



**AKRON CITY SCHOOL DISTRICT
SUMMIT COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2001



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**AKRON CITY SCHOOL DISTRICT
SUMMIT COUNTY**

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STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

111 Second Street, NW
Fourth Floor
Canton, Ohio 44702
Telephone 330-438-0617
800-443-9272
Facsimile 330-471-0001
www.auditor.state.oh.us

REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Board of Education:

We have audited the accompanying general purpose financial statements of the Akron City School District, Summit County, (the District) as of and for the year ended June 30, 2001, as listed in the Table of Contents. These general purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Akron City School District, Summit County, as of June 30, 2001, and the results of its operations and the cash flows of its proprietary fund types and nonexpendable trust fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 3, the District adopted Governmental Accounting Statement No. 33. In addition, the District changed its capitalization threshold for fixed assets.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 19, 2001 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

We performed our audit to form an opinion on the general purpose financial statements of the District, taken as a whole. The accompanying Schedule of Receipts and Expenditures of Federal Awards is presented for additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general purpose financial statements. We subjected this information to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, it is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

Jim Petro
Auditor of State

November 19, 2001

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Akron City School District
Combined Balance Sheet
All Fund Types and Account Groups
June 30, 2001

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<i>Assets and Other Debits</i>				
Assets				
Equity in Pooled Cash and Cash Equivalents	\$15,686,097	\$6,877,084	\$65,143	\$5,365,038
Cash and Cash Equivalents In Segregated Accounts	0	0	0	0
Receivables:				
Taxes	85,273,495	0	7,863	4,983,695
Accounts	40,337	29,827	0	0
Intergovernmental	436,350	534,648	0	6,343,279
Accrued Interest	28,356	0	0	0
Interfund Receivable	4,845,372	0	0	0
Materials and Supplies Inventory	691,722	0	0	0
Inventory Held for Resale	0	0	0	0
Restricted Assets :				
Equity in Pooled Cash and Cash Equivalents	1,904,997	0	0	0
Fixed Assets (Net, where applicable, of Accumulated Depreciation)	0	0	0	0
Other Debits				
Amount Available in Debt Service Fund for Retirement of General Obligation Bonds	0	0	0	0
Amount to be Provided from General Government Resources	0	0	0	0
<i>Total Assets and Other Debits</i>	\$108,906,726	\$7,441,559	\$73,006	\$16,692,012

<u>Proprietary Fund Types</u>		<u>Fiduciary Fund Types</u>	<u>Account Groups</u>		<u>Totals (Memorandum Only)</u>
<u>Enterprise</u>	<u>Internal Service</u>	<u>Trust and Agency</u>	<u>General Fixed Assets</u>	<u>General Long-Term Obligations</u>	
\$5,855,183	\$0	\$185,886	\$0	\$0	\$34,034,431
0	2,786,269	387,312	0	0	3,173,581
0	0	0	0	0	90,265,053
720	0	0	0	0	70,884
805,117	0	0	0	0	8,119,394
0	0	6,094	0	0	34,450
0	0	0	0	0	4,845,372
0	0	0	0	0	691,722
225,877	0	0	0	0	225,877
0	0	0	0	0	1,904,997
1,234,838	0	0	147,382,021	0	148,616,859
0	0	0	0	65,143	65,143
0	0	0	0	25,595,921	25,595,921
<u>\$8,121,735</u>	<u>\$2,786,269</u>	<u>\$579,292</u>	<u>\$147,382,021</u>	<u>\$25,661,064</u>	<u>\$317,643,684</u>

(continued)

Akron City School District
Combined Balance Sheet
All Fund Types and Account Groups (continued)
June 30, 2001

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<i>Liabilities, Fund Equity and Other Credits</i>				
Liabilities				
Accounts Payable	\$1,855,832	\$628,939	\$0	\$1,587,393
Compensated Absences Payable	936,089	133,155	0	9,538
Interfund Payable	0	1,527,967	0	3,317,235
Intergovernmental Payable	4,663,200	954,476	0	31,915
Deferred Revenue	81,997,938	13,427	7,863	4,796,408
Due to Students	0	0	0	0
Claims Payable	0	0	0	0
School Foundation Notes Payable	4,884,102	0	0	0
Capital Leases Payable	0	0	0	0
Asbestos Loan Payable	0	0	0	0
<i>Total Liabilities</i>	94,337,161	3,257,964	7,863	9,742,489
Fund Equity and Other Credits				
Investment in General Fixed Assets	0	0	0	0
Retained Earnings (Deficit):				
Unreserved	0	0	0	0
Fund Balance:				
Reserved for Encumbrances	208,337	931,715	0	1,579,621
Reserved for Inventory	691,722	0	0	0
Reserved for Endowment	0	0	0	0
Reserved for Budget Stabilization	1,904,997	0	0	0
Reserved for Property Taxes	3,275,557	0	0	187,287
Unreserved, Undesignated	8,488,952	3,251,880	65,143	5,182,615
<i>Total Fund Equity and Other Credits</i>	14,569,565	4,183,595	65,143	6,949,523
<i>Total Liabilities, Fund Equity and Other Credits</i>	\$108,906,726	\$7,441,559	\$73,006	\$16,692,012

See accompanying notes to the general purpose financial statements

<u>Proprietary Fund Types</u>		<u>Fiduciary Fund Types</u>	<u>Account Groups</u>		<u>Totals (Memorandum Only)</u>
<u>Enterprise</u>	<u>Internal Service</u>	<u>Trust and Agency</u>	<u>General Fixed Assets</u>	<u>General Long-Term Obligations</u>	
\$59,114	\$0	\$24,572	\$0	\$0	\$4,155,850
329,865	0	0	0	22,155,555	23,564,202
170	0	0	0	0	4,845,372
287,308	0	1,909	0	1,875,313	7,814,121
128,025	0	0	0	0	86,943,661
0	0	166,129	0	0	166,129
0	3,314,337	0	0	0	3,314,337
0	0	0	0	0	4,884,102
0	0	0	0	1,579,087	1,579,087
0	0	0	0	51,109	51,109
<u>804,482</u>	<u>3,314,337</u>	<u>192,610</u>	<u>0</u>	<u>25,661,064</u>	<u>137,317,970</u>
0	0	0	147,382,021	0	147,382,021
7,317,253	(528,068)	0	0	0	6,789,185
0	0	1,000	0	0	2,720,673
0	0	0	0	0	691,722
0	0	143,409	0	0	143,409
0	0	0	0	0	1,904,997
0	0	0	0	0	3,462,844
0	0	242,273	0	0	17,230,863
<u>7,317,253</u>	<u>(528,068)</u>	<u>386,682</u>	<u>147,382,021</u>	<u>0</u>	<u>180,325,714</u>
<u>\$8,121,735</u>	<u>\$2,786,269</u>	<u>\$579,292</u>	<u>\$147,382,021</u>	<u>\$25,661,064</u>	<u>\$317,643,684</u>

Akron City School District
Combined Statement of Revenues, Expenditures and Changes in Fund Balances
All Governmental Fund Types and Expendable Trust Fund
For the Fiscal Year Ended June 30, 2001

	Governmental Fund		
	General	Special Revenue	Debt Service
Revenues			
Property and Other Taxes	\$78,544,605	\$0	\$7,863
Intergovernmental	125,153,239	43,940,386	0
Interest	2,767,123	133,334	735
Tuition and Fees	1,390,437	160,131	0
Rentals	117,517	30,567	0
Extracurricular Activities	259,689	1,717,399	0
Gifts and Donations	4,294	530,878	0
Charges for Services	213,984	156,042	0
Miscellaneous	1,806,051	501,856	0
<i>Total Revenues</i>	<u>210,256,939</u>	<u>47,170,593</u>	<u>8,598</u>
Expenditures			
Current :			
Instruction :			
Regular	99,855,217	25,165,765	0
Special	18,243,167	4,061,749	0
Vocational	10,965,442	615,639	0
Adult/Continuing	198,284	549,980	0
Support Services :			
Pupils	13,371,376	2,838,726	0
Instructional Staff	11,690,642	7,308,176	0
Board of Education	193,562	0	0
Administration	16,376,831	916,561	0
Fiscal	2,914,116	412,772	0
Business	3,654,741	186,083	0
Operation and Maintenance of Plant	26,011,706	1,377,352	0
Pupil Transportation	6,152,743	318,630	0
Central	4,422,100	866,375	0
Operation of Non-Instructional Services	222,173	3,194,337	0
Extracurricular Activities	1,963,532	1,154,124	0
Capital Outlay	267,592	22,735	0
Intergovernmental	1,000	0	0
Debt Service:			
Principal Retirement	487,076	0	7,863
Interest and Fiscal Charges	528,376	0	0
<i>Total Expenditures</i>	<u>217,519,676</u>	<u>48,989,004</u>	<u>7,863</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(7,262,737)</u>	<u>(1,818,411)</u>	<u>735</u>
Other Financing Sources (Uses)			
Proceeds From Sale of Fixed Assets	21,408	321	0
Operating Transfers In	20,036	233,642	0
Operating Transfers Out	(226,560)	0	0
<i>Total Other Financing Sources (Uses)</i>	<u>(185,116)</u>	<u>233,963</u>	<u>0</u>
<i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</i>			
	(7,447,853)	(1,584,448)	735
<i>Fund Balances Beginning of Year - (Restated, See Note 3)</i>	21,962,195	5,768,043	64,408
<i>Increase in Reserve for Inventory</i>	<u>55,223</u>	<u>0</u>	<u>0</u>
<i>Fund Balances End of Year</i>	<u>\$14,569,565</u>	<u>\$4,183,595</u>	<u>\$65,143</u>

See accompanying notes to the general purpose financial statements

Types	Fiduciary Fund Type	Totals (Memorandum Only)
Capital Projects	Expendable Trust	
\$4,571,527	\$0	\$83,123,995
4,574,364	0	173,667,989
181,601	6,455	3,089,248
0	0	1,550,568
0	0	148,084
0	0	1,977,088
0	3,352	538,524
0	0	370,026
0	41,865	2,349,772
<u>9,327,492</u>	<u>51,672</u>	<u>266,815,294</u>
0	0	125,020,982
0	0	22,304,916
0	0	11,581,081
0	0	748,264
0	0	16,210,102
0	0	18,998,818
0	0	193,562
0	0	17,293,392
0	0	3,326,888
0	0	3,840,824
0	0	27,389,058
0	0	6,471,373
0	0	5,288,475
0	49,741	3,466,251
0	175	3,117,831
8,794,013	0	9,084,340
0	0	1,000
0	0	494,939
<u>0</u>	<u>0</u>	<u>528,376</u>
<u>8,794,013</u>	<u>49,916</u>	<u>275,360,472</u>
<u>533,479</u>	<u>1,756</u>	<u>(8,545,178)</u>
0	0	21,729
0	0	253,678
<u>0</u>	<u>(27,118)</u>	<u>(253,678)</u>
<u>0</u>	<u>(27,118)</u>	<u>21,729</u>
533,479	(25,362)	(8,523,449)
6,416,044	248,592	34,459,282
<u>0</u>	<u>0</u>	<u>55,223</u>
<u>\$6,949,523</u>	<u>\$223,230</u>	<u>\$25,991,056</u>

