

Dave Yost • Auditor of State

**AKRON CITY SCHOOL DISTRICT
SUMMIT COUNTY**

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SUMMIT COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Akron City School District
Summit County
70 North Broadway
Akron, Ohio 44308

To the Board of Education:

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

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


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

As described in Note 3B, the District restated beginning fund balance as of July 1, 2009 of the major Classroom Facilities Capital Projects Fund from \$55,574,106 to \$18,068,954 due to the correction of an error in recording intergovernmental receivables.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 1, 2011, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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



Dave Yost
Auditor of State

March 1, 2011

Akron City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
Unaudited

The discussion and analysis of the Akron 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, 2010. 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 basic 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 the fiscal year ended June 30, 2010 are as follows:

- Total net assets increased \$19.8 million. This is a 6.3 percent increase from fiscal year 2009.
- Total revenues decreased to \$385.4 million from \$424.4 million. This is a decrease of \$39.0 million or 9.2 percent.
- Total program expenses were \$365.6 million. Total program expenses decreased from \$376.3 million from fiscal year 2009. This is a decrease of \$10.7 million or 2.8 percent.
- The fund balance in the general fund increased \$3.1 million. This is a 11.5 percent increase from fiscal year 2009.

Using this Annual Report

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

The Statement of Net Assets and the 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, the fund financial statements tell how services were financed in the short-term and what remains for future spending. Also, the fund financial statements look at the School District's most significant funds with all other nonmajor funds presented in total in one column. The School District has three major funds. They are the general fund, the permanent improvement capital projects fund and the classroom facilities capital projects fund.

Reporting the School District as a Whole – Statement of Net Assets and Statement of Activities

While the basic financial statements contain 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 and asks the question, "How did we do financially during fiscal year 2010?" The Statement of Net Assets and the Statement of Activities answer this question. These two statements include all assets and liabilities using the accrual basis of accounting similar to the basis of accounting used by most companies in the private sector. This basis of accounting takes into account all of the current fiscal year's revenues and expenses regardless of when cash is received or paid.

Akron City School District
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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. Nonfinancial factors include the School District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

In the Statement of Net Assets and the Statement of Activities, the activities of the School District's programs and services are accounted for as governmental activities. Thus, all of the School District's programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation, 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 11. 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 are the general fund, the permanent improvement capital projects fund and the classroom facilities capital projects fund.

Most of the School District's activities are reported in the governmental funds, which focus on how money flows into and out of those funds and the balances left at fiscal year end available for spending in future fiscal years. These funds are reported using a basis of accounting method called the modified accrual basis of accounting, which measures cash and all other financial assets that can be readily converted to cash. The governmental fund financial 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 a reader determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationships (or differences) between governmental *activities* (reported in the Statement of Net Assets and Statement of Activities) and governmental *funds* are reconciled in the basic financial statements.

The School District as a Whole

Recall that 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 fiscal year 2010 compared to fiscal year 2009 as follows:

Akron City School District
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Unaudited

Table 1
 Net Assets at June 30,
 (In Millions)

	Governmental Activities	
	2010	Restated 2009
Assets		
Current and Other Assets	\$388.4	\$434.6
Capital Assets, Net	200.1	166.3
<i>Total Assets</i>	<i>588.5</i>	<i>600.9</i>
Liabilities		
Current and Other Liabilities	231.1	262.8
Long-Term Liabilities		
Due Within One Year	1.7	1.6
Due in More than One Year	24.0	24.6
<i>Total Liabilities</i>	<i>256.8</i>	<i>289.0</i>
Net Assets		
Invested in Capital Assets	200.1	166.3
Restricted:		
Capital Projects	92.8	111.6
Other Purposes	5.5	7.3
Unrestricted	33.3	26.7
<i>Total Net Assets</i>	<i>\$331.7</i>	<i>\$311.9</i>

Total assets decreased \$12.4 million.

Cash and cash equivalents and investments decreased \$30.5 million. The decrease in cash and cash equivalents and investments can be mostly attributed to the locally funded initiatives capital projects fund (\$7.3 million) and the classroom facilities capital projects fund (\$22.3 million).

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The decrease in cash and cash equivalents and investments in the locally funded initiatives capital projects fund and the classroom facilities capital projects fund is due to the Ohio Schools Facilities Commission ("OSFC") construction project. The School District expended \$29.4 million more funds involving this project than it received from the State and the City of Akron ("the City") in fiscal year 2010. Voters in the City passed an ordinance in May of 2003 levying a 0.25 percent additional municipal income tax for the purpose of acquiring, constructing, renovating, and adding to interests in land and the School District's school buildings. This tax will last for 30 years and will raise \$284.2 million in local funds needed to be eligible for \$409.0 million of OSFC monies. Also, this tax will raise \$80.7 million in additional local funds for locally funded initiatives that are not eligible to be paid for with OSFC monies. Combined, these funds will rebuild and renovate all of the School District's school buildings into community learning centers for educating students during school hours while serving as community learning centers for recreation, education, after school and summer school programs, as well as community activities at other times, open to City residents and persons employed in the City.

In addition, intergovernmental receivable decreased \$17.2 million. The decrease in intergovernmental receivable is mostly attributed to the OSFC receivable. The School District records an intergovernmental receivable in the amount that OSFC has appropriated less any funds remitted by OSFC to the School District as of the fiscal year end. The amount appropriated by OSFC and not remitted to the School District was \$78.7 million as of June 30, 2009. As of June 30, 2010, the amount appropriated by OSFC and not remitted to the School District was \$61.0 million. This is a difference of \$17.7 million.

Plus, deferred expense decreased \$3.0 million in fiscal year 2010 from fiscal year 2009. In accordance with an agreement between the School District and the City, the City issued securities to assist in the School District's funding of its share of basic project costs and any locally funded initiatives for rebuilding and renovating the School District's school buildings into community learning centers. The securities were issued with a maturity life of 30 years. While the securities are outstanding, the School District will contribute \$3.0 million each year to the City for the purpose of paying debt charges on those securities and other project costs. Payments due to the City for periods beyond June 30, 2010 are recorded as deferred expense. The School District contributed \$3.0 million to the City during fiscal year 2010 concerning these securities.

The decreases in cash and cash equivalents and investments, intergovernmental receivable and deferred expense were offset by increases in capital assets of \$33.8 million and taxes receivable of \$4.4 million.

The increase in capital assets is mainly due to the School District incurring significant costs related to the OSFC construction project in fiscal year 2010. The change in capital assets will be discussed in greater detail later.

The increase in taxes receivable is due to an increase in the amount of unpaid delinquent property tax bills as of fiscal year end. Summit County sent more property tax bills to delinquent taxpayers during fiscal year 2010 than it did in fiscal year 2009. This action resulted in an increase of \$4.1 million in unpaid delinquent property tax bills as of June 30, 2010 as compared to June 30, 2009. There were \$9.2 million in unpaid delinquent property tax bills at June 30, 2009 as compared to \$13.3 million in unpaid delinquent property tax bills at June 30, 2010.

Total liabilities decreased \$32.2 million.

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Due to City of Akron decreased \$25.7 million. The amount of this liability was determined by reducing the \$169.1 million received in local funds from the City as of June 30, 2010 by the amount of capital expenses made by the School District using these local funds since the inception of this project. The School District has made a total of \$146.4 million in capital expenses using these local funds received from the City as of June 30, 2010. Therefore, the balance of due to City of Akron was \$22.7 million as of June 30, 2010. As of June 30, 2009, the School District had received \$155.7 million in local funds from the City and expensed \$107.3 million in capital expenses using these local funds, resulting in a balance of \$48.4 million for due to City of Akron as of June 30, 2009. A liability was recorded for these monies because if the School District does not spend these local funds by the end of this project, these funds would have to be returned to the City in accordance with an agreement between the School District and the City.

Also, intergovernmental payable decreased \$2.8 million. This decrease is because of the \$3.0 million decrease in deferred expense previously discussed. Deferred expense is offset by intergovernmental payable since the payments are due to the City in accordance with an agreement between the School District and the City. The School District paid \$3.0 million to the City during fiscal year 2010 in accordance with this agreement as previously discussed. As of June 30, 2010, the School District still owed the City \$69.0 million in accordance with this agreement. This is down from the \$72.0 million the School District owed the City as of June 30, 2009 in accordance with this agreement.

The net impact of the assets decrease and the liabilities decrease was an increase of net assets of \$19.8 million.

Recall that the Statement of Activities also provides the viewpoint of the School District as a whole. Table 2 shows the changes in net assets for fiscal years 2010 and 2009 for governmental activities as follows:

Akron City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
Unaudited

Table 2
Change in Net Assets for Governmental Activities
(In Millions)

	<u>2010</u>	<u>2009</u>
Revenues		
<i>Program Revenues:</i>		
Charges for Services and Sales	\$14.1	\$14.8
Operating Grants, Contributions and Interest	64.3	69.2
Capital Grants and Contributions	<u>17.7</u>	<u>63.5</u>
<i>Total Program Revenues</i>	<u>96.1</u>	<u>147.5</u>
<i>General Revenues:</i>		
Property Taxes	107.9	113.7
Grants and Entitlements	176.4	154.0
Investment Earnings	0.5	4.4
JEDD	0.5	0.5
Miscellaneous	<u>4.0</u>	<u>4.3</u>
<i>Total General Revenues</i>	<u>289.3</u>	<u>276.9</u>
Total Revenues	<u>385.4</u>	<u>424.4</u>
Program Expenses		
Instruction	214.8	210.0
Support Services:		
Pupil and Instructional Staff	46.6	43.9
Board of Education, Administration, Fiscal and Business	28.3	29.3
Operation and Maintenance of Plant	37.9	55.6
Pupil Transportation	11.8	11.8
Central	10.4	8.2
Operation of Non-Instructional Services	3.7	4.1
Extracurricular Activities	3.5	3.8
Food Service Operations	<u>8.6</u>	<u>9.6</u>
Total Program Expenses	<u>365.6</u>	<u>376.3</u>
Increase in Net Assets	<u><u>\$19.8</u></u>	<u><u>\$48.1</u></u>

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While program revenues decreased for governmental activities from \$147.5 million to \$96.1 million, the vast majority of revenues supporting governmental activities are general revenues. General revenues increased from \$276.9 million in fiscal year 2009 to \$289.3 million in fiscal year 2010. General revenues comprised 75.1 percent of revenues supporting governmental activities. The primary source of the increase in general revenues was an increase in grants and entitlements revenue in the amount of \$22.4 million. Unrestricted school foundation payments, \$16.6 million, and tangible personal property tax loss, \$5.8 million, accounted for the majority of this increase in grants and entitlements revenue.

The increase in unrestricted school foundation payments is due to a change in the manner in which the State required the School District to recognize some of the school foundation payments. The School District is on the guarantee regarding the school foundation program. This means that the School District's total school foundation payments will remain relatively equal from fiscal year to fiscal year. Between the prior fiscal year and the current fiscal year, the School District's total school foundation payments increased only \$0.8 million.

In fiscal year 2009, the State sent \$25.4 million of the school foundation payments as poverty based assistance. The State required this \$25.4 million to be recognized as program revenue. The State eliminated poverty based assistance beginning with fiscal year 2010. Then, in fiscal year 2010, the State sent \$9.6 million of the school foundation payments as State Fiscal Education Stabilization funds. Fiscal year 2010 was the first fiscal year that the School District received State Fiscal Education Stabilization funds, and the State required this \$9.6 million to be recognized as program revenue also. As a result, since the School District is on the guarantee, the School District recognized the \$15.8 million difference between poverty based assistance in the previous fiscal year and State Fiscal Education Stabilization funds in the current fiscal year as general revenue in fiscal year 2010. This \$15.8 million difference plus the \$0.8 million increase in total school foundation payments make up the increase of \$16.6 million in unrestricted school foundation payments in fiscal year 2010.

The increase in tangible personal property tax loss is attributed to the decline in the assessed value of tangible personal property. Ohio House Bill 66 eliminated tangible personal property tax as revenue to school districts after calendar year 2010. It is being phased out with declining valuations each calendar year. The State reimburses the School District for its valuation losses through an unrestricted entitlement. This unrestricted entitlement increases each fiscal year as the phase outs increase each fiscal year.

The increase in grants and entitlements revenue is offset by decreases in property taxes revenue of \$5.8 million and investment earnings revenue of \$3.9 million.

The reason for the decrease in property taxes revenue is, as previously discussed, Ohio House Bill 66 eliminated tangible personal property tax as revenue to school districts after calendar year 2010. The decrease in investment earnings revenue is because of a decline in interest rates and the decrease in cash and cash equivalents and investments, as previously discussed. There were less cash and cash equivalents and investments to invest in interest-bearing accounts and investments in fiscal year 2010 than there were in the previous fiscal year.

The primary source of the decrease in program revenue was a decrease in capital grants and contributions revenue amounting to \$45.8 million. This decrease is due to the OSFC receivable, as previously discussed.

