund balances at beginning of year	<u>7,593,787</u>	<u>32,294,699</u>	<u>4,526,782</u>	<u>44,415,268</u>
Fund balances at end of year	<u>\$ 5,657,802</u>	<u>\$ 38,475,841</u>	<u>\$ 2,754,789</u>	<u>\$ 46,888,432</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Net change in fund balances - total governmental funds		\$ 2,473,164
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period.		
Capital asset additions	\$ 12,237,763	
Current year depreciation	<u>(1,609,124)</u>	
Total		10,628,639
Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities a loss is reported for each disposal.		
		(17,898)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes	(590,190)	
Accrued interest	(26,009)	
Accounts	(6,431)	
Intergovernmental	<u>(14,632,740)</u>	
Total		(15,255,370)
Repayment of bond and note principal is an expenditure in the governmental funds but the repayment reduces long-term liabilities on the statement of net assets.		
		2,085,000
The issuance of notes is recorded as an other financing source in the governmental funds; however, the proceeds increase long-term liabilities on the statement of net assets.		
		(435,000)
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in more interest being reported on the statement of activities:		
Decrease in accrued interest payable	4,407	
Accreted interest on "capital appreciation" bonds	(265,616)	
Amortization of bond issuance costs	(24,272)	
Amortization on bond premiums	130,505	
Amortization of deferred charge on refunding	<u>(71,099)</u>	
Total		(226,075)
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.		
		(36,602)
The internal service fund used by management to charge the costs of medical, prescription drug, dental and vision claims to individual funds is not reported in the statement of activities. The net loss of the internal service fund is reported within the governmental activities on the entity-wide statements.		
		<u>(148,911)</u>
Change in net assets of governmental activities		<u><u>\$ (933,053)</u></u>

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
JUNE 30, 2010

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
From local sources:				
Property taxes	\$ 9,315,520	\$ 9,229,268	\$ 9,568,480	\$ 339,212
Tuition	403,963	400,223	414,933	14,710
Earnings on investments	63,275	62,689	64,993	2,304
Classroom materials and fees	11,125	16,279	10,370	(5,909)
Other local revenues	238,083	299,611	304,249	4,638
Intergovernmental - State	23,606,800	23,388,224	24,247,835	859,611
Intergovernmental - Federal	419,076	415,196	430,456	15,260
Total revenue	<u>34,057,842</u>	<u>33,811,490</u>	<u>35,041,316</u>	<u>1,229,826</u>
Expenditures:				
Current:				
Instruction:				
Regular	14,257,630	17,263,265	14,681,411	2,581,854
Special	3,065,615	3,401,468	2,892,752	508,716
Vocational	1,301,440	1,608,682	1,362,072	246,610
Other	4,378,311	4,838,626	4,114,972	723,654
Support Services:				
Pupil	1,913,164	2,187,882	1,860,636	327,246
Instructional staff	1,322,833	1,487,158	1,264,742	222,416
Board of education	35,137	36,719	31,227	5,492
Administration	3,190,448	3,639,431	3,095,126	544,305
Fiscal	663,611	757,429	659,357	98,072
Business	264,627	453,044	385,288	67,756
Operations and maintenance	3,083,151	4,794,065	4,077,076	716,989
Pupil transportation	843,359	1,119,161	951,782	167,379
Central	54,040	82,337	70,023	12,314
Extracurricular activities	1,127,457	1,202,236	1,022,432	179,804
Facilities acquisition and construction	74,036	2,045,391	1,739,487	305,904
Total expenditures	<u>35,574,859</u>	<u>44,916,894</u>	<u>38,208,383</u>	<u>6,708,511</u>
Excess of expenditures over revenues	<u>(1,517,017)</u>	<u>(11,105,404)</u>	<u>(3,167,067)</u>	<u>7,938,337</u>
Other financing sources (uses):				
Refund of prior year's expenditures	64,139	63,545	65,881	2,336
Refund of prior year's receipts	(1,133)	(56,723)	(48,240)	8,483
Transfers (out)	(508)	(25,443)	(21,638)	3,805
Sale of assets	39,624	39,257	40,700	1,443
Total other financing sources (uses)	<u>102,122</u>	<u>20,636</u>	<u>36,703</u>	<u>16,067</u>
Net change in fund balance	(1,414,895)	(11,084,768)	(3,130,364)	7,954,404
Fund balance at beginning of year	11,118,783	11,118,783	11,118,783	-
Prior year encumbrances appropriated	434,364	434,364	434,364	-
Fund balance at end of year	<u>\$ 10,138,252</u>	<u>\$ 468,379</u>	<u>\$ 8,422,783</u>	<u>\$ 7,954,404</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2010

	Governmental Activities - Internal Service Fund
Assets:	
Equity in pooled cash and cash equivalents	\$ 1,548,223
Total assets.	<u>1,548,223</u>
Liabilities:	
Claims payable	<u>591,853</u>
Total liabilities	<u>591,853</u>
Net assets:	
Unrestricted.	<u>956,370</u>
Total net assets	<u><u>\$ 956,370</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Governmental Activities - Internal Service Fund
Operating revenues:	
Charges for services	\$ 4,206,119
Other	478,352
Total operating revenues	4,684,471
Operating expenses:	
Purchased services	507,066
Claims	4,326,316
Total operating expenses	4,833,382
Operating loss	(148,911)
Net assets at beginning of year	1,105,281
Net assets at end of year	\$ 956,370

