



OHIO AUDITOR OF STATE
KEITH FABER



**AKRON CITY SCHOOL DISTRICT
SUMMIT COUNTY
JUNE 30, 2023**

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SUMMIT COUNTY
JUNE 30, 2023**

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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

Akron City School District
Summit County
10 North Main Street
Akron, Ohio 44308

To the Board of Education:

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Akron City School District, Summit County, Ohio (District), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Akron City School District, Summit County, Ohio as of June 30, 2023, 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 accordance with the accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *management's discussion and analysis*, and schedules of net pension and other post-employment benefit liabilities and pension and other post-employment benefit contributions be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting 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 assurance.

Supplementary information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Schedule of Receipts and Expenditures of Federal Awards as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Receipts and Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 25, 2024, 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. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Keith Faber
Auditor of State
Columbus, Ohio

March 25, 2024

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Akron City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2023
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, 2023. 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, 2023 are as follows:

- Total net position decreased \$665,317. This is 0.5 percent decrease from fiscal year 2022.
- Total revenues on the statement of activities increased to \$453,153,072 from \$402,391,129. This is an increase of \$50,761,943 or 12.6 percent.
- Total program expenses were \$453,818,389. Total program expenses increased from \$386,706,895 in fiscal year 2022. This is an increase of \$67,111,494 or 17.4 percent.
- The fund balance in the general fund increased \$10,805,071. This is a 14.3 percent increase from fiscal year 2022.
- The net pension and net other postemployment benefits (OPEB) liability increased \$150,808,655 from fiscal year 2022. This is due to the public retirement systems' projections and estimates, and changing enrollment and retirements. In addition to this, one retirement system is continuing to report an asset for their OPEB obligation.

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 Position 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.

Akron City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2023
Unaudited

Reporting the School District as a Whole – Statement of Net Position 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 2023?" The Statement of Net Position and the Statement of Activities answer this question. These two statements include all assets, deferred outflows of resources, liabilities and deferred inflows of resources 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.

These two statements report the School District's net position and changes in that position. This change in net position 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 Position 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 (excluding fiduciary funds) 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 Position and Statement of Activities) and governmental *funds* are reconciled in the basic financial statements.

Akron City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2023
Unaudited

The School District as a Whole

Recall that the Statement of Net Position provides perspective on the School District as a whole.

Table 1 provides a summary of the School District's net position for fiscal year 2023 compared to fiscal year 2022 as follows:

Table 1		
Net Position		
Governmental Activities		
	<u>2023</u>	<u>2022</u>
Assets:		
Current and other assets	\$ 346,494,445	\$ 364,362,355
Net OPEB asset	35,427,370	28,235,377
Capital assets, net of depreciation	332,952,583	334,440,643
Total assets	<u>714,874,398</u>	<u>727,038,375</u>
Deferred outflows of resources:		
Expense	30,000,000	33,000,000
Pension	100,414,080	95,020,999
OPEB	7,918,010	8,390,496
Total deferred inflows of resources	<u>138,332,090</u>	<u>136,411,495</u>
Liabilities:		
Current liabilities	86,493,628	94,222,456
Long-term liabilities:		
Due with in one year	3,556,326	3,112,838
Due in more than one year:		
Net pension liability	376,569,649	219,811,265
Net OPEB liability	18,958,896	24,908,625
Other amounts due in more than one year	44,586,733	37,303,604
Total liabilities	<u>530,165,232</u>	<u>379,358,788</u>
Deferred inflows of resources:		
Property taxes	103,736,846	121,984,039
Payments in lieu of taxes	3,129,274	4,489,243
Pension	31,563,133	175,998,138
OPEB	51,515,144	47,857,486
Total deferred inflows of resources	<u>189,944,397</u>	<u>350,328,906</u>
Net position:		
Net investment in capital assets	332,952,583	329,305,547
Restricted	56,347,287	53,719,508
Unrestricted (deficit)	(256,203,011)	(249,262,879)
Total net position	<u>\$ 133,096,859</u>	<u>\$ 133,762,176</u>

Akron City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2023
Unaudited

Net investment in capital assets reported on the government-wide statements represents a large component of net position. Capital assets include land and construction in progress, land improvements, buildings and improvements, furniture and equipment, and vehicles which are used to provide services to students and are not available for future spending. Although the School District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the School District's net position, \$56,347,287 represents resources that are subject to external restrictions on how the funds may be used. Of the total restricted assets; \$13,007 is restricted for debt service payments, \$23,034,051 is restricted for other purposes, \$4,985,450 is restricted for OPEB and \$28,314,779 is restricted for capital projects. The remaining significant balance of government-wide unrestricted net position happens to be a deficit of (\$256,203,011).

The net pension liability is the largest single liability reported by the School District at June 30, 2023. Users of this financial statement will gain a clearer understanding of the School District's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB and the net OPEB asset.

The School District's statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's change in net pension liability and net OPEB liability or asset, respectively, not accounted for as deferred inflows/outflows.

Intergovernmental receivable increased \$14,616,726. The increase in intergovernmental receivable was mostly attributed to grants receivable. This increase was mainly due to federal grant receivables related to emergency relief regarding the COVID-19 pandemic.

The self-insurance internal service fund's cash and cash equivalents decreased \$4,818,775 as compared to fiscal year 2022. This is due to a change in investment portfolio as total investments increased \$242,490 compared to 2022. Expenses decreased due to a decrease in health care claim costs in the School District as a whole. Health insurance costs are projected to increase in fiscal year 2024. Revenues are received into this fund throughout the fiscal year based on that health insurance projection.

Akron City School District
 Management's Discussion and Analysis
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In addition, capital assets decreased \$1,488,060. The decrease in capital assets was mainly due to the School District's decrease in construction in progress and current year depreciation expense exceeding current year additions. The change in capital assets will be discussed in greater detail later.

As indicated above, the net pension liabilities increased and net OPEB liabilities decreased in fiscal year 2023.

As a result of implementing the accounting standard for pension and OPEB, the School District is reporting a significant net pension liability, net OPEB liability, related deferred inflows of resources and an increase in pension expense for the fiscal year which have a negative effect on net position. In addition, the School District is reporting a net OPEB asset, deferred outflows of resources and a decrease in expenses related to OPEB, which have a positive impact on net position. The increase and decrease in pension and OPEB expense is the difference between the contractually required contributions and the pension and OPEB expense resulting from the change in the liability or asset that is not reported as deferred inflows or outflows. These amounts can be found in the reconciliation of the statement of revenues, expenditures and changes in fund balances of governmental funds to the statement of activities. To further explain the impact of these accounting standards on the School District's net position, additional information is presented below.

	<u>2023</u>	<u>2022</u>
Deferred outflows of resources for:		
Pension	\$ 100,414,080	\$ 95,020,999
OPEB	7,918,010	8,390,496
Deferred inflows of resources for:		
Pension	(31,563,133)	(175,998,138)
OPEB	(51,515,144)	(47,857,486)
Net pension liability	(376,569,649)	(219,811,265)
Net OPEB asset	35,427,370	28,235,377
Net OPEB liability	<u>(18,958,896)</u>	<u>(24,908,625)</u>
Impact on net position from pension and OPEB reporting	<u>\$ (334,847,362)</u>	<u>\$ (336,928,642)</u>

Akron City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2023
Unaudited

Table 2 shows change in net position for fiscal years 2023 and 2022.

Table 2
Governmental Activities

	<u>2023</u>	<u>2022</u>
Revenue:		
Program revenues:		
Charges for services and sales	\$ 5,305,672	\$ 4,983,967
Operating grants and contributions	131,321,915	115,940,359
Capital grants and contributions	783,269	48,478
General revenues:		
Property taxes	148,821,608	124,712,749
Grants and entitlements	157,349,636	151,264,568
Payment in lieu of taxes	5,621,109	6,023,254
Investment earnings	2,037,194	(2,380,430)
Miscellaneous	1,912,669	1,798,184
Total revenues	<u>453,153,072</u>	<u>402,391,129</u>
Expenses:		
Instruction:		
Regular	147,751,951	124,589,376
Special	66,586,599	56,823,402
Vocational	13,558,373	12,666,022
Adult/continuing	224,443	272,622
Other	12,972,172	8,267,816
Support services:		
Pupils	32,296,109	27,270,478
Instructional staff	31,549,126	25,754,071
Board of education	209,160	79,402
Administration	31,122,849	26,273,049
Fiscal	6,778,873	7,105,450
Business	2,994,982	3,163,135
Operation and maintenance of plant	53,010,506	45,171,440
Pupil transportation	14,828,843	14,858,030
Central	13,323,473	12,675,885
Operation of non-instructional services	15,746,522	4,727,696
Operation of food services	4,778,995	11,963,963
Extracurricular activities	6,085,413	5,045,058
Total expenses	<u>453,818,389</u>	<u>386,706,895</u>
Changes in net position	(665,317)	15,684,234
Beginning net position	133,762,176	118,077,942
Ending net position	<u>\$ 133,096,859</u>	<u>\$ 133,762,176</u>

Akron City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2023
Unaudited

While program revenues increased for governmental activities from \$120,972,804 to \$137,410,856, the vast majority of revenues supporting governmental activities are general revenues. General revenues increased from \$281,418,325 in fiscal year 2022 to \$315,742,216 in fiscal year 2023. General revenues comprised 69.7 percent of revenues supporting governmental activities. The primary source of the increase in general revenues was an increase in property taxes and grants and entitlements not restricted to specific programs in the amount of \$30,193,927.

Several revenue sources fund our governmental activities, with property taxes and State foundation revenues being the largest contributors. Property tax levies generated \$148,821,608 in 2023. The increase in property tax is due partially to varying amounts available as an advance each year that are recognized as revenue. General revenues from grants and entitlements, such as the school foundation program, generated \$157,349,636. With the combination of taxes and intergovernmental funding 69.7% of all revenues, the School District monitors both of these revenue sources very closely for fluctuations.

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 47.1 percent of total general revenues for governmental activities for the School District in fiscal year 2023.

Overall, expenses for governmental activities increased \$67,111,494 or 17.4% from fiscal year 2022 reported amounts. This is again due to changes in the net pension and net OPEB liabilities and the net OPEB asset.

The dependence upon tax revenues for governmental activities is apparent with only 30.3% of governmental expenses supported by program 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 18. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$454,108,064 and expenditures of \$441,860,850. The net change in fund balances for the fiscal year was an increase of \$11,985,870 for all governmental funds with the most significant increase in the general fund.

Akron City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2023
Unaudited

The general fund's net change in fund balance for fiscal year 2023 was an increase of \$10,805,071. Revenues in the general fund increased \$35,963,823 or 11.4 percent from fiscal year 2022 to fiscal year 2023. This was due to an increase in taxes, intergovernmental, and interest revenue. In addition, expenditures in the general fund increased \$18,905,673 or 5.9 percent. Expenditures in the general fund increased over several different categories but not from any individually significant event. However, the largest increases were through regular instruction and administration support services.

The permanent improvement fund's net change in fund balance for fiscal year 2023 was an increase of \$477,272. Revenues in the permanent improvement capital projects fund exceeded the amount of expenditures during the year, this was mainly due partially to varying amounts available as an advance each year that are recognized as property tax revenue.

The classroom facilities fund's net change in fund balance for fiscal year 2023 was an increase of \$38,432 or 0.3 percent. Revenues in the classroom facilities capital projects fund decreased \$8,102,955 or 79.2 percent. This decrease is due to a decrease in intergovernmental revenue from the State in connection with the OFCC construction project and expenditures did not exceed revenues resulting in an increase in fund balance.

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 2023, 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 and other financing uses on the budget basis (cash outlays plus encumbrances) were \$358,046,753, \$15,457,663 greater than actual revenues and other financing sources.

The School District's ending unobligated cash balance was \$18,792,797 above the final budgeted amount. This was attributed to the School District spending \$10,608,208 less in expenditures and other financing uses than what was budgeted. The \$9,453,878 variance in revenues was mostly because the School District received more than estimated primarily for taxes, intergovernmental and interest revenue. The \$10,518,844 variance in expenditures was mostly the result of the School District spending less than budgeted in nearly every program.

Akron City School District
 Management's Discussion and Analysis
 For the Fiscal Year Ended June 30, 2023
 Unaudited

Capital Assets

At the end of fiscal year 2023, the School District had \$332,952,583 invested in capital assets. Table 4 shows fiscal year 2023 balances compared to fiscal year 2022 as follows:

Table 4
 Capital Assets (Net of Depreciation)
 Governmental Activities

	<u>2023</u>	<u>2022</u>
Land	\$ 6,773,043	\$ 6,773,043
Construction in progress	-	31,015,336
Land improvements	4,912	5,474
Buildings and improvements	303,660,148	276,188,289
Furniture and equipment	15,929,107	13,709,810
Vehicles	<u>6,585,373</u>	<u>6,748,691</u>
Total Capital Assets, Net	<u>\$ 332,952,583</u>	<u>\$ 334,440,643</u>

Capital assets decreased \$1,488,060 from fiscal year 2022 to fiscal year 2023. The decrease is mainly due to the current year depreciation expense exceeding the current year expenses used for capital additions. Buildings and improvements had a net increase of \$27,471,859 and furniture and equipment had a net increase of \$2,219,297 these increases were mainly due from construction in progress project being completed during the year. The remaining asset classes were offset by current year depreciation.

For further information on capital assets, see Note 9 of the notes to the basic financial statements.

As of June 30, 2023, the School District had contractual commitments for construction projects with contractors in the amount of \$2,080,771. For further information, see Note 17 of the notes to the basic financial statements.

Akron City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2023
Unaudited

For the Future

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

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 is projecting an increase in State funding for fiscal year 2024. Akron City School District management must plan carefully and prudently to provide the resources to meet student needs over the next several fiscal years.

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

Contacting the School District's 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 Stephen Thompson, CFO/Treasurer, at Akron City School District, 70 North Broadway, Akron, Ohio 44308 or email at sthompo3@apslearns.org.