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In addition, operating grants, contributions and interest revenue decreased by \$4.9 million. This decrease is mostly attributed to the loss of poverty assistance funds equaling \$25.4 million, as previously discussed. This \$25.4 million decrease was offset by the School District's participation in the new ARRA federal grant programs passed through the Ohio Department of Education's Comprehensive Continuous Improvement Plan and new State Fiscal Education Stabilization funds, as previously discussed. The School District recognized \$11 million during fiscal year 2010 from the new ARRA federal grant programs, and the School District recognized \$9.6 million as program revenue for monies from the new State Fiscal Stabilization funds.

The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. The overall revenue generated by the levy will not increase solely as a result of inflation. As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill would pay \$35.00 annually in taxes. If three years later the home was reappraised and increased to \$200,000 (and this inflationary increase in value is comparable to other property owners), the effective tax rate would become 0.5 mills and the owner would still pay \$35.00. Thus, school districts dependent upon property taxes are hampered by a lack of revenue growth and must regularly return to the voters to maintain a constant level of service. Property taxes made up 37.3 percent of total general revenues for governmental activities for the School District in fiscal year 2010.

Program expenses decreased from \$376.3 million in fiscal year 2009 to \$365.6 million, a 2.8 percent decrease. Program expenses decreased partly because of the loss of poverty based assistance funds, as previously discussed. The School District spent \$20.3 million in poverty based assistance funds during fiscal year 2009 that was not spent during the current fiscal year. As previously discussed, the loss of poverty based assistance funds was offset the addition of new State Fiscal Education Stabilization funds in fiscal year 2010. The School District spent \$10.8 of new Fiscal Education Stabilization funds in fiscal year 2010 that was not spent in the prior fiscal year.

While expense decreases were consistent with budget expectations, the increase in operating grants, contributions and interest revenues, the increase in grants and entitlements revenues, the decrease in capital grants and contributions revenues, the decrease in investment earnings and the decrease in tax revenues resulted in a rise of net assets of \$19.8 million.

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

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Table 3
(In Millions)

	<u>2010</u>		<u>2009</u>	
	<u>Total Cost of Service</u>	<u>Net Cost of Service</u>	<u>Total Cost of Service</u>	<u>Net Cost of Service</u>
Program Expenses				
Instruction	\$214.8	\$174.1	\$210.0	\$165.0
Support Services:				
Pupil and Instructional Staff	46.6	30.4	43.9	29.7
Board of Education, Administration, Fiscal and Business	28.3	25.1	29.3	26.4
Operation and Maintenance of Plant	37.9	19.6	55.6	(11.9)
Pupil Transportation	11.8	11.4	11.8	11.4
Central	10.4	7.7	8.2	4.8
Operation of Non-Instructional Services	3.7	0.4	4.1	0.7
Extracurricular Activities	3.5	2.8	3.8	3.1
Food Service Operations	8.6	(1.9)	9.6	(0.4)
Total	<u>\$365.6</u>	<u>\$269.6</u>	<u>\$376.3</u>	<u>\$228.8</u>

The dependence upon general revenues for governmental activities is apparent. Over 73.7 percent of governmental activities are supported through taxes and other general revenues; such revenues are 75.1 percent of total governmental revenues. The community, as a whole, is by far the primary support for the School District students.

The School District's Funds

Information about the School District's major funds begins on page 17. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$398.2 million and expenditures of \$398.6 million. The net change in fund balances for the fiscal year was a decrease of \$0.5 million for all governmental funds with the most significant decrease in the classroom facilities capital projects fund.

The general fund's net change in fund balance for fiscal year 2010 was an increase of \$3.1 million. Intergovernmental revenue in the general fund increased \$23.9 million or 15.6 percent from fiscal year 2009 to fiscal year 2010. This is due to the increase in unrestricted school foundation payments, as previously discussed.

The classroom facilities capital projects fund's net change in fund balance for fiscal year 2010 was a decrease of \$2.5 million. Interest revenue decreased \$2.1 million or 92.1 percent from fiscal year 2009 to fiscal year 2010. This decrease is because of a decline in interest rates and the decrease in cash and cash equivalents and investments, as previously discussed.

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Unaudited

The permanent improvement capital projects fund's net change in fund balance for fiscal year 2010 was an increase of \$0.1 million. Intergovernmental revenue in the permanent improvement capital projects fund increased \$0.2 million or 18.0 percent. This is because of an increase in tangible personal property tax loss, as previously discussed. Expenditures in the permanent improvement capital projects fund decreased \$0.3 million or 8.1 percent from fiscal year 2009 to fiscal year 2010. These expenditures decreased because fewer projects were performed in fiscal year 2010 than in fiscal year 2009. Fewer projects were performed because of a declining cash and cash equivalents balance in the permanent improvement capital projects fund.

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.

During the course of fiscal year 2010, the School District amended its general fund budget numerous times; however, none of these amendments were significant. The School District uses a modified site-based budgeting system designed to tightly control total site budgets but provide flexibility for site management.

Total actual expenditures on the budget basis (cash outlays plus encumbrances) were \$289.9 million, \$0.6 million less than actual revenues.

The School District's ending unobligated cash balance was \$18.3 million above the final budgeted amount. This is attributed to the School District receiving \$14.7 million more in revenues than what was budgeted and spending \$3.6 million less in expenditures than what was budgeted. The \$14.7 million variance in revenues was mostly because the School District received \$8.8 million more in intergovernmental revenue, \$5.0 million more in taxes revenues and \$0.7 million more in miscellaneous revenue. The \$3.6 million variance in expenditures was mostly the result of the School District spending \$1.9 million less in operation and maintenance of plant support services expenditures, \$1.0 million less in central support services expenditures and \$0.7 million less in special instruction expenditures than what was budgeted.

Capital Assets

At the end of fiscal year 2010, the School District had \$200.1 million invested in capital assets. Table 4 shows fiscal year 2010 balances compared to fiscal year 2009 as follows:

Akron City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
Unaudited

Table 4
 Capital Assets at June 30,
 (Net of Depreciation, in Millions)

	Governmental Activities	
	2010	Restated 2009
	Land	\$6.3
Construction In Progress	30.4	23.1
Land Improvements	0.1	0.1
Buildings and Improvements	150.3	124.8
Furniture and Equipment	10.2	9.0
Vehicles	2.8	3.0
Totals	\$200.1	\$166.3

Capital assets increased \$33.8 million from fiscal year 2009 to fiscal year 2010. The increase is due to buildings and improvements increasing by \$25.5 million because the construction of 5 community learning centers and the demolition of 1 school building were completed during the current fiscal year. Also, construction in progress increased \$7.3 million. This increase is attributed to the School District incurring significant costs related to the OSFC construction project in fiscal year 2010. For further information on capital assets, see Note 10 of the notes to the basic financial statements.

As of June 30, 2010, the School District had contractual commitments for construction projects with contractors in the amount of \$42.8 million. For further information, see Note 18 of the notes to the basic financial statements.

For the Future

As the preceding information shows, the School District heavily depends on its property taxpayers. Financially, the future is not without challenges.

A large number of students withdrew from the School District because of open enrollment, to attend community schools and for education choice vouchers during fiscal year 2010. If this trend continues, the future looks bleak.

Management must diligently plan expenses, staying carefully within the School District's five-year plan.

Additional revenues must not be treated as a windfall to expand programs but as an opportunity to extend the time horizon of the five-year plan.

The School District does not anticipate any meaningful growth in State revenue. The concern is that, to meet the requirements of the Court, the State may require redistribution of commercial and industrial property tax. With \$60 of every \$100 paid in taxes for the School District coming from business or industry, this could have a significant impact on the School District's residential taxpayers.

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The School District will continue to receive ARRA funds and State Fiscal Education Stabilization funds in fiscal year 2011 that will aid in maintaining current revenue levels. However, it is unknown if these revenue sources will continue after fiscal year 2011. This uncertainty makes it difficult to forecast revenues after fiscal year 2011.

Akron City School District management must plan carefully and prudently to provide the resources to meet student needs over the next several fiscal years.

Contacting the School District's 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 any questions about this report or need additional financial information, contact Jack Pierson, Treasurer, at Akron City School District, 70 North Broadway, Akron, Ohio 44308-1999 or email at jpierson@akron.k12.oh.us.

Akron City School District

Statement of Net Assets

June 30, 2010

	Primary Government	Component Unit
	Governmental Activities	Akron Digital Academy
Assets		
Equity in Pooled Cash and Cash Equivalents	\$73,052,551	\$2,177,666
Cash and Cash Equivalents In Segregated Accounts	22,129,437	0
Investments in Segregated Accounts	34,280,839	0
Accrued Interest Receivable	60,330	0
Accounts Receivable	606,730	31
Intergovernmental Receivable	68,002,770	691,852
Prepaid Items	0	5,978
Inventory Held for Resale	325,099	0
Materials and Supplies Inventory	413,878	0
Taxes Receivable	120,520,670	0
Deferred Expense	69,000,000	0
Nondepreciable Capital Assets	36,756,439	0
Depreciable Capital Assets, Net	163,333,755	85,425
<i>Total Assets</i>	<u>588,482,498</u>	<u>2,960,952</u>
Liabilities		
Accounts Payable	7,048,094	32,764
Accrued Wages	20,411,923	0
Compensated Absences Payable	1,158,283	0
Deferred Revenue	96,794,838	0
Intergovernmental Payable	76,270,451	0
Premium Payable	586,511	0
Claims Payable	6,158,508	0
Due to City of Akron	22,688,277	0
Long-Term Liabilities:		
Due Within One Year	1,682,139	4,758
Due In More Than One Year	23,969,025	2,775
<i>Total Liabilities</i>	<u>256,768,049</u>	<u>40,297</u>
Net Assets		
Invested in Capital Assets, Net of Related Debt	200,090,194	77,892
Restricted for:		
Capital Projects	92,737,470	0
Debt Service	13,007	0
Other Purposes	5,529,870	691,852
Unrestricted	33,343,908	2,150,911
<i>Total Net Assets</i>	<u>\$331,714,449</u>	<u>\$2,920,655</u>

See accompanying notes to the basic financial statements

Akron City School District
Statement of Activities
For the Fiscal Year Ended June 30, 2010

	Program Revenues				Net (Expenses) Revenues and Change in Net Assets	
	Expenses	Charges for Services and Sales	Operating Grants, Contributions and Interest	Capital Grants and Contributions	Primary	Component
					Government	Unit
				Governmental	Akron Digital Academy	
				Activities		
Governmental Activities						
Instruction:						
Regular	\$156,459,915	\$6,456,188	\$18,767,012	\$0	(\$131,236,715)	\$0
Special	34,463,281	674,150	5,620,270	0	(28,168,861)	0
Vocational	12,096,552	339,221	326,980	0	(11,430,351)	0
Adult/Continuing	671,788	443,620	96,020	0	(132,148)	0
Other	11,140,501	32,895	7,975,563	0	(3,132,043)	0
Support Services:						
Pupil	19,653,406	20,883	2,788,921	0	(16,843,602)	0
Instructional Staff	26,924,945	1,284,888	12,088,546	0	(13,551,511)	0
Board of Education	86,110	0	0	0	(86,110)	0
Administration	21,336,630	441,131	2,006,500	0	(18,888,999)	0
Fiscal	4,274,553	25,271	405,326	0	(3,843,956)	0
Business	2,571,841	297,684	17,415	0	(2,256,742)	0
Operation and Maintenance of Plant	37,964,215	33,967	610,724	17,668,748	(19,650,776)	0
Pupil Transportation	11,753,825	193,878	192,672	0	(11,367,275)	0
Central	10,433,400	2,118,218	594,920	0	(7,720,262)	0
Operation of Non-Instructional Services	3,679,625	53,143	3,243,230	0	(383,252)	0
Extracurricular Activities	3,559,177	736,311	0	0	(2,822,866)	0
Food Service Operations	8,600,016	984,424	9,565,718	0	1,950,126	0
<i>Total - Primary Government</i>	<u>\$365,669,780</u>	<u>\$14,135,872</u>	<u>\$64,299,817</u>	<u>\$17,668,748</u>	<u>(269,565,343)</u>	<u>0</u>
Component Unit						
Akron Digital Academy	<u>\$4,937,462</u>	<u>\$0</u>	<u>\$1,550,672</u>	<u>\$0</u>	<u>0</u>	<u>(3,386,790)</u>
General Revenues						
Property Taxes Levied for:						
					104,373,807	0
General Purposes					3,565,613	0
Capital Outlay					176,409,169	4,543,485
Grants and Entitlements not Restricted to Specific Programs					503,730	8,093
Investment Earnings					500,279	0
JEDD					<u>3,987,522</u>	<u>231</u>
Miscellaneous						
<i>Total General Revenues</i>					289,340,120	4,551,809
Change in Net Assets					19,774,777	1,165,019
<i>Net Assets at Beginning of Fiscal Year (See Note 3)</i>					<u>311,939,672</u>	<u>1,755,636</u>
<i>Net Assets at End of Fiscal Year</i>					<u>\$331,714,449</u>	<u>\$2,920,655</u>