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Governmental Activities - Internal Service Fund
Cash flows from operating activities:	
Cash received from charges for services	\$ 4,206,119
Cash received from other operating revenues	478,352
Cash payments for purchased services.	(507,066)
Cash payments for claims	(4,428,359)
	(250,954)
Net cash used in operating activities	(250,954)
Net decrease in cash and cash equivalents	(250,954)
Cash and cash equivalents at beginning of year	1,799,177
Cash and cash equivalents at end of year	\$ 1,548,223
	(250,954)
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (148,911)
Change in liabilities:	
Decrease in claims payable	(102,043)
	(102,043)
Net cash used in operating activities	\$ (250,954)
	(250,954)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
JUNE 30, 2010

	Private Purpose Trust	
	Scholarship	Agency
Assets:		
Equity in pooled cash and cash equivalents	\$ 48,665	\$ 74,721
Total assets.	48,665	\$ 74,721
Liabilities:		
Accounts payable.	-	\$ 1,318
Due to students.	-	73,403
Total liabilities	-	\$ 74,721
Net assets:		
Held in trust for scholarships	48,665	
Total net assets	\$ 48,665	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Private Purpose Trust
	Scholarship Trust
Additions:	
Interest.	\$ 118
Gifts and contributions.	5,649
Total additions.	5,767
Deductions:	
Scholarships awarded	25,052
Change in net assets.	(19,285)
Net assets at beginning of year	67,950
Net assets at end of year.	\$ 48,665

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, 2010

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 9 instructional/support facilities staffed by 206 non-certified employees, 341 certified teaching personnel and 28 administrators, who provide services to 3,660 students and other community members.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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 2010.

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 in the Summit County Educational Service Center, 420 Washington Avenue, Suite 200, Cuyahoga Falls, Ohio 44221. During the current fiscal year, the District contributed \$82,650 to NEOnet.

Four Cities Vocational Compact

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

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.

GOVERNMENTAL FUNDS

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

General fund - The general fund is used to account for all financial resources except those required to be accounted for in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the general laws of Ohio.

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

Other governmental funds of the District are used to account for (a) financial resources to be used for the acquisition, construction, or improvement of capital facilities other than those financed by proprietary and trust funds; (b) financial resources and payment of general obligation bond principal and interest and certain long-term obligations from governmental resources when the government is obligated in some manner for payment; (c) food service operations and (d) grants and other resources whose use is restricted to a particular purpose.

PROPRIETARY FUND

Proprietary funds are used to account for the District's ongoing activities which are similar to those often found in the private sector. The District has no enterprise funds. The following is a description of the District's internal service fund:

Internal service fund - The internal service fund is used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the district, or to other governments, on a cost-reimbursement basis. The District's only internal service fund accounts for revenue for medical, surgical, prescription drug, dental and vision claims of the District's employees.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

FIDUCIARY FUNDS

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

C. Basis of Presentation and Measurement Focus

Government-wide Financial Statements - The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. Internal service fund operating activity is eliminated to avoid overstatement of revenues and expenses.

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 all liabilities associated with the operation of the District are included on the statement of net assets.

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

Like the government-wide statements, the internal service fund is accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of this fund are included on the statement of fund net assets. The statement of changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activity.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. The principal operating revenue of the District's internal service fund is charges for services. Operating expenses for the internal service fund include the cost of services and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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. Proprietary and 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, 2010

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

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

Property taxes for which there is an enforceable legal claim as of June 30, 2010, but which were levied to finance fiscal year 2011 operations and other revenues received in advance of the fiscal year for which they are intended to finance, have been recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met and delinquent property taxes due at June 30, 2010 are recorded as deferred revenue on the fund financial statements.

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

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

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

E. Budgetary Accounting

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

Estimated Resources - Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to July 1, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the certificate of estimated resources is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The certificate of estimated resources may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported as the original and final budgeted amount in the budgetary statement reflect the amounts set forth in the original and final amended certificate of estimated resources issued for fiscal year 2010.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

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

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

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

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

F. Cash and Investments

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

During fiscal year 2010, investments were limited to federal agency securities, U.S. government money market mutual funds, a repurchase agreement and investments in the State Treasury Asset Reserve of Ohio (STAR Ohio). Investments are reported at fair value, except for STAR Ohio, which is reported at cost.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

The District has invested funds in STAR Ohio during fiscal year 2010. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's shares price which is the price the investment could be sold for on June 30, 2010.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest is legally required to be placed in the general fund; the food service, public school support, district managed student activities and auxiliary special revenue funds the classroom facilities capital projects fund; the scholarships private purpose fund; and the student activities and district agency funds. Interest revenue credited to the general fund during fiscal year 2010 amounted to \$65,874 which includes \$24,133 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, 2010, 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 prepaid assets at June 30, 2010.

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 are those assets not specifically related to activities reported in the proprietary fund. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets, but are not reported in the fund financial statements.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

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

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

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

J. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “due to/from other funds.” These amounts are eliminated in the governmental type activities columns of the statement of net assets.

