



**Auditor of State  
Betty Montgomery**



**BARBERTON CITY SCHOOL DISTRICT  
SUMMIT COUNTY**

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## Auditor of State Betty Montgomery

### 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 the Barberton City School District, Summit County, Ohio, (the District) as of and for the year ended June 30, 2005, 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, 2005, 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.

As described in Note 3 to the financial statements, the District implemented Governmental Accounting Standards Board Statement Technical Bulletin No. 2004-002, *Recognition of Pension and Other Postemployment Benefit Expenditures/Expenses and Liabilities by Cost-Sharing Employers*. In addition, net assets were restated due to a capital asset inventory and capital appreciation bond accretion. As a result of these, fund balances/net assets as of June 30, 2004 have been restated.

Also, as discussed in Note 22 to the financial statements, the District was placed in fiscal caution by the State Department of Education pursuant to Ohio Revised Code Section 3316.03.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 1, 2006, 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.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements. The Federal Awards Receipts and Expenditures Schedule is 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. We subjected the Federal Awards Receipts and Expenditures Schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



**Betty Montgomery**  
Auditor of State

March 1, 2006

***Barberton City School District***  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2005  
Unaudited

This discussion and analysis of the Barberton City School District's (the "School District") financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2005. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the financial statements and the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

**Financial Highlights**

Key financial highlights for 2005 are as follows:

- Net assets of governmental activities increased by \$1,855,195.
- General revenues accounted for \$33,680,676 or 72.1% of total revenues. Charges for services were 6.5% of revenues. The remaining 21.4% was from grants, contributions and interest.
- During the fiscal year, the School District issued tax anticipation notes in the amount of \$3,675,000.
- The School District had \$44,835,279 in expenses related to governmental activities; only \$13,009,798 of these expenses was offset by program specific charges for services, operating and capital grants, contributions and interest. General revenues of \$33,680,676 contributed to support these programs.
- The general fund's deficit fund balance increased by \$855,890, or 28.7%.
- At June 30, claims payable were \$216,118, which is a decrease of \$589,003 from the previous fiscal year.

**Using this Annual Financial Report**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so that the reader can understand Barberton City School 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 School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements present how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other nonmajor funds presented in total in one column. The School District's major governmental funds are the general fund, the bond retirement fund and the permanent improvement fund.

***Barberton City School District***  
Management's Discussion and Analysis  
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**Reporting the School District as a Whole**

***Statement of Net Assets and Statement of Activities***

While these statements contain information about the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions to answer the question of how well the School District did in the past year. The statement of net assets and the statement of activity are designed to provide these answers. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's net assets and changes in those assets. This change in net assets is important because it tells the reader that, for the School District as a whole the financial position of the School District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the School District's current 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 School District's activities are all considered to be Governmental Activities:

Governmental Activities - Most of the School District's programs and services are reported here including instruction, support services, operation of non-instructional services, extracurricular activities and food service operations.

***Reporting the School District's Most Significant Funds***

***Fund Financial Statements***

The analysis of the School District's major funds begins on page 10. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds for fiscal year 2005 are the general fund, the bond retirement fund and the permanent improvement fund.

***Governmental Funds*** Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps 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.



**Barberton City School District**  
 Management's Discussion and Analysis  
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 Unaudited

**The School District as a Whole**

The statement of net assets provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets for 2005 compared to 2004.

*Table 1*  
*Net Assets*

	<u>Governmental Activities</u>	
		<u>(Restated)</u>
	<u>2005</u>	<u>2004</u>
<b>Assets</b>		
<i>Current and other assets</i>	\$ 23,536,525	\$ 21,037,600
<i>Capital assets, net of depreciation</i>	<u>50,075,328</u>	<u>52,040,252</u>
<i>Total assets</i>	<u>73,611,853</u>	<u>73,077,852</u>
<b>Liabilities</b>		
<i>Other liabilities</i>	15,740,596	18,367,074
<i>Long-term liabilities:</i>		
<i>Due within one year</i>	2,442,587	2,395,938
<i>Due in more than one year</i>	<u>31,899,288</u>	<u>30,029,983</u>
<i>Total liabilities</i>	<u>50,082,471</u>	<u>50,792,995</u>
<b>Net Assets</b>		
<i>Invested in capital assets, net of debt</i>	21,355,816	20,977,795
<i>Restricted</i>	3,395,492	3,924,673
<i>Unrestricted</i>	<u>(1,221,926)</u>	<u>(3,228,281)</u>
<i>Total net assets</i>	<u>\$ 23,529,382</u>	<u>\$ 21,674,187</u>

Net assets changed by \$1,855,195 from fiscal year 2004 to fiscal year 2005.

The large increase in net assets resulted from large decreases in spending for support services in the amount of \$3,455,933 during the year. The decrease in revenues of \$538,805 partially offset the reductions in support services expenditures. The School District is in the process of reducing expenses to ensure the future financial stability.

A portion of the School District's net assets, \$3,395,492, represents resources that are subject to external restrictions on how the funds may be used. Of the total restricted net assets, \$1,537,972 is restricted for capital outlay, \$1,495,757 is restricted for debt service payments, and \$361,763 is restricted for other purposes. Net assets restricted for other purposes include amounts generated by individual school buildings to supplement co-curricular and extracurricular programs, and for operating costs for any new and innovative programs designed to enhance or promote education within the School District.

The increase in invested in capital assets, net of related debt was primarily from the decrease in related debt of \$1,923,000. Debt decreased by an additional amount of \$110,000, but this amount

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Management's Discussion and Analysis  
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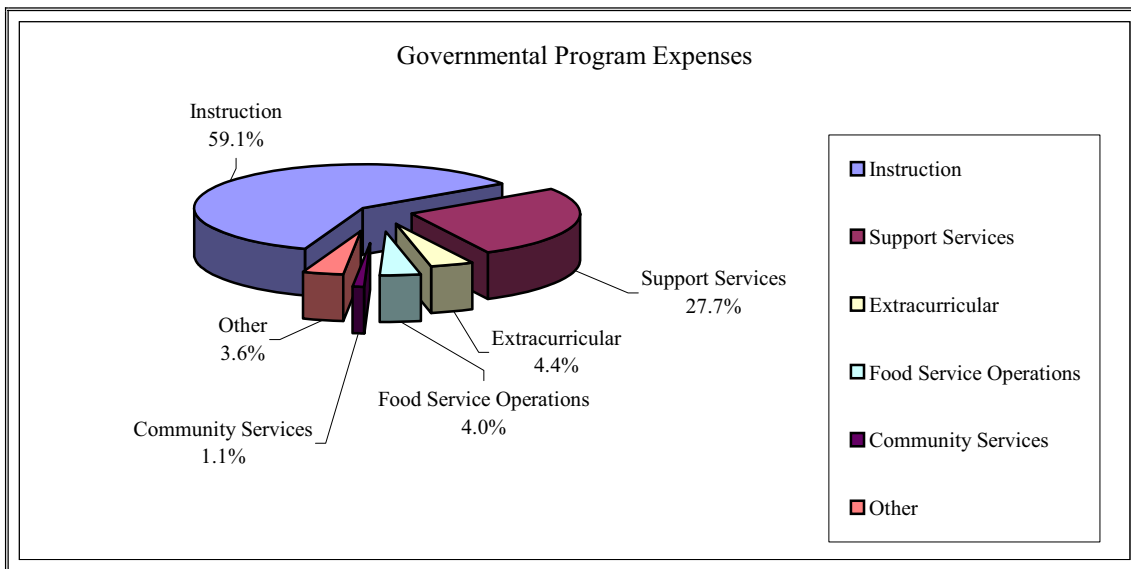
was related to the library bonds which is a component of unrestricted net assets. The increase in unrestricted net assets is primarily from reductions in spending.

Table 2 shows the changes in net assets for fiscal year 2005 as compared to fiscal year 2004.

*Table 2*  
*Changes in Net Assets*

	<i>Governmental Activities</i>	
	<u>2005</u>	<u>2004</u>
<b>Revenues</b>		
<i>Program revenues:</i>		
Charges for services	\$ 3,022,225	\$ 2,212,725
Operating grants, contributions and interest	9,976,822	11,446,896
Capital grants, contributions and interest	10,751	12,365
<i>General revenues:</i>		
Property taxes	13,221,803	13,040,195
Grants and entitlements	19,130,562	19,216,963
Investment earnings	130,010	66,701
Miscellaneous	<u>1,198,301</u>	<u>1,233,431</u>
Total revenues	<u>46,690,474</u>	<u>47,229,276</u>
<b>Program Expenses</b>		
<i>Instruction:</i>		
Regular	16,281,764	16,371,431
Special	6,072,773	6,859,053
Vocational	1,031,720	1,144,522
Adult/continuing	79,303	89,714
Other	3,028,217	1,506,087
<i>Support services:</i>		
Pupils	2,316,242	2,377,039
Instructional staff	1,756,160	3,506,584
Board of education	21,130	21,494
Administration	2,516,448	2,822,028
Fiscal	466,648	675,238
Business	416,840	434,051
Operation and maintenance of plant	4,024,757	4,429,365
Pupil transportation	777,157	888,867
Central	142,351	7,438
<i>Operation of non-instructional services:</i>		
Food service operations	1,799,039	1,974,296
Community services	490,851	646,293
Extracurricular activities	1,979,204	1,635,519
Interest and fiscal charges	1,591,330	1,468,596
Intergovernmental	<u>43,345</u>	<u>497,737</u>
Total expenses	<u>44,835,279</u>	<u>47,355,352</u>
Increase (decrease) in net assets	<u>\$ 1,855,195</u>	<u>\$ (126,076)</u>

**Barberton City School District**  
 Management's Discussion and Analysis  
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Barberton City School District depends both on property taxes and State funding.

Several revenue sources fund our governmental activities with property tax and State foundation revenues being the largest contributors. Property tax levies generated over \$13.2 million in 2005. General revenues from grants and entitlements, such as the school foundation program, generated over \$19.1 million. Combined these represent over 69.3% of all revenues the School District received.

The above chart shows the percentage breakdown of the broad areas in Table 2.

- Instructional expenses include activities directly related to the teaching of pupils and the interaction between teacher and pupil. The total cost of instructional services was \$26,493,777 or 59.1% of governmental program expenses, during the year these costs increased slightly by \$522,970, or 2% over the prior year from increases in salaries.
- Support Services include pupil services and instructional staff. These include the activities involved in assisting staff and the content and process of teaching pupils; board of education; administration; expenses associated with establishing and administering school operation policies: financial operations; and activities concerned with purchasing, receiving and maintaining goods and services for the School District; operation and maintenance of plant; and pupil transportation. The total cost of support services was \$12,437,733 or 27.7% of governmental program expenses. Expenses for these programs decreased \$2,724,371, or 17.97% from the prior year. Expenses were cut mainly in professional services and materials and supplies within various programs in response to the loss in revenues.
- Community services include services to adults and children that benefit the community as a whole.
- Food service operations include the breakfast and lunch programs.