See accompanying notes to the basic financial statements

Akron City School District

Balance Sheet

Governmental Funds

June 30, 2010

	<u>General</u>	<u>Permanent Improvement Capital Projects</u>	<u>Classroom Facilities Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets					
Equity in Pooled Cash and Cash Equivalents	\$22,410,058	\$1,418,051	\$10,572,697	\$23,694,736	\$58,095,542
Cash and Cash Equivalents In Segregated Accounts	20,148,120	0	1,310,622	670,695	22,129,437
Investments In Segregated Accounts	0	0	23,098,207	11,182,632	34,280,839
Taxes Receivable	116,553,173	3,967,497	0	0	120,520,670
Accounts Receivable	39,061	0	0	567,669	606,730
Intergovernmental Receivable	48,548	0	60,994,505	6,959,717	68,002,770
Accrued Interest Receivable	0	0	39,868	20,462	60,330
Interfund Receivable	1,857,041	0	0	0	1,857,041
Materials and Supplies Inventory	98,426	0	0	34,694	133,120
Inventory Held for Resale	0	0	0	325,099	325,099
Deferred Expense	0	69,000,000	0	0	69,000,000
<i>Total Assets</i>	<u>\$161,154,427</u>	<u>\$74,385,548</u>	<u>\$96,015,899</u>	<u>\$43,455,704</u>	<u>\$375,011,578</u>
Liabilities and Fund Balances					
Liabilities					
Accounts Payable	\$296,643	\$4,613	\$5,442,781	\$1,297,570	\$7,041,607
Accrued Wages	17,338,924	0	0	3,072,999	20,411,923
Compensated Absences Payable	931,268	0	0	227,015	1,158,283
Interfund Payable	0	0	0	1,857,041	1,857,041
Intergovernmental Payable	6,030,131	69,000,000	0	1,240,320	76,270,451
Deferred Revenue	106,182,853	3,623,697	60,994,505	7,129,179	177,930,234
Due to City of Akron	0	0	13,988,485	8,699,792	22,688,277
<i>Total Liabilities</i>	<u>130,779,819</u>	<u>72,628,310</u>	<u>80,425,771</u>	<u>23,523,916</u>	<u>307,357,816</u>
Fund Balances					
Reserved for Encumbrances	567,540	37,225	34,923,717	8,431,460	43,959,942
Reserved for Property Taxes	10,433,567	343,800	0	0	10,777,367
Undesignated, Reported in:					
General Fund	19,373,501	0	0	0	19,373,501
Special Revenue Funds	0	0	0	4,405,371	4,405,371
Debt Service Funds	0	0	0	13,007	13,007
Capital Projects Funds	0	1,376,213	(19,333,589)	7,081,950	(10,875,426)
<i>Total Fund Balances</i>	<u>30,374,608</u>	<u>1,757,238</u>	<u>15,590,128</u>	<u>19,931,788</u>	<u>67,653,762</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$161,154,427</u>	<u>\$74,385,548</u>	<u>\$96,015,899</u>	<u>\$43,455,704</u>	<u>\$375,011,578</u>

See accompanying notes to the basic financial statements

Akron City School District
*Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities
 June 30, 2010*

Total Governmental Fund Balances	\$67,653,762
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	200,090,194
Other long-term assets are not available to pay for current- period expenditures and therefore are deferred in the funds:	
Grants	68,078,289
Delinquent Property Taxes	12,986,527
Tuition and Fees	63,210
Radio Station Membership Contributions	7,333
Other	37
Total	81,135,396
Four internal service funds are used by management to charge the costs of insurance, central supplies and workers' compensation to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.	8,486,261
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Compensated Absences	(25,651,164)
<i>Net Assets of Governmental Activities</i>	\$331,714,449

See accompanying notes to the basic financial statements

Akron City School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2010

	General	Permanent Improvement Capital Projects	Classroom Facilities Capital Projects	Other Governmental Funds	Total Governmental Funds
Revenues					
Taxes	\$100,342,942	\$3,428,784	\$0	\$0	\$103,771,726
Intergovernmental	177,016,111	1,387,347	35,195,693	60,407,065	274,006,216
Interest	223,346	14,112	179,671	91,526	508,655
Tuition and Fees	4,353,097	0	0	710,944	5,064,041
Extracurricular Activities	0	0	0	1,118,881	1,118,881
Rentals	296,172	0	0	71,000	367,172
Charges for Services	353,645	0	0	2,361,356	2,715,001
Sales	0	0	0	984,424	984,424
JEDD	1,000,558	0	0	0	1,000,558
Akron Digital Academy	3,883,602	0	0	0	3,883,602
Contributions and Donations	933,425	0	0	0	933,425
Miscellaneous	1,947,005	0	0	1,924,829	3,871,834
Total Revenues	290,349,903	4,830,243	35,375,364	67,670,025	398,225,535
Expenditures					
Current:					
Instruction:					
Regular	133,423,701	0	0	20,435,589	153,859,290
Special	29,844,791	0	0	4,229,377	34,074,168
Vocational	11,642,739	0	0	326,529	11,969,268
Adult/Continuing	187,755	0	0	502,040	689,795
Other	2,892,145	0	0	7,992,748	10,884,893
Support Services:					
Pupil	16,574,107	0	0	2,954,703	19,528,810
Instructional Staff	13,334,374	0	0	13,228,822	26,563,196
Board of Education	85,942	0	0	0	85,942
Administration	18,697,895	0	0	2,516,243	21,214,138
Fiscal	3,788,799	0	0	481,804	4,270,603
Business	2,467,477	0	0	21,408	2,488,885
Operation and Maintenance of Plant	31,561,548	0	0	140,939	31,702,487
Pupil Transportation	11,090,015	0	0	249,074	11,339,089
Central	7,219,674	0	0	3,122,091	10,341,765
Operation of Non-Instructional Services	219,512	0	0	3,458,302	3,677,814
Extracurricular Activities	2,805,661	0	0	750,156	3,555,817
Food Service Operations	0	0	0	9,351,845	9,351,845
Capital Outlay	1,149,920	3,367,643	37,854,190	590,296	42,962,049
Total Expenditures	286,986,055	3,367,643	37,854,190	70,351,966	398,559,854
<i>Excess (Deficiency) of Revenues Over (Under) Expenditures</i>	<i>3,363,848</i>	<i>1,462,600</i>	<i>(2,478,826)</i>	<i>(2,681,941)</i>	<i>(334,319)</i>
Other Financing Sources (Uses)					
Transfers In	19,004	0	0	1,564,483	1,583,487
Transfers Out	(242,098)	(1,448,705)	0	(19,004)	(1,709,807)
Total Other Financing Sources (Uses)	(223,094)	(1,448,705)	0	1,545,479	(126,320)
Net Change in Fund Balances	3,140,754	13,895	(2,478,826)	(1,136,462)	(460,639)
<i>Fund Balances at Beginning of Fiscal Year (See Note 3)</i>	<i>27,233,854</i>	<i>1,743,343</i>	<i>18,068,954</i>	<i>21,068,250</i>	<i>68,114,401</i>
Fund Balances at End of Fiscal Year	\$30,374,608	\$1,757,238	\$15,590,128	\$19,931,788	\$67,653,762

See accompanying notes to the basic financial statements

Akron 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, 2010*

Net Change in Fund Balances - Total Governmental Funds (\$460,639)

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

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

Capital Asset Additions	40,145,626	
Current Year Depreciation	(4,399,744)	
Total		35,745,882

Governmental funds only report the disposal of capital assets to the
extent proceeds are received from the sale. In the statement of
activities, a gain or loss is reported for each disposal. (1,984,284)

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

Delinquent Property Taxes	4,167,694	
Radio Station Membership Contributions	(8,183)	
Tuition and Fees	10,934	
Miscellaneous	(4,331)	
Total		4,166,114

In the prior fiscal year, grant revenues were reported on the statement
of activities but were excluded from the statement of revenues,
expenditures and changes in fund balances because it had not met
the availability criteria. For the current fiscal year, these grant
revenues are included on the statement of revenues, expenditures
and changes in fund balances but are not included on the
statement of activities. (16,947,109)

Some expenses reported in the statement of activities do not
require the use of current financial resources and therefore
are not reported as expenditures in the governmental funds.
Compensated Absences 581,241

The internal service funds used by management to charge the costs
of insurance, central supplies and workers' compensation to individual
funds are not reported in the district-wide statement of activities.
Governmental fund expenditures and related internal funds revenues
are eliminated. The net revenue (expense) of the internal service
funds are allocated among the governmental activities. (1,326,428)

Change in Net Assets of Governmental Activities \$19,774,777

See accompanying notes to the basic financial statements

Akron 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, 2010

	Budgeted Amounts			Variance With Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Taxes	\$96,324,522	\$95,465,608	\$100,430,702	\$4,965,094
Intergovernmental	169,776,098	168,262,226	177,013,416	8,751,190
Interest	314,805	311,998	322,923	10,925
Tuition and Fees	4,183,480	4,146,186	4,365,056	218,870
Rentals	284,063	281,530	296,172	14,642
Charges for Services	81,914	94,460	353,645	259,185
JEDD	959,649	951,092	1,000,558	49,466
Akron Digital Academy	3,624,476	4,166,565	3,883,602	(282,963)
Contributions and Donations	895,261	887,278	933,425	46,147
Miscellaneous	1,264,126	1,256,665	1,951,065	694,400
<i>Total Revenues</i>	<u>277,708,394</u>	<u>275,823,608</u>	<u>290,550,564</u>	<u>14,726,956</u>
Expenditures				
Current:				
Instruction:				
Regular	135,083,883	133,886,531	135,186,449	(1,299,918)
Special	30,822,675	30,779,647	30,044,302	735,345
Vocational	11,513,364	11,513,364	11,754,021	(240,657)
Adult	201,190	201,190	187,793	13,397
Other	3,419,214	3,419,484	2,952,845	466,639
Support Services:				
Pupils	16,801,220	16,816,222	16,629,088	187,134
Instructional Staff	12,749,489	12,798,862	13,334,512	(535,650)
Board of Education	142,526	143,126	85,612	57,514
Administration	19,051,213	19,015,832	18,745,172	270,660
Fiscal	3,901,699	3,886,344	3,785,576	100,768
Business	3,169,944	2,753,877	2,490,834	263,043
Operation and Maintenance of Plant	33,639,182	33,750,290	31,801,211	1,949,079
Pupil Transportation	11,385,089	11,417,270	11,101,636	315,634
Central	8,570,321	8,621,277	7,635,464	985,813
Operations of Non-Instructional Services	209,974	211,773	234,381	(22,608)
Extracurricular Activities	2,858,438	3,195,514	2,814,833	380,681
Capital Outlay	998,977	1,156,090	1,145,131	10,959
<i>Total Expenditures</i>	<u>294,518,398</u>	<u>293,566,693</u>	<u>289,928,860</u>	<u>3,637,833</u>
<i>Excess (Deficiency) of Revenues Over (Under) Expenditures</i>	<u>(16,810,004)</u>	<u>(17,743,085)</u>	<u>621,704</u>	<u>18,364,789</u>
Other Financing Sources (Uses)				
Transfers In	0	12,451	19,004	6,553
Transfers Out	(130,000)	(250,000)	(242,098)	7,902
<i>Total Other Financing Sources (Uses)</i>	<u>(130,000)</u>	<u>(237,549)</u>	<u>(223,094)</u>	<u>14,455</u>
<i>Net Change in Fund Balance</i>	<u>(16,940,004)</u>	<u>(17,980,634)</u>	<u>398,610</u>	<u>18,379,244</u>
<i>Fund Balance at Beginning of Fiscal Year</i>	42,367,618	42,367,618	42,367,618	0
Prior Fiscal Year Encumbrances Appropriated	217,979	217,979	217,979	0
<i>Fund Balance at End of Fiscal Year</i>	<u>\$25,645,593</u>	<u>\$24,604,963</u>	<u>\$42,984,207</u>	<u>\$18,379,244</u>

See accompanying notes to the basic financial statements

Akron City School District
Statement of Fund Net Assets
Proprietary Fund
June 30, 2010

	<u>Internal Service Funds</u>
Assets	
Equity in Pooled Cash and Cash	
Equivalents	\$14,957,009
Materials and Supplies Inventory	<u>280,758</u>
<i>Total Assets</i>	<u>15,237,767</u>
Liabilities	
Accounts Payable	6,487
Premium Payable	586,511
Claims Payable	<u>6,158,508</u>
Total Liabilities	<u>6,751,506</u>
Net Assets	
Unrestricted	<u><u>\$8,486,261</u></u>

See accompanying notes to the basic financial statements

Akron City School District
*Statement of Revenues,
Expenses and Changes in Fund Net Assets
Proprietary Fund
For the Fiscal Year Ended June 30, 2010*

	Internal Service Funds
Operating Revenues	
Charges for Services	\$39,962,005
Operating Expenses	
Purchased Services	2,565,855
Materials and Supplies	1,226,316
Claims	37,622,582
Total Operating Expenses	41,414,753
<i>Operating (Loss)</i>	<i>(1,452,748)</i>
Transfers In	126,320
<i>Change in Net Assets</i>	<i>(1,326,428)</i>
<i>Net Assets at Beginning of Fiscal Year</i>	<i>9,812,689</i>
<i>Net Assets at End of Fiscal Year</i>	<i>\$8,486,261</i>

See accompanying notes to the basic financial statements

Akron City School District
Statement of Cash Flows
Proprietary Fund
For the Fiscal Year Ended June 30, 2010