Akron City School District

Statement of Net Position

June 30, 2023

	Governmental Activities
<u>Assets:</u>	
Equity in pooled cash and cash equivalents	\$ 37,734,678
Cash and cash equivalents in segregated accounts	337,416
Investments in segregated accounts	89,158,560
Receivables:	
Accounts	1,414,238
Intergovernmental	42,891,637
Revenue in lieu of taxes	3,129,274
Taxes	160,740,246
Accrued interest	423,899
Due from the City of Akron	9,102,792
Prepaid items	244,189
Inventory held for resale	584,514
Materials and supplies inventory	733,002
Net OPEB asset	35,427,370
Capital assets:	
Nondepreciable capital assets	6,773,043
Depreciable capital assets	432,341,727
Accumulated depreciation	(106,162,187)
Total capital assets	<u>332,952,583</u>
Total assets	<u>714,874,398</u>
<u>Deferred outflows of resources:</u>	
Deferred expense	30,000,000
Pension	100,414,080
OPEB	7,918,010
Total deferred outflows of resources	<u>138,332,090</u>
<u>Liabilities:</u>	
Accounts payable	1,976,874
Accrued wages	23,567,683
Retainage payable	10,308
Intergovernmental payable	40,537,754
Matured compensated absences payable	588,666
Undistributed monies	562,582
Claims payable	7,223,119
Unearned revenue	5,834,147
Due to the City of Akron	6,192,495
Long-term liabilities:	
Due within one year	3,556,326
Due in more than one year:	
Net pension liability	376,569,649
Net OPEB liability	18,958,896
Other amounts due in more than one year	44,586,733
Total liabilities	<u>530,165,232</u>
<u>Deferred inflows of resources:</u>	
Property taxes	103,736,846
Payments in lieu of taxes	3,129,274
Pension	31,563,133
OPEB	51,515,144
Total deferred inflows of resources	<u>189,944,397</u>

Akron City School District
Statement of Net Position
June 30, 2023
(Continued)

Net position:

Net investment in capital assets	332,952,583
Restricted for:	
Capital projects	28,314,779
Debt service	13,007
OPEB	4,985,450
Other purposes	23,034,051
Unrestricted (deficit)	<u>(256,203,011)</u>
Total net position	<u>\$ 133,096,859</u>

See accompanying notes to the basic financial statements.

Akron City School District
Statement of Activities
For the Fiscal Year Ended June 30, 2023

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants, Contributions and Interest	Capital Grants and Contributions	
Governmental Activities:					
Instruction:					
Regular	\$ 147,751,951	\$ 1,556,994	\$ 26,591,760	\$ -	\$ (119,603,197)
Special	66,586,599	166,544	36,347,980	-	(30,072,075)
Vocational	13,558,373	367,343	4,380,710	-	(8,810,320)
Adult/continuing	224,443	146,529	10,016	-	(67,898)
Other	12,972,172	-	12,889,787	-	(82,385)
Support services:					
Pupils	32,296,109	-	5,578,256	-	(26,717,853)
Instructional staff	31,549,126	837,068	14,701,034	-	(16,011,024)
Board of education	209,160	-	5,575	-	(203,585)
Administration	31,122,849	-	1,888,901	-	(29,233,948)
Fiscal	6,778,873	-	1,368,447	-	(5,410,426)
Business	2,994,982	-	29,308	-	(2,965,674)
Operation and maintenance of plant	53,010,506	117,590	4,895,813	783,269	(47,213,834)
Pupil transportation	14,828,843	417,000	265,605	-	(14,146,238)
Central	13,323,473	560,557	1,233,611	-	(11,529,305)
Operation of non-instructional services	15,746,522	-	4,657,615	-	(11,088,907)
Operation of food services	4,778,995	210,063	14,925,013	-	10,356,081
Extracurricular activities	6,085,413	925,984	1,552,484	-	(3,606,945)
Total governmental activities	<u>\$ 453,818,389</u>	<u>\$ 5,305,672</u>	<u>\$ 131,321,915</u>	<u>\$ 783,269</u>	<u>(316,407,533)</u>

General Revenues:

Property taxes levied for:

General purposes	144,287,535
Capital outlay	4,534,073
Grants and entitlements not restricted to specific programs	157,349,636
Payment in lieu of taxes	5,621,109
Investment earnings	2,037,194
Miscellaneous	1,912,669
Total general revenues	<u>315,742,216</u>

Change in net position (665,317)

Net position beginning of year 133,762,176

Net position end of year \$ 133,096,859

See accompanying notes to the basic financial statements.

Akron City School District
Balance Sheet
Governmental Funds
June 30, 2023

	General	Permanent Improvement	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
<u>Assets:</u>					
Equity in pooled cash and cash equivalents	\$ 6,298,911	\$ 2,297	\$ 3,233,793	\$ 22,328,195	\$ 31,863,196
Cash and cash equivalents:					
In segregated accounts	86,071	-	8,591	231,300	325,962
Investments in segregated accounts	65,695,630	-	-	12,823,292	78,518,922
Receivables:					
Taxes	155,840,340	4,899,906	-	-	160,740,246
Accounts	811,199	-	-	590,923	1,402,122
Intergovernmental	3,342,325	-	6,896,185	32,653,127	42,891,637
Revenue in lieu of taxes	3,129,274	-	-	-	3,129,274
Interfund	26,424,805	-	-	-	26,424,805
Accrued interest	192,472	-	9,758	149,142	351,372
Due from the City of Akron	-	-	9,102,792	-	9,102,792
Inventory held for resale	-	-	-	584,514	584,514
Materials and supplies inventory	46,507	-	-	-	46,507
Total assets	261,867,534	4,902,203	19,251,119	69,360,493	355,381,349
<u>Deferred outflows of resources:</u>					
Deferred expense	-	30,000,000	-	-	30,000,000
Total assets and deferred outflows of resources	\$ 261,867,534	\$ 34,902,203	\$ 19,251,119	\$ 69,360,493	\$ 385,381,349
<u>Liabilities:</u>					
Accounts payable	\$ 777,683	\$ 249	\$ -	\$ 1,149,063	\$ 1,926,995
Accrued wages	22,413,667	-	-	1,154,016	23,567,683
Interfund payable	-	-	-	26,424,805	26,424,805
Intergovernmental payable	10,186,259	30,000,000	-	351,495	40,537,754
Matured compensated absences payable	588,666	-	-	-	588,666
Undistributed monies	562,582	-	-	-	562,582
Unearned revenue	5,816,779	-	-	17,368	5,834,147
Retainage payable	-	-	8,591	1,717	10,308
Due to the City of Akron	-	-	-	6,192,495	6,192,495
Total liabilities	40,345,636	30,000,249	8,591	35,290,959	105,645,435
<u>Deferred inflows of resources:</u>					
Property taxes	100,480,283	3,256,563	-	-	103,736,846
Payments in lieu of taxes	3,129,274	-	-	-	3,129,274
Unavailable revenue	1,697,094	-	6,896,185	5,934,341	14,527,620
Unavailable revenue - delinquent property taxes	29,692,943	893,906	-	-	30,586,849
Total deferred inflows of resources	134,999,594	4,150,469	6,896,185	5,934,341	151,980,589
<u>Fund balances:</u>					
Nonspendable	46,507	-	-	281,304	327,811
Restricted	-	751,485	12,346,343	30,120,286	43,218,114
Committed	1,593,741	-	-	-	1,593,741
Assigned	37,873,503	-	-	-	37,873,503
Unassigned (deficit)	47,008,553	-	-	(2,266,397)	44,742,156
Total fund balances	86,522,304	751,485	12,346,343	28,135,193	127,755,325
Total liabilities, deferred inflows of resources and fund balances	\$ 261,867,534	\$ 34,902,203	\$ 19,251,119	\$ 69,360,493	\$ 385,381,349

See accompanying notes to the basic financial statements.

Akron City School District
Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
June 30, 2023

Total governmental funds balances		\$ 127,755,325
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		332,952,583
Other long-term assets that are not available to pay for current-period expenditures and therefore are unavailable revenue in the funds:		
Property taxes	\$ 30,586,849	
Charges for services	34,149	
Intergovernmental	12,445,368	
Tuition and fees	1,570,680	
Rent	73,888	
Gifts and donations	287,259	
Radio station charges for services	102,121	
Miscellaneous	14,155	
Total	45,114,469	45,114,469
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 position.		10,264,903
The net pension liability and net OPEB liability are not due and payable in the current period; therefore, the liability, the asset and related deferred inflows/outflows are not reported in the funds:		
Deferred outflows - pension	\$ 100,414,080	
Deferred inflows - pension	(31,563,133)	
Net pension liability	(376,569,649)	
Deferred outflows - OPEB	7,918,010	
Deferred inflows - OPEB	(51,515,144)	
Net OPEB liability	(18,958,896)	
Net OPEB asset	35,427,370	
Total	(334,847,362)	(334,847,362)
Long-term liabilities that are not due and payable in the current period and therefore are not reported in the funds:		
Compensated absences		(48,143,059)
Net position of governmental activities		\$ 133,096,859

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, 2023

	General	Permanent Improvement	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
Revenues:					
Taxes	\$ 144,327,754	\$ 3,143,216	\$ -	\$ 1,392,197	\$ 148,863,167
Intergovernmental	192,531,898	388,829	1,883,482	92,055,944	286,860,153
Interest	1,277,476	3,388	240,201	1,065,550	2,586,615
Tuition and fees	2,176,593	-	-	13	2,176,606
Extracurricular activities	286,638	-	-	591,899	878,537
Gifts and donations	62,510	-	-	1,377,871	1,440,381
Charges for services	390,380	-	-	1,025,258	1,415,638
Rent	107,648	-	-	-	107,648
Payment in lieu of taxes	7,153,294	-	-	-	7,153,294
Miscellaneous	2,609,131	-	-	16,894	2,626,025
Total revenues	350,923,322	3,535,433	2,123,683	97,525,626	454,108,064
Expenditures:					
Current:					
Instruction:					
Regular	118,568,720	-	-	21,931,668	140,500,388
Special	60,480,621	-	-	4,324,340	64,804,961
Vocational	11,502,074	-	-	1,197,025	12,699,099
Adult/continuing	220,475	-	-	8,116	228,591
Other	684,620	-	-	12,061,097	12,745,717
Support services:					
Pupils	25,960,703	-	-	5,150,530	31,111,233
Instructional staff	15,307,517	-	-	15,081,890	30,389,407
Board of education	208,004	-	-	5,329	213,333
Administration	28,321,153	-	-	1,755,697	30,076,850
Fiscal	5,278,724	99,076	-	1,388,196	6,765,996
Business	2,814,087	-	-	22,291	2,836,378
Operation and maintenance of plant	38,319,424	3,001,131	415,769	6,540,396	48,276,720
Pupil transportation	14,303,518	-	-	226,811	14,530,329
Central	11,944,987	-	-	1,195,792	13,140,779
Operation of non-instructional services	222,813	-	-	4,418,241	4,641,054
Operation of food services	-	-	-	15,903,992	15,903,992
Extracurricular activities	3,930,824	-	-	2,196,260	6,127,084
Capital outlay	1,453,300	-	1,669,482	3,746,157	6,868,939
Total expenditures	339,521,564	3,100,207	2,085,251	97,153,828	441,860,850
Excess of revenues over (under) expenditures	11,401,758	435,226	38,432	371,798	12,247,214
Other financing sources (uses):					
Transfers in	6,703	42,046	-	300,000	348,749
Transfers out	(603,390)	-	-	(6,703)	(610,093)
Total other financing sources (uses)	(596,687)	42,046	-	293,297	(261,344)
Net change in fund balances	10,805,071	477,272	38,432	665,095	11,985,870
Fund balances beginning of year	75,717,233	274,213	12,307,911	27,470,098	115,769,455
Fund balances end of year	\$ 86,522,304	\$ 751,485	\$ 12,346,343	\$ 28,135,193	\$ 127,755,325

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, 2023**

Net change in fund balances - total governmental funds	\$ 11,985,870
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense.	
In the current period, these amounts are:	
Capital asset additions	\$ 6,868,939
Depreciation expense	(7,808,240)
Excess of net capital asset additions over depreciation expense	<u>(939,301)</u>
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.	(548,759)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. These activities consist of:	
Property taxes	\$ (41,507)
Charges for services	10,001
Intergovernmental	273,363
Payments in lieu of taxes	(1,532,185)
Tuition and fees	(34,516)
Rent	9,942
Gifts and donations	91,480
Radio station charges for services	21,873
Net change in deferred inflows of resources during the year	<u>(1,201,549)</u>
Contractually required contributions are reported as expenditures in the governmental funds; however, the statement of activities reports these amounts as deferred outflows.	
Pension	34,166,569
OPEB	711,120
Except for amounts reported as deferred inflows/outflows, changes in the net pension/OPEB liability and OPEB asset are reported as pension/OPEB expense in the statement of activities.	
Pension	(41,096,867)
OPEB	8,300,458
Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:	
Compensated absences	(7,726,617)
The internal service fund used by management to charge the costs of insurance, central supplies and workers' compensation to individual funds are not reported in the statement of activities. Governmental fund expenditures and related internal service fund revenues are eliminated. The net revenue (expense) of the internal service funds are allocated among the governmental activities.	
	<u>(4,316,241)</u>
Change in net position of governmental activities	<u>\$ (665,317)</u>