**Barberton City School District**  
Management's Discussion and Analysis  
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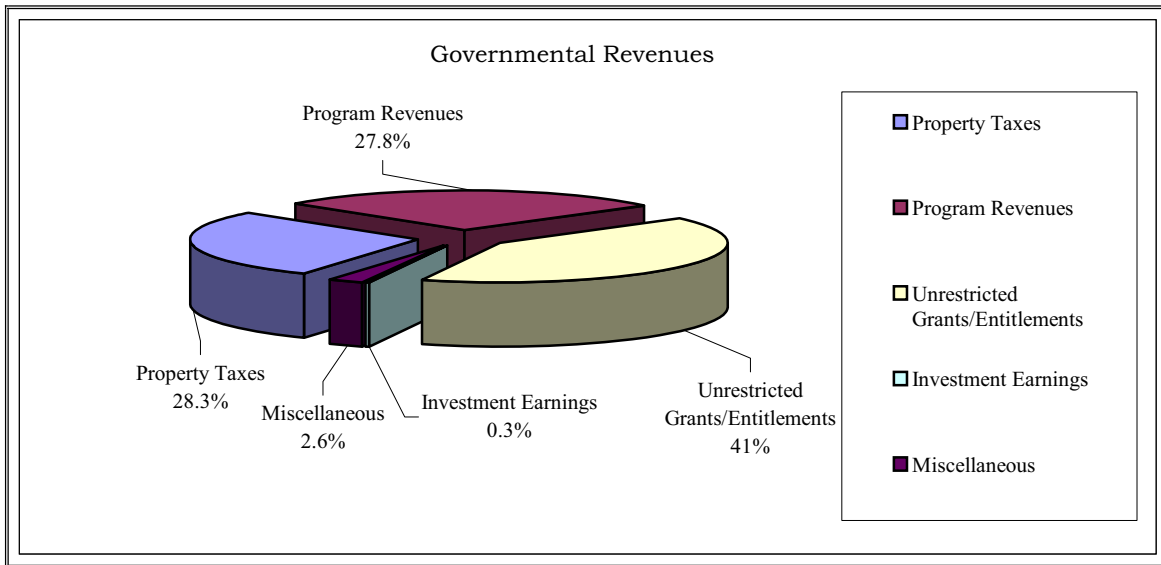
- Extracurricular services directly benefit the students and supplement their educational experience.
- Other includes interest and fiscal charges and intergovernmental.

The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for government activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

*Table 3*  
*Governmental Activities*

	<i>Total Cost of Services <u>2005</u></i>	<i>Total Cost of Services <u>2004</u></i>	<i>Net Cost of Services <u>2005</u></i>	<i>Net Cost of Services <u>2004</u></i>
<b>Program Expenses</b>				
<i>Instruction:</i>				
<i>Regular</i>	\$ 16,281,764	\$ 16,371,431	\$ (14,708,920)	\$ (13,676,072)
<i>Special</i>	6,072,773	6,859,053	(2,177,319)	(3,328,615)
<i>Vocational</i>	1,031,720	1,144,522	(1,012,877)	(1,128,527)
<i>Adult/continuing</i>	79,303	89,714	(1,278)	(16,573)
<i>Other</i>	3,028,217	1,506,087	(1,605,716)	(1,506,087)
<i>Support services:</i>				
<i>Pupil</i>	2,316,242	2,377,039	(1,849,226)	(2,181,713)
<i>Instructional staff</i>	1,756,160	3,506,584	(1,133,935)	(2,182,590)
<i>Board of education</i>	21,130	21,494	(21,130)	(21,494)
<i>Administration</i>	2,516,448	2,822,028	(2,353,739)	(2,817,645)
<i>Fiscal</i>	466,648	675,238	(466,414)	(674,913)
<i>Business</i>	416,840	434,051	(416,840)	(434,051)
<i>Operation and</i>				
<i>  maintenance of plant</i>	4,024,757	4,429,365	(3,815,018)	(3,689,905)
<i>  Pupil transportation</i>	777,157	888,867	(242,302)	(876,502)
<i>  Central</i>	142,351	7,438	(109,797)	(2,855)
<i>Operation of non-</i>				
<i>  instructional services:</i>				
<i>  Food service operations</i>	1,799,039	1,974,296	8,859	(31,681)
<i>  Community services</i>	490,851	646,293	(11,654)	714,587
<i>  Extracurricular activities</i>	1,979,204	1,635,519	(1,565,348)	(1,197,255)
<i>  Interest and fiscal charges</i>	1,591,330	1,468,596	(299,482)	(133,738)
<i>  Intergovernmental</i>	43,345	497,737	(43,345)	(497,737)
<b>Total</b>	<b><u>\$ 44,835,279</u></b>	<b><u>\$ 47,355,352</u></b>	<b><u>\$ (31,825,481)</u></b>	<b><u>\$ (33,683,366)</u></b>

**Barberton City School District**  
 Management's Discussion and Analysis  
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The 41.0% provided by the unrestricted grants and entitlements portion of general revenues include monies received from the Ohio Department of Education, State Foundation Program and property tax relief such as the homestead exemptions and rollbacks provided by HB 920.

The second largest revenue source is property taxes, these provide 28.3% of all governmental revenues.

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; contracts for services; reimbursements for services by third-parties; open enrollment tuition; food service receipts; and receipts for extracurricular activities. Due to nature of the School District, these receipts are a significant part of our operations.

**The School District's Funds**

The School District's major funds are accounted for using the modified accrual basis of accounting. The total revenues for governmental funds were \$46,702,979 and total expenditures were \$46,450,249. The net change in fund balance was significant in the general fund with an increase of \$855,890. The general fund has an unreserved fund balance of (\$2,656,865). Last year this was (\$3,185,262). The increase is attributed to reductions in spending in order to offset losses in revenue and improve the financial stability of the School District. Other reductions in expenditures will continue in fiscal year 2006.

The permanent improvement's fund balance decreased by \$685,580. The decrease resulted from completing several improvement projects and the continuation of several improvement projects.

**General Fund Budgeting Highlights**

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

**Barberton City School District**  
 Management's Discussion and Analysis  
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During fiscal year 2005, the School District amended its general fund budget several times. The most significant amendment was for the sale of tax anticipation notes of \$3,675,000.

For the general fund, the final budget basis revenue and other financing sources estimate was \$35,242,862, representing an increase from the original budget estimate of \$33,272,745. The difference of \$1,970,117 is attributed to budgeting for \$3,675,000 in tax anticipation notes.

The original expenditures and other financing uses estimate of \$33,698,404 was revised over the fiscal year by (\$137,172) to a final budget of \$33,561,232 and a difference of (\$600,518) from the actual expenditures plus other financing uses of \$32,960,714.

**Capital Assets and Debt Administration**

**Capital Assets**

At the end of fiscal year 2005, the School District had \$50,075,328 invested in land, buildings, equipment and vehicles. Table 4 shows fiscal year 2005 balances compared to fiscal year 2004:

*Table 4*  
*Capital Assets at Fiscal Year End*  
*(Net of Depreciation)*

	<u>Governmental Activities</u>	
	<u>2005</u>	<u>2004</u> <i>(Restated)</i>
<i>Land</i>	\$ 3,739,550	\$ 3,739,550
<i>Land improvements</i>	7,803,910	8,708,554
<i>Buildings</i>	37,725,843	35,815,056
<i>Furniture and equipment</i>	491,860	624,688
<i>Vehicles</i>	314,165	193,930
<i>Construction in progress</i>	<u>-</u>	<u>2,347,804</u>
<i>Total capital assets</i>	<u>\$ 50,075,328</u>	<u>\$ 51,429,582</u>

Construction of four new classroom additions started in 2003 continued and was completed in 2005 at Woodford and Johnson Schools. Renovation of U.L.Light Middle School exterior began during 2004 and continued in 2005. These are being funded through a Permanent Improvement levy.

See Note 9 to the basic financial statements for further details on governmental activities capital assets.

**Barberton City School District**  
 Management's Discussion and Analysis  
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**Debt**

At June 30, 2005 the School District had \$28,829,512 in outstanding debt. Table 5 summarizes the bonds and notes outstanding:

*Table 5  
 Outstanding Debt, at Fiscal Year End*

	<u>Governmental Activities</u>	
	<u>2005</u>	<u>2004</u>
<i>1998 School Improvement Bonds</i>	\$ 25,719,962	\$ 26,739,962
<i>Accreted interest</i>	955,550	764,825
<i>1984 Library Improvement Bonds</i>	110,000	220,000
<i>2001 Capital Improvement Notes</i>	1,480,000	2,180,000
<i>2000 Vocational Equipment Loan</i>	15,000	45,000
<i>2002 Improvement and Building Loan</i>	<u>549,000</u>	<u>722,000</u>
<i>Total outstanding debt</i>	<u>\$ 28,829,512</u>	<u>\$ 30,671,787</u>

The School Improvement Bonds were used to build a new High School that opened in 2000. These bonds are being paid by a donation from the Barberton Community Foundation, secured by a voted bond issue. The Capital Improvement Notes are paid through a Permanent Improvement levy and funds are being used to renovate buildings and build two, four-classroom additions. The Improvement and Building Loan is through an Asset Pool program and was used to pay-off existing leases as well as purchase additional assets.

At June 30, 2005, the School District's overall legal debt limit was \$37,952,116 with an unvoted debt limit of \$425,448. The School District is rated Baa2 by Moody's Investors Service.

See Notes 14 and 15 to the basic financial statements for further details on the governmental debt activities.

**Current Issues Affecting Financial Condition**

The School District's electors passed an 8.64 mill additional emergency levy for five years in the February 8, 2005 special election. Collection of this levy starts in 2006. The passage of this levy with continued reductions in spending will improve the stability of the School District's finances.

On December 11, 2003, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding plan is unconstitutional. The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient...". The School District is currently unable to determine what effect, if any, this decision will have on its future State funding and financial operations.

The legislature passed a new budget bill for fiscal year 2004 and fiscal year 2005, which was signed by the Governor. This legislation, H.B. 95, reduced previously legislated increases in Basic Aid and Parity Aid. It also includes phasing-out Tangible Personal Property Taxes and the "\$10,000 exemption" payments to local governments, including schools.

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Management's Discussion and Analysis  
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The local economy continues to struggle and it continues to have a negative effect on local revenues. Interest rates continue to be very low resulting in reduced revenues through investing.

Due to the unsettled issues in school funding, management is required to plan carefully and prudently to provide the resources to meet student needs over the next several years.

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

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions or need additional financial information, contact Mark Paprocki, Treasurer/Chief Fiscal Officer of the Barberton City School District, 479 Norton Avenue, Barberton, Ohio 44203 by phone (330) 753-1025 or e-mail [mpaprocki@barberton.summit.k12.oh.us](mailto:mpaprocki@barberton.summit.k12.oh.us).