K. Compensated Absences

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

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

L. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from the internal service fund are reported on the proprietary fund 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, claims and judgments and 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 and notes are recognized as a liability on the fund financial statements when due.

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

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

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

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

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

N. Fund Balance Reserves

The District reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances, supplies inventory, tax revenue unavailable for appropriation, and debt service. The reserve for property taxes unavailable for appropriation represents taxes recognized as revenue under GAAP, but not available for appropriation under State statute.

O. Estimates

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

P. Net Assets

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

The District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. As of June 30, 2010, no net assets were restricted by enabling legislation.

Q. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the District, these revenues are charges for services for the self-insurance program. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the fund.

R. Interfund Transactions

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

S. 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 2010.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2010, the District has implemented GASB Statement No. 51, "Accounting and Financial Reporting for Intangible Assets", GASB Statement No. 53, "Accounting and Financial Reporting for Derivative Instruments", and GASB Statement No. 58, "Accounting and Financial Reporting for Chapter 9 Bankruptcies".

GASB Statement No. 51 addresses accounting and financial reporting standards for intangible assets, which are assets that lack physical substance, are nonfinancial in nature, and have an initial useful life extending beyond a single reporting period. Examples of intangible assets include easements, water rights, computer software, patents, and trademarks. GASB Statement No. 51 improves the quality of financial reporting by creating consistency in the recognition, initial measurement, and amortization of intangible assets. The implementation of GASB Statement No. 51 did not have an effect on the financial statements of the District.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

GASB Statement No. 53 addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. Derivative instruments are financial arrangements used by governments to manage specific risks or to make investments. Common types of derivative instruments include interest rate and commodity swaps, interest rate locks, options, swaptions, forward contracts, and futures contracts. The implementation of GASB Statement No. 53 did not have an effect on the financial statements of the District.

GASB Statement No. 58 establishes accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. GASB Statement No. 58 requires governments to remeasure liabilities that are adjusted in bankruptcy when the bankruptcy court confirms a new payment plan. The implementation of GASB Statement No. 58 did not have an effect on the financial statements of the District.

B. Deficit Fund Balances

Fund balances at June 30, 2010 included the following individual fund deficits:

<u>Nonmajor funds</u>	<u>Deficit</u>
Public school preschool	\$ 18,456
Poverty aid	961
IDEA part B	213,716
Project head start	214,932
Education stabilization	200,870
Stimulus Title II D	1,769
School improvement	1,283
Title I	213,354
Title V	3
IDEA preschool grant for the handicapped	11,474
Improving teacher quality	55,583
Miscellaneous federal grants	2,205

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

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

Interim monies may be deposited or invested in the following securities:

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

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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, 2010, the carrying amount of all District deposits was \$2,809,612, exclusive of the \$12,630,000 repurchase agreement included in investments below. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2010, \$2,418,158 of the District's bank balance of \$2,918,158 was exposed to custodial risk as discussed below, while \$500,000 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, 2010

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

B. Investments

As of June 30, 2010, 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	\$ 574,756	\$ -	\$ 299,906	\$ 274,850	\$ -	\$ -
FHLB	23,589,094	1,950,141	9,041,927	6,197,026	6,400,000	-
FHLB - Discount Note	1,704,829	1,704,829	-	-	-	-
FHLM	1,664,639	-	-	1,514,615	150,024	-
FHLM - Discount Note	2,652,703	944,906	1,707,797	-	-	-
FNMA	1,346,671	-	-	-	1,196,671	150,000
FNMA - Discount Note	3,697,695	3,448,245	249,450	-	-	-
STAR Ohio	3,049,351	3,049,351	-	-	-	-
U.S. Government						
money market mutual funds	21,746	21,746	-	-	-	-
Repurchase agreement	12,630,000	12,630,000	-	-	-	-
	<u>\$ 50,931,484</u>	<u>\$ 23,749,218</u>	<u>\$ 11,299,080</u>	<u>\$ 7,986,491</u>	<u>\$ 7,746,695</u>	<u>\$ 150,000</u>

The weighted average maturity of investments is .70 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 federal agency securities, and the federal agency securities that underlie the repurchase agreements, were rated AAA and Aaa by Standard & Poor's and Moody's Investor Services, respectively. Standard & Poor's has assigned STAR Ohio and 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 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, 2010

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, 2010:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
FFCB	\$ 574,756	1.13
FHLB	23,589,094	46.31
FHLB - Discount Note	1,704,829	3.35
FHLM	1,664,639	3.27
FHLM - Discount Note	2,652,703	5.21
FNMA	1,346,671	2.64
FNMA - Discount Note	3,697,695	7.26
STAR Ohio	3,049,351	5.99
U.S. Government		
money market mutual funds	21,746	0.04
Repurchase agreement	<u>12,630,000</u>	<u>24.80</u>
	<u>\$ 50,931,484</u>	<u>100.00</u>

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

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net assets as of June 30, 2010:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 2,809,612
Investments	<u>50,931,484</u>
Total	<u>\$ 53,741,096</u>
 <u>Cash and investments per statement of net assets</u>	
Governmental activities	\$ 53,617,710
Private-purpose trust funds	48,665
Agency funds	<u>74,721</u>
Total	<u>\$ 53,741,096</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 5 - INTERFUND TRANSACTIONS

- A. Interfund transfers for the year ended June 30, 2010, consisted of the following, as reported on the fund financial statements:

Transfers to nonmajor governmental funds from:

General	\$ 21,638
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Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, and (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

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

- B. Interfund balances at June 30, 2010, as reported on the fund statements consist of the following amounts due to/from other funds:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General	Nonmajor governemtnal funds	\$ 1,081,826

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

Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances at June 30, 2010 are reported on the statement of net assets.