Akron City School District
Combined Statement of Revenues, Expenditures
and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual
All Governmental Fund Types and Expendable Trust Fund
For the Fiscal Year Ended June 30, 2001

	General Fund		Variance Favorable (Unfavorable)
	Revised Budget	Actual	
Revenues			
Property and Other Taxes	\$77,620,251	\$77,599,491	(\$20,760)
Intergovernmental	121,735,628	121,953,767	218,139
Interest	2,500,000	2,738,767	238,767
Tuition and Fees	1,106,979	1,227,014	120,035
Rentals	202,215	117,517	(84,698)
Extracurricular Activities	570	257,389	256,819
Gifts and Donations	0	4,294	4,294
Charges for Services	299,095	405,205	106,110
Miscellaneous	1,849,136	1,793,763	(55,373)
<i>Total Revenues</i>	<u>205,313,874</u>	<u>206,097,207</u>	<u>783,333</u>
Expenditures			
Current:			
Instruction:			
Regular	97,384,128	98,015,320	(631,192)
Special	18,117,553	18,174,042	(56,489)
Vocational	11,094,409	10,910,008	184,401
Adult/Continuing	200,392	195,653	4,739
Support Services:			
Pupils	13,229,895	13,269,867	(39,972)
Instructional Staff	11,728,770	11,558,729	170,041
Board of Education	230,580	207,447	23,133
Administration	17,042,827	16,854,937	187,890
Fiscal	2,984,976	2,885,008	99,968
Business	3,617,420	3,433,707	183,713
Operation and Maintenance of Plant	26,265,731	25,925,424	340,307
Pupil Transportation	6,234,741	6,129,145	105,596
Central	4,771,823	4,622,322	149,501
Operation of Non-Instructional Services	237,681	220,880	16,801
Extracurricular Activities	2,212,273	1,938,181	274,092
Capital Outlay	448,852	448,084	768
Intergovernmental	1,000	1,000	0
Debt Service:			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
<i>Total Expenditures</i>	<u>215,803,051</u>	<u>214,789,754</u>	<u>1,013,297</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(10,489,177)</u>	<u>(8,692,547)</u>	<u>1,796,630</u>
Other Financing Sources (Uses)			
Advances In	0	10,742,519	10,742,519
Advances Out	0	(4,845,372)	(4,845,372)
Proceeds From Sale of Fixed Assets	0	21,408	21,408
Operating Transfers In	0	20,036	20,036
Operating Transfers Out	(301,800)	(226,560)	75,240
<i>Total Other Financing Sources (Uses)</i>	<u>(301,800)</u>	<u>5,712,031</u>	<u>6,013,831</u>
<i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</i>	<u>(10,790,977)</u>	<u>(2,980,516)</u>	<u>7,810,461</u>
<i>Fund Balances Beginning of Year</i>	15,535,963	15,535,963	0
<i>Prior Year Encumbrances Appropriated</i>	<u>1,208,261</u>	<u>1,208,261</u>	<u>0</u>
<i>Fund Balances End of Year</i>	<u>\$5,953,247</u>	<u>\$13,763,708</u>	<u>\$7,810,461</u>

Special Revenue Funds			Debt Service Fund		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$0	\$0	\$0	\$7,863	\$7,863	\$0
51,788,588	47,256,693	(4,531,895)	3,109,677	3,109,677	0
42,147	133,334	91,187	0	735	735
203,998	161,796	(42,202)	0	0	0
0	30,567	30,567	0	0	0
0	1,717,399	1,717,399	0	0	0
394,290	530,878	136,588	0	0	0
202,179	213,740	11,561	0	0	0
3,292,791	501,856	(2,790,935)	0	0	0
				0	
55,923,993	50,546,263	(5,377,730)	3,117,540	3,118,275	735
26,789,596	24,870,141	1,919,455	0	0	0
4,749,526	4,083,855	665,671	0	0	0
776,549	654,570	121,979	0	0	0
726,356	548,693	177,663	0	0	0
3,463,426	2,928,830	534,596	0	0	0
10,378,508	7,478,197	2,900,311	0	0	0
0	0	0	0	0	0
1,773,167	939,103	834,064	0	0	0
504,210	411,104	93,106	0	0	0
192,851	186,717	6,134	0	0	0
1,358,276	1,391,263	(32,987)	0	0	0
620,374	331,431	288,943	0	0	0
1,676,811	1,229,111	447,700	0	0	0
3,854,920	3,423,700	431,220	0	0	0
1,837,119	1,221,952	615,167	0	0	0
57,041	31,065	25,976	0	0	0
100	0	100	0	0	0
0	0	0	2,683,789	2,718,756	(34,967)
0	0	0	433,751	398,784	34,967
58,758,830	49,729,732	9,029,098	3,117,540	3,117,540	0
(2,834,837)	816,531	3,651,368	0	735	735
0	1,527,967	1,527,967	0	0	0
0	(4,295,047)	(4,295,047)	0	0	0
0	321	321	0	0	0
899,962	233,642	(666,320)	0	0	0
0	0	0	0	0	0
899,962	(2,533,117)	(3,433,079)	0	0	0
(1,934,875)	(1,716,586)	218,289	0	735	735
4,096,563	4,096,563	0	64,408	64,408	0
2,402,261	2,402,261	0	0	0	0
\$4,563,949	\$4,782,238	\$218,289	\$64,408	\$65,143	\$735

(continued)

Akron City School District
*Combined Statement of Revenues, Expenditures
and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual
All Governmental Fund Types and Expendable Trust Fund (continued)
For the Fiscal Year Ended June 30, 2001*

	Capital Projects Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Property and Other Taxes	\$4,594,012	\$4,524,289	(\$69,723)
Intergovernmental	15,037,689	6,173,338	(8,864,351)
Interest	176,250	181,601	5,351
Tuition and Fees	0	0	0
Rentals	0	0	0
Extracurricular Activities	0	0	0
Gifts and Donations	0	0	0
Charges for Services	0	0	0
Miscellaneous	0	0	0
<i>Total Revenues</i>	<u>19,807,951</u>	<u>10,879,228</u>	<u>(8,928,723)</u>
Expenditures			
Current:			
Instruction:			
Regular	100,156	65,488	34,668
Special	0	0	0
Vocational	105,090	108,151	(3,061)
Adult/Continuing	0	0	0
Support Services:			
Pupils	0	0	0
Instructional Staff	588,084	332,180	255,904
Board of Education	0	0	0
Administration	0	0	0
Fiscal	0	0	0
Business	0	0	0
Operation and Maintenance of Plant	97	97	0
Pupil Transportation	0	0	0
Central	1,718,015	1,082,037	635,978
Operation of Non-Instructional Services	0	0	0
Extracurricular Activities	0	0	0
Capital Outlay	16,996,656	10,345,796	6,650,860
Intergovernmental	0	0	0
Debt Service:			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
<i>Total Expenditures</i>	<u>19,508,098</u>	<u>11,933,749</u>	<u>7,574,349</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>299,853</u>	<u>(1,054,521)</u>	<u>(1,354,374)</u>
Other Financing Sources (Uses)			
Advances In	0	3,317,235	3,317,235
Advances Out	0	(6,447,472)	(6,447,472)
Proceeds From Sale of Fixed Assets	0	0	0
Operating Transfers In	0	0	0
Operating Transfers Out	0	0	0
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>(3,130,237)</u>	<u>(3,130,237)</u>
<i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</i>	<u>299,853</u>	<u>(4,184,758)</u>	<u>(4,484,611)</u>
<i>Fund Balances Beginning of Year</i>	<u>2,224,984</u>	<u>2,224,984</u>	<u>0</u>
<i>Prior Year Encumbrances Appropriated</i>	<u>4,256,771</u>	<u>4,256,771</u>	<u>0</u>
<i>Fund Balances End of Year</i>	<u>\$6,781,608</u>	<u>\$2,296,997</u>	<u>(\$4,484,611)</u>

See accompanying notes to the general purpose financial statements.

Expendable Trust Fund			Totals (Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$0	\$0	\$0	\$82,222,126	\$82,131,643	(\$90,483)
0	0	0	191,671,582	178,493,475	(13,178,107)
0	532	532	2,718,397	3,054,969	336,572
0	0	0	1,310,977	1,388,810	77,833
0	0	0	202,215	148,084	(54,131)
0	0	0	570	1,974,788	1,974,218
0	3,352	3,352	394,290	538,524	144,234
0	0	0	501,274	618,945	117,671
26,380	41,865	15,485	5,168,307	2,337,484	(2,830,823)
26,380	45,749	19,369	284,189,738	270,686,722	(13,503,016)
0	0	0	124,273,880	122,950,949	1,322,931
0	0	0	22,867,079	22,257,897	609,182
0	0	0	11,976,048	11,672,729	303,319
0	0	0	926,748	744,346	182,402
0	0	0	16,693,321	16,198,697	494,624
0	0	0	22,695,362	19,369,106	3,326,256
0	0	0	230,580	207,447	23,133
0	0	0	18,815,994	17,794,040	1,021,954
0	0	0	3,489,186	3,296,112	193,074
0	0	0	3,810,271	3,620,424	189,847
0	0	0	27,624,104	27,316,784	307,320
0	0	0	6,855,115	6,460,576	394,539
0	0	0	8,166,649	6,933,470	1,233,179
86,269	62,240	24,029	4,178,870	3,706,820	472,050
689	175	514	4,050,081	3,160,308	889,773
0	0	0	17,502,549	10,824,945	6,677,604
0	0	0	1,100	1,000	100
0	0	0	2,683,789	2,718,756	(34,967)
0	0	0	433,751	398,784	34,967
86,958	62,415	24,543	297,274,477	279,633,190	17,641,287
(60,578)	(16,666)	43,912	(13,084,739)	(8,946,468)	4,138,271
0	0	0	0	15,587,721	15,587,721
0	0	0	0	(15,587,891)	(15,587,891)
0	0	0	0	21,729	21,729
0	0	0	899,962	253,678	(646,284)
(27,118)	(27,118)	0	(328,918)	(253,678)	75,240
(27,118)	(27,118)	0	571,044	21,559	(549,485)
(87,696)	(43,784)	43,912	(12,513,695)	(8,924,909)	3,588,786
265,085	265,085	0	22,187,003	22,187,003	0
699	699	0	7,867,992	7,867,992	0
\$178,088	\$222,000	\$43,912	\$17,541,300	\$21,130,086	\$3,588,786

Akron City School District

Combined Statement of Revenues, Expenses and Changes in Retained Earnings/Fund Balance