**Barberton City School District**  
**Statement of Net Assets**  
**June 30, 2005**

	<u>Governmental Activities</u>
<u>Assets:</u>	
Equity in pooled cash and cash equivalents	\$ 8,924,039
Receivables:	
Taxes	13,722,461
Accounts	128,418
Intergovernmental	694,381
Prepaid items	15,847
Inventory held for resale	41,855
Materials and supplies inventory	9,524
Capital assets:	
Land and construction in progress	3,739,550
Depreciable capital assets, net	46,335,778
Total capital assets	<u>50,075,328</u>
Total assets	<u>73,611,853</u>
<u>Liabilities:</u>	
Accounts payable	391,064
Accrued wages	2,430,514
Intergovernmental payable	1,179,170
Deferred revenue	11,238,220
Accrued interest payable	232,379
Matured compensated absences payable	53,131
Claims payable	216,118
Long-term liabilities:	
Due within one year	2,442,587
Due in more than one year	31,899,288
Total liabilities	<u>50,082,471</u>
<u>Net assets:</u>	
Invested in capital assets, net of related debt	21,355,816
Restricted for:	
Capital outlay	1,537,972
Debt service	1,495,757
Other purposes	361,763
Unrestricted	<u>(1,221,926)</u>
Total net assets	<u>\$ 23,529,382</u>

See accompanying notes to the basic financial statements.

**Barberton City School District**  
**Statement of Activities**  
**For the Fiscal Year Ended June 30, 2005**

	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants, Contributions and Interest	Capital Grants and Contributions	Revenues and Changes in Net Assets
					Governmental Activities
<u>Governmental Activities:</u>					
Instruction:					
Regular	\$ 16,281,764	\$ 132,414	\$ 1,440,430	\$ -	\$ (14,708,920)
Special	6,072,773	105,643	3,789,811	-	(2,177,319)
Vocational	1,031,720	15,330	3,513	-	(1,012,877)
Adult/continuing	79,303	-	78,025	-	(1,278)
Other	3,028,217	1,422,501	-	-	(1,605,716)
Support services:					
Pupils	2,316,242	11,206	455,810	-	(1,849,226)
Instructional staff	1,756,160	11,115	611,110	-	(1,133,935)
Board of education	21,130	-	-	-	(21,130)
Administration	2,516,448	-	162,709	-	(2,353,739)
Fiscal	466,648	234	-	-	(466,414)
Business	416,840	-	-	-	(416,840)
Operation and maintenance of plant	4,024,757	14,702	195,037	-	(3,815,018)
Pupil transportation	777,157	-	524,104	10,751	(242,302)
Central	142,351	7,478	25,076	-	(109,797)
Operation of non-instructional services:					
Food service operations	1,799,039	691,429	1,116,469	-	8,859
Community services	490,851	315,768	163,429	-	(11,654)
Extracurricular activities	1,979,204	294,405	119,451	-	(1,565,348)
Interest and fiscal charges	1,591,330	-	1,291,848	-	(299,482)
Intergovernmental	43,345	-	-	-	(43,345)
Total governmental activities	<u>\$ 44,835,279</u>	<u>\$ 3,022,225</u>	<u>\$ 9,976,822</u>	<u>\$ 10,751</u>	<u>(31,825,481)</u>

General Revenues:

Property taxes levied for:

General purposes	11,580,164
Debt service	892,400
Capital outlay	749,239
Grants and entitlements not restricted to specific programs	19,130,562
Investment earnings	130,010
Miscellaneous	1,198,301
Total general revenues	<u>33,680,676</u>

Change in net assets 1,855,195

Net assets beginning of year (restated, see Note 3) 21,674,187

Net assets end of year \$ 23,529,382

See accompanying notes to the basic financial statements.

**Barberton City School District**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2005**

	General	Bond Retirement	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
<u>Assets:</u>					
Equity in pooled cash and cash equivalents	\$ 3,205,000	\$ 1,804,575	\$ 1,527,173	\$ 672,512	\$ 7,209,260
<u>Receivables:</u>					
Taxes	12,020,353	981,810	720,298	-	13,722,461
Accounts Intergovernmental	128,418	-	-	-	128,418
Prepaid items	-	-	-	694,381	694,381
Inventory held for resale	15,847	-	-	-	15,847
Materials and supplies inventory	-	-	-	41,855	41,855
Equity in pooled cash and cash equivalents (restricted)	-	-	-	9,524	9,524
Equity in pooled cash and cash equivalents (restricted)	288,656	-	-	-	288,656
Total assets and other debits	<u>\$ 15,658,274</u>	<u>\$ 2,786,385</u>	<u>\$ 2,247,471</u>	<u>\$ 1,418,272</u>	<u>\$ 22,110,402</u>
<u>Liabilities:</u>					
Accounts payable	\$ 92,947	\$ -	\$ 241,125	\$ 47,552	\$ 381,624
Accrued wages	2,009,099	-	-	421,415	2,430,514
Matured compensated absences payable	38,168	-	-	14,963	53,131
Intergovernmental payable	936,168	-	-	243,002	1,179,170
Deferred revenue	11,015,941	970,632	577,694	637	12,564,904
Accrued interest payable	15,257	-	-	-	15,257
Notes payable	3,675,000	-	-	-	3,675,000
Total liabilities	<u>17,782,580</u>	<u>970,632</u>	<u>818,819</u>	<u>727,569</u>	<u>20,299,600</u>
<u>Fund balances:</u>					
Reserved for encumbrances	243,903	-	566,406	156,271	966,580
Reserved for bus purchases	13,104	-	-	-	13,104
Reserved for textbooks/instructional material	275,552	-	-	-	275,552
Unreserved, undesignated, Reported in:					
General fund	(2,656,865)	-	-	-	(2,656,865)
Special revenue funds	-	-	-	534,432	534,432
Debt service fund	-	1,815,753	-	-	1,815,753
Capital projects funds	-	-	862,246	-	862,246
Total fund balances	<u>(2,124,306)</u>	<u>1,815,753</u>	<u>1,428,652</u>	<u>690,703</u>	<u>1,810,802</u>
Total liabilities and fund balances	<u>\$ 15,658,274</u>	<u>\$ 2,786,385</u>	<u>\$ 2,247,471</u>	<u>\$ 1,418,272</u>	<u>\$ 22,110,402</u>

See accompanying notes to the basic financial statements.

**Barberton City School District**  
**Reconciliation of Total Governmental Fund Balances to**  
**Net Assets of Governmental Activities**  
**June 30, 2005**

Total governmental funds balances		\$ 1,810,802
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		50,075,328
Other long-term assets that are not available to pay for current-period expenditures and therefore are deferred in the funds:		
Property taxes	\$ 1,197,629	
Intergovernmental	637	
Accounts	128,418	
Total	<u>1,326,684</u>	1,326,684
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.		1,200,565
In the statement of activities, interest is accrued on outstanding bonds, notes and loans, whereas in governmental funds, an interest expenditure is reported when due.		(217,122)
Long-term liabilities, including bonds, notes and loans payable, are not due and payable in the current period and therefore are not reported in the funds:		
General obligation bonds	\$ (26,785,512)	
Notes payable	(1,480,000)	
Loans payable	(564,000)	
Compensated absences	(1,837,363)	
Total	<u>(30,666,875)</u>	<u>(30,666,875)</u>
Net assets of governmental activities		<u>\$ 23,529,382</u>

See accompanying notes to the basic financial statements.

**Barberton City School District**  
**Statement of Revenues, Expenditures**  
**and Changes in Fund Balances**  
**Governmental Funds**  
**For the Fiscal Year Ended June 30, 2005**

	General	Bond Retirement	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
<u>Revenues:</u>					
Property and other local taxes	\$ 11,552,431	\$ 892,403	\$ 747,659	\$ -	\$ 13,192,493
Intergovernmental	19,033,544	14,788	172,362	8,583,067	27,803,761
Interest	87,520	42,490	-	9,563	139,573
Tuition and fees	1,542,666	-	-	113,107	1,655,773
Extracurricular activities	741	-	-	298,814	299,555
Gifts and donations	-	2,314,082	-	75,122	2,389,204
Customer services	80	-	-	765,189	765,269
Rent	17,261	-	-	3,644	20,905
Miscellaneous	179,372	-	-	257,074	436,446
Total revenues	32,413,615	3,263,763	920,021	10,105,580	46,702,979
<u>Expenditures:</u>					
Current:					
Instruction:					
Regular	13,067,235	-	-	1,556,110	14,623,345
Special	2,621,893	-	-	3,698,198	6,320,091
Vocational	1,057,919	-	-	15,294	1,073,213
Adult/continuing	1,538	-	-	78,540	80,078
Other	3,028,217	-	-	-	3,028,217
Support services:					
Pupils	1,644,865	-	-	711,360	2,356,225
Instructional staff	1,225,326	-	-	573,081	1,798,407
Board of education	21,130	-	-	-	21,130
Administration	2,414,675	334	4,157	162,809	2,581,975
Fiscal	456,626	1,371	17,132	-	475,129
Business	357,591	-	70,923	-	428,514
Operation and maintenance of plant	3,861,452	-	-	217,771	4,079,223
Pupil transportation	505,093	-	-	213,760	718,853
Central	111,584	-	-	30,767	142,351
Operation of non-instructional services:					
Food service operations	-	-	-	1,838,386	1,838,386
Community services	-	-	-	500,139	500,139
Extracurricular activities	866,655	-	-	347,242	1,213,897
Capital outlay	112,951	-	1,513,389	57,349	1,683,689
Debt service:					
Principal retirement	203,000	1,830,000	-	-	2,033,000
Interest and fiscal charges	26,917	1,376,238	-	7,887	1,411,042
Intergovernmental	-	-	-	43,345	43,345
Total expenditures	31,584,667	3,207,943	1,605,601	10,052,038	46,450,249
Excess of revenues over (under) expenditures	828,948	55,820	(685,580)	53,542	252,730
<u>Other financing sources (uses):</u>					
Proceeds from sale of capital assets	21,942	-	-	-	21,942
Transfers in	5,000	-	-	55	5,055
Transfers out	-	-	-	(5,055)	(5,055)
Total other financing sources (uses)	26,942	-	-	(5,000)	21,942
Net change in fund balance	855,890	55,820	(685,580)	48,542	274,672
Fund balances (deficits) at beginning of year (restated, see Note 3)	(2,980,196)	1,759,933	2,114,232	642,161	1,536,130
Fund balances (deficits) at end of year	\$ (2,124,306)	\$ 1,815,753	\$ 1,428,652	\$ 690,703	\$ 1,810,802

See accompanying notes to the basic financial statements.