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real property, public utility property, and certain tangible personal (used in business) property located in the District. Real property tax revenues received in calendar year 2010 represent the collection of calendar year 2009 taxes. Real property taxes received in calendar year 2010 were levied after April 1, 2009, on the assessed values as of January 1, 2009, 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 2010 represent the collection of calendar year 2009 taxes. Public utility real and tangible personal property taxes received in calendar year 2010 became a lien on December 31, 2008, were levied after April 1, 2009, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 6 - PROPERTY TAXES - (Continued)

Tangible personal property tax revenues received in calendar year 2010 (other than public utility property) represent the collection of calendar year 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property taxes received from telephone companies in calendar year 2010 were levied after October 1, 2009, on the value as of December 31, 2009. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

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, 2010, are available to finance fiscal year 2010 operations. The amount available as an advance at June 30, 2010 was \$1,635,827 in the general fund. This amount is recorded as revenue. The amount available for advance at June 30, 2009 was \$1,401,048 in the general 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 tangible personal property taxes which are measurable as of June 30, 2010 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to unearned revenue.

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

The assessed values upon which the fiscal year 2010 taxes were collected are:

	2009 Second Half Collections		2010 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 391,874,010	97.59	\$ 391,575,040	97.68
Public utility personal	8,575,850	2.14	8,809,490	2.20
Tangible personal property	<u>1,082,052</u>	<u>0.27</u>	<u>506,805</u>	<u>0.12</u>
Total	<u>\$ 401,531,912</u>	<u>100.00</u>	<u>\$ 400,891,335</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$58.11		\$58.02	

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 7 - RECEIVABLES

Receivables at June 30, 2010 consisted of taxes, accounts (billings for user charged services and student fees), intergovernmental grants and entitlements, and accrued interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds. A summary of the principal items of receivables reported on the statement of net assets follows:

Governmental activities:

Property taxes	\$ 12,227,774
Accounts	90,691
Intergovernmental	25,281,636
Accrued interest	<u>17,349</u>
Total	<u>\$ 37,617,450</u>

Receivables have been disaggregated on the face of the financial statements. All receivables, except for \$23,559,165 of intergovernmental grants due from the Ohio Schools Facilities Commission (OSFC), are expected to be collected in the subsequent year. The OSFC grant amount will be collected over the life of the construction project.

NOTE 8 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2010, was as follows:

	<u>Balance</u> <u>June 30, 2009</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>June 30, 2010</u>
Governmental activities:				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 15,755,923	\$ 530,000	\$ -	\$ 16,285,923
Construction in progress	<u>5,457,005</u>	<u>11,225,859</u>	<u>-</u>	<u>16,682,864</u>
Total capital assets, not being depreciated	<u>21,212,928</u>	<u>11,755,859</u>	<u>-</u>	<u>32,968,787</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	5,634,592	-	-	5,634,592
Buildings and improvements	50,084,884	-	-	50,084,884
Furniture and equipment	3,482,824	38,802	(13,889)	3,507,737
Vehicles	<u>1,311,199</u>	<u>443,102</u>	<u>(158,844)</u>	<u>1,595,457</u>
Total capital assets, being depreciated	<u>60,513,499</u>	<u>481,904</u>	<u>(172,733)</u>	<u>60,822,670</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(2,914,636)	(265,794)	-	(3,180,430)
Buildings and improvements	(15,797,229)	(1,116,182)	-	(16,913,411)
Furniture and equipment	(2,683,742)	(132,273)	11,875	(2,804,140)
Vehicles	<u>(839,686)</u>	<u>(94,875)</u>	<u>142,960</u>	<u>(791,601)</u>
Total accumulated depreciation	<u>(22,235,293)</u>	<u>(1,609,124)</u>	<u>154,835</u>	<u>(23,689,582)</u>
Governmental activities capital assets, net	<u>\$ 59,491,134</u>	<u>\$ 10,628,639</u>	<u>\$ (17,898)</u>	<u>\$ 70,101,875</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 8 - CAPITAL ASSETS - (Continued)

Depreciation expense was charged to governmental functions as follows:

Instruction:

Regular	\$ 1,074,677
Vocational	1,468
Special	10,253

Support Services:

Instructional staff	3,857
Administration	21,067
Fiscal	968
Operations and maintenance	14,658
Pupil transportation	89,190
Extracurricular activities	324,013
Food service operations	<u>68,973</u>