	Internal Service Funds
<i>Increase (Decrease) in Cash and Cash Equivalents</i>	
Cash Flows from Operating Activities	
Cash Received for Interfund Services	\$39,962,005
Cash Payments for Other Expenses	(2,679,227)
Cash Payments for Goods and Services	(1,126,963)
Cash Payments for Claims	(39,279,186)
<i>Net Cash (Used for) Operating Activities</i>	(3,123,371)
Cash Flows from Noncapital Financing Activities	
Transfer In	126,320
<i>Net (Decrease) in Cash and Cash Equivalents</i>	(2,997,051)
Cash and Cash Equivalents at Beginning of Fiscal Year	17,954,060
Cash and Cash Equivalents at End of Fiscal Year	\$14,957,009
Reconciliation of Operating (Loss) to Net Cash (Used for) Operating Activities	
<i>Operating (Loss)</i>	(\$1,452,748)
Adjustments:	
<i>(Increase) Decrease in Assets:</i>	
Materials and Supplies Inventory	113,838
<i>Increase (Decrease) in Liabilities:</i>	
Accounts Payable	(26,693)
Premium Payable	(101,164)
Claims Payable	(1,656,604)
<i>Total Adjustments</i>	(1,670,623)
<i>Net Cash (Used for) Operating Activities</i>	(\$3,123,371)

See accompanying notes to the basic financial statements

Akron City School District
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2010

	Private Purpose Trust	
	Scholarship	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	\$60,190	\$114,451
Cash and Cash Equivalents in Segregated Accounts	153,062	0
Investments in Segregated Accounts	97,448	0
Accrued Interest Receivable	84	0
<i>Total Assets</i>	<u>310,784</u>	<u>\$114,451</u>
Liabilities		
Undistributed Monies	0	\$144
Due to Students	0	114,307
<i>Total Liabilities</i>	<u>0</u>	<u>\$114,451</u>
Net Assets		
Held in Trust for Scholarships	<u>\$310,784</u>	

See accompanying notes to the basic financial statements

Akron City School District
Statement of Changes in Fiduciary Net Assets
Private Purpose Trust Fund
For the Fiscal Year Ended June 30, 2010

	<u>Scholarship</u>
Additions	
Interest	\$1,999
Deductions	
Miscellaneous	4,034
<i>Change in Net Assets</i>	(2,035)
<i>Net Assets at Beginning of Fiscal Year</i>	312,819
<i>Net Assets at End of Fiscal Year</i>	\$310,784

See accompanying notes to the basic financial statements

Akron City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

Note 1 – Description of the School District and Reporting Entity

The Akron City School District (the "School District") is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District operates under a locally elected Board form of government consisting of seven members elected at-large for staggered four-year terms. The School District provides educational services as authorized by State statute and federal guidelines.

The School District was established in 1847 through the consolidation of existing land areas and school districts. The School District serves an area of approximately 54.4 square miles and is located in Summit County, and is within the City of Akron. The School District is the fifth largest in the State of Ohio (among 934 public school districts and community schools) in terms of enrollment. It is staffed by 942 full-time classified employees, 1,982 full-time certificated personnel, 152 administrative employees, and 617 part-time employees who provide services to 23,607 students and other community members. The School District currently operates 61 instructional buildings, four administrative buildings, five auxiliary buildings and one garage.

Reporting Entity

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure that the basic financial statements 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 the School District, this includes general operations, food service, and student-related activities of the School District. The following activities are included within the reporting entity:

Non-Public Schools - Within the School District boundaries, St. Anthony of Padua School, St. Bernard - St. Mary School, St. Matthew School, St. Paul School, St. Sebastian School, St. Vincent DePaul Elementary, North Akron Catholic, Our Lady of Elms Elementary, Our Lady of Elms High School, Archbishop Hoban High School, and St. Vincent - St. Mary High School are operated through the Cleveland Catholic Diocese. Arlington Christian, Emmanuel Christian Academy, Lippman Day School, and Phoenix School are operated as private schools. Current State legislation provides funding to these non-public schools. These monies are received and disbursed on behalf of the non-public schools by the Treasurer of the School District, as directed by the non-public schools. These State transactions are reported as a governmental activity 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.

Akron City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

Discretely Presented Component Unit

The component unit column in the entity-wide financial statements identifies the financial data of the School District's component unit, the Akron Digital Academy (the "Academy"), which is reported separately to emphasize that it is legally separate from the School District.

Akron Digital Academy - The Academy is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 1702 and 3314 to address the needs of students in kindergarten through the twelfth grade. The Academy is nonsectarian in its programs, admission policies, employment practices, and all other operations. The Academy may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the Academy. The Academy is considered a component unit of the School District for reporting purposes, in accordance with Governmental Accounting Standards Board (GASB) Statement No. 14.

The Academy is designed for students who have a desire for, and whose education can be optimized by, a program of online instruction in an independent environment that does not include ancillary components of a more traditional education. Because the focus is on distance learning, the ability of students to learn independently in their own homes using an online educational program is an essential element of the Academy's program.

The Academy was approved for operation under contract with the School District for a period of five years commencing July 1, 2002. The Academy began operations on October 7, 2002. The School District is responsible for evaluating the performance of the Academy and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration. In addition, the Academy was approved for operation under contract with the School District for another period of five years commencing July 1, 2007.

The Academy operates under the direction of a seven-member Board of Directors appointed by the School District. The Board consists of a Board President, three members who hold administrative positions with the School District, a public official not employed by the School District, and two individuals representing the interest of parents and students. The Board of Directors is responsible for carrying out provisions of the contract which, include, but are not limited to, State-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers.

All of the Academy's personnel services, which provided services to 739 students, were purchased from the School District during fiscal year 2010.

Note 2 – Summary of Significant Accounting Policies

The basic financial statements of the Akron City 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 and proprietary fund provided they do not conflict with or contradict GASB pronouncements. The more significant of the School District's accounting policies are described below.

Akron City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

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 funds is eliminated to avoid "doubling up" revenues and expenses.

The statement of net assets presents the financial condition of the governmental activities of the School District at fiscal year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department, and therefore, are clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support 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 activity is self-financing or draws from the general revenues of the School District.

Fund Financial Statements During the fiscal 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 this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The internal service funds are presented in a single column on the face of the proprietary fund statements. Fiduciary funds are reported by type.

B. Fund Accounting

The School District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the School District are divided into three categories: governmental, proprietary and fiduciary.

Governmental Funds Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balances. The following are the School District's 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.

Akron City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

Permanent Improvement Capital Projects Fund The permanent improvement capital projects fund accounts for financial resources to be used for the acquisition, construction, or improvement of capital facilities other than those financed by proprietary and trust funds.

Classroom Facilities Capital Projects Fund The classroom facilities capital projects fund accounts for financial resources received and expended in connection with contracts entered into by the School District and the Ohio Schools Facilities Commission for the construction and renovation of school buildings.

The other governmental funds of the School District account for grants and other resources whose use is restricted to a particular purpose.

Proprietary Fund Type Proprietary funds focus on the determination of operating income, changes in net assets, financial position and cash flows and are classified as either enterprise or internal service. The School District only has internal service funds.

Internal Service Funds The internal service funds account 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 internal service funds account for the operation of the School District's central warehouse that provides goods to other departments and schools in the School District, the operation of the School District's self-insurance program for employee health benefits, a reserve established to pay for liability insurance claims over the School District's self-insured retention, and the operation of the School District's Workers' Compensation Retrospective Rating Plan.

Fiduciary Fund Types Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: 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 has a private purpose trust fund to account for scholarships for further education after graduation. Agency funds are purely custodial in nature (assets equal liabilities) and are used to hold resources for individuals, organizations or other governments. Agency funds do not involve measurement of results of operations. The School District's agency funds account for student-managed activities and employees' payroll deductions for United States savings bonds.

C. Measurement Focus

Government-wide Financial Statements The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all 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 reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Akron City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

Like the government-wide statements, the internal service funds are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds 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 funds.

The private purpose trust fund is reported using the economic resources measurement focus.

D. Basis of Accounting

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

Revenues - Exchange and Non-Exchange Transactions Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within 60 days of fiscal year end.

Nonexchange 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 (See Note 7). 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 fiscal 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 the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

Deferred Revenue Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2010, but which were levied to finance fiscal year 2011 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Akron City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

Expenses/Expenditures On the accrual basis of accounting, expenses are recognized at the time they are incurred.

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

E. Budgetary Data

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the alternative tax budget, the appropriation resolution and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The alternative tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount that the Board of Education may appropriate. The appropriations resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the Board. The legal level of control has been established by the Board of Education at the object level for the general fund and at the fund level for all other funds. The School District's Treasurer has been authorized to allocate Board appropriations to the function and object level within each fund, except for the general fund.

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in revenue are identified by the School District's Treasurer. The amounts reported as the original budgeted amounts in the budgetary statement reflect the amounts in the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statement reflect the amounts in the final amended certificate in effect when the final appropriations were passed by the Board of Education.

The appropriation resolution is subject to amendment by the Board throughout the fiscal year with the restriction that appropriations may not exceed estimated revenues by fund. The amounts reported as the original budgeted amounts reflect the first appropriation resolution for the funds that covered the entire fiscal year, including amounts automatically carried forward from prior fiscal years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year.

Akron City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

F. Cash, Cash Equivalents and Investments

To improve cash management, all cash received by the School District is pooled. Monies for all funds, including the internal service funds, are maintained in this pool. Individual fund integrity is maintained through School District records. Interest in the pool is presented as "equity in pooled cash and cash equivalents" on the basic financial statements. The general fund provides advances to cover deficit cash balances at the end of the fiscal year. At the end of fiscal year 2010, the general fund advanced monies to several special revenue funds to cover negative cash balances. See Note 16 for additional information.

The School District has segregated bank accounts and investments for monies held separate from the School District's central bank account. These interest bearing depository accounts and investments are presented on the statement of net assets and the balance sheet as "cash and cash equivalents in segregated accounts" and "investments in segregated accounts" since they are not required to be deposited into the School District's treasury.

During fiscal year 2010, investments were limited to overnight repurchase agreements, Federal Home Loan Bank Notes, Federal Home Loan Mortgage Corporation Notes, Federal National Mortgage Association Notes, United States Treasury Bills, a First American Treasury Money Market Fund, a Fifth Third Institutional Money Market Fund and certificates of deposit. Except for investment contracts and money market investments that had a remaining maturity of one year or less at the time of purchase, investments are reported at fair value which is based on quoted market prices. Investment contracts and money market investments that had a remaining maturity of one year or less at the time of purchase are reported at cost or amortized cost.

Following Ohio statutes, the Board of Education has, by resolution, identified the funds to receive an allocation of interest. Interest revenue credited to the general fund during fiscal year 2010 amounted to \$223,346, which includes \$75,544 assigned from other School District funds.

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 presented on the basic financial statements as cash equivalents. Investments with an initial maturity of more than three months that are not purchased from the pool are presented on the basic financial statements as investments.

G. Inventory

Inventories consist of donated and purchased food, gasoline and diesel fuel, school supplies held for resale, and materials and supplies held for consumption.

Inventories are presented at the lower of cost or market on a first-in, first-out basis for food, non-food supplies in the food service program, and gasoline and diesel fuel and on an average-cost basis for materials and supplies in the central warehouse. Inventories are expended/expensed when used.

Akron City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

H. Deferred Expense

In accordance with an agreement between the School District and the City of Akron (the “City”), the City issued securities to assist in the School District’s funding of its share of basic project costs and any locally funded initiatives for rebuilding and renovating the School District’s school buildings into community learning centers. The securities were issued with a maturity life of 30 years. While the securities are outstanding, the School District will contribute \$3,000,000 each year from the permanent improvement capital projects fund to the City for the purpose of paying debt charges on those securities and other project costs. Payments due to the City for periods beyond June 30, 2010 are recorded as deferred expense with a corresponding intergovernmental payable.

I. Capital Assets

All capital assets of the School District are classified as general capital assets. These assets generally result from expenditures in the governmental funds. They are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the fiscal year. Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of one thousand dollars for all assets except for assets capitalized in the food service nonmajor special revenue fund, which has a capitalization threshold of five hundred dollars. 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.

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

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	20 years
Buildings and Improvements	70 years
Furniture and Equipment	5 - 30 years
Vehicles	7 - 15 years

J. Interfund Balances

On the fund financial statements, outstanding interfund loans are classified as “interfund receivables/ payables”. Interfund balances are eliminated in the statement of net assets.

K. Compensated Absences

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

Akron City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

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 benefits will result in termination payments. The liability is an estimate 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 "compensated absences payable" in the fund from which the employees who have accumulated leave are paid.

L. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables and accrued liabilities from internal service funds are reported on the proprietary fund financial statements.

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

M. Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayment from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the basic financial statements.

N. Fund Balance Reserves

The School District reserves those portions of fund balances which are legally segregated for a specific future use or which do not represent expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balances indicate that portion of fund equity which is available for appropriation in future periods. Fund equity reserves are established for encumbrances and property taxes.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statute.

Akron City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

O. 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 borrowing 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 and regulations of other governments. Net assets restricted for other purposes include special trust, local grants, State and Federal programs, adult education and uniform school supplies.