**Barberton City School District**  
**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, 2005**

Net change in fund balances - total governmental funds	\$	274,672
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:		
Capital asset additions	\$	1,683,689
Depreciation expense		<u>(2,500,694)</u>
Excess of capital outlay over depreciation expense		(817,005)
The disposal of capital assets results in the removal of capital assets at cost and the difference in their carrying value to cost, if immaterial, is charged to the program as an expense in the statement of activities.		
		(537,249)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. These activities consist of:		
Property taxes	\$	29,310
Intergovernmental		(62,155)
Accounts		<u>20,340</u>
Net change in deferred revenues during the year		(12,505)
Repayment of bond, notes and loan principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		
		2,033,000
Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:		
Increase in compensated absences	\$	(83,229)
Decrease in accrued interest		10,437
Current year bond accretion		<u>(190,725)</u>
Total additional expenditures		(263,517)
The internal service fund used by management to charge the costs of medical, prescription drug, dental and vision claims to individual funds are not reported in the statement of activities. The net revenue of the internal service fund is reported within the governmental entity wide statements.		
		<u>1,177,799</u>
Change in net assets of governmental activities	<u>\$</u>	<u>1,855,195</u>

See accompanying notes to the basic financial statements.

**Barberton City School District**  
**Statement of Revenues, Expenditures and Changes in Fund Balance -**  
**Budget (Non-GAAP Basis) and Actual - General Fund**  
**For the Fiscal Year Ended June 30, 2005**

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive
				(Negative)
<u>Revenues:</u>				
Taxes	\$ 11,618,188	\$ 10,916,121	\$ 11,020,916	\$ 104,795
Intergovernmental	18,718,193	18,827,637	19,162,257	334,620
Interest	322,727	55,794	87,520	31,726
Tuition and fees	1,290,910	1,529,627	1,542,666	13,039
Rent	-	7,000	17,261	10,261
Extracurricular activities	-	825	741	(84)
Customer services	-	-	80	80
Miscellaneous	322,727	114,858	119,857	4,999
Total revenues	<u>32,272,745</u>	<u>31,451,862</u>	<u>31,951,298</u>	<u>499,436</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	14,585,951	13,510,174	13,477,111	33,063
Special	3,036,402	2,708,054	2,672,303	35,751
Vocational	1,249,555	1,098,698	1,084,395	14,303
Adult/continuing	6,488	5,933	1,537	4,396
Other	1,359,114	3,243,134	3,240,997	2,137
Support services:				
Pupils	1,936,032	1,807,364	1,759,820	47,544
Instructional staff	1,184,035	1,328,262	1,365,299	(37,037)
Board of education	15,913	28,659	23,025	5,634
Administration	2,977,099	2,727,068	2,597,858	129,210
Fiscal	463,454	724,473	472,533	251,940
Business	439,675	408,774	395,790	12,984
Operation and maintenance of plant	4,445,903	4,125,158	4,139,071	(13,913)
Pupil transportation	649,982	754,374	674,425	79,949
Central	132,950	125,650	112,022	13,628
Extracurricular activities	1,059,212	904,077	883,608	20,469
Capital outlay	146,639	34,870	27,276	7,594
Debt service:				
Principal retirement	-	15,000	30,000	(15,000)
Total expenditures	<u>33,688,404</u>	<u>33,549,722</u>	<u>32,957,070</u>	<u>592,652</u>
Excess of revenues over (under) expenditures	<u>(1,415,659)</u>	<u>(2,097,860)</u>	<u>(1,005,772)</u>	<u>1,092,088</u>
<u>Other financing sources (uses):</u>				
Proceeds from sale of capital assets	-	-	21,942	21,942
Proceeds from sale of notes	1,000,000	3,675,000	3,675,000	-
Refund of prior year expenditures	-	86,000	86,244	244
Refund of prior year receipts	-	(1,510)	(1,510)	-
Advances in	-	30,000	30,000	-
Advances out	(10,000)	(10,000)	-	10,000
Transfers in	-	-	7,134	7,134
Transfers out	-	-	(2,134)	(2,134)
Total other financing sources (uses)	<u>990,000</u>	<u>3,779,490</u>	<u>3,816,676</u>	<u>37,186</u>
Net change in fund balance	(425,659)	1,681,630	2,810,904	1,129,274
Fund balances at beginning of year	108,679	108,679	108,679	-
Prior year encumbrances appropriated	332,102	332,102	332,102	-
Fund balances at end of year	<u>\$ 15,122</u>	<u>\$ 2,122,411</u>	<u>\$ 3,251,685</u>	<u>\$ 1,129,274</u>

See accompanying notes to the basic financial statements.

**Barberton City School District**  
**Statement of Fund Net Assets**  
**Internal Service Fund**  
**June 30, 2005**

	<u>Self Insurance</u>
<u>Assets:</u>	
Equity in pooled cash and cash equivalents	<u>\$ 1,426,123</u>
 <u>Liabilities:</u>	
Accounts payable	\$ 9,440
Claims payable	<u>216,118</u>
Total liabilities	<u>\$ 225,558</u>
 <u>Net assets:</u>	
Unrestricted	<u>1,200,565</u>
Total liabilities and net assets	<u>\$ 1,426,123</u>

See accompanying notes to the basic financial statements.



***Barberton City School District***  
**Statement of Revenues, Expenses and Changes in Fund Net Assets**  
**Internal Service Fund**  
**For the Fiscal Year Ended June 30, 2005**

	<u>Self Insurance</u>
<u>Operating revenues:</u>	
Charges for services	<u>\$ 4,960,651</u>
<u>Operating expenses:</u>	
Purchased services	451,118
Claims	<u>3,331,734</u>
Total operating expenses	<u>3,782,852</u>
Operating income	1,177,799
Net assets beginning of year	22,766
Net assets end of year	<u><u>\$ 1,200,565</u></u>

See accompanying notes to the basic financial statements.

**Barberton City School District**  
**Statement of Cash Flows**  
**Internal Service Fund**  
**For the Fiscal Year Ended June 30, 2005**

	<u>Self Insurance</u>
<u>Cash flows from operating activities:</u>	
Cash received for charges for services	\$ 4,962,151
Cash payments to suppliers for goods and services	(441,678)
Cash payments for claims	<u>(3,920,737)</u>
Net cash provided by operating activities	<u>599,736</u>
Net increase in cash and cash equivalents	599,736
Cash and cash equivalents at beginning of year	826,387
Cash and cash equivalents at end of year	<u>\$ 1,426,123</u>
 <u>Reconciliation of operating income to net cash provided by operating activities:</u>	
Operating income	<u>\$ 1,177,799</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Change in assets and liabilities:	
(Increase) decrease in assets:	
Accounts receivable	1,500
Increase (decrease) in liabilities:	
Accounts payable	9,440
Claims payable	<u>(589,003)</u>
Total adjustments	<u>(578,063)</u>
Net cash provided by operating activities	<u>\$ 599,736</u>

See accompanying notes to the basic financial statements.

**Barberton City School District**  
**Statement of Fiduciary Net Assets**  
**Fiduciary Funds**  
**June 30, 2005**

	Private Purpose Trust	
	Scholarships	Agency
<u>Assets:</u>		
Equity in pooled cash and cash equivalents	\$ 81,879	\$ 62,893
<u>Liabilities:</u>		
Accounts payable	\$ -	\$ 3,240
Due to students	-	59,653
Total liabilities	-	\$ 62,893
<u>Net assets:</u>		
Held in trust for scholarships	\$ 81,879	

See accompanying notes to the basic financial statements.

***Barberton City School District***  
**Statement of Changes in Fiduciary Net Assets**  
**Private Purpose Trust Fund**  
**For the Fiscal Year Ended June 30, 2005**

	Private Purpose Trust
	Scholarships
<u>Additions:</u>	
Interest	\$ 1,694
Gift and donations	25,534
Miscellaneous	172
Total additions	<u>27,400</u>
<u>Deductions:</u>	
Payments in accordance with trust agreements	<u>58,330</u>
Change in net assets	(30,930)
Net assets beginning of year (restated, see Note 3)	<u>112,809</u>
Net assets end of year	<u><u>\$ 81,879</u></u>

See accompanying notes to the basic financial statements.

## ***Barberton City School District***

Notes to the Basic Financial Statements

For the fiscal year ended June 30, 2005

### **NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT**

The Barberton City School District (the "School 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 School 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 School District's 11 instructional/support facilities staffed by 218 non-certificated employees and 412 certificated full time teaching personnel which includes 38 administrators, who provide services to 4,270 students and other community members.

### **NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the School District have been prepared in conformity with generally accepted accounting principles (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 School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental activities provided they do not conflict with or contradict GASB pronouncements. The School District's significant accounting policies are described below.

The reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure that the financial statements of the School District are not misleading. The primary government of the School District consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For Barberton City School District, this includes general operations, food service, and student related activities of the School District.

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes.

Within the boundaries of the Barberton City School District, Saint Augustine School is operated as a private school. State legislation provides funding to this private school. The School 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 School District. The School District does not have any component units.

## ***Barberton City School District***

Notes to the Basic Financial Statements

For the fiscal year ended June 30, 2005

The School District is associated with the Northeast Ohio Network for Educational Technology and the Four Cities Vocational Compact, which are defined as jointly governed organizations. Jointly governed organizations are governed by representatives from each of the governments that create the organizations, but there is no ongoing financial interest or responsibility by the participating governments. Information regarding these organizations is presented in Note 16.

Within the boundaries of the School District is the Barberton Public Library. The Library is defined as a related organization as described in Note 17.

### A. Basis of Presentation

The School District's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

#### Government-wide Financial Statements

The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund and other internal activity of governmental funds are eliminated to avoid "doubling up" revenues and expenses of governmental activities.

The statement of net assets presents the financial condition of the governmental activities of the School District at year-end. The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School District.

#### Fund Financial Statements

During the year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at a more detailed level. The focus of governmental and proprietary fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Internal service fund is presented in a single column on the face of the proprietary fund statements. Fiduciary funds are reported by fund type.

## ***Barberton City School District***

Notes to the Basic Financial Statements

For the fiscal year ended June 30, 2005

### B. Fund Accounting

The School District uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain School District functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special restrictions or limitations. For financial statement presentation purposes, the various funds of the School District are grouped into the following generic fund types under the broad fund categories of governmental, proprietary and fiduciary.

#### Governmental Fund Types:

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

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

Bond Retirement Fund – The bond retirement debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Permanent Improvement Fund – The permanent improvement capital projects fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by the proprietary fund).

#### Proprietary Fund Type:

Proprietary fund reporting focuses on the determination of operating income, change in net assets, financial position and cash flows. Proprietary funds are classified as enterprise or internal service; the School District has no enterprise funds.

Internal Service Fund – The internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the School District on a cost reimbursement basis. The School District's only internal service fund accounts for medical, surgical, prescription drug, and dental and vision claims of the School District's employees.