Total depreciation expense \$ 1,609,124

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 9 - LONG-TERM OBLIGATIONS

A. Activity in the District's long-term obligations during fiscal year 2010 were as follows:

<u>Governmental activities</u>	<u>Interest</u>	<u>Balance June 30, 2009</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2010</u>	<u>Due within One Year</u>
<u>Bonds</u>						
School improvements refunding, series 2005						
Serial	3.00-5.00%	\$ 21,015,000	\$ -	\$ (1,395,000)	\$ 19,620,000	\$ 1,445,000
Capital appreciation	4.09-4.19%	1,409,990	-	-	1,409,990	-
Accreted interest		690,684	228,970	-	919,654	-
School improvements, series 2008						
Serial	3.00-5.25%	34,175,000	-	(545,000)	33,630,000	480,000
Capital appreciation	3.92%	74,993	-	-	74,993	-
Accreted interest		24,308	36,646	-	60,954	-
Total bonds		<u>57,389,975</u>	<u>265,616</u>	<u>(1,940,000)</u>	<u>55,715,591</u>	<u>1,925,000</u>
<u>Other obligations</u>						
Notes payable		-	435,000	(145,000)	290,000	145,000
Compensated absences		1,898,737	477,595	(326,523)	2,049,809	384,620
Total other obligations		<u>1,898,737</u>	<u>912,595</u>	<u>(471,523)</u>	<u>2,339,809</u>	<u>529,620</u>
Total long-term liabilities		<u>\$ 59,288,712</u>	<u>\$ 1,178,211</u>	<u>\$ (2,411,523)</u>	<u>\$ 58,055,400</u>	<u>\$ 2,454,620</u>
Add: Unamortized premium on bond issue					2,066,295	-
Less: Unamortized deferred charges on refunding					(876,892)	-
Add: Tax anticipation notes (see Note 10)					735,000	735,000
Total on statement of net assets					<u>\$ 59,979,803</u>	<u>\$ 3,189,620</u>

B. Compensated Absences - Compensated absences will be paid from the fund from which the employee is paid, which for the District is primarily the general fund and the following nonmajor governmental funds: special enterprise, auxiliary services, public school preschool, alternative education grant, poverty aid, Title IV-B, project head start, Title I, Title V, drug free schools, preschool grant, improving teacher quality and the food service funds.

School Improvement Bonds (Series 1998) - In fiscal year 1998 the District issued School Improvement Bonds for \$31,999,962, which are to be paid from money received from the Barberton Community Foundation. The District receives in November of each year the amount necessary to make debt service payments for the following calendar year. Interest earned on these monies will be used for the repayment of the bonds. The requests from the Foundation will be for the required payments reduced by the amount of interest earned. The bonds were issued to cover the costs of the new high school. The Barberton Community Foundation was established to improve the lives of the citizens of Barberton by offering scholarships to Barberton High School graduates and by awarding grants to not-for-profit organizations to serve the citizens of Barberton.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

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

The refunding issue is comprised of both current interest bonds, par value \$21,470,000, and capital appreciation bonds, par value \$1,409,990. The interest rate on the current interest bonds ranges from 3.00-5.00%. The capital appreciation bonds mature November 1, 2012 (approximate initial offering yield to maturity of 4.09%) and November 1, 2013 (approximate initial offering yield to maturity of 4.19%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The present value (as of issue date) reported in the statement of net assets at June 30, 2010 was \$1,409,990. Total accreted interest of \$919,654 has been included in the statement of net assets.

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

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

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

Fiscal Year Ended,	Current Interest Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2011	\$ 1,445,000	\$ 858,676	\$ 2,303,676	\$ -	\$ -	\$ -
2012	1,500,000	801,582	2,301,582	-	-	-
2013	-	771,582	771,582	741,452	818,548	1,560,000
2014	-	771,582	771,582	668,538	891,462	1,560,000
2015	1,555,000	740,482	2,295,482	-	-	-
2016 - 2020	8,875,000	2,576,428	11,451,428	-	-	-
2021 - 2023	6,245,000	442,037	6,687,037	-	-	-
Total	<u>\$ 19,620,000</u>	<u>\$ 6,962,369</u>	<u>\$ 26,582,369</u>	<u>\$ 1,409,990</u>	<u>\$ 1,710,010</u>	<u>\$ 3,120,000</u>

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

These bonds represent the amount of the Construction Project that the District itself was required to finance, in accordance with the terms of a facilities grant from the Ohio School Facilities Commission (OSFC). OSFC will make quarterly disbursements to the District as the project is completed. As of June 30, 2010, the total estimated cost of the Construction Project is \$76,114,103, of which OSFC will pay \$45,668,462. The District has \$28,794,016 in unspent bond proceeds at June 30, 2010.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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, 2016 at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The approximate initial offering yield to maturity is 3.92%. The present value (as of issue date) reported in the statement of net assets at June 30, 2010 was \$74,993. Total accreted interest of \$60,954 has been included in the statement of net assets. The current interest bonds maturing on or after December 1, 2018 are subject to early redemption at the sole option of the District, at the following redemption prices, plus accrued interest:

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

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

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

<u>Fiscal Year Ended</u>	<u>Current Interest Bonds</u>			<u>Capital Appreciation Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 480,000	\$ 1,571,632	\$ 2,051,632	\$ -	\$ -	\$ -
2012	495,000	1,556,388	2,051,388	-	-	-
2013	565,000	1,539,163	2,104,163	-	-	-
2014	600,000	1,519,482	2,119,482	-	-	-
2015	635,000	1,497,869	2,132,869	-	-	-
2016 - 2020	3,620,000	7,165,796	10,785,796	74,993	690,007	765,000
2021 - 2025	6,715,000	5,995,009	12,710,009	-	-	-
2026 - 2030	9,870,000	3,956,136	13,826,136	-	-	-
2031 - 2034	<u>10,650,000</u>	<u>1,016,045</u>	<u>11,666,045</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 33,630,000</u>	<u>\$ 25,817,520</u>	<u>\$ 59,447,520</u>	<u>\$ 74,993</u>	<u>\$ 690,007</u>	<u>\$ 765,000</u>

Notes Payables - During fiscal year 2010, the District issued \$435,000 in long-term notes for the purpose of purchasing buses and vehicles. The proceeds were deposited in the permanent improvement fund (a nonmajor governmental fund). These notes carry interest rates ranging from 1.75 to 2.50% and mature on September 1, 2011.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

The following is a summary of the future debt service requirements to maturity for the notes payable:

Fiscal Year Ended,	Principal	Interest	Total
2010	\$ 145,000	\$ 5,800	\$ 150,800
2011	145,000	3,625	148,625
Total	<u>\$ 290,000</u>	<u>\$ 9,425</u>	<u>\$ 299,425</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. In addition, the unvoted net debt of a school district cannot exceed 0.1 percent of the total assessed value of property.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 10 - NOTES PAYABLE

During fiscal year 2005, the District issued \$3,675,000 in tax anticipation notes in advance of property tax collection, depositing the proceeds in the general fund. These notes carry an interest rate of 3.64% and mature on December 1, 2010. The notes are reported as a fund liability in the general fund. Activity during the fiscal year was as follows:

	<u>Balance</u> <u>June 30, 2009</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2010</u>	<u>Due Within</u> <u>One Year</u>
Tax anticipation notes	\$ 1,470,000	\$ -	\$ (735,000)	\$ 735,000	\$ 735,000

Principal and interest requirements to amortize tax anticipation notes outstanding at June 30, 2010, are as follows:

<u>Fiscal</u> <u>Year Ended,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 735,000	\$ 13,377	\$ 748,377

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-six days for certified employees, two hundred forty-three days for year round classified employees and two hundred twenty-eight 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 11 - EMPLOYEE BENEFITS - (Continued)

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.

The District uses an internal service fund to record and report its self funded health care insurance program. The claim liability of \$591,853 reported in the fund at fiscal year end was estimated by third party administrators and is based on the requirements of GASB Statement No. 10, which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported.

The District purchases stop-loss coverage of \$1,000,000 per employee. Changes in the fund's claims liability during the current and prior fiscal years were:

	<u>Balance at Beginning of Year</u>	<u>Current Year Claims</u>	<u>Claim Payments</u>	<u>Balance at End of Year</u>
2010	\$ 693,896	\$ 4,326,316	\$ (4,428,359)	\$ 591,853
2009	628,461	4,098,728	(4,033,293)	693,896

The District pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

NOTE 13 - PENSION PLANS

A. School Employees Retirement System

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 13 - PENSION PLANS - (Continued)

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2010, 12.78 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2010, 2009 and 2008 were \$688,668, \$462,577 and \$457,030, respectively; 44.44 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

B. State Teachers Retirement System of Ohio

Plan Description - The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at www.strsoh.org.

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 13 - PENSION PLANS - (Continued)

Funding Policy - For fiscal year 2010, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2010, 2009 and 2008 were \$2,704,176, \$2,593,088 and \$2,475,060, respectively; 83.07 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008. Contributions to the DC and Combined Plans for fiscal year 2010 were \$88,508 made by the District and \$63,220 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2010, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

NOTE 14 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Chapter 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2009 was \$96.40 and SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under *Employers/Audit Resources*.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 14 - POSTEMPLOYMENT BENEFITS - (Continued)

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2010, 0.46 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2010, the actuarially determined amount was \$35,800.

Active members do not contribute to the postemployment benefit plans. The Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility and retirement status.

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2010, 2009, and 2008 were \$114,818, \$287,108 and \$279,329, respectively; 44.44 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2010, this actuarially required allocation was 0.76 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2010, 2009, and 2008 were \$40,954, \$38,166 and \$32,930, respectively; 44.44 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

B. State Teachers Retirement System of Ohio

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

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2010, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2010, 2009, and 2008 were \$208,014, \$199,468 and \$190,389, respectively; 83.07 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance on the basis of 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 revenues, 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 a reservation of fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis); and,
- (d) Investments are recorded at fair value (GAAP basis) rather than cost (budget basis).