All Proprietary Fund Types and Nonexpendable Trust Fund

For the Fiscal Year Ended June 30, 2001

	Proprietary Fund Types		Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Internal Service	Nonexpendable Trust	
Operating Revenues				
Charges for Services	\$0	\$22,014,141	\$0	\$22,014,141
Sales	2,752,976	0	0	2,752,976
Tuition and Fees	584,098	0	0	584,098
Interest	0	0	6,036	6,036
Miscellaneous	31,606	0	0	31,606
<i>Total Operating Revenues</i>	<u>3,368,680</u>	<u>22,014,141</u>	<u>6,036</u>	<u>25,388,857</u>
Operating Expenses				
Salaries and Wages	3,193,460	0	0	3,193,460
Fringe Benefits	1,636,395	0	0	1,636,395
Purchased Services	388,414	1,569,070	0	1,957,484
Materials and Supplies	398,705	0	0	398,705
Cost of Sales	4,588,293	0	0	4,588,293
Depreciation	108,809	0	0	108,809
Claims	0	23,868,139	0	23,868,139
Other	262,091	0	1,533	263,624
<i>Total Operating Expenses</i>	<u>10,576,167</u>	<u>25,437,209</u>	<u>1,533</u>	<u>36,014,909</u>
<i>Operating Income (Loss)</i>	<u>(7,207,487)</u>	<u>(3,423,068)</u>	<u>4,503</u>	<u>(10,626,052)</u>
Non-Operating Revenues (Expenses)				
Federal Donated Commodities	560,631	0	0	560,631
Interest	303,032	0	0	303,032
Grants	6,700,580	0	0	6,700,580
Loss on Disposal of Fixed Assets	(4,714)	0	0	(4,714)
<i>Total Non-Operating Revenues (Expenses)</i>	<u>7,559,529</u>	<u>0</u>	<u>0</u>	<u>7,559,529</u>
<i>Net Income (Loss)</i>	352,042	(3,423,068)	4,503	(3,066,523)
<i>Retained Earnings / Fund Balance</i>				
<i>Beginning of Year - (Restated, See Note 3)</i>	<u>6,965,211</u>	<u>2,895,000</u>	<u>158,949</u>	<u>10,019,160</u>
<i>Retained Earnings (Deficit) / Fund Balance</i>				
<i>End of Year</i>	<u><u>\$7,317,253</u></u>	<u><u>(\$528,068)</u></u>	<u><u>\$163,452</u></u>	<u><u>\$6,952,637</u></u>

See accompanying notes to the general purpose financial statements.

Akron City School District
*Combined Statement of Revenues, Expenses
and Changes in Fund Equity - Budget (Non-GAAP Basis) and Actual
All Proprietary Fund Types and Nonexpendable Trust Fund
For the Fiscal Year Ended June 30, 2001*

	Enterprise Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Charges for Services	\$0	\$0	\$0
Sales	2,659,980	2,754,011	94,031
Tuition and Fees	645,000	583,378	(61,622)
Operating Grants	8,043,130	6,825,940	(1,217,190)
Interest	260,000	303,032	43,032
Miscellaneous	37,798	31,606	(6,192)
<i>Total Revenues</i>	11,645,908	10,497,967	(1,147,941)
Expenses			
Salaries and Wages	3,211,725	3,144,348	67,377
Fringe Benefits	1,851,339	1,556,986	294,353
Purchased Services	503,597	337,864	165,733
Materials and Supplies	6,016,981	5,291,550	725,431
Claims	0	0	0
Capital Outlay	305,884	212,442	93,442
Other	318,361	281,658	36,703
<i>Total Expenses</i>	12,207,887	10,824,848	1,383,039
<i>Excess of Revenues Over (Under) Expenses</i>	(561,979)	(326,881)	235,098
Advances In	0	170	170
<i>Excess of Revenues and Advances Over (Under) Expenses</i>	(561,979)	(326,711)	235,268
<i>Fund Equity Beginning of Year</i>	5,987,932	5,987,932	0
<i>Prior Year Encumbrances Appropriated</i>	21,220	21,220	0
<i>Fund Equity End of Year</i>	\$5,447,173	\$5,682,441	\$235,268

(continued)

Akron City School District
Combined Statement of Revenues, Expenses
and Changes in Fund Equity - Budget (Non-GAAP Basis) and Actual
All Proprietary Fund Types and Nonexpendable Trust Fund (continued)
For the Fiscal Year Ended June 30, 2001

	Internal Service Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Charges for Services	\$22,300,000	\$22,014,141	(\$285,859)
Sales	0	0	0
Tuition and Fees	0	0	0
Operating Grants	0	0	0
Interest	0	0	0
Miscellaneous	0	0	0
	<u>22,300,000</u>	<u>22,014,141</u>	<u>(285,859)</u>
Expenses			
Salaries and Wages	0	0	0
Fringe Benefits	0	0	0
Purchased Services	1,569,070	1,569,070	0
Materials and Supplies	0	0	0
Claims	22,130,930	22,570,473	(439,543)
Capital Outlay	0	0	0
Other	0	0	0
	<u>23,700,000</u>	<u>24,139,543</u>	<u>(439,543)</u>
<i>Excess of Revenues Over (Under)</i> <i>Expenses</i>	(1,400,000)	(2,125,402)	(725,402)
Advances In	<u>0</u>	<u>0</u>	<u>0</u>
<i>Excess of Revenues and Advances</i> <i>Over (Under) Expenses</i>	(1,400,000)	(2,125,402)	(725,402)
<i>Fund Equity Beginning of Year</i>	4,911,671	4,911,671	0
<i>Prior Year Encumbrances Appropriated</i>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Fund Equity End of Year</i>	<u>\$3,511,671</u>	<u>\$2,786,269</u>	<u>(\$725,402)</u>

See accompanying notes to the general purpose financial statements.

Nonexpendable Trust Fund			Totals (Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$0	\$0	\$0	\$22,300,000	\$22,014,141	(\$285,859)
0	0	0	2,659,980	2,754,011	94,031
0	0	0	645,000	583,378	(61,622)
0	0	0	8,043,130	6,825,940	(1,217,190)
0	5,865	5,865	260,000	308,897	48,897
0	0	0	37,798	31,606	(6,192)
0	5,865	5,865	33,945,908	32,517,973	(1,427,935)
0	0	0	3,211,725	3,144,348	67,377
0	0	0	1,851,339	1,556,986	294,353
0	0	0	2,072,667	1,906,934	165,733
0	0	0	6,016,981	5,291,550	725,431
0	0	0	22,130,930	22,570,473	(439,543)
0	0	0	305,884	212,442	93,442
3,502	3,502	0	321,863	285,160	36,703
3,502	3,502	0	35,911,389	34,967,893	943,496
(3,502)	2,363	5,865	(1,965,481)	(2,449,920)	(484,439)
0	0	0	0	170	170
(3,502)	2,363	5,865	(1,965,481)	(2,449,750)	(484,269)
158,949	158,949	0	11,058,552	11,058,552	0
0	0	0	21,220	21,220	0
<u>\$155,447</u>	<u>\$161,312</u>	<u>\$5,865</u>	<u>\$9,114,291</u>	<u>\$8,630,022</u>	<u>(\$484,269)</u>

Akron City School District
Combined Statement of Cash Flows
All Proprietary Fund Types and Nonexpendable Trust Fund
For the Fiscal Year Ended June 30, 2001

	<u>Proprietary Fund Types</u>		<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Internal Service</u>	<u>Nonexpendable Trust</u>	
<i>Increase (Decrease) in Cash and Cash Equivalents</i>				
Cash Flows from Operating Activities				
Cash Received from Customers	\$3,337,389	\$0	\$0	\$3,337,389
Cash Received from Quasi-External Operating Transactions with Other Funds	0	22,014,141	0	22,014,141
Cash Received from Other Operating Sources	31,606	0	0	31,606
Cash Payments for Goods and Services	(4,810,101)	(1,569,070)	0	(6,379,171)
Cash Payments to Employees for Services	(3,144,348)	0	0	(3,144,348)
Cash Payments for Employee Benefits	(1,556,986)	0	0	(1,556,986)
Cash Payments for Claims	0	(22,570,473)	0	(22,570,473)
Cash Payments for Other Operating Expenses	(261,323)	0	(1,502)	(262,825)
<i>Net Cash Used for Operating Activities</i>	<u>(6,403,763)</u>	<u>(2,125,402)</u>	<u>(1,502)</u>	<u>(8,530,667)</u>
Cash Flows from Noncapital Financing Activities				
Operating Grants Received	6,825,940	0	0	6,825,940
Advance In	170	0	0	170
<i>Net Cash Provided by Noncapital Financing Activities</i>	<u>6,826,110</u>	<u>0</u>	<u>0</u>	<u>6,826,110</u>
Cash Flows from Capital and Related Financing Activities				
Payments for Capital Acquisitions	(983,217)	0	0	(983,217)
Cash Flows from Investing Activities				
Interest on Investments	303,032	0	5,865	308,897
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	(257,838)	(2,125,402)	4,363	(2,378,877)
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>6,113,021</u>	<u>4,911,671</u>	<u>158,949</u>	<u>11,183,641</u>
<i>Cash and Cash Equivalents End of Year</i>	<u><u>\$5,855,183</u></u>	<u><u>\$2,786,269</u></u>	<u><u>\$163,312</u></u>	<u><u>\$8,804,764</u></u>

(continued)

Akron City School District
Combined Statement of Cash Flows
All Proprietary Fund Types and Nonexpendable Trust Fund (continued)
For the Fiscal Year Ended June 30, 2001

	<u>Proprietary Fund Types</u>		<u>Fiduciary Fund Type</u>	Totals (Memorandum Only)
	<u>Enterprise</u>	<u>Internal Service</u>	<u>Nonexpendable Trust</u>	
Reconciliation of Operating Income (Loss) to Net Cash Used for Operating Activities				
Operating Income (Loss)	(\$7,207,487)	(\$3,423,068)	\$4,503	(\$10,626,052)
Adjustments				
Depreciation	108,809	0	0	108,809
Donated Commodities Used During Year	560,631	0	0	560,631
Interest Received by Nonexpendable Trust Fund	0	0	(5,865)	(5,865)
(Increase)/Decrease in Assets:				
Accounts Receivable	315	0	0	315
Accrued Interest Receivable	0	0	(173)	(173)
Inventory Held for Resale	(3,855)	0	0	(3,855)
Increase/(Decrease) in Liabilities:				
Accounts Payable	20,184	0	0	20,184
Compensated Absences Payable	54,855	0	0	54,855
Intergovernmental Payable	62,785	0	33	62,818
Claims Payable	0	1,297,666	0	1,297,666
Total Adjustments	<u>803,724</u>	<u>1,297,666</u>	<u>(6,005)</u>	<u>2,095,385</u>
Net Cash Used for Operating Activities	<u><u>(\$6,403,763)</u></u>	<u><u>(\$2,125,402)</u></u>	<u><u>(\$1,502)</u></u>	<u><u>(\$8,530,667)</u></u>
Reconciliation of Cash and Cash Equivalents to the Balance Sheet				
Trust and Agency	\$573,198			
Less: Agency Funds	(185,886)			
Expendable Trust	<u>(224,000)</u>			
Nonexpendable Trust Fund	<u><u>\$163,312</u></u>			

See accompanying notes to the general purpose financial statements.