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, 2023

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Taxes	\$ 123,692,708	\$ 124,431,037	\$ 127,897,642	\$ 3,466,605
Intergovernmental	190,332,578	190,332,578	191,234,819	902,241
Interest	525,321	525,321	1,586,283	1,060,962
Tuition and fees	1,905,607	1,905,607	1,767,454	(138,153)
Gifts and donations	2,289	6,295	10,284	3,989
Charges for services	372,730	405,768	402,223	(3,545)
Rent	22,603	22,603	46,348	23,745
Extracurricular activities	-	189,498	189,498	-
Payment in lieu of taxes	4,421,158	4,421,158	7,153,294	2,732,136
Miscellaneous	507,366	507,366	1,913,264	1,405,898
Total revenues	<u>321,782,360</u>	<u>322,747,231</u>	<u>332,201,109</u>	<u>9,453,878</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	121,759,587	128,549,548	132,427,047	(3,877,499)
Special	59,017,204	61,289,891	60,098,165	1,191,726
Vocational	11,502,293	12,150,981	11,836,064	314,917
Adult/continuing	192,744	203,755	222,225	(18,470)
Other	785,778	864,898	690,370	174,528
Support services:				
Pupils	25,833,426	27,049,970	26,238,262	811,708
Instructional staff	16,566,919	17,379,250	15,486,061	1,893,189
Board of education	147,493	272,197	217,166	55,031
Administration	29,776,182	30,558,290	28,409,882	2,148,408
Fiscal	7,635,986	7,635,986	5,305,410	2,330,576
Business	2,992,658	3,309,574	3,256,094	53,480
Operation and maintenance of plant	36,604,745	36,604,745	33,920,543	2,684,202
Pupil transportation	16,034,846	17,804,817	16,486,322	1,318,495
Central	10,714,971	11,229,070	11,038,588	190,482
Operation of non-instructional services	184,891	198,185	215,024	(16,839)
Extracurricular activities	3,633,472	4,256,132	3,890,703	365,429
Capital outlay	3,395,170	8,597,134	7,697,653	899,481
Total expenditures	<u>346,778,365</u>	<u>367,954,423</u>	<u>357,435,579</u>	<u>10,518,844</u>
Excess of revenues over (under) expenditures	<u>(24,996,005)</u>	<u>(45,207,192)</u>	<u>(25,234,470)</u>	<u>19,972,722</u>
<u>Other financing sources (uses):</u>				
Proceeds from the sale of capital assets	25,877	25,877	11,318	(14,559)
Refund of prior year expenditures	11,619,904	11,619,904	10,369,417	(1,250,487)
Transfers in	11,489	11,489	7,246	(4,243)
Transfers out	(600,000)	(700,538)	(611,174)	89,364
Total other financing sources (uses)	<u>11,057,270</u>	<u>10,956,732</u>	<u>9,776,807</u>	<u>(1,179,925)</u>
Net change in fund balance	(13,938,735)	(34,250,460)	(15,457,663)	18,792,797
Fund balances at beginning of year	94,366,412	94,366,412	94,366,412	-
Prior year encumbrances appropriated	10,200,299	10,200,299	10,200,299	-
Fund balances at end of year	<u>\$ 90,627,976</u>	<u>\$ 70,316,251</u>	<u>\$ 89,109,048</u>	<u>\$ 18,792,797</u>

See accompanying notes to the basic financial statements.

Akron City School District
Statement of Net Position
Proprietary Fund
June 30, 2023

	Internal Service Funds
<u>Assets:</u>	
Equity in pooled cash and cash equivalents	\$ 5,871,482
Cash and cash equivalents in segregated accounts	11,454
Investments in segregated accounts	10,639,638
Accounts receivable	12,116
Accrued interest receivable	72,527
Prepaid items	244,189
Materials and supplies inventory	686,495
Total assets	<u>\$ 17,537,901</u>
 <u>Liabilities:</u>	
Accounts payable	\$ 49,879
Claims payable	7,223,119
Total liabilities	<u>7,272,998</u>
 <u>Net position:</u>	
Unrestricted	10,264,903
Total liabilities and net position	<u>\$ 17,537,901</u>

See accompanying notes to the basic financial statements.

Akron City School District
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Fund
For the Fiscal Year Ended June 30, 2023

	Internal Service Funds
<u>Operating revenues:</u>	
Charges for services	\$ 56,242,792
<u>Operating expenses:</u>	
Purchased services	6,131,035
Materials and supplies	866,159
Claims	53,034,785
Other	1,034,955
Total operating expenses	61,066,934
Operating loss	(4,824,142)
<u>Nonoperating revenues:</u>	
Interest	246,557
Income before transfers	(4,577,585)
Transfers in	261,344
Change in net position	(4,316,241)
Net position beginning of year	14,581,144
Net position end of year	\$ 10,264,903

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, 2023

	Self Insurance
<u>Cash flows from operating activities:</u>	
Cash received from interfund services	\$ 56,247,870
Cash payments to suppliers for goods and services	(7,456,905)
Cash payments for claims	(52,741,055)
Cash payments for other operating expenses	(1,078,900)
Net cash used for operating activities	<u>(5,028,990)</u>
<u>Cash flows from noncapital financing activities:</u>	
Transfer in	261,344
Net cash provided by noncapital financing activities	<u>261,344</u>
<u>Cash flows from investing activities:</u>	
Interest on investments	191,361
Sale of investments	5,333,099
Purchase of investments	(5,575,589)
Net cash provided by investing activities	<u>(51,129)</u>
Net decrease in cash and cash equivalents	(4,818,775)
Cash and cash equivalents at beginning of year	10,701,711
Cash and cash equivalents at end of year	<u>\$ 5,882,936</u>
<u>Reconciliation of operating loss to net cash used for operating activities:</u>	
Operating loss	<u>\$ (4,824,142)</u>
Adjustments to reconcile operating loss to net cash used for operating activities:	
Change in assets and liabilities:	
(Increase) decrease in assets:	
Accounts receivable	5,078
Prepaid items	(25,925)
Materials and supplies inventory	(85,891)
Increase (decrease) in liabilities:	
Accounts payable	(391,840)
Claims payable	293,730
Total adjustments	<u>(204,848)</u>
Net cash used for operating activities	<u>\$ (5,028,990)</u>

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, 2023

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 sixth largest in the State of Ohio (among 951 public school districts and community schools) in terms of enrollment. It is staffed by 500 full-time classified employees, 1,712 full-time certificated personnel and 132 administrative employees who provide services to 20,195 students and other community members. The School District currently operates 45 instructional buildings, three vacant buildings, three administrative 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. Mary School, Julie Billiart, St. Sebastian School, St. Vincent DePaul Elementary, Our Lady of Elms School, Archbishop Hoban High School, and St. Vincent - St. Mary High School are operated through the Cleveland Catholic Diocese. Arlington Christian and Emmanuel Christian Academy 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. The School District does not have any component units.

The School District is associated with the Ohio Schools Council, which is defined as a jointly governed organization. Jointly governed organizations are governed by representatives from each of the governments that create the organization, but there is no ongoing financial interest or responsibility by the participating governments. Information regarding this organization is presented in Note 21.

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 more significant of the School District's accounting policies are described below.

A. Basis of Presentation

The School District's basic financial statements consist of government-wide statements, including a statement of net position 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 position 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 position 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.

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 two categories: governmental and proprietary.

Akron City School District
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For the Fiscal Year Ended June 30, 2023

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 deferred outflows of resources and liabilities and deferred inflows of resources 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.

Permanent Improvement 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 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 Facilities Construction 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 position, 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.

C. Measurement Focus

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

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

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

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 inflows of resources and in the presentation of expenses versus expenditures.

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

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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 6). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the 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, charges for services, sales, extracurricular activities and fees.

Unearned Revenue Unearned revenue arises when monies are received before revenue recognition criteria have been satisfied. Radio station charges for services received in the current fiscal year for underwriting spots that will occur in future fiscal years are recorded as unearned revenue. Revenue is recognized when the underwriting spot takes place. The School District has received an advance of revenue in lieu of taxes and shared revenue from the City of Akron from a compensation agreement. Revenue will be recognized based on the terms and conditions of the agreement.

Deferred Outflows/Inflows of Resources In addition to assets, the statements of financial position and/or the balance sheet will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net assets that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School District, deferred outflows of resources include the deferred expense of payments to the City of Akron (the “City”) for the construction and renovation of school buildings, pension and other postemployment benefits (OPEB). 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 \$3,000,000 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, 2023 are recorded as deferred outflows of resources with a corresponding intergovernmental payable on both the government-wide statement of net position and the governmental fund financial statements. Deferred outflows of resources related to pension and OPEB are reported on the government-wide statement of net position (See Note 11).

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In addition to liabilities, the statements of financial position and/or the balance sheet will sometimes report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net assets that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the School District, deferred inflows of resources include property taxes, pension, OPEB and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2023, but which were levied to finance fiscal year 2024 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet and represents receivables which will not be collected within the available period. For the School District, unavailable revenue includes delinquent property taxes, intergovernmental grants, charges for services, tuition and fees, rentals and miscellaneous revenues. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. Deferred inflows of resources related to pension and OPEB are reported on the government-wide statement of net position (See Note 11).

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 custodial 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.

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 2023, the general fund advanced monies to several special revenue funds to cover negative cash balances. See Note 14 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 depository accounts and investments are presented on the statement of net position 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 2023, the School District's investments were limited to commercial paper, federal government sponsored enterprise securities, U.S. Treasury bills and notes, Ohio municipal securities, negotiable certificates of deposit and an interest in STAR Ohio, the State Treasurer's Investment Pool. 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.

The School District's investment in the State Treasury Asset Reserve of Ohio (STAR Ohio) is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company and is recognized as an external investment pool by the School District. The School District measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides a NAV per share that approximates fair value.

For the fiscal year 2023, there were no limitation or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice is appreciated 24 hours in advance of all deposits and withdrawals exceeding \$100 million. STAR Ohio reserves the right to limit the transaction to \$250 million, requiring the excess amount to be transacted the following business day(s), but only to the \$250 million limit. All accounts of the participant will be combined for these purposes.

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 2023 amounted to \$1,277,476, which includes \$100,882 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.

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G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2023 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 expenditure/expense is reported in the fiscal year in which the services are consumed.

H. Inventory

Inventories consist of donated and purchased food, gasoline and diesel fuel, school and office supplies held for resale in the central warehouse, and non-food supplies held for consumption in the food service program.

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 supplies in the central warehouse. Inventories are expended/expensed when used.

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 position 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 acquisition value 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>Governmental Activities Estimated Lives</u>
Land improvements	20 years
Building 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 position.

K. Pension and other postemployment benefits (OPEB)

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

The current accounting standard requires school districts to report their proportionate share of the net pension/OPEB liability using the earning approach to pension and OPEB accounting instead of the funding approach as previously used. The funding approach limited pension and postemployment costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's net pension/OPEB liability. Under the new standards, the net pension/OPEB liability equals the School District's proportionate share of each plan's collective present value of estimated future pension/OPEB benefits attributable to active and inactive employees' past service minus plan assets available to pay these benefits.

Pension and OPEB obligations, whether funded or unfunded, are part of the employment exchange. The employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. The unfunded portion of this benefit of exchange is a liability of the School District. However, the School District is not responsible for key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Benefit provisions and both employer and employee contribution rates are determined by State statute. The employee and employer enter the employment exchange with the knowledge that the exchange is limited by law. The pension system is responsible for the administration of the pension and OPEB plans.

There is no repayment schedule for the net pension liability or the net OPEB liability. The School District has no control over the changes in the benefits, contribution rates, and return on investments affecting the balance of the liabilities. In the event that contributions, investment returns, and other changes are insufficient to keep up with required payments, State statute does not identify the responsible party for the unfunded portion. Due to the unique nature of how the pension liability and the OPEB liability are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position.

L. 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.

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 "matured compensated absences payable" in the fund from which the employees who have accumulated leave are paid.

M. 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, 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. Net pension/OPEB liability should be recognized in the governmental funds to the extent that benefit payments are due and payable and the pension/OPEB plan's fiduciary net position is not sufficient for payment of those benefits.

N. Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net investment in capital assets, consists of capital assets, net of accumulated depreciation. Net position is 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 position restricted for other purposes include special trust for scholarships, other local grants, and State and Federal programs.

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

O. Fund Balances

In accordance with GASB Statement No, 54, "*Fund Balance Reporting and Governmental Fund Type Definitions*", the School District classifies its fund balances based on the purpose for which the resources were received and the level of constraint placed on the resources. The following categories can be used:

Nonspendable Resources that are not in spendable form (inventories, prepaid amounts and unclaimed funds) or have legal or contractual requirements to maintain the balance intact.

Restricted Resources that have external constraints imposed on them by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through enabling legislation.

Committed Resources that are constrained for specific purposes that are internally imposed by formal action (resolution) by the School District at its highest level of decision making authority, the Board of Education.

Assigned Resources that are constrained by the School District's intent to be used for specific purposes but are neither restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the Board of Education. Through School District policies, the Board of Education has given the School District Treasurer the authority to constrain monies for intended purposes.

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Unassigned The residual fund balance with the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, this classification represents deficit fund balances resulting from overspending for specific purposes for which amounts had been restricted, committed or assigned.

The School District considers restricted amounts to have been spent first when expenditures are incurred for purposes for which both restricted and unrestricted (committed, assigned and unassigned) fund balances are available. Similarly, within unrestricted fund balances, committed amounts are reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

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. 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.

R. 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 – Accountability

As of June 30, 2023, several nonmajor special revenue funds had a deficit fund balance. These deficits were caused by the application of generally accepted accounting principles. The general fund provides transfers to cover deficit balances in other funds; however, this is done when cash is needed rather than when accruals occur. The following funds had a deficit at year-end:

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<u>Nonmajor special revenue funds:</u>	<u>Deficit</u>
Public school preschool	\$ 47,571
ESS Emergency relief	499,796
Title VI-B special education	378,115
21st Century	18,227
Title I school improvement	269,363
Nutrition education and training	2,967
Title III	10,611
Title I	958,958
Title VI-A	11,137
Preschool handicapped	111
Title II-A improving teacher quality	69,541

Note 4 - 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 an assignment of fund balances (GAAP basis).
4. The revenues, expenditures and other financing sources and uses of the general fund include activity that is budgeted within special revenue funds (GAAP basis). However, on the budgetary basis, the activity of the special revenue funds is excluded resulting in perspective differences.

As part of GASB Statement No, 54, certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes the uniform school supplies fund, the public school support fund, the severance fund and other various activities.

The following tables summarize the adjustments necessary to reconcile the GAAP and budgetary basis statements.