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

Net Change in Fund Balance	<u>General fund</u>
Budget basis	\$ (3,130,364)
Net adjustment for revenue accruals	987,294
Net adjustment for expenditure accruals	(424,821)
Net adjustment for other sources/(uses)	(58,341)
Adjustment for encumbrances	<u>690,247</u>
GAAP basis	<u>\$ (1,935,985)</u>

NOTE 16 - CONTINGENCIES

A. Grants

The District receives significant financial assistance from numerous federal, State and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds; however, in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the District at June 30, 2010.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 16 - CONTINGENCIES - (Continued)

B. Litigation

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

NOTE 17 - STATUTORY RESERVES

The District is required by State law to set-aside certain general fund revenue amounts, as defined by statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2010, the reserve activity was as follows:

	Textbooks/ Instructional Materials Reserve	Capital Maintenance Reserve
Set-aside balance as of June 30, 2009	\$ (1,023,208)	\$ (32,357,148)
Current year set-aside requirement	651,194	651,194
Current year offsets	-	-
Qualifying disbursements	<u>(534,793)</u>	<u>-</u>
Total	<u>\$ (906,807)</u>	<u>\$ (31,705,954)</u>
Balance carried forward to fiscal year 2011	<u>\$ (906,807)</u>	<u>\$ (31,705,954)</u>

The District had qualifying disbursements during the year and in prior years that maintained the set-aside amount below zero for the textbooks/instructional materials reserve. These extra amounts may be used to reduce the set-aside requirement for future years. The negative amount is therefore presented as being carried forward to the next fiscal year. The capital acquisition reserve had debt related offsets in prior years that have been carried forward to future years. Excess qualifying disbursements and offsets (non debt related) may not be carried forward.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 18 - CONTRACTUAL COMMITMENTS

As of June 30, 2010, the District has commitments outstanding with vendors for the following projects.

Project	Contract Amount	Amount Paid as of June 30, 2010	Amount Remaining on Contract
New Elementary School	\$ 935,377	\$ (710,864)	\$ 224,513
UL Light Renovation & Addition	1,039,246	(789,964)	249,282
New Middle School	1,673,421	(1,439,142)	234,279
New Middle School	62,728	(53,475)	9,253
High School Stadium	19,500	(19,500)	-
New Field House	112,500	(112,500)	-
High School HVAC	205,500	(176,730)	28,770
HS Roof Renovation	136,025	(116,982)	19,043
Memorial ES Demo	7,065	-	7,065
Portage ES Demo	13,328	-	13,328
Santroek ES Demo	5,939	-	5,939
Highland MS Demo	11,957	-	11,957
Johnson Abatement	4,820	-	4,820
Johnson Demo	8,208	-	8,208
Woodford Abatement	5,932	-	5,932
Woodford Demo	8,857	-	8,857
Total	<u>\$ 4,250,403</u>	<u>\$ (3,419,157)</u>	<u>\$ 831,246</u>

These contractual commitments relate to the OSFC project undertaken by the District. In addition to the amounts paid above, the District has recorded contracts payable and retainage payable in the amounts of \$1,866,877 and \$92,631, respectively, for costs incurred prior to fiscal year end on the OSFC project. Costs incurred by fiscal year end (including contracts and retainage payable) have been recorded as construction-in-progress in the District's capital assets (See Note 8).

**BARBERTON CITY SCHOOL DISTRICT
SUMMIT COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2010**

Federal Grantor/ Pass Through Grantor/ Program Title	Pass-Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
<u>U.S. DEPARTMENT OF AGRICULTURE</u>						
<i>Passed Through the Ohio Department of Education:</i>						
Child Nutrition Cluster:						
Non-Cash Assistance (Food Distribution):						
National School Lunch Program	N/A	10.555		\$187,736		\$187,736
Cash Assistance:						
School Breakfast Program	N/A	10.553	\$253,690		\$253,690	
National School Lunch Program	N/A	10.555	894,817		894,817	
Total Child Nutrition Cluster			1,148,507	187,736	1,148,507	187,736
Child and Adult Care Food Program	N/A	10.558	16,196		16,196	
Fresh Fruit and Vegetable Program	N/A	10.582	21,978		20,758	
ARRA - Cafeteria Equipment Assistance	N/A	10.579	13,478		13,478	
Total U.S. Department of Agriculture			1,200,159	187,736	1,198,939	187,736
<u>U.S. DEPARTMENT OF EDUCATION</u>						
<i>Passed Through the Ohio Department of Education:</i>						
Special Education Cluster:						
Special Education - Grants to States (IDEA, Part B)	043539-6BSD-2009	84.027	(6,451)		89,092	
Special Education - Grants to States (IDEA, Part B)	043539-3M20-2010	84.027	660,169		850,379	
ARRA - Special Education Grants to States (IDEA, Part B)	043539-3DJ0-2010	84.391	409,862		570,781	
Special Education - Preschool Grants (IDEA Preschool)	043539-3C50-2009	84.173			584	
Special Education - Preschool Grants (IDEA Preschool)	043539-3C50-2010	84.173	41,847		44,847	
ARRA - Special Education - Preschool Grants (IDEA Preschool)	043539-3DL0-2010	84.392	14,078		14,078	
Total Special Education Cluster			1,119,505		1,569,761	
Title I Cluster:						
Title I Grants to Local Educational Agencies	043539-CISI-2009	84.010	(50,887)		133,189	
Title I Grants to Local Educational Agencies	043539-M00-2010	84.010	1,241,957		1,567,735	
ARRA - Title I Grants to Local Educational Agencies	043539-3DK0-2010	84.389	529		587,669	
Title I-A Grants to Local Educational Agencies - School Improvement	043539-CISI-2009	84.010	8,657		3,445	
Title I-A Grants to Local Educational Agencies - School Improvement	043539-M00-2010	84.010	184,724		8,533	
ARRA - Title I-A Grants to Local Educational Agencies - School Improvement	043539-3DM0-2010	84.389	468,949		213,342	
Total Title I Cluster			1,853,929		2,513,913	
Safe and Drug-Free Schools and Communities-State Grants	043539-3D10-2010	84.186	18,480		18,480	
State Grants for Innovative Programs	043539-3M10-2009	84.298			7	
Improving Teacher Quality State Grants	043539-TRS1-2009	84.367	(679)		42,033	
Improving Teacher Quality State Grants	043539-3Y60-2010	84.367	232,901		304,524	
Total Improving Teacher Quality State Grants			232,222		346,557	
Educational Technology State Grants Cluster:						
Education Technology State Grants	043539-3S20-2010	84.318	10,837		17,837	
ARRA - Education Technology State Grants	043539-3DM0-2010	84.386	55,578		60,310	
Total Educational Technology State Grants Cluster			66,415		78,147	
ARRA - Fiscal Stabilization Fund	043539-GRF-2010	84.394	1,323,173		1,317,937	
<i>Total Passed through the Ohio Department of Education</i>			4,613,724		5,844,802	
<i>Direct Award</i>						
Impact Aid	N/A	84.041	22,581			
Total U.S. Department of Education			4,636,305		5,844,802	
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>						
<i>Passed Through the Akron Summit County Action Agency:</i>						
Head Start Cluster:						
Head Start	N/A	93.600	1,678,573		1,686,227	
ARRA Head Start	N/A	93.708	65,959		109,311	
<i>Total Passed through the Akron Summit County Action Agency</i>			1,744,532		1,795,538	
<i>Passed Through the Ohio Department of Mental Retardation and Developmental Disabilities:</i>						