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Akron City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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/or 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 square miles. It is located in Summit County, and is within the City of Akron. The School District is the fifth largest in the State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by 1,295 classified employees, 2,182 certificated full-time teaching personnel and 189 administrative employees who provide services to 30,608 students and other community members. The School District currently operates 61 instructional buildings, two administrative buildings, two auxiliary buildings and one garage.

Reporting Entity

A reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the 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 School, St. Mary School, St. Martha Elementary, St. Matthew School, St. Paul School, St. Sebastian School, St. Vincent Elementary, Annunciation - St. John, Christ the King, Our Lady of Elms Elementary, Immaculate Conception, Our Lady of Elms High School, Archbishop Hoban High School, and St. Vincent - St. Mary High School are operated through the Cleveland Catholic Diocese. Arlington Christian, Emanuel Christian Academy, Interfaith Elementary, Shatto Academy, Summit Christian School, Color Our Rainbow Academy, Lippman Day School, Zion Lutheran School, and Phoenix School are operated as private schools. Current State legislation provides funding to these non-public schools. These monies are received and disbursed on behalf of the non-public schools by the Treasurer of the School District, as directed by the non-public schools. The activity of these State monies by the School District is reflected in a special revenue fund for financial reporting purposes.

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, a jointly governed organization. See Note 18.

Akron City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001
(continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis Of Presentation - Fund Accounting

The School District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain School District functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities not recorded in the funds because they do not directly affect net available expendable resources.

For financial statement presentation purposes, the various funds of the School District are grouped into the following generic fund types under the broad fund categories governmental, proprietary, and fiduciary.

Governmental Fund Types

Governmental funds are those through which most functions of the School District are financed. The acquisition, use, and balances of the School District's expendable financial resources and the related current liabilities (except those accounted for in proprietary funds and trust funds) are accounted for through governmental funds.

The following are the School District's governmental fund types:

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

Special Revenue Funds – Special revenue funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditure for specified purposes.

Debt Service Fund – The debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term obligation principal, interest, and related costs.

Capital Projects Funds - Capital project funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds or trust funds).

Akron City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001
(continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis Of Presentation - Fund Accounting (Continued)

Proprietary Fund Types

Proprietary funds are used to account for the School District's ongoing activities, which are similar to those found in the private sector. The following are the School District's proprietary fund types:

Enterprise Funds - Enterprise funds are used to account for School District activities that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Internal Service Fund - The internal service fund is used to 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.

Fiduciary Fund Types

Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The School District's fiduciary funds include expendable trust, nonexpendable trust, and agency funds. The expendable trust fund is accounted for in essentially the same manner as governmental funds. The nonexpendable trust fund is accounted for in essentially the same manner as proprietary funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Account Groups

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of a general nature, the following account groups are used:

General Fixed Assets Account Group - This account group is established to account for all fixed assets of the School District, other than those accounted for in the proprietary or nonexpendable trust funds.

General Long-Term Obligations Account Group - This account group is established to account for all long-term obligations of the School District except those accounted for in the proprietary or nonexpendable trust funds.

Akron City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001
(continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types and the expendable trust fund are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the combined balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary funds and the nonexpendable trust fund are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the combined balance sheet. Proprietary fund types and nonexpendable trust fund operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The modified accrual basis of accounting is followed for the governmental, expendable trust, and agency funds. The full accrual basis of accounting is followed for the proprietary funds.

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 year-end.

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. (See Note 7) Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

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

Akron City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001
(continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus and Basis of Accounting (Continued)

Property taxes for which there is an enforceable legal claim as of June 30, 2001, but which were levied to finance fiscal year 2002 operations, have been recorded as deferred revenue. Grants and entitlements received before eligibility requirements are met are also recorded as deferred revenue. On the modified accrual basis, receivables that will not be collected within the available period have also been reported as deferred revenue.

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

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

C. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the Tax Budget, the Certificate of Estimated Resources, and the Appropriation Resolution, all of which are prepared on the budgetary basis of accounting. The Certificate of Estimated Resources and the Appropriation Resolution are subject to amendment throughout the year, with the legal restriction that appropriations cannot exceed estimated resources, as certified.

All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control has been established by the Board of Education at the function level within the General Fund and at the fund level for all other funds. Any budgetary modifications at these levels may only be made by resolution of the Board of Education.

Advances in and advances out are not required to be budgeted since they represent a temporary cash flow resource and are intended to be repaid.

Tax Budget

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates.

By no later than January 20, the Board-adopted budget is filed with the Summit County Budget Commission for rate determination.

Akron City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001
(continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Budgetary Process (Continued)

Estimated Resources

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the Commission's Certificate of Estimated Resources, which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2001.

Appropriations

Upon receipt from the County Auditor of an amended Certificate of Estimated Resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual Appropriation Resolution must be legally enacted by the Board of Education at the fund function level for the General Fund and at the fund level for all other funds, which is the legal level of budgetary control. Prior to the passage of the Annual Appropriation measure, the Board of Education may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The Appropriation Resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation total at any level of control. Any revisions that alter the total of any fund appropriation, or alter total function appropriations within a fund, or alter object appropriations within functions, must be approved by the Board of Education.

The Board may pass supplemental fund appropriations provided that the total appropriations by fund do not exceed the amounts set forth in the most recent Certificate of Estimated Resources. During the fiscal year, several supplemental appropriations were legally enacted; however, none of these amendments were significant.

The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds, other than agency funds, consistent with statutory provisions.

Encumbrances

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds and reported in the notes to the general purpose financial statements for proprietary funds.

Akron City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001
(continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Budgetary Process (Continued)

Lapsing of Appropriations

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

D. Cash and Cash Equivalents

To improve cash management, all cash received by the School District is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through School District records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the combined balance sheet.

During fiscal year 2001, investments were limited to repurchase agreements and certificates of deposit, which are nonparticipating investment contracts and are reported at cost.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2001 amounted to \$2,767,123, which includes \$1,522,608 assigned from other School District funds.

The School District has segregated bank accounts for monies held separate from the School District's central bank account. These interest bearing depository accounts are presented in the combined balance sheet as "Cash and Cash Equivalents in Segregated Accounts" since they are not required to be deposited into the School District treasury.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are considered to be cash equivalents.

Akron City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001
(continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Inventory

Inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a weighted average basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased. Reported material and supplies inventory is equally offset by a fund balance reserve in the governmental funds, which indicates that it does not constitute available expendable resources even though it is a component of net current assets. Inventories of proprietary funds consist of donated food, purchased food, and school supplies held for resale and are expensed when used.

F. Fixed Assets and Depreciation

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary funds are capitalized in the respective fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the dates received. The School District maintains a capitalization threshold of \$1,000 for all assets except computer equipment, which is capitalized regardless of the cost. Also, the food service enterprise fund uses a \$300 threshold, which matches the requirements set by the Federal Child Nutrition Act. The School District does not possess any infrastructure.

Improvements, which add square footage to the facilities, are capitalized according to Board Policy. The costs of normal maintenance and repairs that do not add to the value and/or square footage of the asset or materially extend an asset's life are not capitalized. Interest incurred during the construction of general fixed assets is also not capitalized.

Assets in the general fixed assets account group are not depreciated. Depreciation of furniture and equipment in the proprietary funds is computed using the straight-line method over an estimated useful life of 12 years. Improvements to fund fixed assets are depreciated over the remaining useful lives of the related fixed assets.

G. Interfund Assets/Liabilities

Short-term interfund loans are classified as "interfund receivable" and "interfund payable".

H. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include amounts required by statute to be set-aside by the School District for the acquisition or construction of capital assets, the purchase of textbooks and other instructional material and the creation of a reserve for budget stabilization. See Note 21 for additional information regarding set-asides.

Akron City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001
(continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Compensated Absences

The School District reports compensated absences in accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences". Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the termination method. An accrual for earned sick leave is made to the extent 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.

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using available expendable resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

J. Accrued Liabilities and Long-Term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, claims and judgments, compensated absences and contractually required pension contributions are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current available expendable financial resources. Payments made more than 60 days after year-end are generally considered not to have been paid with current available financial resources. Capital leases and long-term loans are reported as a liability of the general long-term obligations account group until due.

Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate proprietary funds.

Under Ohio law, a debt service fund may be created and used for the payment of tax and revenue anticipation notes. Generally accepted accounting principles require the reporting of the liability in the fund that received the proceeds. To comply with GAAP reporting requirements, the School District's debt service fund has been split among the appropriate funds. Debt service fund resources used to pay both principal and interest have also been allocated accordingly.

K. Interfund Transactions

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

Akron City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001
(continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Fund Balance Reserves

The School District records reservations for portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Undesignated fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, inventory, endowment, property taxes and budget stabilization.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under the State Statute. The reserve for budget stabilization represents money required to be set-aside by statute to protect against cyclical changes in revenues and expenditures. The reserve for endowment signifies the legal restrictions on the use of principal.

M. Estimates

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

N. Total Columns on the General Purpose Financial Statements

Total columns on the general purpose financial statements are captioned "Totals (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position or results of operations in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCE

Changes in Accounting Principles For fiscal year 2001, the School District has implemented GASB Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions" and GASB Statement No. 36 "Recipient Reporting for Certain Shared Nonexchange Revenues."

During fiscal year 2001, the School District changed its capitalization threshold for computer equipment. Prior to July 1, 2000, all computer equipment was capitalized; however, effective July 1, 2000, only computer equipment costing more than \$1,000.00 dollars is capitalized.

Akron City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001
(continued)

NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCE
(Continued)

The implementation of GASB Statement No. 33, the correction of certain over/understatement of cash, and the change in fixed asset policy had the following effect on fund balances/retained earnings:

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>
Fund Balances, June 30, 2000	\$21,964,255	\$5,279,419	\$6,417,542
Over/Understatement of Cash	(2,060)	1,327	(1,498)
Implementation of GASB No. 33	<u>0</u>	<u>487,297</u>	<u>0</u>
Restated Fund Balances, June 30, 2000	<u>\$21,962,195</u>	<u>\$5,768,043</u>	<u>\$6,416,044</u>

	<u>Enterprise Fund</u>	<u>Internal Service Fund</u>
Retained Earnings, June 30, 2000	\$6,902,387	\$2,875,000
Over/Understatement of Cash	(17,107)	20,000
Change in Fixed Asset Policy	(30,871)	0
Implementation of GASB No. 33	<u>110,802</u>	<u>0</u>
Restated Retained Earnings, June 30, 2000	<u>\$6,965,211</u>	<u>\$2,895,000</u>

	<u>General Fixed Asset Group</u>
Fixed Assets as Previously Stated as of June 30, 2000	\$153,546,080
Change in Fixed Asset Policy	<u>(6,789,928)</u>
Restated Fixed Asset Balance as of July 1, 2000	<u>\$146,756,152</u>

The change in accounting policy and other adjustments had the following effect on excess of revenues over (under) expenditures and net income for fiscal year 2000:

	<u>Special Revenue Funds</u>	<u>Enterprise Funds</u>
Excess of Revenues Over (Under) Expenditures	(\$675,385)	\$0
Net Income for fiscal year 2000	0	843,024
Net Adjustments	<u>\$478,297</u>	<u>(3,473)</u>
Restated for the fiscal year 2000	<u>(\$188,088)</u>	<u>\$839,551</u>

Akron City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001
(continued)

NOTE 4 - ACCOUNTABILITY AND COMPLIANCE

A. Fund Deficits

Fund Balances at June 30, 2001, included the following individual fund balance/retained earnings deficits:

	Deficit
<i><u>Special Revenue Funds</u></i>	
Head Start	\$131,923
Vocational Education	84,753
Adult Basic Ed	42,375
Forging Partnerships	20,392
Handicapped Preschool	17,847
Job Training Partnership Act	17,495
Career Development Ed.	12,662
Economic Education	12,049
Drug Free Schools	2,777
 <i><u>Internal Service Fund</u></i>	
Insurance Reserve	528,068

The deficit fund balances in the special revenue funds resulted from the recognition of accrued liabilities in accordance with generally accepted accounting principles. The general fund is liable for any deficit in these funds and provides operating transfers when cash is required, not when accruals occur.