## ***Barberton City School District***

Notes to the Basic Financial Statements

For the fiscal year ended June 30, 2005

### Fiduciary Fund Types:

Fiduciary funds reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four categories: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. The School District's only trust fund is a private purpose trust fund, 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 School 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 a fiscal agency capacity for another entity's Head Start program.

### C. Measurement Focus and Basis of Accounting

Government-wide Financial Statements The government-wide financial statements are prepared using the economic resources measurement focus. All non-fiduciary assets and liabilities associated with the operation of the School District are included on the statement of net assets. The statement of activities presents increases (i.e. revenues) and decreases (i.e. expenses) in total net assets.

Fund Financial Statements All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and 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 a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for the governmental funds.

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

### 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. The internal service fund, private purpose trust fund and the agency fund also use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue and in the presentation of expenses versus expenditures.



## ***Barberton City School District***

Notes to the Basic Financial Statements

For the fiscal year ended June 30, 2005

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within sixty days of year-end.

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. 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 School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: property taxes available as an advance, interest, tuition, grants, student fees and rentals.

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes (should not include delinquent) for which there is an enforceable legal claim as of June 30, 2005, but which were levied to finance fiscal year 2006 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

### Expenditures/Expenses

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the fund financial statements as intergovernmental revenue and an expenditure of food service operations. In addition, this amount is reported on the statement of activities as an expense with a like amount reported within the "Operating Grants, Contributions and Interest" program revenue account. Unused donated commodities are reported in the account "Inventory held for resale" within the basic financial statements.

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.

## ***Barberton City School District***

Notes to the Basic Financial Statements

For the fiscal year ended June 30, 2005

### 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 express 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 rate determination.

#### Estimated Resources

By 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 June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate of estimated resources is amended to include any unencumbered cash balances from the preceding fiscal year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budget revenue in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted revenue in the budgetary statements reflect the amounts in the final amended certificate issued during the fiscal year.

#### Appropriations

Upon receipt from the County Fiscal Officer of an amended Certificate of Estimated 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/object level for the general fund and the fund level for all other 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 School 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 any 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 by fund 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 budgeted 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.

## ***Barberton City School District***

Notes to the Basic Financial Statements  
For the fiscal year ended June 30, 2005

### Encumbrances

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 the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. Expenditures plus encumbrances may not legally exceed appropriations. On the GAAP basis, encumbrances outstanding at fiscal year end 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 School 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 School District's records. Each fund's interest in the pool is presented on the statement of net assets in the account, "Equity in pooled cash and cash equivalents". During the current fiscal year investments were limited to certificates of deposit and overnight repurchase agreements. All investments of the School District had a maturity of two years or less. Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market price.

Nonparticipating investment contracts, such as repurchase agreements and nonnegotiable certificates of deposit are reported at cost.

Under existing Ohio statutes, all investment earnings accrue to the general fund except those specifically related to certain trust funds, unless the Board specifically allows the interest to be recorded in other funds. The Board of Education has passed a resolution to allow interest to also be recorded in other funds as listed in Note 5.

For purposes of the statement of cash flows and for presentation on the financial statements, investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are considered to be cash equivalents. Investments with an initial maturity of more than three months that are not purchased from the pool are reported as investments.

### G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2005, 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 which services are consumed.

## ***Barberton City School District***

Notes to the Basic Financial Statements

For the fiscal year ended June 30, 2005

### 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. Restricted Assets

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other government or imposed by enabling legislation. Restricted assets in the general fund include the amount required by State statute to be set aside to create a reserve for the purchase of textbook and instructional materials and buses. Restricted assets may also be set-aside as a reserve for budget stabilization, which is now optional as determined by the School District. See Note 20 for additional information regarding statutory reserves.

### J. Capital Assets and Depreciation

General capital assets are those assets resulting 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 on the fund financial statements.

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

All reported capital assets, other than land and construction in progress, are depreciated. Depreciation is computed using the straight-line method over the following useful lives:

<i><u>Asset Description</u></i>	<i><u>Estimated Lives</u></i>
<i>Buildings</i>	<i>30 - 50 years</i>
<i>Furniture and equipment</i>	<i>5 - 20 years</i>
<i>Vehicles</i>	<i>10 - 15 years</i>
<i>Land improvements</i>	<i>5 - 20 years</i>

### 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 School District will compensate the employees for the benefits through paid time off or some other means.

## ***Barberton City School District***

Notes to the Basic Financial Statements

For the fiscal year ended June 30, 2005

Sick leave benefits are accrued as a liability using the termination method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the School 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, the current portion of unpaid compensated absences is the amount that is normally expected to be paid using expendable available financial resources. These amounts are recorded in the account "matured compensated absences payable" in the fund from which the employees who have accumulated leave are paid.

The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service. The School District records a liability for accumulated unused sick leave for all employees after ten years of service.

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

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

In general, governmental fund payables and accrued liabilities that once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, compensated absences, special termination benefits and contractually required pension contributions 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 loans are recognized as a liability on the governmental fund financial statements when due.

### M. 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 adopted by the School District or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments.

The School District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

### N. Fund Balance Reserves

The School 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 the fund balance that is available for appropriation in future periods. Fund balance reserves have been established for encumbrances, textbook/instructional material purchases, and bus purchases.

***Barberton City School District***

Notes to the Basic Financial Statements  
For the fiscal year ended June 30, 2005

O. Operating Revenues and Expenses

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

P. 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 statements of net assets.

Q. Estimates

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

**NOTE 3 – CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCES AND NET ASSETS**

For fiscal year 2005, the School District has implemented GASB Statement No. 40, “Deposits and Investment Risk Disclosures”; GASB Technical Bulletin No. 2004-2, “Recognition of Pension and Other Postemployment Benefit Expenditures/Expense and Liabilities by Cost-Sharing Employers” and GASB Statement No. 45, “Accounting and Financial Reporting by Employers for Postemployment Benefits and Other Than Pensions.

As a result of the implementation of the Technical Bulletin and GASB Statement No. 45, certain beginning fund balances were required to be restated. These restatements involve reporting pension and other postemployment benefit liabilities on the governmental fund financial statements where beforehand were exclusively reported on the government-wide financial statements.

In addition, a correction was made to move account balances belonging to the scholarship private purpose trust fund that were recorded in a special revenue fund. The private purpose trust fund’s beginning balance was restated by \$3,168 to \$112,809 as result of this correction.

**Barberton City School District**  
Notes to the Basic Financial Statements  
For the fiscal year ended June 30, 2005

The restatement of fund balance is presented below:

	<u>General</u>	<u>Debt Service</u>	<u>Permanent Improvement</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
<i>Fund balances at June 30, 2004</i>	\$ (2,835,533)	\$ 1,759,933	\$ 2,114,232	\$ 819,697	\$ 1,858,329
<i>Restatement of intergovernmental payable</i>	(144,663)	-	-	(174,368)	(319,031)
<i>Fund reclassification</i>	-	-	-	(3,168)	(3,168)
<i>Restated fund balances at July 1, 2004</i>	<u>\$ (2,980,196)</u>	<u>\$ 1,759,933</u>	<u>\$ 2,114,232</u>	<u>\$ 642,161</u>	<u>\$ 1,536,130</u>

Following the close of the previous fiscal year, an inventory of capital assets was conducted and a few assets were revealed to be erroneously reported. As a result of these errors, a restatement of the capital asset balances, accumulated depreciation and net assets is required.

Also, it was noted the School Improvement Bond issue contains two capital appreciation bonds which require recognizing accrued interest to reflect the value of the bonds at maturity.

The restatement of fund balance, capital assets and capital appreciation bond accretion is presented below:

	<u>Governmental Activities</u>
<i>Net assets at June 30, 2004</i>	\$ 19,630,606
<i>Restatement of capital assets, net of depreciation</i>	2,811,574
<i>Restatement for capital appreciation bonds</i>	(764,825)
<i>Fund reclassification</i>	<u>(3,168)</u>
<i>Restated net assets at July 1, 2004</i>	<u>\$ 21,674,187</u>

**NOTE 4 - BUDGETARY BASIS OF ACCOUNTING**

While the School District is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law and described above is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

**Barberton City School District**

Notes to the Basic Financial Statements

For the fiscal year ended June 30, 2005

The major differences between the budget basis and GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).

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

*Net Change in Fund Balance*

	<u>General</u>
<i>GAAP basis</i>	\$ 855,890
<i>Revenue accruals</i>	3,331,061
<i>Expenditure accruals</i>	(1,054,695)
<i>Encumbrances (Budget Basis) outstanding at year end</i>	<u>(321,352)</u>
<i>Budget basis</i>	<u>\$ 2,810,904</u>

**NOTE 5 - DEPOSITS AND INVESTMENTS**

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit, or by savings or deposit accounts, including passbook accounts. Interim monies may be invested in the following obligations provided they mature or are redeemable within five years from the date of settlement:



***Barberton City School District***

Notes to the Basic Financial Statements

For the fiscal year ended June 30, 2005

1. United States Treasury bills, bonds, notes, 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 other obligation or securities issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2% and be marked to market daily, and 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 division (1) or (2) 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 bankers' acceptances and commercial paper notes in an amount not to exceed 25% of the interim monies available for investment at any one time and for a period not to exceed one hundred eighty days; and
8. Under limited circumstances, corporate debt instrument rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

**Undeposited Cash:**

The School District had \$100 in undeposited cash on hand and which is included as part of "equity in pooled cash and cash equivalents".

**Barberton City School District**

Notes to the Basic Financial Statements  
For the fiscal year ended June 30, 2005

Deposits:

Custodial credit risk is the risk that, in the event of a bank failure, the School District's deposits may not be returned. According to state law, public depositories must give security for all public funds on deposit in excess of those funds that are insured by the federal deposit insurance corporation (FDIC) or by any other agency or instrumentality of the federal government. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by the FDIC, or may pledge a pool of government securities valued at least 105% of the total value of public monies on deposit at the institution. The School District's policy is to deposit money with financial institutions that are able to abide by the laws governing insurance and collateral of public funds.

As of June 30, the carrying amount of the School District's deposits was \$9,033,711. The School District's bank balance of \$9,178,556 was exposed to custodial credit risk as follows:

<i>Uninsured and collateral held by pledging bank's trust department and not in the School District's name</i>	<i>\$ 8,778,556</i>
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Investments:

As of June 30, the School District had the following investment and maturity:

<u>Investment type</u>	<u>Fair Value</u>	<u>Maturity</u>	<u>Rating</u>
<i>Repurchase agreements</i>	<i>\$ 35,000</i>	<i>Daily</i>	<i>N/A <sup>(1)</sup></i>

*(1) Underlying securities are exempt.*

Interest is legally required to be placed in the general fund; the food service, public school support, Decker Center, district managed student activities and auxiliary special revenue funds; the bond retirement debt service fund; the permanent improvement capital projects fund; the scholarships private purpose trust fund; the self insurance internal service fund; the student activities and district agency funds. Interest revenue credited to the general fund amounted to \$87,520, which includes \$41,338 assigned from other School District funds.