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Net Change in Fund Balance

	<u>General</u>
GAAP basis	\$ 10,805,071
Revenue accruals	(7,421,594)
Expenditure accruals	(12,675,414)
Budgeted as part of special revenue fund:	
Revenues	(919,346)
Net intrafund transfers	(7,241)
Expenditures	1,436,833
Encumbrances (Budget Basis) outstanding at year end	<u>(6,675,972)</u>
Budget basis	<u>\$ (15,457,663)</u>

Note 5 - Deposits and Investments

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

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

Inactive deposits are public deposits 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 obligations provided they mature or are redeemable within five years from the date of settlement, unless the investment is matched to a specific obligation or debt of the School District and the investment is not a commercial paper note, a banker's acceptance or a repurchase agreement:

1. United States Treasury bills, notes, 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;

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3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in 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. Commercial paper notes, limited to 40% (5% for a single issuer) in total of the interim monies available for investment at any one time and for a period not to exceed two hundred seventy days; and
8. Bankers acceptances, limited to 40% of the interim monies available for investment at any one time and for a period not to exceed one hundred eighty days.

According to state law, public depositories must provide security for the repayment of all public deposits. These institutions shall give security for all public funds on deposit in excess of those funds that are insured by the Federal Deposit Insurance Corporation (FDIC). The security for these deposits will be made under an agreement using a surety bond and/or by means of pledging allowable securities as collateral to be held by a qualified trustee. The pledged collateral can be held for each public depositor or in a pool for multiple public depositors and must have a market value of at least 105% of the total value of public monies on deposit at the institution. If the institution participates in the Ohio Pooled Collateral System (OPCS), the total market value of the securities pledged can be 102% or lower if permitted by the Treasurer of State. The School District's financial institution participates in the OPCS and was approved for a reduced collateral floor of 50 %.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Cash on Hand

At fiscal year-end, the School District had \$1,000 in undeposited cash on hand which is included as part of "equity in pooled cash and cash equivalents."

Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the School District's deposits may not be returned. As of June 30, \$3,659,978 of the School District's bank balance of \$10,457,606 was exposed to custodial credit risk because those deposits were uninsured and uncollateralized.

Also, included in the above deposits is \$100,858 in nonnegotiable certificates of deposit reported as part of "investments in segregated accounts".

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Investments As of June 30, 2023, the School District had the following investments:

Investment Type	Fair Value	Percentage of Investments	Investment Maturities (in years)		
			< 1 year	2-4 years	>4 years
First American government obligation fund	94,683	0.08%	94,683	-	-
Federal National Mortgage Association bonds	4,160,032	3.36%	4,160,032	-	-
Federal Home Loan Bank discounted notes	1,424,230	1.15%	1,424,230	-	-
US Treasury notes	3,754,391	3.03%	3,754,391	-	-
US Treasury bills	14,860,169	11.99%	14,860,169	-	-
Star Ohio	10,456,489	8.43%	10,456,489	-	-
Reported in the general fund:					
First American government obligation fund	86,071	0.07%	86,071	-	-
Federal Farm Credit Bank bonds	6,859,442	5.53%	5,420,516	1,438,926	-
Federal Home Loan Bank bonds	25,376,624	20.45%	2,615,412	22,083,711	677,501
Federal Home Loan Mortgage Corporation bonds	7,861,564	6.34%	4,424,619	3,143,086	293,859
US Treasury notes	12,005,140	9.68%	-	12,005,140	-
Ohio municipal securities	5,650,225	4.56%	1,465,350	4,184,875	-
Negotiable certificates of deposit	7,942,635	6.41%	1,216,984	6,725,651	-
	<u>65,781,701</u>		<u>15,228,952</u>	<u>49,581,389</u>	<u>971,360</u>
Reported in the Classroom Facilities Capital Projects fund:					
First American government obligation fund	80,326	0.06%	80,326	-	-
Federal Home Loan Bank bonds	4,090,723	3.30%	2,515,585	1,575,138	-
Federal Home Loan Bank discounted notes	2,459,905	1.98%	2,459,905	-	-
Federal Home Loan Mortgage Corporation bonds	497,639	0.40%	-	497,639	-
US Treasury bills	4,945,621	3.99%	4,945,621	-	-
Negotiable certificates of deposit	246,143	0.20%	-	246,143	-
Commerical paper	482,403	0.39%	482,403	-	-
	<u>12,802,760</u>		<u>10,483,840</u>	<u>2,318,920</u>	<u>-</u>
Reported in an internal service fund:					
First American government obligation fund	11,454	0.01%	11,454	-	-
Federal Home Loan Bank bonds	1,667,107	1.34%	1,341,098	326,009	-
Federal Home Loan Bank discounted notes	874,951	0.71%	874,951	-	-
US Treasury notes	1,854,276	1.50%	1,614,051	240,225	-
US Treasury bills	1,496,854	1.21%	1,496,854	-	-
Ohio municipal securities	394,676	0.32%	394,676	-	-
Negotiable certificates of deposit	3,724,193	3.00%	2,451,061	1,273,132	-
Commerical paper	627,581	0.51%	627,581	-	-
	<u>10,651,092</u>		<u>8,811,726</u>	<u>1,839,366</u>	<u>-</u>
	<u>123,985,547</u>	<u>100.00%</u>	<u>69,274,512</u>	<u>53,739,675</u>	<u>971,360</u>

Akron City School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2023

The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs. As previously discussed Star Ohio is reported at its net asset value. Other investments of the School District are valued using Level 2 inputs using valuation techniques that incorporate market data for similar investments, broker quotes and inactive transactions prices.

Custodial credit risk for an investment is the risk that in the event of failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The investments in Federal Home Loan Bank (FHLB), Federal Farm Credit Bank (FFCB), Federal National Mortgage Association (FNMA), Federal Home Loan Mortgage Corporation (FHLMC), First American government obligation and commercial paper are held by the counterparty's trust department or agent and not in the School District's name. The School District's negotiable certificates of deposit are registered securities and covered in full by FDIC insurance. The School District's policy is to invest money with financial institutions that are able to abide by the laws governing insurance and collateral of public funds.

Interest rate risk is the possibility that changes in interest rates will adversely affect the fair value of an investment. The School District's investment policy does not address limits on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit risk is the possibility that an issuer or other counterparty to an investment will not fulfill its obligation. Standard and Poor's has assigned STAR Ohio and the First American government obligation an AAAm rating, the FHLMC, FHLB, FFCB and FNMA bonds an AA+ rating, the U.S. Treasury notes have a AA+ rating, the U.S. Treasury bills have a A-1+ rating and commercial paper an A-1 and A-1+ rating. Ohio Municipal securities carried a Moody's rating of Aa2. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard service rating. The School District's investment policy requires certain credit ratings for some investments as allowed by state law.

Concentration of credit risk is the possibility of loss attributed to the magnitude of the School District's investment in a single issuer. More than 5% of the School District's investments are in FHLMC bonds, FHLB bonds and FFCB bonds. These investments are presented in the table on the previous page. The investment in STAR Ohio is a pooled investment and not of a single issuer. The School District's policy does not specify stricter limits than allowed by law.

Note 6 - 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 and public utility property located in the School District. Real property tax revenue received in calendar year 2023 represents collections of calendar year 2022 taxes. Real property taxes received in calendar year 2023 were levied after April 1, 2022, on the assessed value listed as of January 1, 2022, 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.

Akron City School District

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023

Public utility property tax revenue received in calendar year 2023 represents collections of calendar year 2022 taxes. Public utility real and personal property taxes received in calendar year 2023, which became a lien December 31, 2021, were levied after April 1, 2022 and are collected in calendar year 2023 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility personal property currently is assessed at varying percentages of true value.

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, 2023, are available to finance fiscal year 2023 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 and public utility property taxes which are measurable as of June 30, 2023 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 to deferred inflows of resources – property taxes.

The amount available as an advance at June 30, 2023 was \$25,667,114 in the general fund and \$749,437 in the permanent improvement capital projects fund. The amount available as an advance at June 30, 2022 was \$9,237,002 in the general fund and \$271,034 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 reported as deferred inflows of resources – unavailable revenue.

The assessed values upon which the fiscal year 2023 taxes were collected are:

<u>Property Category</u>	<u>2023 Assessed Value</u>	<u>2022 Assessed Value</u>
<u>Real Property</u>		
Residential and agricultural	\$ 1,780,543,950	\$ 1,776,353,150
Commercial, industrial and minerals	810,777,390	833,134,560
Public utilities	560,110	533,020
<u>Tangible Personal Property</u>		
Public utilities	185,561,240	174,372,860
Total	<u>\$ 2,777,442,690</u>	<u>\$ 2,784,393,590</u>

Akron City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023

Note 7 – Receivables

Receivables at June 30, 2023 consisted of taxes, revenue in lieu of taxes, interest, interfund, accounts (student transportation fees, radio station charges for services, printing reimbursements, building rentals, senior dues, Akron Education Association salaries/fringe benefits reimbursement, substitute teacher cost reimbursements, Adult School of Practical Nursing tuition, Early College High School tuition reimbursements, post-secondary tuition reimbursements, food service sales, health/life insurance fees, juvenile detention center tuition, royalties, transcript fees, refunds, maintenance labor costs, vending machine sales and local grants), and intergovernmental (motor vehicle fuel tax reimbursement, JROTC, restitution, student transportation fees, juvenile detention center tuition, STEM Hub workshop registration fees, excess costs tuition reimbursements, building rentals, printing reimbursements, Ohio Bureau of Workers’ Compensation premium rebate). 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.

A summary of the items of intergovernmental receivables follows:

<u>Governmental Activities</u>	<u>Amounts</u>
General:	
Tuition and fees	\$ 1,318,403
State of Ohio	1,830,307
ROTC	31,612
Miscellaneous	<u>162,003</u>
Total general	<u>3,342,325</u>
Classroom facilities	<u>6,896,185</u>
Other governmental funds:	
Grants	<u>32,653,127</u>
Total	<u>\$ 42,891,637</u>

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, the effect of any disallowed claims on the overall financial position of the School District at June 30, 2023, if applicable, cannot be determined at this time.

Akron City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023

B. Foundation Funding

School District foundation funding is based on the annualized full-time equivalent (“FTE”) enrollment of each student. The Ohio Department of Education (“ODE”) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. ODE has finalized the impact of enrollment adjustments to the June 30, 2023 Foundation funding for the School District. These adjustments were insignificant for the School District for fiscal year 2023.

C. Litigation

The School District is party to various legal proceedings. The amount of the liability, if any, cannot 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 – Capital Assets

Capital asset activity for the fiscal year ended June 30, 2023, was as follows:

	Balance 7/1/2022	Addition	Deletion	Balance 6/30/2023
Governmental Activities				
Capital assets, not being depreciated:				
Land	\$ 6,773,043	\$ -	\$ -	\$ 6,773,043
Construction in progress	<u>31,015,337</u>	<u>1,669,482</u>	<u>(32,684,819)</u>	<u>-</u>
Total capital assets, not being depreciated:	<u>37,788,380</u>	<u>1,669,482</u>	<u>(32,684,819)</u>	<u>6,773,043</u>
Capital assets, being depreciated:				
Land improvements	5,474	-	-	5,474
Buildings and improvements	336,859,124	32,684,818	-	369,543,942
Furniture and equipment	45,262,033	4,467,035	(1,078,048)	48,651,020
Vehicles	<u>15,408,711</u>	<u>732,422</u>	<u>(1,999,842)</u>	<u>14,141,291</u>
Total capital assets, being depreciated	<u>397,535,342</u>	<u>37,884,275</u>	<u>(3,077,890)</u>	<u>432,341,727</u>
Less: Accumulated depreciation:				
Land improvements	-	(562)	-	(562)
Buildings and improvements	(60,670,835)	(5,212,959)	-	(65,883,794)
Furniture and equipment	(31,552,223)	(1,698,979)	529,289	(32,721,913)
Vehicles	<u>(8,660,020)</u>	<u>(895,740)</u>	<u>1,999,842</u>	<u>(7,555,918)</u>
Total accumulated depreciation	<u>(100,883,078)</u>	<u>(7,808,240)</u>	<u>2,529,131</u>	<u>(106,162,187)</u>
Total capital assets, being depreciated, net	<u>296,652,264</u>	<u>30,076,035</u>	<u>(548,759)</u>	<u>326,179,540</u>
Governmental Activities Capital Assets, Net	<u>\$ 334,440,644</u>	<u>\$ 31,745,517</u>	<u>\$ (33,233,578)</u>	<u>\$ 332,952,583</u>

Akron City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 480,645
Special	23,052
Vocational	349,279
Adult/continuing	243
Other	5,167
Support services:	
Pupil	18,179
Instructional staff	359,629
Administration	22,177
Fiscal	2,270
Business	173,316
Operation and maintenance of plant	5,576,960
Pupil transportation	620,383
Central	71,708
Operation of non-instructional services	60,468
Operation of food services	29,426
Extracurricular services	15,338
Total depreciation expense	<u>\$ 7,808,240</u>

As of June 30, 2023, the District's capital assets included four vacant buildings with no immediate usage plans that have a carrying value of \$4,254,982.

Note 10 - Risk Management

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2023, the School District contracted for property, inland marine, crime, general liability, excess liability, educators legal liability, employment practices liability and automobile coverage.

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.

Akron City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023

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 \$7,233,119 reported in the self-insurance internal service fund at June 30, 2023 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:

	Year ended <u>6/30/2023</u>	Year ended <u>6/30/2022</u>
Unpaid claims, beginning of fiscal year	\$ 6,929,389	\$ 5,804,339
Incurred claims (including IBNRs)	53,034,785	54,133,055
Claim payments	<u>(52,741,055)</u>	<u>(53,008,005)</u>
Unpaid claims, end of fiscal year	<u>\$ 7,223,119</u>	<u>\$ 6,929,389</u>

Note 11 – Defined Benefit Pension and OPEB Plans

Net Pension Liability/Net OPEB Liability (Asset)

Pensions and OPEB are a component of exchange transactions between an employer and its employees of salaries and benefits for employee services. Pensions/OPEB are provided to an employee on a deferred-payment basis as part of the total compensation package offered by an employer for employee services each financial period.

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

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

Akron City School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2023

GASB 68/75 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires funding to come from these employers. All pension contributions to date have come solely from these employers (which also includes pension costs paid in the form of withholdings from employees). The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits. In addition, health care plan enrollees pay a portion of the health care costs in the form of a monthly premium. State statute requires the retirement systems to amortize unfunded pension liabilities within 30 years. If the pension amortization period exceeds 30 years, each retirement system’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB liability (asset). Resulting adjustments to the net pension/OPEB liability (asset) would be effective when the changes are legally enforceable. The Ohio Revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients.