The deficit retained earnings in the internal service insurance reserve fund resulted from the recognition of accrued liabilities in accordance with generally accepted accounting principles.

B. Legal Compliance

Contrary to Section 5705.41(B), Ohio Revised Code, the following accounts had expenditures plus encumbrances in excess of appropriations:

Fund/Function	Appropriations	Expenditures Plus Encumbrances	Excess
General Fund:			
Current:			
Instruction:			
Regular	\$97,384,128	\$98,015,320	(\$631,192)
Special	18,117,553	18,174,042	(56,489)
Support Services:			
Pupils	13,229,895	13,269,867	(39,972)
Special Revenue Funds:			
Economic Education	0	12,000	(12,000)
Excellence in Education	0	140,000	(140,000)
Internal Service Fund:			
Insurance Reserve	23,700,000	24,139,543	(439,543)

Akron City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001
(continued)

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING (Continued)

While the School District is reporting financial position, results of operations, and changes in fund balances/retained earnings 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 Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual - All Governmental Fund Types and Expendable Trust Fund and the Combined Statement of Revenues, Expenses and Changes in Fund Equity - Budget (Non-GAAP Basis) and Actual - All Proprietary Fund Types and Nonexpendable Trust Fund are 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/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosure in the proprietary fund types (GAAP basis).
4. For proprietary funds, the acquisition and construction of capital assets are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).
5. The School District repays short-term note debt from the debt service fund (budget basis) as opposed to the fund that received the proceeds (GAAP basis). Debt service fund resources used to pay both principal and interest have been allocated accordingly.
6. Advances in and out are recorded as receipts and disbursements (budget basis) as opposed to being included in interfund receivables/payables (GAAP basis).

Akron City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001
(continued)

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING (Continued)

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

Excess of Revenues and Other Financing Sources
Over (Under) Expenditures and Other Financing Uses
All Governmental Fund Types and Expendable Trust Fund

	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust
GAAP Basis	(\$7,447,853)	(\$1,584,448)	\$735	\$533,479	(\$25,362)
Net Adjustment for Revenue Accruals	(1,050,055)	3,239,914	0	1,547,637	(5,923)
Tax Revenue for Debt Repayment	(3,109,677)	0	3,109,677	0	0
Advance In	10,742,519	1,527,967	0	3,317,235	0
Net Adjustments for Expenditure Accruals	2,596,943	740,152	0	(92,897)	(10,499)
Cash Adjustment	570,710	135,756	0	4,099	0
Debt Service:					
Principal	0	0	(2,710,893)	0	0
Interest	398,784	0	(398,784)	0	0
Advance Out	(4,845,372)	(4,295,047)	0	(6,447,472)	0
Adjustment for Encumbrances	(836,515)	(1,480,880)	0	(3,046,839)	(2,000)
Budget Basis	<u>(\$2,980,516)</u>	<u>(\$1,716,586)</u>	<u>\$735</u>	<u>(\$4,184,758)</u>	<u>(\$43,784)</u>

Net Income (Loss)/Excess of Revenues Over (Under) Expenses
All Proprietary Fund Types and Nonexpendable Trust Fund

	Enterprise	Internal Service	Nonexpendable Trust
GAAP Basis	\$352,042	(\$3,423,068)	\$4,503
Net Adjustment for Revenue Accruals	125,675	0	(171)
Advance In	170	0	0
Net Adjustment for Expense Accruals	(693,342)	1,297,666	31
Cash Adjustment	17,442	0	0
Capital Outlay	(141,207)	0	0
Depreciation Expense	108,809	0	0
Adjustment for Encumbrances	(96,300)	0	(2,000)
Budget Basis	<u>(\$326,711)</u>	<u>(\$2,125,402)</u>	<u>\$2,363</u>

Akron City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001
(continued)

NOTE 6 - DEPOSITS AND INVESTMENTS

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

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

Inactive deposits are public deposits that the Board of Education has identified as not required for use within the current two-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 pass book accounts.

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and that the term of the agreement must not exceed 30 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 (STAROhio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed 180 days in an amount not to exceed 25 percent of the interim moneys available for investment at any one time; and,

Akron City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001
(continued)

NOTE 6 - DEPOSITS AND INVESTMENTS (Continued)

8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

The following information classifies deposits and investments by categories of custodial credit risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements."

Deposits At fiscal year end, the carrying amount of the School District's deposits was (\$2,446,991) and the bank balance was \$2,884,016. Of the bank balance:

1. \$267,574 of the bank balance was covered by federal depository insurance.
2. \$2,616,442 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging institution in the School District's name and all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

Investments GASB Statement No. 3 requires investments to be categorized to give an indication of the level of custodial credit risk assumed by the School District at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's, trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name.

	Category 3	Carrying Value	Fair Value
Repurchase Agreement	\$41,560,000	\$41,560,000	\$41,560,000

The classification of cash and cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting."

A reconciliation between the classifications of cash and investments on the combined financial statements and the classification per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement No. 9	\$39,113,009	\$0
Investments of the Cash Management Pool:		
Repurchase Agreement	(41,560,000)	41,560,000
GASB Statement No. 3	(\$2,446,991)	\$41,560,000

Akron City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001
 (continued)

NOTE 7 - PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property located in the School District. Property tax revenue received during calendar 2001 for real and public utility property taxes represents collections of calendar 2000 taxes. Property tax payments received during calendar 2001 for tangible personal property (other than public utility property) is for calendar 2001 taxes.

2001 real property taxes are levied after April 1, 2001, on assessed value as of January 1, 2001, the lien date. Assessed values are established by State law at 35 percent of appraised market value.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2001 public utility property taxes became a lien December 31, 2000, are levied after April 1, 2001 and are collected in 2002 with real property taxes.

2001 tangible personal property taxes are levied after April 1, 2000, on the value as of December 31, 2000. Collections are made in 2001. Tangible personal property assessments are 25 percent of true value.

The assessed values upon which fiscal year 2001 taxes were collected are:

	First Half Collections		Second Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and other Real Estate	\$2,134,842,870	80.81 %	\$2,143,942,600	81.40 %
Public Utility	160,689,830	6.08	146,906,520	5.60
Tangible Personal Property	<u>346,170,751</u>	<u>13.11</u>	<u>343,655,565</u>	<u>13.00</u>
Total Assessed Value	<u>\$2,641,703,451</u>	<u>100.00 %</u>	<u>\$2,634,504,685</u>	<u>100.00 %</u>
Tax rate per \$1,000 of assessed valuation	\$54.86		\$54.86	

Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The Summit County Treasurer collects property taxes on behalf of all taxing districts in the County, including Akron City School District. The County Auditor 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, 2001, are available to finance fiscal year 2001 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Akron City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001
(continued)

NOTE 7 - PROPERTY TAXES (Continued)

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes, which became measurable as of June 30, 2001 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 were levied to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not levied to finance current year operations. The amount available as an advance is recognized as revenue. The amount available as an advance at June 30, 2001, was \$3,275,557 in the general fund and \$187,287 in the permanent improvement capital projects fund.

NOTE 8 - RECEIVABLES

Receivables at June 30, 2001, consisted of property taxes, accrued interest, accounts (rent, billings for user charged services, and student fees), interfund, and intergovernmental grants. All receivables are considered collectible in full.

A summary of the principal items of intergovernmental receivables follows:

<u>Intergovernmental Receivables</u>	<u>Amounts</u>
General Fund	
Tuition Reimbursements	\$346,555
ROTC Reimbursement	21,617
Special Education	66,125
Miscellaneous	2,053
Total General Fund	<u>436,350</u>
Special Revenue Funds	
Head Start	378,349
Miscellaneous State Grants	69,326
JTPA	86,973
Total Special Revenue Funds	<u>534,648</u>
Capital Project Fund	
Ohio School Facilities Commission	<u>6,343,279</u>
Enterprise Fund	
Child Nutrition	789,920
Summit County Auditor	12,626
Tuition & Fees	2,571
Total Enterprise Funds	<u>805,117</u>
 Total	 <u><u>\$8,119,394</u></u>

NOTE 9 - FIXED ASSETS

A summary of the enterprise funds' fixed assets at June 30, 2001, follows:

	Balance at
	<u>6/30/01</u>
Furniture and Equipment	\$2,860,538
Less Accumulated Depreciation	<u>(1,625,700)</u>
 Net Fixed Assets	 <u><u>\$1,234,838</u></u>

Akron City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001
(continued)

NOTE 9 - FIXED ASSETS (Continued)

A summary of the changes in general fixed assets during fiscal year 2001 follows:

<u>Asset Category</u>	<u>Restated Balance at July 1, 2000</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2001</u>
Land	\$5,263,636	\$0	\$0	\$5,263,636
Buildings	91,143,943	0	0	91,143,943
Equipment	44,666,505	2,018,451	(1,383,827)	45,301,129
Vehicles	5,682,068	597,690	(606,445)	5,673,313
Totals	<u>\$146,756,152</u>	<u>\$2,616,141</u>	<u>(\$1,990,272)</u>	<u>\$147,382,021</u>

NOTE 10 - RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2001, the School District contracted with Nationwide Insurance for property and fleet insurance, liability insurance, and inland marine coverage. Coverages provided by Nationwide Insurance are as follows:

Building and Contents-replacement cost (\$100,000 deductible)	\$523,201,658
Boiler and Machinery (\$2,500 deductible)	No limit
Automobile Liability (no deductible)	1,000,000
General Liability	
Per occurrence	1,000,000
Total per year	3,000,000

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

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

Medical/surgical insurance is offered to employees through a self-insurance internal service fund. The School District has a third party administrator, Blue Cross Blue Shield Mutual Health, for the self-insurance activity. The claims liability of \$3,314,337 reported in the internal service fund at June 30, 2001 is based on an estimate provided by the third party administrator and the requirements of GASB Statement No. 10 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 unallocated claim adjustment expenses. Changes in claims activity for the past three fiscal years are as follows:

	<u>Balance at Beginning of Fiscal Year</u>	<u>Current Year Claims</u>	<u>Claims Payments</u>	<u>Balance at End of Fiscal Year</u>
1999	\$1,735,000	\$17,458,865	\$17,463,865	\$1,730,000
2000	1,730,000	20,296,619	20,009,948	2,016,671
2001	2,016,671	23,868,139	22,570,473	3,314,337

Akron City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001
(continued)

NOTE 11 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State Statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2001, 4.2 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2000, 5.5 percent was used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$1,374,764, \$1,722,855, and \$2,247,842, respectively; 46.5 percent has been contributed for fiscal year 2001 and 100 percent for the fiscal years 2000 and 1999. \$735,229 representing the unpaid contribution for fiscal year 2001, is recorded as a liability within the respective funds and the general long-term obligations account group.