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

P. 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 self-insurance, workers' compensation and central supplies programs. Operating expenses are necessary costs incurred to provide the goods or services that are the primary activity of the funds. All revenues and expenses not meeting these definitions are reported as non-operating.

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 in the basic financial statements and accompanying notes. Actual results may differ from those estimates.

Note 3 – Restatement of Beginning Net Assets and Fund Balances

A. Restatement of Beginning Net Assets

For fiscal year 2010, the School District discovered an error in the recording of accumulated depreciation and depreciation expense of buildings and improvements in the prior period. Too much depreciation was calculated on the Innes Middle School addition in the prior period. This correction affected only the government-wide financial statements and amounted to \$6,484,926. Net assets at June 30, 2009 on the statement of activities were restated from \$305,454,746 to \$311,939,672. The impact on the change in net assets in the statement of activities for the fiscal year ended June 30, 2009 would not be material.

In addition, for fiscal year 2010, the School District discovered the misuse and omission of certain facts and reports used in determining the classification of modular buildings in prior periods. As a result, the School District reclassified modular buildings from vehicles to buildings and improvements. This correction affected only the Capital Asset Note (Note 10). The beginning balances for buildings and improvements and vehicles capital assets increased and decreased by \$1,207,465, respectively. The beginning balances for buildings and improvements and vehicles accumulated depreciation increased and decreased by \$1,042,832, respectively. This correction did not affect the government-wide financial statements.

Akron City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

B. Restatement of Beginning Fund Balances

For fiscal year 2010, the School District discovered an error in the recording of the intergovernmental receivable from the Ohio School Facilities Commission (“OSFC”) in the prior period. This correction affected only the fund financial statements in the amount of \$37,505,152. The fund balance of the major classroom facilities capital projects fund at June 30, 2009 was restated to \$18,068,954 from \$55,574,106.

Note 4 – Accountability and Compliance

A. Accountability

The following nonmajor special revenue funds had deficit fund balances on a GAAP basis at June 30, 2010:

<u>Nonmajor Fund</u>	<u>Amount</u>
Special Revenue Funds	
Public School Preschool	\$12,283
Ohio Reads	1,537
High Schools That Work	17,200
Alternative Schools	35,305
School to Work	4,663
Title VI-B - Special Education	1,313,205
Vocational Education	205,416
State Fiscal Stabilization Fund	1,204,725
Title II-D – Technology	20,005
Title I School Improvement Stimulus A	94,501
Title III - Limited English Proficiency	21,213
Title I	2,106,298
Safe and Drug-Free Schools	26,914
Preschool Handicapped	28,839
Title II-A - Improving Teacher Quality	453,937
Miscellaneous Federal Grants	38,026

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

B. Legal Compliance

Contrary to Section 5705.10 of the Ohio Revised Code, the following funds had deficit cash balances at fiscal year end:

Akron City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

Fund Type/Fund	Amount
Special Revenue Funds	
High Schools That Work	\$17,202
Alternative Schools	24,655
Title VI-B - Special Education	547,789
Vocational Education	162,882
Title II-D - Technology	10,892
Title III - Limited English Proficiency	16,758
Title I	601,541
Safe and Drug-Free Schools	14,829
Pre-School Handicapped	19,331
Title II-A - Improving Teacher Quality	196,415
Miscellaneous Federal Grants	293,478

Contrary to Section 5705.36(A)(4) of the Ohio Revised Code, the following funds had appropriations that exceeded actual resources at fiscal year end:

Fund	Actual Resources	Appropriations	Variance
Classroom Facilities	\$41,989,061	\$137,858,744	(\$95,869,682)
IDEA VI-B Special Education	\$8,629,361	\$15,350,282	(\$6,720,920)

Note 5 - Budgetary Basis of Accounting

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

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statement on a fund type basis for the general fund:

Akron City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

<u>Net Change In Fund Balance</u>	
GAAP Basis	\$3,140,754
Net Adjustment for Revenue Accruals	200,661
Net Adjustment for Expenditure Accruals	(2,261,703)
Adjustment for Encumbrances	<u>(681,102)</u>
Budget Basis	<u><u>\$398,610</u></u>

Note 6 - 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 that the Board of Education has identified as not required for use within the current five-year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

Interim monies may be invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;

Akron City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

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

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

Deposits Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end, the carrying amount of the School District's deposits was \$41,482,918 and the bank balance was \$48,235,001. Of the bank balance, \$1,250,000 was covered by Federal Deposit Insurance Corporation, and \$46,985,001 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the School District's name.

The School District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the School District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least 105 percent of the deposits being secured.

Investments As of June 30, 2010, the School District had the following investments:

	Carrying Value	Maturities In Years		% to Total
		Less than 1	1-2	
Overnight Repurchase Agreements	\$60,604,855	\$60,604,855	\$0	68.55%
Federal Home Loan Bank Notes	6,012,785	4,455,125	1,557,660	6.80
Federal Home Loan Mortgage Corporation Notes	7,717,284	7,717,284	0	8.73
Federal National Mortgage Association Notes	8,597,797	8,597,797	0	9.73
United States Treasury Bills	3,498,064	3,498,064	0	3.96
Fifth Third Institutional Money Market Fund	1,862,712	1,862,712	0	2.11
First American Treasury Money Market Fund	111,563	111,563	0	0.13
Total Investments	\$88,405,060	\$86,847,400	\$1,557,660	100.00%

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Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The School District's investment policy addresses interest rate risk by stating the Treasurer shall not make investments which he/she does not reasonably believe can be held until the maturity date or leverage any investment. Also, the School District's investment policy states the purpose of the investments is to maximize the returns on the School District's excess cash balances consistent with safety of those monies and with the desired liquidity of the investments.

The overnight repurchase agreements, Federal Home Loan Bank Notes, Federal Home Loan Mortgage Corporation Notes, Federal National Mortgage Association Notes and United States Treasury Bills carry a rating of AAA by Standard and Poor's and Aaa by Moody's Investors Service. The First American Treasury Money Market Fund and the Fifth Third Institutional Money Market Fund carry a rating of AAAm by Standard and Poor's and Aaa by Moody's Investors Service. The School District has no investment policy dealing with investment credit risk beyond the requirements in state statutes.

For an investment, custodial credit risk is the risk that, in the event of the 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. All of the School District's investments are exposed to custodial credit risk as they are uninsured, unregistered, and held by the counterparty's trust department or agent but not in the School District's name. The School District has no investment policy dealing with investment custodial risk beyond the requirements of Ohio Revised Code Section 135.14(M)(2) which states, "Payment for investments shall be made only upon delivery of securities representing such investments to the treasurer, investing authority, or qualified trustee. If the securities transferred are not represented by a certificate, payment shall be made only upon receipt of confirmation of transfer from the custodian by the treasurer, governing board, or qualified trustee."

The School District places no limit on the amount that may be invested in any one issuer.

Note 7 - Property Taxes

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar year 2010 represents collections of calendar year 2009 taxes. Real property taxes received in calendar year 2010 were levied after April 1, 2009, on the assessed value listed as of January 1, 2009, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable semi-annually with payments due in February and July. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2010 represents collections of calendar year 2009 taxes. Public utility real and tangible personal property taxes received in calendar year 2010, which became a lien December 31, 2008, were levied after April 1, 2009 and are collected in calendar year 2010 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

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Tangible personal property tax revenue received during calendar year 2010 (other than public utility property) represents the collection of calendar year 2010 taxes. Tangible personal property taxes received in calendar year 2010 were levied after April 1, 2009, on the value as of December 31, 2009. Machinery and equipment has been phased out and telecommunications property is currently assessed at five percent of true value. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

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, 2010, are available to finance fiscal year 2010 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2010 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2010 was \$10,433,567 in the general fund and \$343,800 in the permanent improvement capital projects fund. The amount available as an advance at June 30, 2009, was \$10,521,327 in the general fund and \$349,896 in the permanent improvement capital projects fund.

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

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

	2009 Second Half Collections		2010 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$2,657,669,670	96.65%	\$2,653,233,150	96.78%
Public Utility Personal	78,762,180	2.86%	81,502,320	2.97%
Tangible Personal Property	13,518,035	0.49%	6,979,785	0.25%
Total	\$2,749,949,885	100.00%	\$2,741,715,255	100.00%
 Tax rate per \$1,000 of assessed valuation	 \$71.66		 \$71.66	

Akron City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

Note 8 - Contingencies

A. Grants

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

B. Litigation

The School District is party to various legal proceedings. The amount of the liability, if any, can not be reasonably estimated at this time. However, in the opinion of management, any such claim or lawsuit will not have a material adverse effect, if any, on the financial condition of the School District.

Note 9 – Receivables

Receivables at June 30, 2010 consisted of taxes, interest, accounts (student transportation fees, radio station membership contributions, tuition, transcript copy fees, telephone reimbursement costs, substitute teacher reimbursement fees and local grants), interfund and intergovernmental (tuition and grants). 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 fiscal year guarantee of federal funds. All receivables are expected to be collected within one fiscal year except for taxes and classroom facilities.

Akron City School District
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A summary of the items of intergovernmental receivables follows:

<u>Governmental Activities</u>	<u>Amounts</u>
Tuition and Fees	\$26,551
JROTC	21,997
Other Local Grants	127,974
Public School Preschool	19,599
High Schools That Work	16,115
Alternative Schools	37,271
Miscellaneous State Grants	14,865
Title VI-B - Special Education	1,950,231
Vocational Education	219,126
Title II-D - Technology	25,104
Title I School Improvement Stimulus A	68,733
Title III - Limited English Proficiency	17,034
Title I	3,617,448
Safe and Drug-Free Schools	28,217
Pre-School Handicapped	34,634
Title II-A - Improving Teacher Quality	508,461
Miscellaneous Federal Grants	274,905
Classroom Facilities	<u>60,994,505</u>
Total Intergovernmental Receivables	<u><u>\$68,002,770</u></u>

Akron City School District
Notes to the Basic Financial Statements
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Note 10 – Capital Assets

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

	Restated Balance 6/30/2009	Additions	Deletions	Balance 6/30/2010
Governmental Activities				
<i>Capital Assets, not being depreciated:</i>				
Land	\$6,294,542	\$35,403	\$0	\$6,329,945
Construction In Progress	23,120,765	24,418,535	(17,112,806)	30,426,494
<i>Total Capital Assets, not being depreciated</i>	<u>29,415,307</u>	<u>24,453,938</u>	<u>(17,112,806)</u>	<u>36,756,439</u>
<i>Capital Assets, being depreciated:</i>				
Land Improvements	102,896	0	0	102,896
Buildings and Improvements	179,241,817	29,698,858	(4,557,897)	204,382,778
Furniture and Equipment	35,637,907	2,771,206	(2,069,105)	36,340,008
Vehicles	7,656,625	334,430	(87,404)	7,903,651
<i>Total Capital Assets, being depreciated</i>	<u>222,639,245</u>	<u>32,804,494</u>	<u>(6,714,406)</u>	<u>248,729,333</u>
Less Accumulated Depreciation:				
Land Improvements	(31,299)	(5,145)	0	(36,444)
Buildings and Improvements	(54,240,802)	(2,494,457)	2,650,157	(54,085,102)
Furniture and Equipment	(26,651,482)	(1,499,418)	1,993,118	(26,157,782)
Vehicles	(4,802,373)	(400,724)	86,847	(5,116,250)
Total Accumulated Depreciation	<u>(85,725,956)</u>	<u>(4,399,744)</u> *	<u>4,730,122</u>	<u>(85,395,578)</u>
Total Capital Assets, being depreciated, net	<u>136,913,289</u>	<u>28,404,750</u>	<u>(1,984,284)</u>	<u>163,333,755</u>
Governmental Activities Capital Assets, Net	<u>\$166,328,596</u>	<u>\$52,858,688</u>	<u>(\$19,097,090)</u>	<u>\$200,090,194</u>

* Depreciation expense was charged to governmental functions as follows:

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Instruction:	
Regular	\$1,432,053
Special	94,293
Vocational	255,825
Adult/Continuing	2,569
Other	8,356
Support Services:	
Pupil	49,611
Instructional Staff	100,301
Board of Education	216
Administration	58,410
Fiscal	665
Business	85,627
Operation and Maintenance of Plant	1,399,976
Pupil Transportation	364,704
Central	196,248
Operation of Non-Instructional Services	13,075
Extracurricular Activities	18,706
Food Service Operations	<u>319,109</u>
Total Depreciation Expense	<u><u>\$4,399,744</u></u>

Note 11 - 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. During fiscal year 2010, the School District contracted for property, inland marine, crime, general liability, equipment breakdown, educators legal liability and automobile coverage. Coverage provided is as follows:

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Type of Coverage	Coverage Amount
Commercial Property (\$50,000 deductible)	
Building and Contents	\$669,792,219
Earthquake	5,000,000
Flood	5,000,000
Commercial Inland Marine (\$5,000 deductible)	250,000
Commercial Crime (\$5,000 deductible)	200,000
Equipment Breakdown (\$50,000 deductible)	100,000,000
Commercial General Liability (\$25,000 deductible)	
General Aggregate Limit	3,000,000
Each Occurrence Limit	2,000,000
Employers Liability (Ohio Stop Gap)	1,000,000
Educators Legal Liability (\$25,000 deductible)	2,000,000
Automobile (\$25,000 deductible)	
Liability	2,000,000
Uninsured/Underinsured Motorists	1,000,000

Settled claims have not exceeded commercial coverage in any of the past three fiscal years, and there has not been a significant reduction in coverage from the prior fiscal year.