A. DEFINED BENEFIT PENSION PLANS

School Employee Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before <u>August 1, 2017 *</u>	Eligible to Retire after <u>August 1, 2017</u>
Full benefits	Age 65 with 5 years of service credit or Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially reduced benefits	Age 60 with 5 years of service credit; or Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

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

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

An individual whose benefit effective date is before April 1, 2018, is eligible for a cost-of-living adjustment (COLA) on the first anniversary date of the benefit. Beginning April 1, 2018, new benefit recipients must wait until the fourth anniversary of their benefit for COLA eligibility. The COLA is added each year to the base benefit amount on the anniversary date of the benefit. A three-year COLA suspension was in effect for all benefit recipients for the years 2018, 2019, and 2020. Upon resumption of the COLA, it will be indexed to the percentage increase in the CPI-W, not to exceed 2.5 percent and with a floor of 0 percent. In 2022, the Board of Trustees approved a 2.5 percent cost-of-living adjustment (COLA) for eligible retirees and beneficiaries in 2023.

Akron City School District

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023

Funding Policy - Plan members are required to contribute 10.00 percent of their annual covered salary and the District is required to contribute 14.00 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10.00 percent for plan members and 14.00 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2023, the allocation to pension, death benefits, and Medicare B was 14.00 percent. For fiscal year 2023, the Retirement Board did not allocate any employer contribution to the Health Care Fund.

The School District's contractually required contribution to SERS was \$7,766,447 for fiscal year 2023. Of this amount \$711,120 is reported as an intergovernmental payable.

State Teachers Retirement System (STRS)

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

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.20 percent of final average salary for the five highest years of earnings multiplied by all years of service. Eligibility changes will be phased in until August 1, 2023, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

Eligibility changes for DB Plan members who retire with actuarially reduced benefits will be phased in until August 1, 2023 when retirement eligibility will be five years of qualifying service credit and age 60, or 30 years of service credit regardless of age.

The DC Plan allows members to place all of their member contributions and 9.53 percent of the 14 percent employer contributions into an investment account. The member determines how to allocate the member and employer money among various investment choices offered by STRS Ohio. The remaining 4.47 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 12 percent of the 14 percent member rate goes to the DC Plan and the remaining 2 percent is applied to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity after termination of employment at age 50 and after termination of employment.

Akron City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023

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

A DB or Combined Plan member with five or more years of credited service, who is determined to be disabled, may qualify for a disability benefit. New members, on or after July 1, 2013, must have at least ten years of qualifying service credit to apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. Eligible survivors of members who die before service retirement may qualify for monthly benefits. 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 – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The fiscal year 2023 employer and employee contribution rate of 14 percent was equal to the statutory maximum rates. For fiscal year 2023, the full employer contribution was allocated to pension.

The School District’s contractually required contribution to STRS was \$26,400,122 for fiscal year 2023. Of this amount \$3,228,359 is reported as an intergovernmental payable.

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

The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District’s proportion of the net pension liability was based on the School District’s share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the net pension liability - prior measurement date	1.3167942%	1.3391736%	
Proportion of the net pension liability - current measurement date	<u>1.3388620%</u>	<u>1.3682045%</u>	
Change in proportionate share	<u>0.0220678%</u>	<u>0.0290309%</u>	
Proportionate share of the net pension liability	\$72,416,071	\$304,153,578	\$376,569,649
Pension expense	\$4,142,366	\$36,954,501	\$41,096,867

At June 30, 2023, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Akron City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred outflows of resources			
Differences between expected and actual experience	\$ 2,932,909	\$ 3,893,557	\$ 6,826,466
Changes of assumptions	714,542	36,398,045	37,112,587
Net difference between projected and actual earnings on pension plan investments	-	10,583,880	10,583,880
Changes in proportionate share and difference between School District contributions and proportionate share of contributions	864,885	10,859,693	11,724,578
School District contributions subsequent to the measurement date	<u>7,766,447</u>	<u>26,400,122</u>	<u>34,166,569</u>
Total deferred outflows of resources	<u>\$ 12,278,783</u>	<u>\$ 88,135,297</u>	<u>\$ 100,414,080</u>
Deferred inflows of resources			
Difference between expected and actual experience	\$ 475,394	\$ 1,163,484	\$ 1,638,878
Changes of assumptions	-	27,397,265	27,397,265
Net difference between projected and actual earnings on pension plan investments	<u>2,526,990</u>	<u>-</u>	<u>2,526,990</u>
Total deferred inflows of resources	<u>\$ 3,002,384</u>	<u>\$ 28,560,749</u>	<u>\$ 31,563,133</u>

\$34,166,569 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Fiscal Year	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
2024	\$ 760,172	\$ 4,898,681	\$ 5,658,853
2025	160,194	2,571,214	2,731,408
2026	(3,609,859)	(5,141,582)	(8,751,441)
2027	<u>4,199,445</u>	<u>30,846,113</u>	<u>35,045,558</u>
Total	<u>\$ 1,509,952</u>	<u>\$ 33,174,426</u>	<u>\$ 34,684,378</u>

Actuarial Assumptions – SERS

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

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Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations. Future benefits for all current plan members were projected through 2137.

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2022, are presented below:

Wage inflation:	
Current measurement date	2.4 percent
Prior measurement date	2.4 percent
Future salary increases, including inflation:	
Current measurement date	3.25 percent to 13.58 percent
Prior measurement date	3.25 percent to 13.58 percent
COLA or Ad Hoc COLA:	
Current measurement date	2.0 percent
Prior measurement date	2.0 percent
Investment rate of return:	
Current measurement date	7.0 percent net of system expense
Prior measurement date	7.0 percent net of system expense
Discount rate:	
Current measurement date	7.0 percent
Prior measurement date	7.0 percent
Actuarial cost method	Entry age normal

In 2022, mortality rates were based on the PUB-2010 General Employee Amount Weight Below Median Healthy Retiree mortality table projected to 2017 with ages set forward 1 year and adjusted 94.20 percent for males and set forward 2 years and adjusted 81.35 percent for females. Mortality among disabled members were based upon the PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward 5 years and adjusted 103.3 percent for males and set forward 3 years and adjusted 106.8 percent for females. Future improvement in mortality rates is reflected by applying the MP-2020 projection scale generationally.

In the prior measurement date, mortality rates were based on the PUB-2010 General Employee Amount Weight Below Median Healthy Retiree mortality table projected to 2017 with ages set forward 1 year and adjusted 94.20 percent for males and set forward 2 years and adjusted 81.35 percent for females. Mortality among disabled members were based upon the PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward 5 years and adjusted 103.3 percent for males and set forward 3 years and adjusted 106.8 percent for females. Future improvement in mortality rates is reflected by applying the MP-2020 projection scale generationally.

The most recent experience study was completed for the five-year period ended June 30, 2020.

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The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Cash	2.00 %	(0.45) %
US equity	24.75	5.37
International equity developed	13.50	6.22
International equity emerging	6.75	8.22
Fixed income/Global bonds	19.00	1.20
Private equity	11.00	10.05
Real estate/Real assets	16.00	4.87
Multi-asset strategies	4.00	3.39
Private debt/Private credit	<u>3.00</u>	5.38
Total	<u>100.00 %</u>	

Discount Rate The total pension liability was calculated using the discount rate of 7.0 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.00 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.00 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent), or one percentage point higher (8.00 percent) than the current rate.

	1% Decrease <u>(6.00%)</u>	Current discount rate <u>(7.00%)</u>	1% Increase <u>(8.00%)</u>
School District's proportionate share of the net pension liability	\$106,593,000	\$72,416,071	\$43,622,473

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Actuarial Assumptions – STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2022 actuarial valuation, compared with June 30, 2021 actuarial valuation, are presented below:

	<u>June 30, 2022</u>	<u>June 30, 2021</u>
Inflation	2.5 percent	2.5 percent
Projected salary increases	Varies by service from 2.5 percent to 8.5 percent	12.5 percent at age 20 to 2.5 percent at age 65
Investment rate of return	7.0 percent, net of investment expenses, including inflation	7.0 percent, net of investment expenses, including inflation
Discount rate of return	7.0 percent	7.0 percent
Payroll increases	3.0 percent	3.0 percent
Cost-of-Living Adjustment (COLA)	0.0 percent	0.0 percent

For the June 30, 2022 actuarial valuation, post-retirement mortality rates are based on the Pub-2010 Teachers Healthy Annuitant Mortality Table, adjusted 110 percent for males, projected forward generationally using mortality improvement scale MP-2020. Pre-retirement mortality rates are based on Pub-2010 Teachers Employee Table adjusted 95 percent for females, projected forward generationally using mortality improvement scale MP-2020. Post-retirement disabled mortality rates are based on Pub-2010 Teachers Disable Annuitant Table projected forward generationally using mortality improvement scale MP-2020.

For the prior measurement date, post-retirement mortality rates are based on the RP-2014 Annuitant Mortality Tables with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Tables, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Tables with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the June 30, 2022 valuation are based on the results of an actuarial experience study for the period July 1, 2015 through June 30, 2021. An actuarial experience study is done on a quinquennial basis.

STRS' investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

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<u>Asset class</u>	<u>Target allocation *</u>	<u>Long term expected real rate of return**</u>
Domestic equity	26.00 %	6.60 %
International equity	22.00	6.80
Alternatives	19.00	7.38
Fixed income	22.00	1.75
Real estate	10.00	5.75
Liquidity reserves	<u>1.00</u>	1.00
Total	<u>100.00 %</u>	

* Target allocation percentage is effective as of July 1, 2022. Target weights were phased in over a 3-month period concluding on October 1, 2022.

**Over a 30 year period, STRS's investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

Discount Rate The discount rate used to measure the total pension liability was 7.00 percent as of June 30, 2022. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2022. Therefore, the long-term expected rate of return on pension plan investments of 7.00 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2022.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the School District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.00 percent, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.00 percent) or one-percentage-point higher (8.00 percent) than the current rate:

	1% Decrease <u>(6.00%)</u>	Current discount rate <u>(7.00%)</u>	1% Increase <u>(8.00%)</u>
School District's proportionate share of the net pension liability	\$459,465,329	\$304,153,578	\$172,807,920

Changes Between Measurement Date and Reporting Date - STRS approved a one-time 1.00 percent cost-of-living adjustment to eligible benefit recipients effective July 1, 2023. It is unknown what effect this change will have on the net pension liability.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by SERS or STRS have an option to choose Social Security or SERS. As of June 30, 2023, one member of the Board of Education has elected Social Security.

B. DEFINED BENEFIT OPEB PLANS

School Employee Retirement System

Health Care Plan Description - The School District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS' Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS' health care coverage. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS' health care coverage. Most retirees and dependents choosing SERS' health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by statute. The financial report of the Plan is included in the SERS Annual Comprehensive Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Active employee members do not contribute to the Health Care Plan. The SERS Retirement Board established the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2023, no allocation was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2023, this amount was \$25,000. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2023, the District's surcharge obligation was \$711,120.

The surcharge, added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The School District's contractually required contribution to SERS was \$711,120 for fiscal year 2023. Of this amount \$711,120 is reported as a pension obligation payable.

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State Teachers Retirement System

Plan Description - The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. The Medicare Part B monthly reimbursement elimination date was postponed indefinitely. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy - Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2023, STRS did not allocate any employer contributions to post-employment health care.

OPEB Liability or Asset, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The net OPEB liability or asset was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability or asset was determined by an actuarial valuation as of that date. The School District's proportion of the net OPEB liability or asset was based on the School District's share of contributions to the respective retirement systems relative to the contributions of all participating entities.

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the net OPEB liability (asset) - prior measurement date	1.3161187%	1.3391736%	
Proportion of the net OPEB liability (asset) - current measurement date	<u>1.3503387%</u>	<u>1.3682045%</u>	
Change in proportionate share	<u>0.0342200%</u>	<u>0.0290309%</u>	
Proportionate share of the net OPEB liability (asset)	\$18,958,896	(\$35,427,370)	(\$16,468,474)
OPEB expense	(\$1,592,195)	(\$6,708,263)	(\$8,300,458)

At June 30, 2023, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

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	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred outflows of resources			
Differences between expected and actual experience	\$ 159,377	\$ 513,569	\$ 672,946
Changes of assumptions	3,015,656	1,509,088	4,524,744
Net difference between projected and actual earnings on pension plan investments	98,537	616,704	715,241
Changes in proportionate share and difference between School District contributions and proportionate share of contributions	1,227,914	66,045	1,293,959
School District contributions subsequent to the measurement date	<u>711,120</u>	<u>-</u>	<u>711,120</u>
Total deferred outflows of resources	<u>\$ 5,212,604</u>	<u>\$ 2,705,406</u>	<u>\$ 7,918,010</u>
Deferred inflows of resources			
Differences between expected and actual experience	\$ 12,127,501	\$ 5,320,509	\$ 17,448,010
Changes of assumptions	7,782,765	25,121,411	32,904,176
Changes in proportionate share and difference between School District contributions and proportionate share of contributions	<u>649,472</u>	<u>513,486</u>	<u>1,162,958</u>
Total deferred inflows of resources	<u>\$ 20,559,738</u>	<u>\$ 30,955,406</u>	<u>\$ 51,515,144</u>

\$711,120 reported as deferred outflows of resources related to OPEB resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal		<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Year				
2024	\$ (3,704,428)	\$ (8,449,573)	\$ (12,154,001)	
2025	(3,650,301)	(8,165,554)	(11,815,855)	
2026	(3,264,551)	(3,785,014)	(7,049,565)	
2027	(2,122,205)	(1,579,631)	(3,701,836)	
2028	(1,342,824)	(2,070,370)	(3,413,194)	
Thereafter	<u>(2,103,893)</u>	<u>(4,199,858)</u>	<u>(6,303,751)</u>	
Total	<u>\$ (16,188,202)</u>	<u>\$ (28,250,000)</u>	<u>\$ (44,438,202)</u>	

Actuarial Assumptions - SERS

The total OPEB liability is determined by SERS' actuaries in accordance with GASB Statement No. 74, as part of their annual actuarial valuation for each retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment terminations). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

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

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

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2022, are presented below:

Wage inflation:	
Current measurement date	2.40 percent
Prior measurement date	2.40 percent
Future salary increases, including inflation:	
Current measurement date	3.25 percent to 13.58 percent
Prior measurement date	3.25 percent to 13.58 percent
Investment rate of return:	
Current measurement date	7.00 percent net of system expense, including inflation
Prior measurement date	7.00 percent net of system expense including inflation
Municipal Bond Index Rate:	
Current measurement date	3.69 percent
Prior Measurement Date	1.92 percent
Single Equivalent Interest Rate, net of plan investment expense, including price inflation:	
Current measurement date	4.08 percent
Prior Measurement Date	2.27 percent
Medical Trend Assumption:	
Current measurement date	7.00 to 4.40 percent
Prior measurement date	
Medicare	5.125 to 4.40 percent
Pre-Medicare	6.75 to 4.40 percent

In 2022, mortality rates were based on the PUB-2010 General Employee Amount Weight Below Median Healthy Retiree mortality table projected to 2017 with ages set forward 1 year and adjusted 94.20 percent for males and set forward 2 years and adjusted 81.35 percent for females. Mortality among disabled members were based upon the PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward 5 years and adjusted 103.3 percent for males and set forward 3 years and adjusted 106.8 percent for females. Future improvement in mortality rates is reflected by applying the MP-2020 projection scale generationally.