B. State Teachers Retirement System

The School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system. STRS provides retirement and disability benefits, annual cost of living adjustments, and death and survivor benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information for STRS. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

For fiscal year ended June 30, 2001, plan members were required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations. For fiscal year 2000, the portion used to fund pension obligations was also 6.0 percent. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$12,765,401, \$7,533,115, and \$7,137,179, respectively; 82.2 percent has been contributed for fiscal year 2001 and 100 percent for the fiscal years 2000 and 1999. \$2,271,837 represents the unpaid contribution for fiscal year 2001, and is recorded as a liability within the respective funds.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2001, two members of the Board of Education have elected social security. The Board's liability is 6.2 percent of wages paid.

Akron City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001
(continued)

NOTE 12 - POSTEMPLOYMENT BENEFITS

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are on a pay-as-you-go basis.

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2001, the STRS Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the School District this amount equaled \$6,046,769 for fiscal year 2001.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2000, (the latest information available) the balance in the Fund was \$3.419 billion. For the year ended June 30, 2000, net health care costs paid by STRS were \$283,137,000 and STRS had 99,011 eligible benefit recipients.

For SERS, coverage is made available to service retirees with 10 or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than 25 years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2001, employer contributions to fund health care benefits were 9.80 percent of covered payroll, an increase of 1.3 percent from fiscal year 2000. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2001, the minimum pay was established at \$12,400. For the School District, the amount contributed to fund health care benefits, including surcharge, during the 2001 fiscal year equaled \$3,207,782.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the annual health care expenses. Expenses for health care at June 30, 2000 (the latest information available), were \$140,696,340 and the target level was \$211 million. At June 30, 2000, SERS had net assets available for payment of health care benefits of \$252.3 million. SERS has approximately 50,000 participants currently receiving health care benefits.

Akron City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001
(continued)

NOTE 13 - EMPLOYEE BENEFITS

A. *Compensated Absences*

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State Laws. Certified and classified employees working 52 weeks per year earn 10 to 25 days of vacation per year, depending upon length of service. Accumulated, unused vacation time is paid upon termination of employment. Certified and classified staff working less than 50 weeks per year do not earn vacation. Certified and classified 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 380 days for all staff. Upon retirement, payment is made for one-fourth of the total sick leave accumulation. Teachers and administrators 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. *Life Insurance*

The School District provides life insurance and accidental death and dismemberment insurance to most employees through Medical Life Insurance Company.

NOTE 14 - CAPITAL LEASES - LESSEE DISCLOSURE

In prior years, the School District entered into capitalized leases for copiers. The leases meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments are reflected as debt service expenditures in the General Purpose financial statements. These expenditures are reflected as program/function expenditures on a budgetary basis.

General fixed assets consisting of copiers have been capitalized in the general fixed assets account group in the amount of \$2,398,000. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded in the general long-term obligations account group. Principal payments during fiscal year 2001 totaled \$487,076 in the governmental funds.

Future minimum lease payments are as follows:

Fiscal Year Ending June 30	Amount
2002	\$612,746
2003	569,604
2004	569,604
Total	1,751,954
Less: Amount Representing Interest	(172,867)
Present Value of Net Minimum Lease Payments	\$1,579,087

NOTE 15 - NOTES PAYABLE

A summary of the note activity for the year ended June 30, 2001, follows:

	Outstanding 6/30/00	Additions	Deductions	Outstanding 6/30/01
General Fund:				
School Foundation Notes, 7%	\$7,594,995	\$0	\$2,710,893	\$4,884,102

Akron City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001
(continued)

NOTE 15 - NOTES PAYABLE (Continued)

The school foundation notes will be repaid with State Foundation revenue. The notes are backed by the full faith and credit of the School District. The note liability is reflected in the general fund, which received the proceeds. Principal and interest requirements to retire outstanding notes outstanding at June 30, 2001, are as follows:

Fiscal Year Ending June 30	Amount
2002	\$2,802,170
2003	<u>2,557,693</u>
Total	<u>\$5,359,863</u>

NOTE 16 - LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2001 were as follows:

	Outstanding 6/30/2000	Additions	Deductions	Outstanding 6/30/2001
Compensated Absences	\$21,461,241	\$2,675,532	(\$1,981,218)	\$22,155,555
Pension Obligation	2,810,326	1,875,313	(2,810,326)	1,875,313
Capital Leases	2,066,163	0	(487,076)	1,579,087
Asbestos Loan 1988 0%	<u>58,972</u>	<u>0</u>	<u>(7,863)</u>	<u>51,109</u>
Total GLT Obligations Account Group:	<u>\$26,396,702</u>	<u>\$4,550,845</u>	<u>(\$5,286,483)</u>	<u>\$25,661,064</u>

Asbestos Loan - On March 1, 1988, the School District obtained a loan in the amount of \$141,533 for the purpose of providing asbestos removal for the School District. The loan was issued for a 20 fiscal year period with final maturity during fiscal year 2008. The loan is being retired from the debt service fund.

Principal requirements to retire the asbestos loan outstanding at June 30, 2001, is as follows:

Fiscal Year Ending June 30	Principal
2002	\$7,863
2003	7,863
2004	7,863
2005	7,863
2006	7,863
2007 – 2008	<u>11,794</u>
Total	<u>\$51,109</u>

Capital leases will be paid from the general fund. Compensated absences will be paid from the fund from which the employees' salaries are paid. The intergovernmental payable represents contractually required pension contributions paid outside the available period and will be paid from the fund from which the pension is paid.

The School District's overall legal debt margin was \$237,105,422 with an unvoted debt margin of \$2,634,505 at June 30, 2001.

Akron City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001
(continued)

NOTE 17 - INTERFUND ACTIVITY

Interfund Balances at June 30, 2001, consist of the following individual fund receivables and payables:

<u>Fund Type/Fund</u>	<u>Receivables</u>	<u>Payables</u>
General Fund	\$4,845,372	\$0
Special Revenue Funds		
Other Local Grants	0	44,307
Economic Education	0	12,000
Career Developments	0	8,392
State Head Start	0	17,673
Public School Preschool	0	1,132
Miscellaneous State Grants	0	88,471
Adult Basic Education	0	33,343
Job Training Partnership Act	0	86,973
Title VI-B	0	52,820
Vocational Education	0	79,783
Head Start	0	497,472
Title I	0	448,375
Drug Free Schools	0	489
Handicapped Preschool	0	2,968
C I P	0	2,346
Other Federal	0	151,423
Total Special Revenue Funds	<u>0</u>	<u>1,527,967</u>
Capital Project Funds:		
Ohio School Facilities Commission	<u>0</u>	<u>3,317,235</u>
Enterprise Funds:		
Food Service	<u>0</u>	<u>170</u>
All Funds	<u>\$4,845,372</u>	<u>\$4,845,372</u>

NOTE 18- JOINTLY GOVERNED ORGANIZATION

The Ohio Schools Council (Council) is a jointly governed organization among 83 school districts. The jointly governed organization was formed to purchase quality products and services at the lowest possible cost to member districts. Each district supports the Council by paying an annual participation fee. The Council's Board consists of seven 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. In fiscal year 2001, the School District paid \$500 to the Council. Financial information can be obtained by contacting Albert G. Vasek, the Executive Secretary of the Ohio Schools Council at 6133 Rockside Road, Suite 10, Independence, Ohio 44131.

The School District also participates in the Council's prepaid natural gas program, which was implemented during fiscal year 1999. This program allows school districts to purchase natural gas at reduced rates, if the school districts will commit to participating for a 12 year period. The participants make monthly payments based on estimated usage. Each month these estimated payments are compared to their actual usage and any necessary adjustments are made.

The City of Hamilton, a municipal corporation a political subdivision duly organized and existing under the laws of the State of Ohio, issued \$89,450,000 in debt to purchase 12 years of natural gas from CMS Energy Corporation for the participants. The participating school districts are not obligated in any manner for this debt. If a participating school district terminates its agreement, the district is entitled to recover its contributions if any, to the operating fund which are not encumbered for its share of program administrative costs.

Akron City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001
(continued)

NOTE 19- SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The School District maintains three enterprise funds to account for the operations of food service, adult vocational education and uniform school supplies. The table below reflects in a summarized format the more significant financial data relating to the enterprise funds of the School District as of and for the fiscal year ended June 30, 2001.

	<u>Food Service</u>	<u>Uniform School Supplies</u>	<u>Adult Vocational Education</u>	<u>Total Enterprise Funds</u>
Operating Revenues	\$2,682,971	\$19,831	\$665,878	\$3,368,680
Depreciation Expense	77,726	0	31,083	108,809
Operating Income (Loss)	(6,177,217)	2,395	(1,032,665)	(7,207,487)
Donated Commodities	560,631	0	0	560,631
Operating Grants	5,928,628	0	771,952	6,700,580
Net Income (Loss)	610,360	2,395	(260,713)	352,042
Fixed Assets Additions	138,732	0	2,475	141,207
Fixed Assets Deletions	4,714	0	0	4,714
Long-Term Compensated Absences	213,598	0	116,267	329,865
Net Working Capital	6,078,268	13,479	320,533	6,412,280
Total Assets	7,724,891	16,823	380,021	8,121,735
Total Equity	7,082,772	13,479	221,002	7,317,253
Encumbrances Outstanding at June 30, 2001	73,377	4,613	18,310	96,300

NOTE 20 - CONTINGENCIES

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2001.

B. 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 and lawsuits will not have a material adverse effect on the overall financial position of the School District at June 30, 2001.

Akron City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001
(continued)

NOTE 21 - SET ASIDE CALCULATIONS AND FUND RESERVES

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

The following cash basis information describes the change in the year-end set-aside amounts for textbooks, capital acquisition, and budget stabilization. Disclosure of this information is required by State statute.