The School District began participating in the Ohio Bureau of Workers' Compensation Retrospective Rating Plan (the "Plan") for calendar year 2004. This Plan involves the payment of: (1) a minimum premium to cover safety and hygiene costs, surplus costs, premium payment security costs, and the costs of losses exceeding the per claim and the maximum premium limitations; (2) a premium based on covered claims for up to ten years; and, (3) a premium based on reserves for evaluated claims at the end of the tenth year.

The Plan is funded by charging each fund a percentage of payroll during the period. The Plan bills the School District based on a calendar year rather than a fiscal year. Changes in the premium and claims liabilities amount follow for the last two fiscal years:

Fiscal Year	Beginning Balance	Current Fiscal Year Premium/ Claims	Premium/ Claims Payments	Ending Balance
2009	\$3,169,794	\$1,748,771	\$1,733,378	\$3,185,187
2010	3,185,187	(281,636)	1,609,332	1,294,219

Medical/surgical insurance is offered to employees on a self-insured basis. The School District has various third-party administrators for the self-insurance activity. The claims liability of \$5,450,800 reported in the self-insurance internal service fund at June 30, 2010 is based on an estimate provided by the third party administrator and the requirements of GASB Statement No. 30, which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. Changes in the fund's claims liability amount follow for the last two fiscal years:

Akron City School District
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	Balance at Beginning of Fiscal Year	Current Fiscal Year Claims	Claims Payments	Balance at End of Fiscal Year
2009	\$5,370,400	\$35,772,414	\$35,825,214	\$5,317,600
2010	5,317,600	37,803,054	37,669,854	5,450,800

Note 12 – Defined Benefit Pension Plans

A. School Employees Retirement System

Plan Description The School District contributes to the School Employees Retirement System of Ohio (“SERS”), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement, disability, and survivor benefits; annual cost-of-living adjustments; and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly-available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS’ website, www.ohsers.org, under Employers/Audit Resources.

Funding Policy Plan members are required to contribute 10 percent of their annual covered salary, and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District’s contribution is used to fund pension and death benefits with the remainder being used to fund health care benefits and Medicare Part B benefits; for fiscal year 2010, 12.78 percent of annual covered salary was the portion used to fund pension and death benefits. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District’s required contributions for pension and death benefits to SERS for the fiscal years ended June 30, 2010, 2009 and 2008 were \$5,165,401, \$3,711,449 and \$3,650,860, respectively; 65.59 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

B. State Teachers Retirement System

Plan Description The School District participates in the State Teachers Retirement System of Ohio (“STRS Ohio”), a cost-sharing, multiple-employer defined benefit pension plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. Authority to establish and amend benefits is provided by Chapter 3307 of the Ohio Revised Code. STRS Ohio issues a publicly-available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3771, by calling toll free (888) 227-7877, or by visiting the STRS Ohio website at www.strsoh.org.

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

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

Funding Policy For the fiscal year ended June 30, 2010, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations with the remainder being used to fund health care benefits. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to STRS Ohio for the DB Plan for the fiscal years ended June 30, 2010, 2009, and 2008 were \$19,717,141, \$19,589,620, and \$19,459,784, respectively; 85.37 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008. Contributions to the DC and Combined Plans for fiscal year 2010 were \$192,901 made by the School District and \$376,544 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by SERS or STRS Ohio have an option to choose Social Security or SERS. As of June 30, 2010, none of the members of the Board of Education have elected Social Security.

Akron City School District
Notes to the Basic Financial Statements
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Note 13 - Postemployment Benefits Other Than Pension

A. State Teachers Retirement System

Plan Description The School District contributes to the cost-sharing, multiple-employer defined benefit Health Plan administered by STRS Ohio for eligible, certificated retirees and their beneficiaries who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. Benefit provisions and the obligations to contribute are established by STRS Ohio based on authority granted by State statute. The Plan is included in the financial report of STRS Ohio. Interested parties can view the most recent Comprehensive Annual Financial Report by visiting www.strsoh.org or by requesting a copy by calling toll-free 1-888-227-7877.

Funding Policy Ohio law authorizes STRS Ohio to offer the Health Plan and gives the STRS Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for postemployment health care may be deducted from employer contributions. For fiscal year 2010, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2010, 2009 and 2008 were \$1,516,703, \$1,506,894 and \$1,496,906, respectively; 85.37 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

B. School Employees Retirement System

Plan Description In addition to a cost-sharing, multiple-employer defined benefit pension plan, SERS administers two postemployment benefit plans for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage and traditional indemnity plans as well as a prescription drug program. The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by SERS based on authority granted by State statute. The financial reports of both plans are included in the SERS Comprehensive Annual Financial Report. That report may be obtained by writing to SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website, www.ohsers.org, under Employers/Audit Resources.

Funding Policy State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation of statutorily required benefits, the SERS Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established under, and is administered in accordance with, Internal Revenue Code Section 105(e). For fiscal year 2010, 0.46 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for fiscal year 2010, this amount was \$35,800.

Active employee members do not contribute to the Health Care Fund. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

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The School District's contributions for health care for the fiscal years ended June 30, 2010, 2009 and 2008 were \$837,843, \$2,356,717 and \$2,219,641, respectively; 65.59 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

The SERS Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2010, the actuarially required allocation was 0.76 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal year ended June 30, 2010, 2009 and 2008 were \$307,176, \$306,225 and \$263,053, respectively; 65.59 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

Note 14 - Other Employee Benefits

A. Compensated Absences

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Employees working 52 weeks per year earn 1 day to 25 days of vacation per year, depending upon length of service. Accumulated, unused vacation time is paid upon termination of employment. Employees working less than 52 weeks per year do not earn vacation. Employees earn sick leave at the rate of one and one-fourth days per month or the equivalent in hours per month. Sick leave may be accumulated up to a maximum of 425 days. Upon retirement, payment is made for one-fourth of the total sick leave accumulation. Employees receive 1) two additional days for each year of perfect attendance commencing July 1, 1976 through June 30, 1981; and 2) one additional day for each year of perfect attendance commencing July 1, 1981.

B. Insurance Benefits

The School District provides life insurance and accidental death and dismemberment insurance to most employees through Unimerica.

Note 15 - Long-Term Obligations

The changes in the School District's long-term obligations during the fiscal year consist of the following:

Governmental Activities:	Outstanding 6/30/2009	Additions	Reductions	Outstanding 6/30/2010	Amount Due in One Year
Compensated Absences	\$26,232,405	\$1,546,753	(\$2,127,994)	\$25,651,164	\$1,682,139

Compensated absences will be paid from the fund from which the employee is paid, which includes the following: general, other local grants, auxiliary services, public school preschool, alternative schools, miscellaneous state grants, school to work, title VI-B special education, vocational education, state fiscal stabilization fund, title II-D technology, title I school improvement stimulus A, title III limited english proficiency, title I, safe and drug-free schools, pre-school handicapped, title II-A improving teacher quality, miscellaneous federal grants, food service and adult education.

Akron City School District
Notes to the Basic Financial Statements
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Note 16 – Interfund Transfers and Balances

A. Transfers

Transfers are primarily from the general fund to various funds within the School District. Transfers from the general fund totaling \$115,778 were made to move unrestricted balances to support programs and projects accounted for in nonmajor funds. In addition, the general fund made a transfer in the amount of \$126,320 to the self-insurance liability reserve internal service fund to replenish the School District's deductible share of this insurance.

The special trust special revenue fund transferred \$3,165 of unclaimed monies to the general fund. These monies were unclaimed for five years, and in accordance with State law, can be transferred to the general fund to be spent for general operating purposes.

The major permanent improvement capital projects fund transferred \$1,448,705 to the classroom facilities maintenance capital projects fund in accordance with State statute to satisfy its local maintenance requirement by earmarking from the proceeds of its existing permanent improvement tax.

During fiscal year 2009, the School District closed Erie Island Elementary School, Lincoln Elementary School, Riedinger Middle School, Goodrich Middle School and Adult Vocational Services. During fiscal year 2010, the School District transferred the following unexpended balances of the public school support special revenue fund to the general fund: Erie Island Elementary School amounting to \$955, Lincoln Elementary School totaling \$359, Riedinger Middle School equaling \$1,767, Goodrich Middle School amounting to \$623 and Adult Vocational Services totaling \$34.

In addition, the district-managed activities special revenue fund transferred the unexpended balances of the following activities to the general fund due to the termination of the activities: MH at Riedinger Middle School amounting to \$47, Art Design at Riedinger Middle School totaling \$7, Science Fair at Riedinger Middle School equaling \$83, Spanish at Riedinger Middle School amounting to \$16, Choir at Riedinger Middle School totaling \$28, Future Homemakers at Riedinger Middle School equaling \$2, Adapted Work & Family at Riedinger Middle School amounting to \$3, Physical Education at Riedinger Middle School totaling \$23, Warrior Recognition at Riedinger Middle School equaling \$965, LRC at Riedinger Middle School amounting to \$17, 100 Book Challenge at Riedinger Middle School totaling \$10, Athletics at Riedinger Middle School equaling \$447, School Store at Goodrich Middle School amounting to \$59, Student Government at Goodrich Middle School totaling \$24, LRC at Goodrich Middle School equaling \$174, Athletics at Goodrich Middle School amounting to \$593, Bookstore at Goodyear Middle School totaling \$206, FHA/Cassanova at Goodyear Middle School equaling \$202, FHA/Hirsch at Goodyear Middle School amounting to \$16, OWA at Goodyear Middle School totaling \$13, Future Teachers at Garfield High School equaling \$496, Class of 2009 at Kenmore High School amounting to \$6,425, Ski Club at Kenmore High School totaling \$699, FTA at Kenmore High School equaling \$529, SADD at Kenmore High School amounting to \$6, Teen Institute at North High School totaling \$666, Crayola at North High School equaling \$62, Spirit Team at North High School amounting to \$114 and Debate at North High School totaling \$169.

Transfers made during the fiscal year ended June 30, 2010 were as follows:

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For the Fiscal Year Ended June 30, 2010

<u>Transfers To</u>	Transfers From			<u>Total</u>
	<u>General Fund</u>	<u>Permanent Improvement Capital Projects Fund</u>	<u>Nonmajor Funds</u>	
	General Fund	\$0	\$0	
Nonmajor Funds	115,778	1,448,705	0	1,564,483
Internal Service Funds	126,320	0	0	126,320
Total	<u>\$242,098</u>	<u>\$1,448,705</u>	<u>\$19,004</u>	<u>\$1,709,807</u>

B. Balances

The general fund advanced funds to various special revenue funds to cover negative cash balances at the end of fiscal year 2010 on the GAAP basis.

<u>Advanced To</u>	<u>Nonmajor Funds</u>
Ohio Reads	\$17
High Schools That Work	17,200
Alternative Schools	24,667
Title VI-B - Special Education	517,775
Vocational Education	160,529
State Fiscal Stabilization Fund	1,329
Title II-D - Technology	10,910
Title III - Limited English Proficiency	15,193
Title I	592,482
Safe and Drug-Free Schools	13,005
Preschool Handicapped	17,449
Title II-A - Improving Teacher Quality	195,958
Miscellaneous Federal Grants	<u>290,527</u>
Total	<u>\$1,857,041</u>

Note 17 – Set Asides

The School District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by fiscal year end or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year end and carried forward to be used for the same purposes in future fiscal years.

Akron City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

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

	Textbooks & Instructional Materials Reserve	Capital Improvements Reserve
Set-aside Reserve Balances as of June 30, 2009	(\$485,785)	\$0
Current Fiscal Year Set-aside Requirements	4,110,497	4,110,497
Qualifying Disbursements	(4,441,227)	(4,897,607)
Totals	(\$816,515)	(\$787,110)
Set-aside Balances Carried Forward to Future Fiscal Years	(\$816,515)	\$0

The School District had qualifying disbursements during the fiscal year that reduced the textbooks and instructional materials and capital improvements set-aside amounts below zero. This extra amount may be used to reduce the set-aside requirement of future fiscal years for the textbooks and instructional materials set aside. Although the School District had qualifying disbursements during the fiscal year that reduced the set-aside amount to below zero for the capital improvements set aside, this amount may not be used to reduce the set-aside requirement for future fiscal years. This negative balance is therefore not presented as being carried forward to future fiscal years.