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In the prior measurement date, mortality rates were based on the PUB-2010 General Employee Amount Weighted Below Median Healthy Retiree mortality table projected to 2017 with ages set forward 1 year and adjusted 94.20 percent for males and set forward 2 years and adjusted 81.35 percent for females. Mortality among disabled members were based upon the PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward 5 years and adjusted 103.3 percent for males and set forward 3 years and adjusted 106.8 percent for females. Future improvement in mortality rates is reflected by applying the MP-2020 projection scale generationally.

The most recent experience study was completed for the five-year period ended June 30, 2020.

The long-term expected rate of return on plan assets is reviewed as part of the actuarial 5-year experience study. The most recent study covers fiscal years 2016 through 2020, and was adopted by the Board in 2021. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a long-normal distribution analysis in which best-estimate ranges of expected future real rates of return were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.00 percent, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The SERS health care plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 11 A.

Discount Rate - The discount rate used to measure the total OPEB liability at June 30, 2022, was 4.08 percent. The discount rate used to measure total OPEB liability prior to June 30, 2022, was 2.27 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the contribution rate of 1.50 percent of projected covered payroll each year, which includes a 1.50 percent payroll surcharge and no contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make all projected future benefit payments of current System members by SERS actuaries. The Municipal Bond Index Rate is used in the determination of the SEIR for both the June 30, 2022 and the June 30, 2021 total OPEB liability. The Municipal Bond Index rate is the single rate that will generate a present value of benefit payments equal to the sum of the present value determined by the long-term expected rate of return, and the present counting those benefits after the date of depletion. The Municipal Bond Index Rate is 3.69 percent at June 30, 2022 and 1.92 percent at June 30, 2021.

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Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates - The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability, what the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (3.08 percent) and higher (5.08 percent) than the current discount rate (4.08 percent). Also shown is what the net OPEB liability would be based on health care cost trend rates that point lower (6.00 percent decreasing to 3.40 percent) and higher (8.00 percent decreasing to 5.40 percent) than the current rate (7.00 percent decreasing to 4.40 percent).

	<u>1% Decrease</u>	<u>Current discount rate</u>	<u>1% Increase</u>
School District's proportionate share of the net OPEB liability	\$ 23,547,235	\$18,958,896	\$15,254,860

	<u>1% Decrease</u>	<u>Current trend rate</u>	<u>1% Increase</u>
School District's proportionate share of the net OPEB liability	\$ 14,620,590	\$18,958,896	\$24,625,268

Actuarial Assumptions – STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2022 actuarial valuation, compared with June 30, 2021 actuarial valuation, are presented below:

	<u>June 30, 2022</u>	<u>June 30, 2021</u>
Inflation	2.50 percent	2.50 percent
Projected salary increases	Varies by service from 2.50 percent to 8.50 percent	12.50 percent at age 20 to 2.50 percent at age 65
Investment rate of return	7.00 percent, net of investment expenses, including inflation	7.00 percent, net of investment expenses, including inflation
Discount rate of return	7.00 percent	7.00 percent
Payroll increases	3.00 percent	3.00 percent
Cost-of-Living Adjustment (COLA)	0.00 percent	0.00 percent
Blended discount rate of return	n/a	n/a
Health care cost trends		

	<u>Initial</u>	<u>Ultimate</u>	<u>Initial</u>	<u>Ultimate</u>
Medical				
Pre-Medicare	7.50 percent	3.94 percent	7.50 percent	4.00 percent
Medicare	-68.78 percent	3.94 percent	-16.18 percent	4.00 percent
Prescription Drug				
Pre-Medicare	9.00 percent	3.94 percent	6.50 percent	4.00 percent
Medicare	-5.47 percent	3.94 percent	29.98 percent	4.00 percent

Projections of benefits include the historical pattern of sharing benefit costs between the employers and retired plan members.

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For the June 30, 2022 actuarial valuation, for healthy retirees the post-retirement mortality rates are based on the Pub- 2010 Teachers Healthy Annuitant Mortality Table, adjusted 110 percent for males, projected forward generationally using mortality improvement scale MP-2020; pre-retirement mortality rates are based on Pub-2010 Teachers Employee Table adjusted 95 percent for females, projected forward generationally using mortality improvement scale MP-2020. For disabled retirees, mortality rates are based on the Pub-2010 Teachers Disabled Annuitant Table projected forward generationally using mortality improvement scale MP-2020.

For the prior measurement date, for healthy retirees the mortality rates are based on the RP-2014 Annuitant Mortality Tables with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. For disabled retirees, mortality rates are based on the RP-2014 Disabled Mortality Tables with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the June 30, 2022 valuation are based on the results of an actuarial experience study for the period July 1, 2015 through June 30, 2021. An actuarial experience study is done on a quinquennial basis.

Assumption Changes Since the Prior Measurement Date - The discount rate remained unchanged at 7.00 percent for the June 30, 2022 valuation.

Benefit Term Changes Since the Prior Measurement Date - Salary increase rates were updated based on the actuarial experience study for the period July 1, 2015 through June 30, 2021 and were changed from age based to service based.

The STRS health care plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 11 A.

Discount Rate - The discount rate used to measure the total OPEB liability was 7.00 percent as of June 30, 2022. The projection of cash flows used to determine the discount rate assumed STRS Ohio continues to allocate no employer contributions to the health care fund. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2022. Therefore, the long-term expected rate of return on health care fund investments of 7.00 percent was applied to all periods of projected health care costs to determine the total OPEB liability as of June 30, 2022.

Sensitivity of the District's Proportionate Share of the Net OPEB Asset to Changes in the Discount and Health Care Cost Trend Rate The following table represents the net OPEB asset as of June 30, 2022, calculated using the current period discount rate assumption of 7.00 percent, as well as what the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent) or one percentage point higher (8.00 percent) than the current assumption. Also shown is the net OPEB asset as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	<u>1% Decrease</u>	<u>Current discount rate</u>	<u>1% Increase</u>
School District's proportionate share of the net OPEB asset	\$ (32,751,668)	(\$35,427,370)	(\$37,719,331)

	<u>1% Decrease</u>	<u>Current trend rate</u>	<u>1% Increase</u>
School District's proportionate share of the net OPEB asset	\$ (36,746,798)	(\$35,427,370)	(\$33,761,909)

Note 12 - 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 (up to 37.5 days) 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 The Hartford.

Akron City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023

Note 13 - Long-Term Obligations

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

<u>Governmental Activities</u>	<u>Balance 7/1/2022</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 6/30/2023</u>	<u>Amount Due in One Year</u>
Net pension liability:					
STRS	\$ 171,225,378	\$ 132,928,200	\$ -	\$ 304,153,578	\$ -
SERS	<u>48,585,887</u>	<u>23,830,184</u>	<u>-</u>	<u>72,416,071</u>	<u>-</u>
Total net pension liability	<u>219,811,265</u>	<u>156,758,384</u>	<u>-</u>	<u>376,569,649</u>	<u>-</u>
Net OPEB liability:					
SERS	<u>24,908,625</u>	<u>-</u>	<u>(5,949,729)</u>	<u>18,958,896</u>	<u>-</u>
Total net OPEB liability	<u>24,908,625</u>	<u>-</u>	<u>(5,949,729)</u>	<u>18,958,896</u>	<u>-</u>
Compensated absences	<u>40,416,442</u>	<u>11,469,724</u>	<u>(3,743,107)</u>	<u>48,143,059</u>	<u>3,556,326</u>
Total long-term obligations	<u>\$ 285,136,332</u>	<u>\$ 168,228,108</u>	<u>\$ (9,692,836)</u>	<u>\$ 443,671,604</u>	<u>\$ 3,556,326</u>

Compensated absences will be paid from the fund from which the employees' salaries are paid.

There is not a repayment schedule for the net pension liability and net OPEB liability; however the School District pays pension and OPEB obligations related to employee compensation from the fund benefitting from their service.

Note 14 – Interfund Transfers and Balances

A. Transfers

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the fund collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Akron City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023

Transfers made during the fiscal year ended June 30, 2023 were as follows:

<u>Transfers to</u>	<u>Transfers from</u>		
	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
General fund	\$ -	\$ 6,703	\$ 6,703
Permanent improvement fund	42,046		42,046
Nonmajor governmental funds	<u>300,000</u>	<u>-</u>	<u>300,000</u>
Subtotal governmental funds	<u>342,046</u>	<u>6,703</u>	<u>348,749</u>
Internal service fund	<u>261,344</u>	<u>-</u>	<u>261,344</u>
Total	<u>\$ 603,390</u>	<u>\$ 6,703</u>	<u>\$ 610,093</u>

B. Interfund balances

The general fund advanced funds to various special revenue funds to cover negative cash balances at the end of fiscal year 2023 as follows:

<u>Advanced to</u>	<u>Nonmajor Governmental Funds</u>
Public school preschool	\$ 193,864
High Schools That Work	1,720
ESS Emergency relief	19,722,854
21st Century	13,803
Title VI-B	893,415
Vocational education	155,549
Title I school improvement stimulus A	188,289
Nutrition education and training	2,967
Title III limited english proficiency	33,459
Title I	3,284,915
Title IV-A	91,506
Preschool handicapped	6,613
Title II-A improving teacher quality	168,705
Miscellaneous federal grants	<u>1,667,146</u>
	<u>\$ 26,424,805</u>

Akron City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023

Note 15 – 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 acquisition and construction of capital improvements. The amount 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.

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

	<u>Capital Improvement</u>
Set aside balance as of June 30, 2022	\$ -
Current year set-aside requirement	4,287,267
Qualifying expenditures	<u>(4,993,130)</u>
Total	<u>\$ (705,863)</u>
Cash balance carried forward to next year	<u>\$ -</u>

The School District had qualifying disbursements during the fiscal year that reduced the capital improvements set-aside amount below zero. 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 16 – Fund Balances

Fund balances can be classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in governmental funds.

Akron City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023

The constraints placed on the fund balances for the major governmental funds and all other governmental funds are presented as follows:

Fund Balances	General	Permanent Improvement	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
<u>Nonspendable</u>					
Inventory	\$ 46,507	\$ -	\$ -	\$ -	\$ 46,507
Permanent fund principal	-	-	-	281,304	281,304
Total nonspendable	<u>46,507</u>	<u>-</u>	<u>-</u>	<u>281,304</u>	<u>327,811</u>
<u>Restricted for</u>					
Scholarships	-	-	-	143,732	143,732
Various student activities	-	-	-	625,394	625,394
Vocational programs	-	-	-	5,490	5,490
Food service	-	-	-	6,074,332	6,074,332
Instructional programs	-	-	-	559,219	559,219
Auxiliary services	-	-	-	56,835	56,835
Data communication	-	-	-	1,225	1,225
General operations of WAPS-FM	-	-	-	168,150	168,150
Other local grants	-	-	-	1,555,253	1,555,253
Debt service	-	-	-	13,007	13,007
Classroom facilities maintenance	-	-	-	13,490,789	13,490,789
Classroom facilities construction	-	-	12,346,343	-	12,346,343
Capital improvements	-	751,485	-	7,426,860	8,178,345
Total restricted	<u>-</u>	<u>751,485</u>	<u>12,346,343</u>	<u>30,120,286</u>	<u>43,218,114</u>
<u>Committed to:</u>					
Underground storage tanks	11,000	-	-	-	11,000
Severance payments	1,582,741	-	-	-	1,582,741
Total committed	<u>1,593,741</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,593,741</u>
<u>Assigned</u>					
Uniform school supplies	12,677	-	-	-	12,677
Public school support	587,362	-	-	-	587,362
Background checks	3,017	-	-	-	3,017
Consumer services from vocational education classes	272,185	-	-	-	272,185
Encumbrances	6,603,024	-	-	-	6,603,024
Next years budget	30,395,238	-	-	-	30,395,238
Total assigned	<u>37,873,503</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>37,873,503</u>
Unassigned (deficit)	<u>47,008,553</u>	<u>-</u>	<u>-</u>	<u>(2,266,397)</u>	<u>44,742,156</u>
Total fund balances	<u>\$ 86,522,304</u>	<u>\$ 751,485</u>	<u>\$ 12,346,343</u>	<u>\$ 28,135,193</u>	<u>\$ 127,755,325</u>

Akron City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023

Regarding the committed fund balances, the School District’s Board of Education approves transfers to and from the underground storage tanks fund, approves the Superintendent’s contract and approves the retirements of its employees before severance payments can be made.

The School District’s Treasurer authorized the assignment of fund balances to encumbrances and public school support. The School District’s Board of Education authorized the assignment of fund balances to uniform school supplies and consumer services from vocational education classes. The School District’s Board of Education has established policies to collect tuition and fees for uniform school supplies.