Custodial credit risk for an investment is the risk that in the event of failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District's \$35,000 investment in repurchase agreements is to be secured by the specific government securities upon which the repurchase agreements are based. These securities, held by the counterparty and not in the School District's name, must be obligations of or guaranteed by the United States and mature or be redeemable within five years of the date of the related repurchase agreement. The School District's policy is to invest money with financial institutions that are able to abide by the laws governing insurance and collateral of public funds.

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

***Barberton City School District***

Notes to the Basic Financial Statements

For the fiscal year ended June 30, 2005

**NOTE 6 - PROPERTY TAXES**

Property taxes are levied and assessed on a calendar year basis. First-half tax distributions are received by the School District in the second half of the fiscal year. Second-half tax distributions are received in the first half of the following fiscal year.

Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the School District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Assessed values for real property taxes are established by State law at 35% 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 real and tangible personal property taxes attached as a lien on December 31 of the prior year were levied April 1 and are collected with real property taxes. Public utility real property is assessed by State law at 35% of true value; tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property taxes are levied after April 1 on the value listed as of December 31 of the current year. Tangible personal property is currently assessed at 25% of true value. 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.

The School District receives property taxes from Summit County. The County Fiscal Officer periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the county by June 30 are available to finance current year operations. The School District, by resolution, authorizes the Treasurer to request advances from the County Fiscal Officer during the year and to make these funds available for appropriation.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, public utility property, and tangible personal property taxes which were measurable as of June 30 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, amounts to be received during the available period are not subject to reasonable estimation at June 30, nor were they levied to finance fiscal year 2005 operations. For the governmental fund financial statements, the receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30 was \$1,132,830 in the general fund, \$142,604 in the permanent improvement fund, and \$11,178 in the bond retirement fund and is recognized as revenue.

**Barberton City School District**

Notes to the Basic Financial Statements  
For the fiscal year ended June 30, 2005

There were no new levies passed during the current fiscal year. The assessed values upon which the current fiscal year taxes were collected are:

<u>Property Category</u>	<u>2004 Assessed Value</u>	<u>2003 Assessed Value</u>
<u>Real Property</u>		
Residential and agricultural	\$ 278,134,820	\$ 274,082,340
Commercial and industrial	78,072,640	76,140,790
Public utilities	1,362,170	13,469,020
<u>Tangible Personal Property</u>		
General	55,878,843	58,777,845
Total	<u>\$ 413,448,473</u>	<u>\$ 422,469,995</u>

**NOTE 7 - RECEIVABLES**

Receivables at year-end consisted of taxes, accounts (tuition and excess costs), and intergovernmental grants and entitlements. 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. The intergovernmental receivable at June 30, 2005 consisted of:

<u>Governmental activities</u>	<u>Amount</u>
<u>Special revenue funds:</u>	
Food service	144,155
Student intervention	7,358
Title VI-B	204,428
Title III	4,339
Title I	244,621
Title V	3,781
Drug free schools	777
EHA Preschool	17,642
Improving teacher quality	59,272
Miscellaneous federal grants	8,008
Total	<u>\$ 694,381</u>

**NOTE 8 - INTERFUND TRANSACTIONS**

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, (2) move receipts restricted to debt service from the fund collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**Barberton City School District**  
Notes to the Basic Financial Statements  
For the fiscal year ended June 30, 2005

Interfund transfers for the year ended June 30, 2005, consisted of the following:

<i>Transfers from nonmajor governmental funds to:</i>	
<i>General fund</i>	\$ 5,000
<i>Nonmajor governmental funds</i>	<u>55</u>
<i>Total transfers in/out</i>	<u>\$ 5,055</u>

**NOTE 9 - CAPITAL ASSETS**

The capital asset balances of the governmental activities have been restated due to the completion of an inventory of capital assets. Capital asset activity for the fiscal year ended June 30, 2005 was as follows:

<u>Governmental activities</u>	<u>Restated Balance June 30, 2004</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2005</u>
<i>Capital assets, not being depreciated:</i>				
<i>Land and improvements</i>	\$ 3,739,550	\$ -	\$ -	\$ 3,739,550
<i>Construction in progress</i>	<u>2,347,804</u>	<u>-</u>	<u>(2,347,804)</u>	<u>-</u>
<i>Total capital assets, not being depreciated</i>	<u>6,087,354</u>	<u>-</u>	<u>(2,347,804)</u>	<u>3,739,550</u>
<i>Capital assets, being depreciated:</i>				
<i>Land improvements</i>	10,273,666	-	(187,093)	10,086,573
<i>Buildings</i>	46,455,776	3,852,743	(1,446,220)	48,862,299
<i>Furniture and equipment</i>	1,695,545	8,450	(142,996)	1,560,999
<i>Vehicles</i>	<u>1,600,415</u>	<u>170,300</u>	<u>(253,394)</u>	<u>1,517,321</u>
<i>Total capital assets, being depreciated</i>	<u>60,025,402</u>	<u>4,031,493</u>	<u>(2,029,703)</u>	<u>62,027,192</u>
<i>Less: Accumulated depreciation</i>				
<i>Land improvements</i>	(1,565,112)	(871,290)	153,739	(2,282,663)
<i>Buildings</i>	(10,640,720)	(1,450,579)	954,843	(11,136,456)
<i>Furniture and equipment</i>	(1,070,857)	(128,760)	130,478	(1,069,139)
<i>Vehicles</i>	<u>(1,406,485)</u>	<u>(50,065)</u>	<u>253,394</u>	<u>(1,203,156)</u>
<i>Total accumulated depreciation</i>	<u>(14,683,174)</u>	<u>(2,500,694)</u>	<u>1,492,454</u>	<u>(15,691,414)</u>
<i>Total capital assets being depreciated, net</i>	<u>45,342,228</u>	<u>1,530,799</u>	<u>(537,249)</u>	<u>46,335,778</u>
<i>Governmental activities capital assets, net</i>	<u>\$ 51,429,582</u>	<u>\$ 1,530,799</u>	<u>\$ (2,885,053)</u>	<u>\$ 50,075,328</u>

**Barberton City School District**  
Notes to the Basic Financial Statements  
For the fiscal year ended June 30, 2005

Depreciation expense charged to governmental functions for the year ending June 30, 2005 is as follows:

<i>Instruction:</i>	
<i>Regular</i>	\$ 1,526,736
<i>Vocational</i>	1,886
<i>Support services:</i>	
<i>Pupils</i>	2,364
<i>Instructional staff</i>	26,244
<i>Administration</i>	12,702
<i>Business</i>	3,812
<i>Operation and maintenance of plant</i>	39,431
<i>Pupil transportation</i>	77,718
<i>Operation of non-instructional services:</i>	
<i>Food service operations</i>	18,059
<i>Extracurricular activities</i>	791,742
	<u>\$ 2,500,694</u>

**NOTE 10 - RISK MANAGEMENT**

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. 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 School District uses an internal service fund to record and report its self funded health care insurance program. The claims liability of \$216,118 reported in the fund at 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 School District purchases stop-loss coverage of \$100,000 per employee. Changes in the fund's claims liability during the current and prior fiscal years were:

	<i>Balance at Beginning of year</i>	<i>Current year claims</i>	<i>Claim payments</i>	<i>Balance at end of year</i>
2004	\$ 299,904	4,175,760	3,670,543	\$ 805,121
2005	\$ 805,121	3,331,734	3,920,737	\$ 216,118

The School 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.

## ***Barberton City School District***

Notes to the Basic Financial Statements

For the fiscal year ended June 30, 2005

### **NOTE 11 - DEFINED BENEFIT PENSION PLANS**

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

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

Plan members are required to contribute 10% of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current rate is 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2005, 2004, and 2003 were \$469,233, \$470,774, and \$501,657, respectively; equal to the required contributions for each year.

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

The School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple-employer public employee retirement system. STRS provides retirement and disability benefits, annual cost-of-living adjustments, disability, and death and survivor benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand alone financial report that includes financial statements and required supplementary information for STRS. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3746 or by calling (614) 227-4090.

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 member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor.

The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% 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 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. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001.

## ***Barberton City School District***

Notes to the Basic Financial Statements

For the fiscal year ended June 30, 2005

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 became disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

For the fiscal year ended June 30, 2005, plan members were required to contribute 10% of their annual covered salaries. The School District was required to contribute 14%; 13% was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District's required contributions for pension obligations to the DB plan for the fiscal years ended June 30, 2005, 2004, and 2003 were \$2,453,412, \$2,642,692, and \$2,486,380, respectively; 84% has been contributed for fiscal year 2005 and 100% for the fiscal years 2004 and 2003. \$387,121, representing the unpaid contribution for fiscal year 2005, is recorded as an intergovernmental payable. Contributions to the DC and Combined plans for fiscal year 2005 were \$6,289 made by the School District and \$34,755 made by the plan members.

### **NOTE 12 - POSTEMPLOYMENT BENEFITS**

Comprehensive health care benefits are provided to retired teachers and their dependents through the State Teachers Retirement System (STRS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. All benefit recipients and sponsored dependents are eligible for health care coverage. Benefit provisions and the obligations to contribute are established by the STRS based on authority granted by State statute. All benefit recipients are required to pay a portion of the health care cost in the form of a monthly premium.

By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll. The retirement board currently allocates employer contributions equal to 1% of covered payroll to the Health Care Stabilization Fund from which payments for health care benefits are paid. For the School District this amount equaled \$188,724 during the 2005 fiscal year. The balance in the Health Care Stabilization Fund for the STRS was \$3.3 billion at June 30, 2005. For the year ended June 30, 2005 the net health care costs paid by the STRS were \$254,780,000 and eligible benefit recipients totaled 115,395.

For the School Employees Retirement System (SERS), coverage is made available to service retirees with ten or more years of qualifying service credit, disability and survivor benefit recipients. Effective January 1, 2004, all retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility and retirement status. For this fiscal year, employer contributions to fund health care benefits were 3.43% of covered payroll.

In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2005, the minimum pay has been established at \$27,400. The surcharge, added to the unallocated portion of the 14% contribution rate, provides for maintenance of the asset target level for the health care fund. For the School District, the amount of employer contributions used to fund health care equaled \$334,839, which includes a surcharge of \$69,546 during the 2005 fiscal year.



**Barberton City School District**

Notes to the Basic Financial Statements

For the fiscal year ended June 30, 2005

Health care benefits are financed on a pay-as-you-go basis. Net health care costs for the year ending June 30, 2005 were \$178,221,113. The target level for the health care reserve is 150% of the projected claims less premium contributions for the next fiscal year. As of June 30, 2005, the value of the health care fund was \$267.5 million, which is about 168% of next year's projected net health care costs of \$158,776,151. On the basis of actuarial projections, the allocated contributions will be insufficient, in the long term, to provide for a health care reserve equal to at least 150% of estimated annual net claim costs. The number of participants receiving health care benefits was approximately 58,123.