Note 18 – Construction Commitments

The School District has active construction projects as of June 30, 2010. At fiscal year end, the School District's commitments with contractors are as follows:

Akron City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

Project	Spent-to-Date	Remaining Commitment
Central Learning Center School Construction	\$11,239,320	\$20,013
Barber Elementary School Construction	9,807,976	136,436
Crouse Elementary School Construction	10,488,722	20,789
Findley Elementary School Construction	9,372,858	131,255
Leggett Elementary School Construction	8,633,369	714,105
McEbright Elementary School Construction	1,986,131	7,055,281
Portage Path Elementary School Construction	7,413,506	1,410,685
Rimer Elementary School Construction	8,057,903	13,110
Schumacher Elementary School Construction	3,834,572	5,806,135
Windemere Elementary School Construction	3,580,819	5,818,847
Hyre Middle School Construction	4,188,125	14,553,234
Innes Middle School Construction	15,860,183	11,333
NIHF Science, Technology, Engineering & Mathematics Middle School Construction	14,199,549	75,624
Buchtel High School Construction	341,528	1,745,124
East High School Construction	25,423,045	5,291,456
Gym Resurface at Ellet High School	0	16,740
	<u>\$134,427,606</u>	<u>\$42,820,167</u>

The commitments involving the construction of school buildings are being financed entirely with Ohio School Facilities Commission monies and proceeds from a municipal income tax levied by the City. The gym resurface at Ellet High School is being financed entirely with property taxes, interest, and homestead/rollback taxes.

Note 19 – Ohio Schools Facilities Commission Construction Project

Voters in the City passed an ordinance in May of 2003 levying a 0.25 percent additional municipal income tax for the purpose of acquiring, constructing, renovating, and adding to interests in land and the School District's school buildings. This tax will last for 30 years and will raise \$284,208,394 in local funds needed to be eligible for \$408,982,810 of OSFC monies. Also, this tax will raise \$80,706,348 in additional local funds for locally funded initiatives that are not eligible to be paid for with OSFC monies. Combined, these funds will rebuild and renovate the School District's school buildings into community learning centers for educating students during school hours while serving as community learning centers for recreation, education, after school and summer school programs, as well as community activities at other times, open to City residents and persons employed in the City.

Akron City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

The tax took effect January 1, 2004. As of June 30, 2010, the School District has received \$169,111,800 in local funds from the City by way of this tax to date. A liability, “due to City of Akron”, was recorded in the amount of \$22,688,277 as of June 30, 2010. The amount of this liability was determined by reducing the \$169,111,800 received as of June 30, 2010 by the amount of capital expenditures made by the School District using these local funds received from the City since the inception of this project. The School District has made a total of \$146,423,523 in capital expenditures using these local funds received from the City as of June 30, 2010. A liability was recorded for these monies because if the School District does not spend these local funds by the end of this project, these funds would have to be returned to the City in accordance with an agreement between the School District and the City.

The School District and the City share ownership of the new community learning centers equally. For completed community learning centers, the School District has recorded 50 percent of the capital expenditures as land capital assets in the amount of \$139,225 and as buildings capital assets in the amount of \$107,459,467 to date as of June 30, 2010. For community learning centers still under construction, the School District has recorded 50 percent of the capital expenditures as construction in progress capital assets. Construction in progress capital assets totaled \$31,530,430 as of June 30, 2010.

OSFC has determined that \$60,994,505 is owed to the School District as of June 30, 2010. This represents the amount that OSFC has appropriated but not remitted to the School District as of June 30, 2010 over the entire life of this project. As a result, that amount was recorded as an intergovernmental receivable as of June 30, 2010. On the accrual basis, the entire amount was recorded as revenue because all of the eligibility requirements were satisfied for this nonexchange transaction. On the modified accrual basis, the entire amount was recorded as deferred revenue because it was not expected to be available.

Note 20 – Akron Digital Academy

A. Summary of Significant Accounting Policies

The basic financial statements of Akron Digital Academy (the “Academy”) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental nonprofit organizations. The Academy is considered a component unit of the Akron City School District (the “School District”). See Note 1 for further information. GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Academy also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its proprietary activities, provided they do not conflict with or contradict GASB pronouncements. The Academy has the option to also apply FASB Statements and Interpretations issued after November 30, 1989 to its proprietary activities, subject to the same limitation. The Academy has elected not to apply these FASB Statements and Interpretations. The more significant of the Academy's accounting policies are described below.

Basis of Presentation

The Academy’s basic financial statements included in this report consist of a statement of net assets and a statement of revenues, expenses and changes in net assets.

Enterprise reporting focuses on the determination of the change in net assets, financial position and cash flows.

Akron City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

Measurement Focus

Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities are included on the statement of net assets. The statement of revenues, expenses and changes in net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the basic financial statements. The Academy's basic financial statements are prepared using the accrual basis of accounting.

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.

Non-exchange transactions, in which the Academy receives value without directly giving equal value in return, include grants, entitlements and donations. 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 fiscal year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the Academy must provide local resources to be used for a specified purpose, and expense requirements, in which the resources are provided to the Academy on a reimbursement basis.

Grants and entitlements received before the eligibility requirements are met are recorded as deferred revenue.

Expenses are recognized at the time they are incurred.

Budgetary Process

Unlike traditional public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in the Ohio Revised Code Chapter 5705, unless specifically provided in the contract between the Academy and its sponsor, except for Ohio Revised Code Section 5705.391 as it relates to five-year forecasts. The contract between the Academy and the School District does not prescribe a budgetary process for the Academy; therefore, no budgetary information is presented in the basic financial statements.

Cash and Cash Equivalents

During fiscal year 2010, the Academy had no investments.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2010 are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expense is reported in the fiscal year in which the services are consumed.

Akron City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

Capital Assets

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the fiscal year. Donated capital assets are recorded at their fair market values as of the date received. The Academy maintains a capitalization threshold of one thousand dollars. The Academy 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.

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over four to ten years for furniture and equipment.

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 borrowing 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 Academy or through external restrictions imposed by creditors, grantors or laws or regulations of governments. Net assets restricted for operating grants are primarily for instruction of students through Federal programs that are passed through the Ohio Department of Education's Comprehensive Continuous Improvement Plan.

Intergovernmental Revenues

The Academy currently participates in the State Foundation Program. Portions of the revenues received from this program are earmarked to be State support and portions of the revenues received from this program are earmarked to be federal support called State Fiscal Education Stabilization funds. Revenues received from this program are recognized in the accounting period in which all eligibility requirements have been met.

The Academy also participates in the State Education Management Information System ("EMIS") through the Ohio Department of Education. Under this program, the Academy was awarded \$5,000 during the fiscal year ended June 30, 2010 to offset costs for EMIS reporting. Revenues received from this program are recognized in the accounting period in which all eligibility requirements have been met.

In addition, the Academy participated in the following federal grant programs which are passed through the Ohio Department of Education's Comprehensive Continuous Improvement Plan: Part B-IDEA Special Education, Title I, Title I School Improvement Subsidy G, Title IV-A Safe and Drug-Free Schools, Title II-A Improving Teacher Quality, Title II-D Technology, American Recovery and Reinvestment Act (ARRA) Title I, ARRA McKinley-Vento Homeless Assistance Program and ARRA Part B-IDEA Special Education. The Academy was awarded a total of \$1,418,241 during the fiscal year ended June 30, 2010 for these programs. Revenues received from these programs are recognized in the accounting period in which all eligibility requirements have been met.

Amounts received under these programs for the 2010 fiscal year totaled \$6,094,157.

Akron City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

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 in the basic financial statements and accompanying notes. Actual results may differ from those estimates.

B. Deposits and Investments

Deposits Custodial credit risk for deposits is the risk that in the event of bank failure, the Academy will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end, the carrying amount of the Academy's deposits was \$2,177,666 and the bank balance was \$2,491,889. Of the bank balance, \$500,000 was covered by the Federal Deposit Insurance Corporation and \$1,991,889 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Academy's name.

The Academy has no deposit policy for custodial risk.

Investments As of June 30, 2010, the Academy had no investments.

C. Capital Assets

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

	Balance 6/30/2009	Additions	Deletions	Balance 6/30/2010
<i>Capital Assets, being depreciated:</i>				
Furniture and Equipment	\$147,481	\$14,052	(\$2,362)	\$159,171
Less Accumulated Depreciation:				
Furniture and Equipment	(45,911)	(29,725)	1,890	(73,746)
Total Capital Assets, being depreciated, net	<u>\$101,570</u>	<u>(\$15,673)</u>	<u>(\$472)</u>	<u>\$85,425</u>

D. Risk Management

The Academy 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. During fiscal year 2010, the Academy was covered under the School District's insurance for property, inland marine, crime, general liability, equipment breakdown, educators legal liability and automobile coverage.

Settled claims of the School District have not exceeded commercial coverage in any of the past three fiscal years, and there has not been a significant reduction in coverage from the prior fiscal year.

E. Agreement with the Akron City School District

A service contract for fiscal year 2010 between the Academy and the School District was previously approved. This service contract commenced on July 1, 2009 and ends on June 30, 2010 and may be renewed by mutual agreement.

Akron City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

In agreement with the current service contract, the Academy purchased the following services from the School District: personnel to administer and oversee the instruction and governance of the Academy, hourly personnel to provide instructional services to the Academy, and hourly staff to provide support services to the Academy. The Academy is responsible for reimbursement of 100 percent of all costs incurred by the School District related to these services. The Academy reimbursed the School District \$2,958,165 during fiscal year 2010 for these services.

In addition, in accordance with the current service contract, the Academy will remit an amount not to exceed \$2,000 per pupil enrolled in the Academy during the respective academic years for the following management services: marketing support; insurance coverage; human resource services; payroll processing; use of the School District’s name and goodwill; printing services; professional consulting related to curriculum, instruction, special education, finances, employee relations and legal issues; professional development and training; instructional materials, and pony delivery. The Academy paid the School District \$947,868 during fiscal year 2010 for these services.

All personnel providing services to the Academy on behalf of the School District under the service contract are considered employees of the School District. All of the Academy’s personnel services were provided by the School District during the 2010 fiscal year.

For the fiscal year ended June 30, 2010, the Academy paid the School District the following expenses:

Expenses	Amounts
Purchased Services	
Professional and Technical Services	\$3,903,946
Communications	436
Contracted Craft or Trade Services	1,235
Supplies and Materials	416
Total Expenses	\$3,906,033

F. Defined Benefit Pension Plans

School Employees Retirement System

Plan Description The School District contributes to the School Employees Retirement System of Ohio (“SERS”), a cost-sharing, multiple-employer defined benefit pension plan for the personnel provided to the Academy. SERS provides retirement, disability, and survivor benefits; annual cost-of-living adjustments; and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly-available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS’ website, www.ohsers.org, under Employers/Audit Resources.

Akron City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

Funding Policy Plan members are required to contribute 10 percent of their annual covered salary, and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contributions is used to fund pension and death benefits with the remainder being used to fund health care benefits and Medicare Part B benefits; for fiscal year 2010, 12.78 percent of annual covered salary was the portion used to fund pension and death benefits. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District's required contributions for pension and death benefits to SERS for the personnel provided to the Academy for the fiscal years ended June 30, 2010, 2009 and 2008 were \$104,373, \$64,204 and \$53,129, respectively; 65.58 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

State Teachers Retirement System

Plan Description The School District participates in the State Teachers Retirement System of Ohio ("STRS Ohio"), a cost-sharing, multiple-employer defined benefit pension plan for the personnel provided to the Academy. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. Authority to establish and amend benefits is provided by Chapter 3307 of the Ohio Revised Code. STRS Ohio issues a publicly-available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3771, by calling toll free (888) 227-7877, or by visiting the STRS Ohio website at www.strsoh.org.

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

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

Akron City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

Funding Policy For the fiscal year ended June 30, 2010, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations with the remainder being used to fund health care benefits. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions

The School District's required contributions for pension obligations to STRS Ohio for the DB Plan for the personnel provided to the Academy for the fiscal years ended June 30, 2010, 2009, and 2008 were \$207,198, \$207,003, and \$195,555, respectively; 85.37 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008. There were no contributions to the DC and Combined Plans for fiscal year 2010 by the School District for the personnel provided to the Academy or made by the plan members.

G. Postemployment Benefits Other Than Pension

State Teachers Retirement System

Plan Description The School District contributes to the cost-sharing, multiple-employer defined benefit Health Plan administered by STRS Ohio for eligible, certificated retirees and their beneficiaries who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. Benefit provisions and the obligations to contribute are established by STRS Ohio based on authority granted by State statute. The Plan is included in the financial report of STRS Ohio. Interested parties can view the most recent Comprehensive Annual Financial Report by visiting www.strsoh.org or by requesting a copy by calling toll-free 1-888-227-7877.

Funding Policy Ohio law authorizes STRS Ohio to offer the Health Plan and gives the STRS Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for postemployment health care may be deducted from employer contributions. For fiscal year 2010, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the personnel provided to the Academy for the fiscal years ended June 30, 2010, 2009 and 2008 were \$15,938, \$15,923 and \$15,043, respectively; 85.37 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

Akron City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

School Employees Retirement System

Plan Description In addition to a cost-sharing, multiple-employer defined benefit pension plan, SERS administers two postemployment benefit plans for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage and traditional indemnity plans as well as a prescription drug program. The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by SERS based on authority granted by State statute. The financial reports of both plans are included in the SERS Comprehensive Annual Financial Report. That report may be obtained by writing to SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website, www.ohsers.org, under Employers/Audit Resources.

Funding Policy State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation of statutorily required benefits, the SERS Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established under, and is administered in accordance with, Internal Revenue Code Section 105(e). For fiscal year 2010, 0.46 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for fiscal year 2010, this amount was \$35,800.