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>
Set-aside Reserve Balance as of June 30, 2000	(\$814,971)	\$0	\$3,367,186
Current Year Set-aside Requirement	4,517,360	4,517,360	0
Reduction Authorized by Legislative Restrictions	0	0	(1,462,189)
Qualifying Disbursements	<u>(6,655,170)</u>	<u>(4,894,432)</u>	<u>0</u>
Totals	<u>(\$2,952,781)</u>	<u>(\$377,072)</u>	<u>\$1,904,997</u>
Set-aside Balance Carried Forward to Future Fiscal Years	<u>(\$2,952,781)</u>	<u>\$0</u>	<u>\$1,904,997</u>
Restricted Cash Balance as of June 30, 2001	<u>\$0</u>	<u>\$0</u>	<u>\$1,904,997</u>

The School District has qualifying disbursements during the fiscal year that reduced the textbook set-aside amount below zero. This extra amount may be used to reduce the set-aside requirement of future years. Although the School District had qualifying disbursements during the fiscal year that reduced the set-aside amount to below zero for the capital acquisition set-aside, this amount may not be used to reduce the set-aside requirements of future years. This negative balance is therefore not presented as being carried forward to future years. The total balance sheet reserve balance for the three set-asides at the end of the fiscal year was \$1,904,997.

Akron City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001
(continued)

NOTE 22 – STATE SCHOOL FUNDING DECISION

On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision identified aspects of the current plan that require modification if the plan is to be considered constitutional, including:

- A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a time line for distribution is not specified.
- Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its order.

In general, it is expected that the decision would result in an increase in State funding for most Ohio school districts. However, as of October 3, 2001, the Ohio General Assembly is still analyzing the impact this Supreme Court decision will have on funding for individual school districts. Further, the State of Ohio, in a motion filed September 17, 2001 asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001.

On November 2, 2001, the Court granted this motion for reconsideration. The Court may re-examine and redetermine any issue upon such reconsideration.

As of the date of these financial statements, the School District is unable to determine what effect, if any, this decision and the reconsideration will have on its future State funding and on its financial operations.

NOTE 23 – SUBSEQUENT EVENT

On November 6, 2001, the citizens of Akron passed an 8.9 mill operating levy which will generate an additional \$23,447,114 per year to be used for the general operating expenses of the District. Collections of the additional property tax will begin in January 2002.

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**AKRON CITY SCHOOL DISTRICT
SUMMIT COUNTY**

**SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2001**

FEDERAL GRANTOR/ Pass-Through Grantor/ Program Title	FEDERAL CFDA NUMBER	PASS-THROUGH GRANTOR'S NUMBER	RECEIPTS	NON-CASH RECEIPTS	DISBURSEMENTS	NON-CASH DISBURSEMENTS
U.S. DEPARTMENT OF EDUCATION						
<i>(Direct)</i>						
Impact Aid - Maintenance/Operations	84.041	45-OH-96-1807	\$ 15,477		\$ 15,477	
PELL - Administrative Allowance	93.021	N/A	250		250	
Federal Pell Grant Program	84.063	N/A EP063P54977 N/A N/A	87,593 88,570 17,674 154,879		87,593 88,570 17,674 154,879	
Total Federal Pell Grant Program			348,716		348,716	
National Science Foundation	47.076	5300009936 HRD-9702012	618,142 0		398,709 240	
Total National Science Foundation			618,142		398,949	
Total Direct			982,585		763,392	
U.S. DEPARTMENT OF EDUCATION						
<i>(Passed-through State Department of Education)</i>						
Adult Education - Basic Grant Program	84.002	043489-AB-S1-00C 043489-AB-S1-01 043489-AB-S1-00	7,020 263,892 74,226		7,020 297,235 41,936	
Total Adult Education-Basic Grant			345,138		346,191	
Eisenhower Professional Development State Grants	84.281	043489-MS-S1-01 043489-MS-S1-00 043489-MS-S1-99C 043489-MS-S1-98C	66,391 0 6,870 0		4,565 259,629 162,977 14	
Total Eisenhower Professional Development State Grants			73,261		427,185	
Special Education Cluster: Special Education Grants to States	84.027	043489-6B-SL-01P 043489-6B-SF-01P 043489-6B-SF-00P 043489-6B-SX-00P 043489-6B-SF-99P	7,500 2,043,245 488,257 0 258,640		3,656 1,722,136 219,190 4,721 1,804	
Total Special Education Grants to States			2,797,642		1,951,507	

(Continued)

**AKRON CITY SCHOOL DISTRICT
SUMMIT COUNTY**

**SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2001**

FEDERAL GRANTOR/ Pass-Through Grantor/ Program Title	FEDERAL CFDA NUMBER	PASS-THROUGH GRANTOR'S NUMBER	RECEIPTS	NON-CASH RECEIPTS	DISBURSEMENTS	NON-CASH DISBURSEMENTS
Special Education Preschool Grants	84.173	043489-PG-SC-00P 043489-PG-S1-01P 043489-PG-S1-00P 043489-PG-S1-99P	7,157 133,635 54,652 27,445		7,157 136,603 42,468 3,866	
Total Special Education Preschool Grants			<u>222,889</u>		<u>190,094</u>	
Total Special Education Cluster			3,020,531		2,141,601	
Vocational Education-Basic Grants to State	84.048	CPIII-A01-095 CPIII-S01-095 CPIIL-S00-095 CPIII-A00 043489-CPII-S99	89,370 686,403 126,926 13,757 (2,697)		99,750 755,805 175,045 7,470 1,652	
Total Vocational Education-Basic Grants to State			913,759		1,039,722	
Vocational Education - Consumer and Homemaking	84.049	AWEFSC-2001-01 AWEFSC-00-01 VESP-00-CG-043489	20,000 3,000 1,500		20,000 0 0	
Total Vocational Education - Consumer and Homemaking			24,500		20,000	
Fund for the Improvement of Education	84.215	043489-CJ-S1-00	0		4,094	
Ohio Partners in Education	84.215V	PBS-1	0		38,402	
Technology Literacy Challenge Fund Grants	84.318	TF-15 1999P TF32,33,34 1999P	0 0		24,100 45,521	
Total Technology Literacy Challenge Funds			0		69,621	
Title I Grants to Local Educational Agencies	84.010	043489-C1-S1-00C 043489-C1-S1-01 N/A 043489-C1-S1-00 N/A 043489-C1-S1-99C 043489-CX-S1-98	29,365 8,982,758 26,497 2,793,373 15,045 0 0		468,251 8,992,841 0 286,499 0 151,133 15,379	
Total Title I Grants to Local Educational Agencies			11,847,038		9,914,103	
Education for Homeless Children and Youth	84.196	043489-HC-S1-00 043489-C1-SS-00P 043489-HC-S1-01 043489-C1-SS-01P	20,299 25,000 48,909 0		11,496 25,000 53,639 594	
Total Homeless Child Education			94,208		90,729	

(Continued)

**AKRON CITY SCHOOL DISTRICT
SUMMIT COUNTY**

**SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2001**

FEDERAL GRANTOR/ Pass-Through Grantor/ Program Title	FEDERAL CFDA NUMBER	PASS-THROUGH GRANTOR'S NUMBER	RECEIPTS	NON-CASH RECEIPTS	DISBURSEMENTS	NON-CASH DISBURSEMENTS
Capital Expenses	84.216	043489-CX-S1-00 043489-CX-S1-99 043489-CX-S1-98	7,000 0 0		11,162 19,609 15,379	
Total Capital Expenses			7,000		46,150	
School Improvement - Mason Title I	84.348A	043489-AK-S1-01	47,089		0	
Innovative Educational Program Strategies	84.298	043489-C2-S1-01 043489-C2-S1-00	167,429 223,235		163,812 26,991	
Class Size Reduction	84.340	043489-CR-S1-00 043489-CR-S1-01 043489-C2-S1-99C	366,978 1,495,829 163,236		185,423 1,252,387 65,622	
Total Alliance and Technology Innovation Grant			2,416,707		1,694,235	
Immigrant Education	84.162	N/A N/A	5,702 9,950		5,702 5,646	
Total Immigrant Education			15,652		11,348	
Refugee Children	N/A	N/A	11,340		0	
Project OASIS	16.541	N/A	8,410		0	
Safe and Drug-Free Schools and Communities State Grants	84.186	043489-DR-S1-01 043489-DR-S1-00 043489-DR-S1-99C	222,520 159,689 0		223,009 135,855 25,454	
Total Safe and Drug-Free Schools			382,209		384,318	
Goals 2000 State and Local Educational Systemic Improvement Programs National Science Institute/Kenmore National Science Institute/Ellet	84.276	043489-G2-S2-99 043489-G2-S2-99	44,161 60,000		27,254 15,108	
Total National Science Institute			104,161		42,362	
King School & Family Partnership Partnership 2000/Parent Involvement Litchfield Partnership Initiative		043489-G2-S4-00 043489-G2-S4-00 043489-G2-S4-00	0 0 0		344 2 161	
Total GOALS 2000 Parent Involvement			0		507	
Goals 2000 Ohio Consortium for Conceptual Learning		043489-G2-ST-99	0		(356)	
Performance Incentive Grant		043489-G2-S1-00 043489-G2-S1-01	0 41,956		69,124 44,247	
Total Performance Incentive			41,956		113,371	

(Continued)

**AKRON CITY SCHOOL DISTRICT
SUMMIT COUNTY**

**SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2001**

FEDERAL GRANTOR/ Pass-Through Grantor/ Program Title	FEDERAL CFDA NUMBER	PASS-THROUGH GRANTOR'S NUMBER	RECEIPTS	NON-CASH RECEIPTS	DISBURSEMENTS	NON-CASH DISBURSEMENTS
Continuous Improvement Implement		043489-G2-S2-01P 043489-G2-S2-01	90,000 52,100		77,530 0	
Total Continuous Improvement			142,100		77,530	
East High Schools That Work		043489-G2-S6-00P	38,000		29,486	
East High Schools That Work/Year 2		043489-G2-S6-01P	13,370		4,293	
Garfield High Schools That Work		STW2001FED-01	0		55	
Total High Schools That Work			51,370		33,834	
Total GOALS 2000 State and Local Educational Systemic Improvement Programs			339,587		267,248	
Total U.S. Department of Education			20,529,014		17,258,339	
U.S. DEPARTMENT OF LABOR <i>(Passed through City of Akron)</i>						
Work Force Investment Act	17.255	2001-187	0		41,167	
Job Training Partnership Act	17.250	N/A N/A	0 478,067		45,806 449,430	
Total Job Training Partnership Act			478,067		536,403	
Total U.S. Department of Labor			478,067		536,403	
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT <i>(Passed through City of Akron)</i>						
Empowerment Zones Program	14.244	N/A	158,656		27,841	
<i>(Passed through the University of Akron)</i>						
Vocational Education Basic Grants to States	84.048 84.048	N/A N/A	0 0		388 985	
Total Vocational Education Basic Grants to States			0		1,373	
Total U.S. Department of Housing and Urban Development			158,656		29,214	
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES <i>(Passed through the Ohio Department of Mental Retardation & Developmental Disabilities)</i>						
Medicaid Allowance - FY 00	93.778	N/A	458,642		458,642	
Medicaid Allowance - FY 01		N/A	912,508		912,508	
Total Medicaid Allowance			1,371,150		1,371,150	
<i>(Passed through Akron Summit Community Action Agency)</i>						
Head Start	93.600	PA-22-00-01 PA-22-00-01 PA-22-99-00 PA-22-99-00	825,936 2,307 1,114,066 7,470		1,279,096 3,286 634,320 3,708	
Total Head Start			1,949,779		1,920,410	