**NOTE 13 - EMPLOYEE BENEFITS**

A. Compensated Absences

The criteria for determining vacation and sick leave components is 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 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 days for certified employees, two hundred thirty days for year round classified employees and two hundred fifteen days for nine month classified employees. Upon retirement, payment is made for one-fourth of their accrued, but unused sick leave credit to a maximum established by negotiated agreements.

B. Health Care Benefits

The School 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 14 – NOTES PAYABLE**

During the fiscal year, the School 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. Activity during the fiscal year was as follows:

	<u>Balance</u> <u>July 1</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30</u>	<u>Due within</u> <u>one year</u>
<i>Tax anticipation notes</i>	\$ -	\$ 3,675,000	\$ -	\$ 3,675,000	\$ -

Principal and interest requirements to amortize tax anticipation notes outstanding at June 30, 2005 are as follows:

**Barberton City School District**  
Notes to the Basic Financial Statements  
For the fiscal year ended June 30, 2005

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ -	\$ 140,830	\$ 140,830
2007	735,000	120,393	855,393
2008	735,000	93,639	828,639
2009	735,000	66,885	801,885
2010	735,000	40,131	775,131
2011-2015	735,000	13,377	748,377
<b>Total</b>	<b>\$ 3,675,000</b>	<b>\$ 475,255</b>	<b>\$ 4,150,255</b>

**NOTE 15 - BONDED DEBT AND OTHER LONG-TERM OBLIGATIONS**

Changes in the School District's long-term obligations during fiscal year 2005 were as follows:

<u>Governmental activities</u>	<u>Balance July 1</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30</u>	<u>Due within one year</u>
<u>Bonds</u>					
<i>School Improvement, 3.65-13.00%, maturing on November 1, 2022</i>					
Serial	\$ 3,200,000	\$ -	\$ (1,020,000)	\$ 2,180,000	\$ 1,065,000
Term	22,880,000	-	-	22,880,000	-
Capital appreciation	659,962	-	-	659,962	-
Accreted interest	764,825	190,725	-	955,550	-
<i>Library Improvement, 9.00% maturing on December 1, 2005</i>	220,000	-	(110,000)	110,000	110,000
<b>Total Bonds</b>	<b>27,724,787</b>	<b>190,725</b>	<b>(1,130,000)</b>	<b>26,785,512</b>	<b>1,175,000</b>
<u>Notes</u>					
<i>Permanent Improvement, 3.80% maturing on December 1, 2006</i>	2,180,000	-	(700,000)	1,480,000	725,000
<u>Loans</u>					
<i>Vocational School Equipment, 0% maturing on December 31, 2005</i>	45,000	-	(30,000)	15,000	15,000
<i>Building and Improvements, 3.90% maturing on June 26, 2007</i>	722,000	-	(173,000)	549,000	177,000
<b>Total Loans</b>	<b>767,000</b>	<b>-</b>	<b>(203,000)</b>	<b>564,000</b>	<b>192,000</b>
<u>Other Obligations</u>					
<i>Long-term compensated absences</i>	1,754,134	338,829	(255,600)	1,837,363	350,587
<b>Total Long-term Liabilities</b>	<b>\$ 32,425,921</b>	<b>\$ 529,554</b>	<b>\$ (2,288,600)</b>	<b>\$ 30,666,875</b>	<b>\$ 2,442,587</b>

## ***Barberton City School District***

Notes to the Basic Financial Statements

For the fiscal year ended June 30, 2005

In fiscal year 1998 the School District issued School Improvement Bonds for \$31,999,962, which are to be paid from money received from the Barberton Community Foundation. The School 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 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.

In fiscal year 2002 the School District issued \$3,450,000 in tax anticipation notes at an interest rate of 3.80% to pay the costs of remodeling various School District buildings. The note is to be repaid by the Permanent Improvement levy passed in May of 2001 and will be repaid from the bond retirement debt service fund.

In fiscal year 1986 the School District issued \$2,200,000 in Library Improvement Bonds. These bonds will be paid from the bond retirement debt service fund.

Compensated absences will be paid from the fund from which the person is paid.

The Vocational School Equipment Loan, maturing in 2005, is a five-year no interest loan from the Ohio Department of Education (ODOE). Payments for the loan will be paid from the general fund.

On December 26, 2002 the School District entered into a loan agreement in the amount of \$892,000 for various improvements and acquisitions through an asset pool program. Payments for this loan will be paid out of the general fund.

The annual requirements to amortize all bonds, notes and loans outstanding as of year-end are as follows:

<i>Fiscal Year</i>	<i>Loans</i>		<i>Notes</i>		<i>Bonds</i>	
	<i>Principal</i>	<i>Interest</i>	<i>Principal</i>	<i>Interest</i>	<i>Principal</i>	<i>Interest</i>
2006	\$ 192,000	\$ 15,132	\$ 725,000	\$ 42,655	\$ 1,175,000	\$ 1,247,987
2007	183,000	9,780	755,000	14,345	1,115,000	1,188,537
2008	189,000	3,440	-	-	349,586	1,986,077
2009	-	-	-	-	310,376	2,025,286
2010	-	-	-	-	1,175,000	1,131,287
2011-2015	-	-	-	-	6,805,000	4,691,937
2016-2020	-	-	-	-	8,695,000	2,747,428
2021-2023	-	-	-	-	6,205,000	479,828
<i>Total</i>	<u>\$ 564,000</u>	<u>\$ 28,352</u>	<u>\$ 1,480,000</u>	<u>\$ 57,000</u>	<u>\$ 25,829,962</u>	<u>\$ 15,498,367</u>

## ***Barberton City School District***

Notes to the Basic Financial Statements  
For the fiscal year ended June 30, 2005

### **NOTE 16 - JOINTLY GOVERNED ORGANIZATIONS**

The Northeast Ohio Network for Educational Technology (NEOnet) is the computer service Organization or Data Acquisition Site (DAS) used by the School District. NEOnet is an association of public school districts in a geographic area determined by the Ohio Department of Education. The Summit County Educational Service Center acts as the fiscal agent for the consortium. The purpose of the consortium is to develop and employ a computer system efficiently and effectively for the needs of the member Boards of Education. All Districts in the consortium are required to pay fees, charges and assessments as charged. NEOnet is governed by a board made up of superintendents (or designee) from all of the participating districts. An elected Executive Board consisting of nine members of the governing board is the managerial body of the consortium and meets on a monthly basis. The School District does not maintain an ongoing financial interest or an ongoing financial responsibility. Payments to NEOnet are made from the general fund. During fiscal year 2005, the School District contributed \$76,889 to NEOnet. Financial information can be obtained by contacting the fiscal agent at 420 Washington Avenue, Suite 200, Cuyahoga Falls, Ohio 44221.

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.

### **NOTE 17 - RELATED ORGANIZATIONS**

The Barberton Public Library is a distinct subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The School 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 School District is conducted only to comply with statutory requirements.

### **NOTE 18 - CONTINGENCIES**

#### A. Grants:

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at year end.

**Barberton City School District**  
 Notes to the Basic Financial Statements  
 For the fiscal year ended June 30, 2005

B. Litigation:

The School District is party to legal proceedings. The School District is of the opinion that the ultimate disposition of claims will not have a material effect, if any, on the financial condition of the School District.

C. School Funding:

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school funding plan is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school funding scheme that is thorough and efficient...". The School District is unable to determine what effect, if any, this decision will have on its future State funding and on its financial operations.

**NOTE 19 - FUND DEFICITS**

As of June 30, 2005, several funds had deficit fund balances/retained earnings. These deficits were caused by the application of generally accepted accounting principles. The general fund provides transfers to cover deficit balances in other funds; however, this is done when cash is needed rather than when accruals occur. The following funds had deficits at year end:

<i>Fund</i>	<i>Deficit</i>
<i>General</i>	\$ 2,124,306
<i>Special Revenue:</i>	
<i>Public school preschool</i>	2,464
<i>Disadvantaged pupil impact aid</i>	273,997
<i>Adult basic education</i>	3,414
<i>Project headstart</i>	83,323

The School District is in the process of reviewing expenditures in an effort to bring them in line with revenues.

**NOTE 20 - STATUTORY RESERVES**

The School District is required by State statute to annually set aside monies for the purchase of textbooks and other instructional materials and for capital improvements purchases. The amounts set-aside may be reduced by offset credits, which are monies received and restricted for the same specific purpose. Although the School District had qualifying disbursements during the year that reduced the set-aside amounts below zero, these extra amounts may only be used to reduce the set-aside requirements of future years for the purchase of textbooks. Negative amounts are therefore not presented as being carried forward to the next fiscal year for the other set-asides.

**Barberton City School District**

Notes to the Basic Financial Statements  
For the fiscal year ended June 30, 2005

The School District was required to set aside additional monies for textbooks and other instructional materials and reserves. Amounts not spent by year-end or reduced by offset credits must be held in cash at year-end and carried forward to be used for the same purposes in future years.

During the fiscal year ended June 30, 2005, the reserve activity was as follows:

	<i>Textbook Reserve</i>	<i>Capital Maintenance Reserve</i>	<i>Total</i>
<i>Set-aside cash balance as of June 30, 2004</i>	\$ 275,981	\$ -	\$ 275,981
<i>Current year set-aside requirement</i>	634,457	634,457	1,268,914
<i>Qualifying disbursements</i>	<u>(634,886)</u>	<u>(1,524,960)</u>	<u>(2,159,846)</u>
<i>Total</i>	<u>\$ 275,552</u>	<u>\$ (890,503)</u>	<u>\$ (614,951)</u>
<i>Cash balance carried forward to future years</i>	<u>\$ 275,552</u>		<u>\$ 275,552</u>

The School District also had unspent monies set-aside for the purchase of school buses in the amount of \$13,104.

**NOTE 21 – REQUIRED SUPPLEMENTARY INFORMATION (RSI) IS OMITTED**

For the fiscal year ended, the School District was required to implement GASB Technical Bulletin No. 2004-2. In addition to the implementation of this guidance, the School District simultaneously implemented GASB Statement No. 45, as recommended by the GASB. A requirement of the Statement is that either: schedules of funding and employer contributions to their OPEB plans be prepared in accordance with GASB Statement No. 43 and made publicly available by SERS and STRS; or provided the information is not available from SERS or STRS, the School District is to present as required supplementary information (RSI) in its own financial report schedules of funding progress and employer contributions for the plan (and notes to these schedules), prepared in accordance with the requirements of Statement No. 43. As of the date of this report, the retirement systems have not conducted a valuation of their plans in a manner to provide this information. Therefore the RSI is unavailable to the School District and it does not follow these notes to the financial statements.