Active employee members do not contribute to the Health Care Fund. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The School District's contributions for health care for the personnel provided to the Academy for the fiscal years ended June 30, 2010, 2009 and 2008 were \$23,980, \$48,677 and \$38,352, respectively; 65.58 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

The SERS Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2010, the actuarially required allocation was 0.76 percent of covered payroll. The School District's contributions for Medicare Part B for the personnel provided to the Academy for the fiscal year ended June 30, 2010, 2009 and 2008 were \$6,207, \$5,297 and \$3,828, respectively; 65.58 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

H. Capital Leases

Capital lease obligations relate to a scanner for the Academy. The lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases". Capital leases acquired by an interest-free lease have been originally capitalized in the amount of \$23,790.

Akron City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the minimum lease payments as of June 30, 2010:

Fiscal Year Ending June 30,	Principal Payments
2011	4,758
2012	2,775
Total	\$7,533

I. Operating Leases

The Academy leases facilities space, copiers and a postage meter under noncancelable operating leases. Total costs for such leases were \$178,048 for the fiscal year ended June 30, 2010. The future minimum lease payments for these leases are as follows:

Fiscal Year Ending June 30,	Amount
2011	\$298,452
2012	290,900
2013	276,438
2014	70,431
2015	67,452
Total	\$1,003,673

J. Contingencies

Grants

The Academy received financial assistance from federal and State agencies in the form of grants. The disbursements of funds received under these programs generally require compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the Academy. However, in the opinion of management, any disallowed claims will not have a material adverse effect on the overall financial position of the Academy at June 30, 2010.

K. Federal Tax-Exempt Status

The Academy is a nonprofit corporation that has been determined by the Internal Revenue Service to be exempt from federal income taxes as a public charity under Section 501(c)(3) of the Internal Revenue Code.

L. Contacting the Academy's Management

A copy of the Academy's basic financial statements can be obtained by contacting Todd Adkins, Treasurer, at Akron Digital Academy, 70 North Broadway, Akron, Ohio 44308-1999 or email at tadkins@akron.k12.oh.us.

AKRON CITY SCHOOL DISTRICT
SUMMIT COUNTY

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

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	GRANT YEAR	RECEIPTS	EXPENDITURES
<u>U.S. DEPARTMENT OF EDUCATION</u>				
(Direct)				
Impact Aid - Maintenance/Operations	84.041	2010	\$ 28,137	\$ 28,137
Student Financial Assistance Cluster:				
Federal Pell Grant Program	84.063	2010	179,717	179,717
Federal Family Education Loan	84.032	2010	<u>282,359</u>	<u>282,708</u>
Total Student Financial Assistance Cluster			462,076	462,425
Fund for the Improvement of Education STEM Federal Earmark for NIHF School	84.215	2010	66,546	185,244
(Passed through Ohio Department of Education)				
ARRA-State Fiscal Stabilization Program	84.394	2010	9,576,662	9,576,662
Adult Education - Basic Grants to State	84.002	2009	6,403	2,122
Special Education Cluster:				
Special Education - Grants to State	84.027	2010	6,179,259	6,436,679
		2009	248,718	355,945
ARRA-Special Education Grants to State	84.391	2010	<u>2,195,241</u>	<u>2,485,609</u>
Total Special Education -Grants to State			8,623,218	9,278,233
Special Education - Preschool Grants	84.173	2010	138,218	147,539
		2009	1,379	766
ARRA-Special Education- Preschool Grants	84.392	2010	<u>89,647</u>	<u>99,657</u>
Total Special Education - Preschool Grants			<u>229,244</u>	<u>247,962</u>
Total Special Education Cluster			8,852,462	9,526,195
Education Technology State Grants	84.318	2010	319,778	330,671
		2009	<u>16,121</u>	<u>14,896</u>
Total Education Technology State Grants			335,899	345,567
Career and Technical Education-Basic Grants to State	84.048	2010	708,555	871,437
		2009	<u>112,849</u>	<u>127,631</u>
Total Career and Technical Education-Basic Grants to States			821,404	999,068
Title I Cluster:				
Title I -Grants to Local Educational Agencies	84.010	2010	15,587,300	15,491,111
		2009	<u>496,163</u>	<u>949,574</u>
Total Title I-Grants to Local Educational Agencies			16,083,463	16,440,685
ARRA-Title 1	84.389	2010	<u>4,905,872</u>	<u>5,547,370</u>
Total Title I Cluster			20,989,335	21,988,055
Safe and Drug-Free Schools and Communities-State Grants	84.186	2010	137,619	152,448
		2009	<u>12,688</u>	<u>8,048</u>
Total Safe and Drug-Free Schools and Communities State Grants			150,307	160,496

AKRON CITY SCHOOL DISTRICT
SUMMIT COUNTY

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

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	GRANT YEAR	RECEIPTS	EXPENDITURES
Education for Homeless Children Cluster:				
Education for Homeless Children and Youth	84.196	2010	151,389	154,492
		2009	11,262	2,080
Total Education for Homeless Children and Youth			162,651	156,572
ARRA-Education for Homeless Children	84.387	2010	22,004	59,093
Total Education for Homeless Children Cluster			184,655	215,665
Twenty-First Century Community Learning	84.287	2010	874,868	1,000,000
		2009	20,000	-
Total Twenty-First Century Community Learning			894,868	1,000,000
Title V - Innovative Program Strategies	84.298	2009	21,411	343
Title III- English Language Acquisition Grants				
Title III LEP - English Language Acquisition	84.365	2010	111,508	125,795
		2009	22,502	2,382
Title III Immigrant - English Language Acquisition		2010	25,024	27,496
		2009	14,177	239
Total Title III - English Language Acquisition Grants			173,211	155,912
Improving Teacher Quality State Grants	84.367	2010	2,558,054	2,760,203
		2009	286,020	253,130
Total Improving Teacher Quality State Grants			2,844,074	3,013,333
TOTAL U.S. DEPARTMENT OF EDUCATION			45,407,450	47,659,224
<u>U.S. DEPARTMENT OF LABOR</u> (Passed through County of Summit)				
Work Investment Act - Youth Activities	17.259	2010	536,071	497,491
TOTAL U.S. DEPARTMENT OF LABOR			536,071	497,491
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u> (Passed through the Ohio Dept. of Developmental Disabilities)				
Temporary Assistance for Needy Families	93.558	2010	14,845	26,981
(Passed Through Ohio Department of Job and Family Services)				
Temporary Assistance for Needy Families			127,723	-
Total Temporary Assistance for Needy Families			142,568	26,981
Refugee and Entrant Assistance-Discretionary Grants	93.576	2010	35,428	36,000
(Pass through the Ohio Dept. of Developmental Disabilities)				
Medical Assistance Program (CAFS)	93.778	n/a	1,763,870	-
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			1,941,866	62,981

AKRON CITY SCHOOL DISTRICT
SUMMIT COUNTY

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

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	GRANT YEAR	RECEIPTS	EXPENDITURES
U.S. DEPARTMENT OF AGRICULTURE				
(Passed through the Ohio Department of Education)				
Child Nutrition Cluster:				
Non-Cash Assistance (Food Distribution):				
National School Lunch Program/Commodities	10.555	2010	711,940	697,895
School Breakfast Program/Commodities	10.553	2010	61,175	61,175
Total Non-Cash Assistance (Food Distribution)			773,115	759,070
Cash Assistance:				
School Breakfast Program	10.553	2010	2,128,835	2,128,835
School Lunch Program	10.555	2010	6,467,846	6,467,846
Summer Food Program	10.559	2010	46,119	46,119
Total Cash Assistance			8,642,800	8,642,800
Total Child Nutrition Cluster			9,415,915	9,401,870
Team Nutrition Grants				
	10.574	2009	4,000	4,000
		2010	2,000	1,853
			6,000	5,853
ARRA-Cafeteria Equipment Assistance				
	10.579	2010	67,182	67,182
TOTAL U.S. DEPARTMENT OF AGRICULTURE			9,489,097	9,474,905
U.S. DEPARTMENT OF DEFENSE				
(Direct)				
Air Force R.O.T.C. Grant	12.XXX	n/a	52,604	52,604
Army R.O.T.C. Grant	12.XXX	n/a	49,456	49,456
Marines R.O.T.C. Grant	12.XXX	n/a	61,197	61,197
Navy R.O.T.C. Grant	12.XXX	n/a	53,479	53,479
Total R.O.T.C. Grants			216,736	216,736
TOTAL U.S. DEPARTMENT OF DEFENSE			216,736	216,736
TOTAL FEDERAL ASSISTANCE			\$ 57,591,220	\$ 57,911,337

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

**AKRON CITY SCHOOL DISTRICT
SUMMIT COUNTY**

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

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - FOOD DONATION PROGRAM

Program regulations do not require the District to maintain separate inventory records for purchased food versus food commodities it receives from U.S. Department of Agriculture. The District reports commodities consumed on the Schedule at the fair value.

NOTE C - CHILD NUTRITION CLUSTER

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

NOTE D - MATCHING REQUIREMENTS

Certain Federal programs require the District to contribute non-Federal funds (matching funds) to support the Federally-funded programs. The District has met its matching requirements. The Schedule does not include the expenditure of non-Federal matching funds.

NOTE E - MEDICAL ASSISTANCE PROGRAM

Community Alternative Funding System (CAFS) Medicaid revenues received during fiscal year 2010 were \$1,763,870. The amount relates to settlements for CAFS services provided during prior years.



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

Akron City School District
Summit County
70 North Broadway
Akron, Ohio 44308

To the Board of Education:

We have audited the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Akron City School District, Summit County, Ohio, (the District) as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 1, 2011 wherein we noted the District restated beginning fund balance for the major Classroom Facilities Capital Projects Fund. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2010-01.

We also noted certain matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated March 1, 2011.

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

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



Dave Yost
Auditor of State

March 1, 2011



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

Akron City School District
Summit County
70 North Broadway
Akron, Ohio 44308

To the Board of Education:

Compliance

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

The District's basic financial statements include the operations of the Akron Digital Academy, which disbursed \$1,146,307 in federal expenditures which is not included in the District's Federal Awards Receipts and Expenditures Schedule for the year ended June 30, 2010. Our audit of Federal awards, described below, did not include the operations of Akron Digital Academy because the component unit was audited separately in accordance with OMB Circular A-133.

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

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

Internal Control Over Compliance

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

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

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

We noted a certain matter not requiring inclusion in this report that we reported to the District's management in a separate letter dated March 1, 2011.

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



Dave Yost
Auditor of State

March 1, 2011

**AKRON CITY SCHOOL DISTRICT
SUMMIT COUNTY**

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

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510(a)?	No
(d)(1)(vii)	Major Programs (list):	Special Education Cluster: CFDA #84.027 and #84.391; Title I Cluster: CFDA #84.010 and #84.389; State Fiscal Stabilization Program, CFDA #84.394; Twenty-First Century Community Learning Program, CFDA # 84.287
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 1,737,340 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

FINDING NUMBER 2010-01

Noncompliance

Appropriations Exceeding Actual Resources

Ohio Rev. Code Section 5705.36(A)(4) states, "Upon a determination by the fiscal officer of a subdivision that the revenue to be collected by the subdivision will be less than the amount included in an official certificate and that the amount of the deficiency will reduce available resources below the level of current appropriations, the fiscal officer shall certify the amount of the deficiency to the (budget)commission, and the (budget) commission shall certify an amended certificate reflecting the deficiency."

Additionally, Auditor of State Bulletin 99-004 provides guidance for accounting for School Facilities Commission Grants/Loans. This bulletin states that once the grant or loan has been approved by the State, the treasurer should obtain an amended official certificate of estimated resources for all or part of the grant or loan, based on what is to be received in the current fiscal year. Any money expected to be received in the next year should be reflected on the next year's certificate. This bulletin further states that if the grant or loan will be expended over a period longer than the current fiscal year, only the amount estimated to be obligated during the current fiscal year should be recorded as appropriated. The remainder of the project should be appropriated in the subsequent year(s).

The entire School Facilities project was appropriated in fiscal year 2010, however, it is a multiyear project. In addition, the entire Special Education Grant was appropriated, but was not going to all be received during fiscal year 2010.

As of June 30, 2010, we noted the following funds had appropriations that exceeded actual resources:

Fund	Actual Resources	Appropriations	Variance
Classroom Facilities	\$41,989,061	\$137,858,744	(\$95,869,682)
IDEA VI-B Special Education	\$8,629,361	\$15,350,282	(\$6,720,920)

We noted actual expenditures did not exceed actual resources or appropriations in these funds.

The Treasurer should frequently compare actual revenues to estimated resources and obtain a reduced amended certificate if necessary. Additionally, the current level of appropriations should be reduced accordingly to prevent appropriating funds that exceed actual resources.

Official's Response: I do not disagree that our actual revenue exceeded our appropriations. I do, however, disagree that it should be a finding. It would be very problematic and require more manpower for us to only appropriate for the amount of money that we receive for these funds. We believe that the federal government, the State of Ohio, and the City of Akron will be accountable for the revenue they have pledged for these funds.

3. FINDINGS FOR FEDERAL AWARDS

None

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AKRON 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 31, 2011**