(Continued)

**AKRON CITY SCHOOL DISTRICT
SUMMIT COUNTY**

**SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2001**

FEDERAL GRANTOR/ Pass-Through Grantor/ Program Title	FEDERAL CFDA NUMBER	PASS-THROUGH GRANTOR'S NUMBER	RECEIPTS	NON-CASH RECEIPTS	DISBURSEMENTS	NON-CASH DISBURSEMENTS
<i>(Passed through the County of Summit)</i>						
Technology Innovation Challenge Grant	84.303	N/A N/A	97,744 <u>29,720</u>		97,744 <u>40,934</u>	
Total Technology Innovation Challenge Grant			<u>127,464</u>		<u>138,678</u>	
Adult Basic JOBS	94.001	N/A	0		9,972	
JOBS/Summit County		N/A	394,265		394,265	
Adult Basic Ohio Work First		N/A	<u>1,759</u>		<u>0</u>	
Total Adult Basic Ohio Work First			<u>396,024</u>		<u>404,237</u>	
School Readiness	93.558	N/A N/A N/A	28,281 38,000 <u>0</u>		(5,120) 89,464 <u>7,027</u>	
Total School Readiness			<u>66,281</u>		<u>91,371</u>	
Total U.S. Department of Health and Human Services			3,910,698		3,925,846	
U.S. DEPARTMENT OF AGRICULTURE						
<i>(Passed through the State Department of Education)</i>						
Child Nutrition Cluster:						
Food Distribution	10.550	N/A		560,631		544,000
School Breakfast Program	10.553	N/A	986,435		986,435	
National School Lunch Program	10.555	N/A	<u>4,519,328</u>		<u>4,519,328</u>	
Total Child Nutrition Cluster			<u>5,505,763</u>	<u>560,631</u>	<u>5,505,763</u>	<u>544,000</u>
Total U.S. Department of Agriculture			<u>5,505,763</u>	<u>560,631</u>	<u>5,505,763</u>	<u>544,000</u>
U.S. DEPARTMENT OF DEFENSE						
<i>(Direct)</i>						
Air Force R.O.T.C. Grant	12.XXX		39,460		39,460	
Army R.O.T.C. Grant	12.XXX		54,309		54,309	
Marines R.O.T.C. Grant	12.XXX		18,776		18,776	
Navy R.O.T.C. Grant	12.XXX		<u>45,582</u>		<u>45,582</u>	
Total U.S. Department of Defense			<u>158,127</u>		<u>158,127</u>	
TOTALS			<u>\$ 30,740,325</u>	<u>\$ 560,631</u>	<u>\$ 27,413,692</u>	<u>\$ 544,000</u>

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

**AKRON CITY SCHOOL DISTRICT
SUMMIT COUNTY**

**NOTES TO SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2001**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The Schedule of Receipts and Expenditures of Federal Awards (the Schedule) is a summary of the activity of the District's federal award programs. Except for the Job Training Partnership Grant CFDA No. 17.250, which is accounted for on the accrual basis, the Schedule has been prepared on the cash basis of accounting.

NOTE B - FOOD DISTRIBUTION

Nonmonetary assistance is reported in the Schedule at the fair market value of the commodities received and disbursed. Monies are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2001, the District had \$16,631 of food commodities in inventory.

NOTE C - EPA ASBESTOS LOAN

On March 1, 1988, the District obtained a loan from the Environmental Protection Agency in the amount of \$141,533 for the purpose of providing asbestos removal in District buildings. The loan will be completely repaid during fiscal year 2008. The loan has no continuing compliance requirements and is not reflected on the Schedule of Receipts and Expenditures of Federal Awards.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

111 Second Street, NW
Fourth Floor
Canton, Ohio 44702
Telephone 330-438-0617
800-443-9272
Facsimile 330-471-0001
www.auditor.state.oh.us

**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON
INTERNAL CONTROL REQUIRED BY GOVERNMENTAL AUDITING STANDARDS**

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

To the Board of Education:

We have audited the financial statements of Akron City School District, (the District) as of and for the year ended June 30, 2001, and have issued our report thereon dated November 19, 2001, which indicated the District adopted Governmental Accounting Standards No. 33. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

However, we noted immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated November 19, 2001.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying Schedule of Findings as item 2001-10977-001.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is a material weakness.

We also noted immaterial matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated November 19, 2001.

This report is intended for the information and use of management, Board of Education, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

November 19, 2001



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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO MAJOR FEDERAL PROGRAMS AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

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

To the Board of Education:

Compliance

We have audited the compliance of Akron City School District (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2001. The District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Districts, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2001. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements that is required to be reported in accordance with OMB Circular A-133 which is described in the accompanying Schedule of Finding as item 2001-10977-002.

We also noted certain instances of noncompliance that do not require inclusion in this report that we have reported to the management of the District in a separate letter dated November 19, 2001.

Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted a certain matter involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the District's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. The reportable condition is described in the accompanying Schedule of Findings as item 2001-10977-002.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is not a material weakness.

This report is intended for the information and use of management, Board of Education, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

November 19, 2001

**AKRON CITY SCHOOL DISTRICT
SUMMIT COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2001**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	Yes
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported non-compliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	Yes
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	Yes
(d)(1)(vii)	Major Programs (list):	Pell Grant CFDA 84.063; Special Education Cluster CFDA 84.027 and 84.173; Vocational Education CFDA 84.048; Head Start CFDA 93.600; Class Size Reduction CFDA 84.298 and 84.340; Child Nutrition Cluster CFDA 10.550, 10.553 and 10.555; and Medicaid CFDA 93.778
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$855,398 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

FINDING NUMBER 2001-10977-001

Material Weakness

In its Student Activity Handbook, the District has established certain control procedures over extracurricular activities such as the completion of Budget and Purpose Statements on or before November 15th; the completion and approval of Fund Raiser Request Forms prior to any sales or purchases for a fund raiser; the completion of a Profit and Loss Statement to summarize the profit or loss of the fund raiser; and the deposit of all monies collected with the School Treasurer within 24 hours of collection. These control procedures are distributed to all buildings. They are further stressed through internal audits conducted randomly throughout the fiscal year; however, the following discrepancies were noted during our control testing:

1. Budget and Purpose Statements were not completed prior to the November 15th deadline. In addition, Fund Raiser Request Forms and Profit and Loss Statements were not prepared by the Perkins Middle School Basketball and Soccer Coach for fund raisers held.
2. Monies collected for fund raisers were not always deposited with the Treasurer within 24 hours. For example, the advisor of the Perkins Middle School boy's basketball and soccer uniform fund raiser did not turn the collections received from the fund raiser over to the Treasurer for deposit. Instead, uniforms were purchased directly from the proceeds and no net amount was deposited with the District. In addition, 2 out of 11 receipts tested for the Firestone High School beverage proceeds were not deposited within 24 hours after receipt, and certain receipts from the Kenmore High School prom ticket sales were held for up to 4 days.

Not completing these forms or depositing monies with the School Treasurer could result in revenue being uncollected or diverted for unauthorized purposes without detection by management.

The District should ensure that all student activity advisors complete and file the required forms for each fund raising project. The completion of the required forms and timely deposit of activity proceeds will help ensure accountability over student activity project sale items and revenues.

3. FINDINGS FOR FEDERAL AWARDS

FINDING NUMBER 2001-10977-002

Noncompliance Citation

45 C.F.R. Section 1305.4 requires, in part, that the following criteria must be addressed to be eligible for Head Start services:

- a. The family income must be verified by the Head Start program before determining that a child is eligible to participate in the program.
- b. Verification must include examination of any of the following: Individual Income Tax Form 1040, W-2 forms, pay stubs, pay envelopes, written statements from employers, or documentation showing current status as recipients of public assistance.
- c. A signed statement by an employee of the Head Start program, identifying which of these documents was examined and stating that the child is eligible to participate in the program, must be maintained to indicate that income verification has been made.

FINDING NUMBER 2001-10977-002 (Continued)

- d. At least 90 percent of the children who are enrolled in each Head Start program must be from low-income families. Up to 10% of the children who are enrolled may be children from families that exceed the low-income guidelines but who meet criteria the program has established for selecting such children and who would benefit from Head Start services.

During our review of eligibility for Head Start participants, we noted the following regarding items tested:

- a. 15 of 60 applications were not signed by a Head Start employee.
- b. 19 of 60 participant folders did not include verification of income.
- c. Three of 60 participant folders reflected income verification which did not correspond to the income stated on the application. These folders did not include documentation indicating the type of follow-up procedures performed by District employees to determine eligibility based on the updated income information.
- d. Four of 60 participant folders reflected income verification which indicated that the participant's parent(s) earned more income per year than would be allowed to be eligible for the Head Start program.
- e. Eight of 60 participants qualified under the 10% eligibility rule in part because their families earned more income than the eligibility guidelines. However, this family income was not verified even though it exceeded such limits.

These exceptions are indicative of the fact that documents required to determine prospective eligibility for the Head Start program were not always in evidence or did not support management's final assessment.

To provide reasonable assurance that only eligible individuals receive assistance under Federal award programs, that amounts provided to or on behalf of eligibles are calculated in accordance with program requirements and to improve controls over the decision making process regarding eligibility determinations, we recommend the following:

- a. Head Start officials should review the current eligibility process. This review should encompass methods to ensure that all required documents are obtained and processed consistently so that each file contains standard information.
- b. Management should institute a process where files can be periodically spot checked for quality assurance. Implementing such a process, will help ensure that federal funds are used only for students eligible for the program under federal guidelines.

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**AKRON CITY SCHOOL DISTRICT
SUMMIT COUNTY**

**CORRECTIVE ACTION PLAN
OMB CIRCULAR A -133 § .315 (c)
JUNE 30, 2001**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2001-10977-001	The District will strengthen and enforce Student Activity Policies and Procedures.	December 31, 2001	Dr. Sylvester Small, Superintendent
2001-10977-002	The District will strengthen current internal control procedures to ensure compliance as required.	December 31, 2001	Elaine Marcus, Coordinator Head Start

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**AKRON CITY SCHOOL DISTRICT
SUMMIT COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 2001**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No <u>Longer</u> Valid; <i>Explain:</i>
2000-10977-001	Failure to certify the availability of funds prior to commitment.	No	Partially corrected. Noncompliance is not as significant as prior audit.
2000-10977-002	No subdivision or taxing unit is to expend money unless it has been appropriated.	No	Partially Corrected. Noncompliance is not as significant as prior audit.
2000-10977-003	The District had not billed Ohio School Facilities for reimbursement due for facilities renovation.	Yes	Corrected. The District has billed for monies due from Ohio School Facilities Commission.
2000-10977-004	Student Activity Advisors were not in compliance with Board Policies and Procedures	No	Student Activity Advisors are not compliant during this audit period.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

AKRON CITY SCHOOL DISTRICT

SUMMIT COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 3, 2002**