**BARBERTON CITY SCHOOL DISTRICT
SUMMIT COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2010**

Federal Grantor/ Pass Through Grantor/ Program Title	Pass-Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
Medical Assistance Program - CAFS	N/A	93.778	201,807			
<i>Passed Through the Summit County Children's Services</i>						
Latchkey	N/A	93.600	13,249		13,249	
Total U.S. Department of Health and Human Services			1,959,588		1,808,787	
U.S. ENVIRONMENTAL PROTECTION AGENCY						
<i>Passed Through the State of Ohio Environmental Protection Agency</i>						
State Clean Diesel Grant Program	N/A	66.040	0		2,205	
Totals			\$7,796,052	\$187,736	\$8,854,733	\$187,736

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

**BARBERTON CITY SCHOOL DISTRICT
SUMMIT COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2010**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER

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

NOTE C – FOOD DONATION PROGRAM

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

NOTE D - TRANSFERS BETWEEN PROGRAM YEARS

Federal regulations require schools to obligate certain federal awards by June 30. However, with ODE's consent, schools can transfer unobligated amounts to the subsequent fiscal year's program. These transfers resulted in the Schedule reporting negative receipts. The District transferred the following amounts from 2009 to 2010 programs:

<u>Program Title</u>	<u>CFDA Number</u>	<u>Amount Transferred from 2009 to 2010</u>
Title I Grants to Local Educational Agencies	84.010	\$ 50,887
Special Education - Grants to States	84.027	6,451
Improving Teacher Quality State Grant	84.367	679

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Dave Yost • Auditor of State

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Barberton City School District, Summit County, Ohio (the District) as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 14, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and timely corrected.

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

Compliance and Other Matters

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

We did note certain matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated January 14, 2011.

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

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

Dave Yost
Auditor of State

January 14, 2011



Dave Yost • Auditor of State

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

Barberton City School District
Summit County
479 Norton Avenue
Barberton, Ohio 44302

To the Board of Education:

Compliance

We have audited the compliance of Barberton City School District (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the District's major federal programs for the year ended June 30, 2010. The summary of auditor's results section of the accompanying Schedule of Findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the Barberton City School District complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

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

We noted a matter involving federal compliance or internal control over federal compliance not requiring inclusion in this report, that we reported to the District's management in a separate letter dated January 14, 2011.

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



Dave Yost
Auditor of State

January 14, 2011

**BARBERTON CITY SCHOOL DISTRICT
SUMMIT COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2010**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510(a)?	No

(d)(1)(vii)	Major Programs (list):	<u>Special Education Cluster:</u> Title Special Education - Grants to States – CFDA #84.027 ARRA - Special Education Grants to States – CFDA #84.391 Special Education - Preschool Grants – CFDA #84.173 ARRA - Special Education - Preschool Grants – CFDA #84.392 <u>Title I Cluster:</u> Title I Grants to Local Educational Agencies CFDA #84.010 ARRA - Title I Grants to Local Educational Agencies – CFDA #84.389 Title IA Grants to Local Educational Agencies - School Improvement – CFDA #84.010 ARRA - Title IA Grants to Local Educational Agencies - School Improvement – CFDA #84.389 <u>Head Start Cluster:</u> Head Start – CFDA #93.600 ARRA - Head Start – CFDA #93.708 ARRA - Fiscal Stabilization Fund – CFDA #84.394
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None



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
FEBRUARY 10, 2011**