**NOTE 22 – FISCAL CAUTION**

On February 15, 2005, the District was placed in fiscal caution by the State Department of Education due to the possibility of ending the 2005 fiscal year in a deficit as well as the potential for deficits in the future. Pursuant to ORC Sections 3316.031 and ORC 3316.042, a performance audit was initiated for the School District. According to the School District, the recommendations from the performance audit will be thoughtfully considered and used as they continue to plan their fiscal recovery and future stability. Meanwhile, the February 2005 levy passed and the School District was taken out of Fiscal Caution on January 31, 2006.

***Barberton City School District***

Notes to the Basic Financial Statements

For the fiscal year ended June 30, 2005

**NOTE 23 – SUBSEQUENT EVENT**

On August 24, 2005, the School District issued \$22,880,000 of general obligation bonds, proceeds of which were used to advance refund \$22,880,000 of the 1998 School Improvement bonds. The interest rates on the bonds range from three percent to five percent and the final maturity is November 1, 2022. Principal and interest payments will be made semi-annually and are to be paid from funds received from the Barberton Community Foundation.

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**BARBERTON CITY SCHOOL DISTRICT  
SUMMIT COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2005**

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
<b>U.S. DEPARTMENT OF AGRICULTURE</b>						
<i>Passed Through the Ohio Department of Education:</i>						
Child Nutrition Cluster:						
Food Donation	N/A	10.550		\$91,072		\$91,072
School Breakfast Program	043539-05PU-05	10.553	\$170,780		\$170,780	\$170,780
National School Lunch Program	043539-LLP4-05	10.555	720,405		720,405	720,405
Total Child Nutrition Cluster			891,185	91,072	891,185	91,072
Child and Adult Care Food Program	04539-CCMO-05	10.558	14,006		14,006	
Total U.S. Department of Agriculture			<b>905,191</b>	<b>91,072</b>	<b>905,191</b>	<b>91,072</b>
<b>U.S. DEPARTMENT OF EDUCATION</b>						
<i>Passed Through the Ohio Department of Education:</i>						
Special Education Cluster						
Special Education - Grants to States	043539-6BSF-2004	84.027	62,792		230,653	
	043539-6BSF-2005		815,499		770,845	
Total Special Education -Grants to States			878,291		1,001,498	
Special Education - Preschool Grants	043539-PGS1-2004	84.173	5,307		8,872	
	043539-PGS1-2005		57,288		59,791	
Total Special Education - Preschool Grants			62,595		68,663	
Total Special Education Cluster			940,886		1,070,161	
Title I Grants to Local Educational Agencies	043539-C1S1-2004	84.010	136,893		177,954	
	043539-C1SK-2005		860,982		973,259	
Total Title I Grants to Local Educational Agencies			997,875		1,151,213	
Innovative Education Program Strategies	043539-C2S1-2004	84.298			4,210	
	043539-C2S1-2005		17,653		18,541	
Total Innovative Education Program Strategies			17,653		22,751	
Safe and Drug-Free Schools and Communities-State Grants	043539-DRS1-2004	84.186	5,307		3,249	
	043539-DRS1-2005		28,859		26,989	
Total Safe and Drug-Free Schools and Communities-State Grants			34,166		30,238	
Education Technology State Grants	043539-TJS1-2004	84.318			15,160	
	043539-TJS1-2005		13,700		12,900	
Total Education Technology State Grants			13,700		28,060	
Adult Education-State Grant Program	045359-ABS1-04	84.002	23,189		10,704	
	043539-ABS1-04C				733	
	043539-ABS1-05		112,658		111,739	
Total Adult Education-State Grant Program			135,847		123,176	
Improving Teacher Quality State Grants	043539-TRS1-2004	84.367	30,455		62,484	
	043539-TRS1-2005		255,408		270,606	
Total Improving Teacher Quality State Grants			285,863		333,090	
Impact Aid	N/A	84.041	35,253		35,253	
English Language Acquisition Grants	043539-T3S1-2004	84.365			5,462	
	043539-T3S1-2005		12,970		16,242	
Total English Language Acquisition Grants			12,970		21,704	
Total U.S. Department of Education			<b>2,474,213</b>		<b>2,815,646</b>	
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>						
<i>Passed Through the Akron Summit County Action Agency:</i>						
Head Start	N/A	93.600	1,512,164		1,479,919	
<i>Passed Through the Summit County Department of Job &amp; Family Services</i>						
Temporary Assistance for Needy Families	N/A	93.558	81,229		81,229	
Temporary Assistance for Needy Families - Wrap Around Child Care			7,752		7,752	
			88,981		88,981	
Federal Child Care	N/A	93.596	60,956			
<i>Passed Through the Ohio Department of Education</i>						
Refugee and Entrant Assistance-Discretionary Grants	043539-RIS1-2005	93.576			6	
<i>Passed Through the Ohio Department of Mental Retardation and Developmental Disabilities</i>						
Medical Assistance Program	N/A	93.778	359,421		308,828	
State Childrens Insurance Program	N/A	93.767	25,219		25,219	
Total U.S. Department of Health and Human Services			<b>2,046,741</b>		<b>1,902,953</b>	
Totals			<b>\$5,426,145</b>	<b>\$91,072</b>	<b>\$5,623,790</b>	<b>\$91,072</b>

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

**BARBERTON CITY SCHOOL DISTRICT  
SUMMIT COUNTY**

**NOTES TO FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Federal Awards Receipts and Expenditures Schedule (the Schedule) summarizes activity of the District's federal award programs. The Schedule has been prepared on the cash basis of accounting.

**NOTE B - CHILD NUTRITION CLUSTER**

Program regulations do not require the District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This nonmonetary assistance (expenditures) is reported in the Schedule at the fair market value of the commodities received.

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.

**NOTE C - MEDICAL ASSISTANCE AND TEMPORARY ASSISTANCE FOR NEEDY FAMILIES**

Cash receipts from the U.S. Department of Health and Human Services are commingled with local funds for the Medical Assistance and Temporary Assistance for Needy Families Programs. It is assumed federal monies are expended first.



## Auditor of State Betty Montgomery

### 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 the Barberton City School District, Summit County, Ohio, (the District) as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 1, 2006, wherein we noted the District is in Fiscal Caution. We also noted the fund balances have been restated for the implementation of GASB TB 2004-002 and net assets have been restated due to a capital asset inventory and capital appreciation bond accretion. 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 to determine our auditing procedures in order to express our opinions on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the District's management dated March 1, 2006, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

#### **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*. In a separate letter to the District's management dated March 1, 2006, we reported other matters related to noncompliance we deemed immaterial.

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Barberton City School District  
Summit County  
Independent Accountants' Report on Internal Control Over  
Financial Reporting and on Compliance and Other Matters  
Required by *Government Auditing Standards*  
Page 2

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

March 1, 2006



## Auditor of State Betty Montgomery

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

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

To the Board of Education:

#### Compliance

We have audited the compliance of Barberton City School District, Summit County, Ohio, (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement that apply to each of its major federal programs for the year ended June 30, 2005. The summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs 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 contained in *Government Auditing Standards* issued by the Comptroller General of the United States; 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 types of 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 apply to each of its major federal programs for the year ended June 30, 2005. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements that OMB Circular A-133 requires us to report, which is described in the accompanying Schedule of Findings and Questioned Costs as item 2005-001. In a separate letter to the District's management dated March 1, 2006, we reported an other matter related to federal noncompliance not requiring inclusion in this report.

### Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with 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 expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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



**Betty Montgomery**  
Auditor of State

March 1, 2006

**BARBERTON CITY SCHOOL DISTRICT  
SUMMIT COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2005**

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

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	Yes
<i>(d)(1)(vii)</i>	Major Programs (list):	Child Nutrition Cluster,CFDA #10.550/10.553/10.555 Special Education Cluster CFDA #84.027/84.173
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

None

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

**Federal Questioned Costs**

<b>Finding Number</b>	2005-001
<b>CFDA Title and Number</b>	84.027 Special Education – Grants to States (Idea, Part B) 84.173 Special Education – Preschool Grants (Idea Preschool)
<b>Pass Through Entity Number / Year</b>	043539-6BSF-2004 and 04539-PGS1-2004
<b>Federal Agency</b>	U.S. Department of Education
<b>Pass-Through Agency</b>	Ohio Department of Education

**Section 421(b) of GEPA (20 USC 1225(b)), 34 CFR sections 76.704 and 76.707** require local education agencies to obligate funds during the 27 months, extending from July 1 of the fiscal year for which the fund was appropriated through September 30 of the second following fiscal year. This maximum period includes a 15 month period of initial availability plus a 12 month period for carryover. However, in Ohio, programs included in Ohio Department of Education (ODE) Consolidated Application have a project period starting with the application approval date through June 30. Any carryover to the subsequent school district fiscal year must be approved by ODE. In addition, the ODE requires obligations to be liquidated prior to submitting the Final Expenditure Report, which must be filed no later than 60 days after the end of the project period. (See ODE Federal Fiscal Report Procedures #1 and ODE Superintendent Weekly E-Mail, December 6, 2002)

During fiscal year 2005, the District expended \$1,070,161 in federal funds related to the Special Education Cluster received via a pass-through agreement with the Ohio Department of Education. However, certain expenditures were obligated and expended after the period of availability/obligation (June 30) for grant year 2004 which totaled \$14,841. The District did not obtain ODE’s approval for the carryover to the subsequent school district fiscal year. In addition, the District did not liquidate these obligations prior to submitting the Final Expenditure Report. Therefore, we consider \$14,841 to be Federal Questioned Costs.

Failure to obligate grant monies and to liquidate these obligations within the time limits established by Federal regulations and/or the grant agreement could subject the District to fines, penalties, and/or loss of federal funding.

The District should contact and rectify this issue with the Ohio Department of Education. Also, the District should review grant project balances prior to June 30<sup>th</sup> to determine if any remaining grant monies should be obligated or carried over into the next grant year. If it appears that obligations made by June 30<sup>th</sup> will not be liquidated within the required time frame, the District should submit a written request for an extension. In addition, the District should closely monitor cash requests and subsequent expenditures to help ensure funds are spent within the grant’s period of availability.



**BARBERTON CITY SCHOOL DISTRICT  
SUMMIT COUNTY**

**CORRECTIVE ACTION PLAN  
OMB CIRCULAR A -133 § .315 (c)  
JUNE 30, 2005**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2005-001	The District will contact the Ohio Department of Education to determine how best to rectify this issue. Additionally, the District will review the subsequent grant year expenditures to ensure all monies were obligated before June 30.	March 31, 2006	Anne Vainer, Director of Student Services





**Auditor of State  
Betty Montgomery**

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**BARBERTON CITY SCHOOL DISTRICT**

**SUMMIT COUNTY**

**CLERK'S CERTIFICATION**

**This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.**

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MARCH 30, 2006**