Note 17 – Construction Commitments

The School District has active construction projects as of June 30, 2023. At fiscal year end, the School District’s commitments with contractors are as follows:

<u>Project</u>	<u>Spent to Date</u>	<u>Remaining Commitment</u>
Firestone Community Learning Center Construction	\$ 81,427,884	\$ 12,356
Old Roswell-Kent Middle School Demolition	1,455,223	29,869
Garfield Community Learning Center Construction	62,621,417	424,323
Old Garfield High School Demolition	2,275,393	17,210
I Promise School Roof Replacement	42,000	1,524,000
I Promise School Asphalt Seal and Stripe	-	12,300
I Promise School Installation of New Chiller	19,402	10,448
McEbright Community Learning Center Repalcement of Playground Set	116,512	50,265
	<u>\$147,957,831</u>	<u>\$ 2,080,771</u>

The commitments involving the construction and demolition of school buildings are being financed entirely with Ohio Facilities Construction Commission monies and proceeds from a municipal income tax levied by the City. The remaining projects are being financed mainly with property taxes, State monies and interest.

Note 18 – Ohio Facilities Construction Commission 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 Ohio Facilities Construction Commission (“OFCC”) 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 OFCC 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, 2023

The tax took effect January 1, 2004. As of June 30, 2023, the School District has received \$354,771,965 in local funds from the City by way of this tax to date. At June 30, 2023 the School District is reporting an asset, “due from City of Akron” in the amount of \$9,102,792 and a liability, “due to City of Akron” in the amount of \$6,192,495 as of June 30, 2023. The amount of this receivable and liability was determined by reducing the \$354,771,965 received as of June 30, 2023 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 \$355,084,044 in capital expenditures using these local funds received from the City as of June 30, 2023. 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 \$630,312 and as buildings capital assets in the amount of \$327,062,330 to date as of June 30, 2023.

OFCC has determined that \$6,896,185 is available to the School District as of June 30, 2023. This represents the amount that OFCC has appropriated but not remitted to the School District as of June 30, 2023 over the entire life of this project. As a result, that amount was recorded as an intergovernmental receivable as of June 30, 2023. 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 reported as deferred inflows of resources – unavailable revenue because it was not expected to be available.

Note 19 – Tax abatements

Pursuant to Ohio Revised Code (ORC) Section 3735.66, the City of Akron established a Community Reinvestment Area (CRA) program. The CRA program is an economic development tool administered by municipal and county governments that provides real property tax exemptions for property owners who renovate existing or construct new buildings. CRAs are areas of land in which property owners can receive tax incentives for investing in real property improvements. Under the CRA program, local governments petition to the Ohio Development Services Agency (ODSA) for confirmation of a geographical area in which investment in housing has traditionally been discouraged. Once an area is confirmed by the ODSA, local governments may offer real property tax exemptions to taxpayers that invest in that area. Property owners in the CRA can receive temporary tax abatements for the renovation of existing structures and new construction in these areas. Property owners apply to the local legislative authority for approval to renovate or construct in the CRA. Upon approval and certification of completion, the amount of the abatement is deducted from the individual or entity’s property tax bill.

The total value of the School District’s share of taxes abated for fiscal year 2023 was estimated at \$12,014,453.

Akron City School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2023

Note 20 – Bond held by the City of Akron

The School District and the City of Akron entered into compensation agreement in 1997. The compensation agreement provided for revenue to replace property taxes resulting from the City's tax incremental financing (TIF) and tax abatement agreements with developers. This agreement provided terms and conditions for sharing the City's TIF payments and a portion of income tax from a Joint Economic Development District (JEDD).

During 2018, the School District received \$10 million from a closed sale of a term bond that has a final maturity of December 1, 2028. The City of Akron acquired the bond as part of a Settlement and Purchase Agreement; to not require the bond be registered, to not sell the bond, to hold it as an investment and to forgive all debt service payments as they come due. In turn, the School District will accept a reduction of future TIF and JEDD receipts in the same periods and for the same amounts as the debt service requirements. These future TIF and JEDD receipts include the amounts that were already past due. As a result of this transaction, the bond will not be reported as debt and the \$10 million will be recognized as partially earned and unearned revenue. During the term of the bonds, the School District will continue to collect current amounts for the TIF and JEDD receipts. During fiscal year 2024, the debt service payments will be covered partially by the current and past due amounts. The debt service payments scheduled prior to fiscal year 2024, were covered by the past due amounts and the School District has recognized those amounts as revenue. The future amounts to be withheld are reported as unearned revenue in the general fund.

Note 21 – Jointly Governed Organization

The Ohio Schools Council (Council) is a jointly governed organization among 249 school districts, educational service centers, joint vocational school districts, and developmental disabilities boards in thirty-three northern Ohio counties. The jointly governed organization was formed to purchase quality products and services at the lowest possible cost to its members. Each member supports the Council by paying an annual participation fee. The Council's Board consists of nine superintendents of the participating districts whose term rotates every year. The degree of control exercised by any school district is limited to its representation on the Board. During fiscal year 2023, the School District paid the Council \$6,025 for contracted services performed for school safety and security assessments and consulting, safety program fees and membership fees. Financial information can be obtained by contacting William Zelei, the Executive Director of the Ohio Schools Council at 6393 Oak Tree Blvd., Suite 377, Independence, Ohio 44131.

Required Supplementary Information

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Akron City School District
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net Pension Liability
Last Ten Fiscal Years

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
School Employees Retirement System (SERS) of Ohio				
School District's proportion of the net pension liability	1.338862%	1.316794%	1.313665%	1.316822%
School District's proportionate share of the net pension liability	\$ 72,416,071	\$ 48,585,887	\$ 86,888,584	\$ 78,787,787
School District's covered payroll	\$ 50,009,307	\$ 43,612,593	\$ 44,063,521	\$ 43,962,400
School District's proportionate share of the net pension liability as a percentage of its covered payroll	144.81%	111.40%	197.19%	179.22%
Plan fiduciary net position as a percentage of total pension liability	75.82%	82.86%	68.55%	70.85%
	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
State Teachers Retirement System (STRS) of Ohio				
School District's proportion of the net pension liability	1.3682045%	1.3391736%	1.2996110%	1.2898175%
School District's proportionate share of the net pension liability	\$ 304,153,578	\$ 171,225,378	\$ 314,459,614	\$ 285,235,396
School District's covered payroll	\$ 177,873,100	\$ 165,245,250	\$ 156,987,164	\$ 152,671,714
School District's proportionate share of the net pension liability as a percentage of its covered payroll	170.99%	103.62%	200.31%	186.83%
Plan fiduciary net position as a percentage of total pension liability	78.88%	87.80%	75.50%	77.40%

The amounts presented are as of the School District's measurement date which is the prior fiscal year end.

2019	2018	2017	2016	2015	2014
1.297806%	1.308332%	1.344926%	1.322210%	1.341774%	1.341774%
\$ 74,327,776	\$ 78,169,959	\$ 98,436,174	\$ 75,446,607	\$ 67,906,419	\$ 79,790,994
\$ 42,202,341	\$ 42,319,407	\$ 39,321,964	\$ 39,805,432	\$ 38,332,280	\$ 37,714,870
176.12%	184.71%	250.33%	189.54%	177.15%	211.56%
71.36%	69.50%	62.98%	69.16%	71.70%	65.52%

2019	2018	2017	2016	2015	2014
1.2758081%	1.3036237%	1.3246609%	1.3170370%	1.2751098%	1.0275110%
\$ 280,521,562	\$ 309,678,611	\$ 443,386,470	\$ 363,990,523	\$ 310,150,834	\$ 369,449,645
\$ 141,774,043	\$ 144,321,386	\$ 136,605,736	\$ 138,124,286	\$ 131,786,215	\$ 134,566,231
197.87%	214.58%	324.57%	263.52%	235.34%	274.55%
77.30%	75.30%	66.80%	72.10%	74.70%	69.30%

Akron City School District
Required Supplementary Information
Schedule of School District Contributions - Pension
Last Ten Fiscal Years

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
School Employees Retirement System (SERS) of Ohio				
Contractually required contribution	\$ 7,766,447	\$ 7,001,303	\$ 6,105,763	\$ 6,168,893
Contributions in relation to contractually required contribution	<u>(7,766,447)</u>	<u>(7,001,303)</u>	<u>(6,105,763)</u>	<u>(6,168,893)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District covered payroll	\$ 55,474,621	\$ 50,009,307	\$ 43,612,593	\$ 44,063,521
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%	14.00%

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
State Teachers Retirement System (STRS) of Ohio				
Contractually required contribution	\$ 26,400,122	\$ 24,902,234	\$ 23,134,335	\$ 21,978,203
Contributions in relation to contractually required contribution	<u>(26,400,122)</u>	<u>(24,902,234)</u>	<u>(23,134,335)</u>	<u>(21,978,203)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District covered payroll	\$ 188,572,300	\$ 177,873,100	\$ 165,245,250	\$ 156,987,164
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%	14.00%

2019	2018	2017	2016	2015	2014
\$ 5,934,924	\$ 5,697,316	\$ 5,924,717	\$ 5,505,075	\$ 5,246,356	\$ 5,312,854
(5,934,924)	(5,697,316)	(5,924,717)	(5,505,075)	(5,246,356)	(5,312,854)
<u>\$ -</u>					
\$ 43,962,400	\$ 42,202,341	\$ 42,319,407	\$ 39,321,964	\$ 39,805,432	\$ 38,332,280
13.50%	13.50%	14.00%	14.00%	13.18%	13.86%

2019	2018	2017	2016	2015	2014
\$ 21,374,040	\$ 19,848,366	\$ 20,204,994	\$ 19,124,803	\$ 19,337,400	\$ 17,132,208
(21,374,040)	(19,848,366)	(20,204,994)	(19,124,803)	(19,337,400)	(17,132,208)
<u>\$ -</u>					
\$ 152,671,714	\$ 141,774,043	\$ 144,321,386	\$ 136,605,736	\$ 138,124,286	\$ 131,786,215
14.00%	14.00%	14.00%	14.00%	14.00%	13.00%

Akron City School District
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net OPEB Liability (Asset)
Last Seven Fiscal Years (1)

	2023	2022	2021	2020
School Employees Retirement System (SERS) of Ohio				
School District's proportion of the net OPEB liability	1.350339%	1.316119%	1.329925%	1.349682%
School District's proportionate share of the net OPEB liability	\$ 18,958,896	\$ 24,908,625	\$ 28,903,614	\$ 33,941,669
School District's covered payroll	\$ 50,009,307	\$ 43,612,593	\$ 44,063,521	\$ 43,962,400
School District's proportionate share of the net OPEB liability as a percentage of its covered payroll	37.91%	57.11%	65.60%	77.21%
Plan fiduciary net position as a percentage of total OPEB liability	30.34%	24.08%	18.17%	15.57%
	2023	2022	2021	2020
State Teachers Retirement System (STRS) of Ohio				
School District's proportion of the net OPEB liability or asset	1.3682045%	1.3391736%	1.2996110%	1.2898175%
School District's proportionate share of the net OPEB liability (asset)	\$ (35,427,370)	\$ (28,235,377)	\$ (22,840,637)	\$ (21,362,474)
School District's covered payroll	\$ 177,873,100	\$ 165,245,250	\$ 156,987,164	\$ 152,671,714
School District's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	-19.92%	-17.09%	-14.55%	-13.99%
Plan fiduciary net position as a percentage of total OPEB liability	230.73%	174.70%	182.10%	174.50%

(1) Ten years of information will be presented as information becomes available. Information prior to 2017 is not available.
The amounts presented are as of the School District's measurement date which is the prior fiscal year end.

<u>2019</u>	<u>2018</u>	<u>2017</u>
1.316156%	1.324397%	1.316097%
\$ 36,513,714	\$ 35,543,328	\$ 38,810,913
\$ 42,202,341	\$ 42,319,407	\$ 39,321,964
86.52%	83.99%	98.70%
13.57%	12.46%	11.49%

<u>2019</u>	<u>2018</u>	<u>2017</u>
1.2758081%	1.3036237%	1.3246087%
\$ (20,500,935)	\$ 50,862,588	\$ 70,840,419
\$ 141,774,043	\$ 144,321,386	\$ 136,605,736
-14.46%	35.24%	51.86%
176.00%	47.10%	37.30%

Akron City School District
Required Supplementary Information
Schedule of School District Contributions - OPEB
Last Ten Fiscal Years

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
School Employees Retirement System (SERS) of Ohio				
Contractually required contribution (1)	\$ 711,120	\$ 786,408	\$ 662,903	\$ 697,045
Contributions in relation to contractually required contribution	<u>(711,120)</u>	<u>(786,408)</u>	<u>(662,903)</u>	<u>(697,045)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District covered payroll	\$ 55,474,621	\$ 50,009,307	\$ 43,612,593	\$ 44,063,521
Contributions as a percentage of covered payroll	1.28%	1.57%	1.52%	1.58%

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
State Teachers Retirement System (STRS) of Ohio				
Contractually required contribution	\$ -	\$ -	\$ -	\$ -
Contributions in relation to contractually required contribution	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District covered payroll	\$ 188,572,300	\$ 177,873,100	\$ 165,245,250	\$ 156,987,164
Contributions as a percentage of covered employee payroll	0.00%	0.00%	0.00%	0.00%

(1) Includes surcharge, except for years 2015 through 2012 information not available.

2019	2018	2017	2016	2015	2014
\$ 1,044,545	\$ 919,973	\$ 706,757	\$ 683,295	\$ 326,405	\$ 53,665
(1,044,545)	(919,973)	(706,757)	(683,295)	(326,405)	(53,665)
<u>\$ -</u>					
\$ 43,962,400	\$ 42,202,341	\$ 42,319,407	\$ 39,321,964	\$ 39,805,432	\$ 38,332,280
2.38%	2.18%	1.67%	1.74%	0.82%	0.14%

2019	2018	2017	2016	2015	2014
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,317,862
-	-	-	-	-	(1,317,862)
<u>\$ -</u>					
\$ 152,671,714	\$ 141,774,043	\$ 144,321,386	\$ 136,605,736	\$ 138,124,286	\$ 131,786,215
0.00%	0.00%	0.00%	0.00%	0.00%	1.00%

Akron City School District
Notes to Required Supplementary Information
For the Fiscal Year Ended June 30, 2023

Net Pension Liability

School Employees Retirement System (SERS) of Ohio

Changes in benefit terms: There was no change in benefit terms for fiscal year 2023. See the notes to the basic financial statements for benefit terms.

Changes in assumptions: There was no change in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2023. See the notes to the basic financial statements for the methods and assumptions in this calculation.

State Teachers Retirement System (STRS) of Ohio

Changes in benefit terms: There was no change in benefit terms for fiscal year 2023. See the notes to the basic financial statements for benefit terms.

Changes in assumptions: There was a change in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2023. See the notes to the basic financial statements for the methods and assumptions in this calculation.

Net OPEB Liability

School Employees Retirement System (SERS) of Ohio

Changes in benefit terms: There was no change in benefit terms for fiscal year 2023. See the notes to the basic financial statements for benefit terms.

Changes in assumptions: There was a change in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2023. See the notes to the basic financial statements for the methods and assumptions in this calculation.

State Teachers Retirement System (STRS) of Ohio

Changes in benefit terms: There was no change in benefit terms for fiscal year 2023. See the notes to the basic financial statements for benefit terms.

Changes in assumptions: There was a change in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2023. See the notes to the basic financial statements for the methods and assumptions in this calculation.

**AKRON CITY SCHOOL DISTRICT
SUMMIT COUNTY**

**SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title	Assistance Listing Number	Pass-Through Entity Identifying Number	Total Federal Receipts	Total Federal Expenditures
FEDERAL COMMUNICATIONS COMMISSION				
<i>Direct</i>				
COVID-19 Emergency Connectivity Fund Program	32.009	N/A	-	1,993,645
Total Emergency Connectivity Fund Program			-	1,993,645
TOTAL FEDERAL COMMUNICATIONS COMMISSION			-	1,993,645
U.S. DEPARTMENT OF EDUCATION				
<i>Direct</i>				
Impact Aid	84.041	N/A	69,333	69,333
Total Impact Aid			69,333	69,333
Gaining Early Awareness and Readiness Undergraduate Programs	84.334A	P334Z210174	360,832	281,936
Gaining Early Awareness and Readiness Undergraduate Programs	84.334A	P334Z210174	832,444	1,022,258
Total Gaining Early Awareness and Readiness Undergraduate Programs			1,193,276	1,304,194
U.S. DEPARTMENT OF EDUCATION				
<i>Passed Through Ohio Department of Education and Workforce</i>				
Special Education Cluster:				
Special Education - Grants to States (IDEA-B)	84.027A	043489-3M20-2022	888,649	273,462
Special Education - Grants to States (IDEA-B)	84.027A	043489-3M20-2023	5,002,702	5,362,043
COVID-19 Special Education - Grants to States (ARP IDEA Part B)	84.027X	043489-3IA0-2022	228,013	749,988
Special Education - Grants to States (Parent Mentor Project)	84.027A	043489-3M20-2022	701	-
Special Education - Grants to States (Parent Mentor Project)	84.027A	043489-3M20-2023	1,367	1,395
Total Special Education - Grants to States			6,121,432	6,386,888
Special Education - Preschool Grants	84.173A	043489-3C50-2022	12,112	-
Special Education - Preschool Grants	84.173A	043489-3C50-2023	90,760	95,687
COVID-19 Special Education - Preschool Grants (ARP IDEA)	84.173X	043489-3IA0-2022	74,485	61,612
Total Special Education - Preschool Grants			177,357	157,299
Total Special Education Cluster			6,298,789	6,544,187
Career and Technical Education - Basic Grants to States (Carl D. Perkins Secondary)	84.048A	043489-3L90-2022	318,328	135,372
Career and Technical Education - Basic Grants to States (Carl D. Perkins Secondary)	84.048A	043489-3L90-2023	531,939	687,487
Total Career and Technical Education - Basic Grants to States			850,267	822,859
Title I - Grants to Local Educational Agencies (Improving Basic Programs)	84.010A	043489-3M00-2022	2,299,817	883,741
Title I - Grants to Local Educational Agencies (Delinquent)	84.010A	043489-3M00-2022	54,242	31,027
Title I - Grants to Local Educational Agencies (School Quality Improvement)	84.010A	043489-3M00-2022	1,345,209	1,225,347
Title I - Grants to Local Educational Agencies (Expanding Opportunities for Each Child)	84.010A	043489-3M00-2022	64,924	28,965
Title I - Grants to Local Educational Agencies (Supplemental School Improvement)	84.010A	043489-3M00-2022	13,248	3,582
Title I - Grants to Local Educational Agencies (Improving Basic Programs)	84.010A	043489-3M00-2023	12,636,102	15,338,165
Title I - Grants to Local Educational Agencies (Delinquent)	84.010A	043489-3M00-2023	188,983	218,269
Title I - Grants to Local Educational Agencies (Expanding Opportunities for Each Child)	84.010A	043489-3M00-2023	166,954	391,263
Title I - Grants to Local Educational Agencies (Supplemental School Improvement)	84.010A	043489-3M00-2023	484,086	672,375
Total Title I - Grants to Local Educational Agencies			17,253,565	18,792,734
Education for Homeless Children and Youth (McKinney-Vento Homeless Youth Assistance Program)	84.196A	043489-3EJ0-2022	78,732	40,938
Education for Homeless Children and Youth (McKinney-Vento Homeless Youth Assistance Program)	84.196A	043489-3EJ0-2023	212,765	241,684
Total Education for Homeless Children and Youth			291,497	282,622
Twenty-First Century Community Learning Centers	84.287A	043489-3Y20-2023	185,597	199,400
Total Twenty-First Century Community Learning Centers			185,597	199,400
English Language Acquisition State Grants (Title III)	84.365A	043489-3Y70-2022	49,261	4,469
English Language Acquisition State Grants (Title III)	84.365A	043489-3Y70-2023	221,379	254,837
Total English Language Acquisition State Grants			270,640	259,306
Student Support and Academic Enrichment Programs (Title IV-A)	84.424A	043489-3HI0-2022	217,472	90,558
Student Support and Academic Enrichment Programs (Title IV-A)	84.424A	043489-3HI0-2023	593,473	684,980
Total Student Support and Academic Enrichment Programs			810,945	775,538
Supporting Effective Instruction State Grants (Title II-A)	84.367A	043489-3Y60-2022	451,530	255,914
Supporting Effective Instruction State Grants (Title II-A)	84.367A	043489-3Y60-2023	1,119,723	1,286,337
Supporting Effective Instruction State Grants (Diversifying the Education Profession)	84.367A	043489-3Y60-2022	918	165
Supporting Effective Instruction State Grants (Diversifying the Education Profession)	84.367A	043489-3Y60-2023	4,374	6,466
Total Supporting Effective Instruction State Grants			1,576,545	1,548,882
School Improvement Grants (Title I SIG 1003(g) Waiver)	84.377A	043489-3AN0-2022	461,253	-
Total School Improvement Grants			461,253	-
COVID-19 Education Stabilization Fund (ESSER)	84.425D	043489-3HS0-2020	105,136	46,066
COVID-19 Education Stabilization Fund (ESSER II)	84.425D	043489-3HS0-2022	1,401,584	563,261
COVID-19 Education Stabilization Fund (ARP ESSER)	84.425U	043489-3HS0-2022	25,852,440	38,136,233
COVID-19 Education Stabilization Fund (ARP Homeless Round 1)	84.425W	043489-3HZ0-2022	45,945	52,451
COVID-19 Education Stabilization Fund (ARP Homeless Round II)	84.425U	043489-3HZ0-2022	74,524	90,904
Total Education Stabilization Fund			27,479,629	38,888,915
TOTAL U.S. DEPARTMENT OF EDUCATION			56,741,336	69,487,970

AKRON CITY SCHOOL DISTRICT
SUMMIT COUNTY

SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

FEDERAL GRANTOR <i>Pass Through Grantor Program / Cluster Title</i>	Assistance Listing Number	Pass-Through Entity Identifying Number	Total Federal Receipts	Total Federal Expenditures
U.S. DEPARTMENT OF THE TREASURY				
<i>Passed Through Ohio Facilities Construction Commission</i>				
COVID-19 Coronavirus State and Local Fiscal Recovery Funds (ARPA School Security Grants)	21.027	OFCC-SS1-33986	650,000	585,000
COVID-19 Coronavirus State and Local Fiscal Recovery Funds (ARPA School Security Grants)	21.027	OFCC-SS3-34404	650,000	276,975
Total Coronavirus State and Local Fiscal Recovery Funds			1,300,000	861,975
TOTAL U.S. DEPARTMENT OF THE TREASURY			1,300,000	861,975
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
<i>Passed Through Ohio Department of Job and Family Services</i>				
Refugee and Entrant Assistance State/Replacement Designee Administered Programs	93.566	G-2223-17-0476	19,323	2,109
Refugee and Entrant Assistance State/Replacement Designee Administered Programs	93.566	G-2223-17-0947-1	67,978	89,691
Total Refugee and Entrant Assistance State/Replacement Designee Administered Programs			87,301	91,800
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			87,301	91,800
U.S. DEPARTMENT OF AGRICULTURE				
<i>Passed Through Ohio Department of Education and Workforce</i>				
Child Nutrition Cluster:				
School Breakfast Program/Commodities	10.553	N/A	48,687	44,883
National School Lunch Program/Commodities	10.555	N/A	727,031	700,480
Total Food Distribution			775,718	745,363
School Breakfast Program	10.553	043489-3L70-2023	2,957,420	2,957,420
National School Lunch Program	10.555	043489-3L60-2023	9,891,319	11,379,270
COVID-19 National School Lunch Program (Supply Chain Assistance)	10.555	043489-3L60-2023	502,094	502,094
Summer Food Service Program for Children	10.559	043489-3GE0-2023	287,845	287,845
Total Food Service Programs			13,638,678	15,126,629
Fresh Fruit & Vegetable Program	10.582	043489-3GG0-2022	64,284	-
Fresh Fruit & Vegetable Program	10.582	043489-3GG0-2023	406,844	409,811
Total Fresh Fruit & Vegetable Program			471,128	409,811
Total Child Nutrition Cluster			14,885,524	16,281,803
Pandemic EBT Administrative Costs	10.649	043489-3HF0-2023	5,950	5,950
			5,950	5,950
TOTAL U.S. DEPARTMENT OF AGRICULTURE			14,891,474	16,287,753
U.S. DEPARTMENT OF DEFENSE				
<i>Direct</i>				
Air Force R.O.T.C. Grant	12.xxx	N/A	61,702	61,702
Army R.O.T.C. Grant	12.xxx	N/A	76,735	76,735
Marines R.O.T.C. Grant	12.xxx	N/A	77,195	77,195
Navy R.O.T.C. Grant	12.xxx	N/A	34,610	34,610
Total R.O.T.C. Grants			250,242	250,242
TOTAL U.S. DEPARTMENT OF DEFENSE			250,242	250,242
TOTAL FEDERAL ASSISTANCE			73,270,353	88,973,385

The accompanying notes are an integral part of this schedule.

**AKRON CITY SCHOOL DISTRICT
SUMMIT COUNTY**

**NOTES TO THE SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE YEAR ENDED JUNE 30, 2023**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Receipts and Expenditures of Federal Awards (the Schedule) includes the federal award activity of Akron City School District (the District) under programs of the federal government for the year ended June 30, 2023. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement.

NOTE C – INDIRECT COST RATE

The District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE D - 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 E – FOOD DONATION PROGRAM

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

NOTE F - 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 G - TRANSFERS BETWEEN PROGRAM YEARS

Federal regulations require schools to obligate certain federal awards by June 30. However, with ODE's consent, schools can transfer unobligated amounts to the subsequent fiscal year's program. The District transferred the following amounts from 2023 to 2024 programs:

<u>Program Title</u>	<u>AL Number</u>	<u>Amount Transferred</u>
Title I – Improving Basic Prog.	84.010A	\$ 2,056,118
Title I – Delinquent	84.010A	\$ 40,608
Title II - A Supporting Effective Instruction	84.367A	\$ 261,791
Title III – Language Instruction for English Learners	84.365A	\$ 176,598
Title IV - A – Student Support and Academic Enrichment	84.424A	\$ 875,169
IDEA – B	84.027A	\$ 3,824,699
IDEA – B Early Childhood	84.173A	\$ 31,564

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OHIO AUDITOR OF STATE KEITH FABER



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Columbus, Ohio 43215
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(800) 282-0370

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

Akron City School District
Summit County
10 North Main Street
Akron, Ohio 44308

To the Board of Education:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Akron City School District, Summit County, (the District) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 25, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio

March 25, 2024



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**INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Akron City School District
Summit County
10 North Main Street
Akron, Ohio 44308

To the Board of Education:

Report on Compliance for each Major Federal Program

Opinion on each Major Federal Program

We have audited Akron City School District’s, Summit County, (District) compliance with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on Akron City School District’s major federal programs for the year ended June 30, 2023. Akron City School District’s major federal programs are identified in the *Summary of Auditor’s Results* section of the accompanying schedule of findings.

In our opinion, Akron City School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended June 30, 2023.

Basis for Opinion on each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the *Auditor’s Responsibilities for the Audit of Compliance* section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal programs. Our audit does not provide a legal determination of the District’s compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

The District's Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the District's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of the major federal programs as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *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 type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the *Auditor's Responsibilities for the Audit of Compliance* section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of this testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio

March 25, 2024

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**AKRON CITY SCHOOL DISTRICT
SUMMIT COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2023**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material weaknesses in internal control 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	Unmodified
(d)(1)(vi)	Are there any reportable findings under 2 CFR § 200.516(a)?	No
(d)(1)(vii)	Major Programs (list):	COVID-19 Elementary and Secondary School Emergency Relief Fund (AL# 84.425) Title I - Grants to Local Educational Agencies (AL# 84.010)
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$2,669,202 Type B: all others
(d)(1)(ix)	Low Risk Auditee under 2 CFR § 200.520?	Yes

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

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OHIO AUDITOR OF STATE KEITH FABER



AKRON CITY SCHOOL DISTRICT

SUMMIT COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 3/28/2024

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov