



**AKRON CITY SCHOOL DISTRICT  
SUMMIT COUNTY**

**SINGLE AUDIT**

**FOR THE YEAR ENDED JUNE 30, 2003**



**Auditor of State  
Betty Montgomery**



**AKRON CITY SCHOOL DISTRICT  
SUMMIT COUNTY**

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## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Akron City School District, Summit County, Ohio, (the District) as of and for the year ended June 30, 2003, which collectively comprise the District's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Akron City School District, Summit County, Ohio, as of June 30, 2003, and the respective changes in financial position and cash flows, where applicable, and the respective budgetary comparison for the General Fund thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, during the year ended June 30, 2003, the District corrected an error in the estimated useful lives of its buildings, resulting in the restatement of capital and net assets as of June 30, 2002.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 30, 2004, 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.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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



**Betty Montgomery**  
Auditor of State

January 30, 2004

**Akron City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2003*  
*Unaudited*

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The discussion and analysis of the Akron City School District's (the "School District") financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2003. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

**Financial Highlights**

Key financial highlights for the fiscal year ended June 30, 2003 are as follows:

- Total net assets increased \$13.2 million. This is an 18.4 percent increase from fiscal year 2002.
- Total revenues increased to \$320.8 million from \$301.0 million. This is an increase of \$19.8 million or 6.6 percent.
- Total program expenses were \$307.6 million. Total program expenses increased from \$299.3 million from fiscal year 2002. This is an increase of \$8.3 million or 2.8 percent. A \$7.8 million increase in instructional expenses reflects most of this change.
- Outstanding debt decreased to \$35,383 from \$2.1 million in fiscal year 2002.
- The fund balance in the general fund increased \$13.6 million. This is a 74.5 percent increase from fiscal year 2002.

**Using this Annual Report**

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

The Statement of Net Assets and the Statement of Activities provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, the fund financial statements tell how services were financed in the short-term and what remains for future spending. Also, the fund financial statements look at the School District's most significant funds with all other nonmajor funds presented in total in one column. For the School District, the general fund is by far the most significant fund.

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

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

While the basic financial statements contain the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, “How did we do financially during fiscal year 2003?” The Statement of Net Assets and the Statement of Activities answer this question. These two statements include all assets and liabilities using the accrual basis of accounting similar to the basis of accounting used by most companies in the private sector. This basis of accounting takes into account all of the current fiscal year’s revenues and expenses regardless of when cash is received or paid.

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

In the Statement of Net Assets and the Statement of Activities, the activities of the School District’s programs and services are accounted for as governmental activities. Thus, all of the School District’s programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities and food service operations.

*Reporting the School District’s Most Significant Funds – Fund Financial Statements*

The analysis of the School District’s major funds begins on page 9. Fund financial reports provide detailed information about the School District’s major funds. The School District uses many funds to account for a multitude of financial transactions; however, these fund financial statements focus on the School District’s most significant funds. The School District’s only major governmental fund is the general fund.

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

**The School District as a Whole**

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

Table 1 provides a summary of the School District’s net assets for fiscal year 2003 compared to fiscal year 2002 as follows:

**Akron City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2003*  
*Unaudited*

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

	<u>Governmental Activities</u>	
	<u>2003</u>	<u>2002 (Restated)</u>
<b>Assets</b>		
Current and Other Assets	\$166.7	\$163.6
Capital Assets, Net	<u>55.4</u>	<u>57.0</u>
<i>Total Assets</i>	<u>222.1</u>	<u>220.6</u>
<b>Liabilities</b>		
Current and Other Liabilities	110.3	122.5
Long-Term Liabilities		
Due Within One Year	3.1	6.8
Due in More than One Year	<u>23.7</u>	<u>19.5</u>
<i>Total Liabilities</i>	<u>137.1</u>	<u>148.8</u>
<b>Net Assets</b>		
Invested in Capital Assets, Net of Debt	54.4	55.9
Restricted:		
Capital Projects	5.8	8.1
Debt Service	0.1	0.1
Set Asides	0.5	0.5
Other Purposes	7.6	13.1
Unrestricted (Deficit)	<u>16.6</u>	<u>(5.9)</u>
<i>Total Net Assets</i>	<u>\$85.0</u>	<u>\$71.8</u>

Total assets increased \$1.5 million. Cash and cash equivalents and investments increased \$3.7 million with the majority of the increase in the general fund. The increase in cash and cash equivalents and investments in the general fund is attributed to the passage of a new levy in November of 2001. Collections from this levy began in January of 2002. Full collection of this new 8.9 mill levy, yielding \$23.7 million annually, began during fiscal year 2003. Also, intergovernmental receivable increased \$3.1 million. The increase in intergovernmental receivable is due to an increase in the amount of federal grants reported as receivables at June 30, 2003. The increases in cash and cash equivalents and investments and intergovernmental receivable are offset by decreases in taxes receivable of \$3.5 million and capital assets of \$1.6 million. The decrease in taxes receivable is attributed to a loss in the valuation of public utility and tangible personal property. The decrease in capital assets is attributed to depreciation expense exceeding capital asset acquisitions during fiscal year 2003.

**Akron City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2003*  
*Unaudited*

Total liabilities decreased \$11.7 million. The decrease was the result of deferred revenue declining by \$9.1 million and the retirement of the school foundation note during fiscal year 2003 which amounted to \$2.1 million. The portion of taxes receivable not levied to finance current fiscal year operations is offset by deferred revenue; thus, the decrease in deferred revenue is also attributed to a loss in the valuation of public utility and tangible personal property, as previously discussed. In addition, the decrease in deferred revenue is attributed to increases in the amount of property taxes available as an advance at June 30, 2003 and the amount of delinquent real property taxes at June 30, 2003. These are due to a full collection of an 8.9 mill levy during fiscal year 2003 that was passed by the voters in November of 2001, as previously discussed. This levy was partially realized in fiscal year 2002. The amount of property taxes available as an advance at June 30, 2003 and the amount of delinquent real property taxes at June 30, 2003 were levied to finance current fiscal year operations and are reported as revenue at fiscal year end instead of deferred revenue.

The net impact of the assets increase and the liabilities decrease was an increase of net assets of \$13.2 million.

Recall that the Statement of Activities also provides the viewpoint of the School District as a whole.

Table 2 shows the changes in net assets for fiscal years 2003 and 2002 for governmental activities as follows:

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

	<u>2003</u>	<u>2002</u>
<b>Revenues</b>		
<i>Program Revenues:</i>		
Charges for Services and Sales	\$6.9	\$6.3
Operating Grants, Contributions and Interest	61.9	73.8
Capital Grants and Contributions	<u>0.9</u>	<u>2.9</u>
<i>Total Program Revenues</i>	<u>69.7</u>	<u>83.0</u>
<i>General Revenues:</i>		
Property Taxes	109.6	93.7
Grants and Entitlements	136.0	118.2
Investment Earnings	0.8	1.5
Miscellaneous	<u>4.7</u>	<u>4.6</u>
<i>Total General Revenues</i>	<u>251.1</u>	<u>218.0</u>
<b>Total Revenues</b>	<u>320.8</u>	<u>301.0</u>

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

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<b>Program Expenses</b>		
Instruction	180.8	173.0
Support Services:		
Pupil and Instructional Staff	37.3	36.5
Board of Education, Administration, Fiscal and Business	27.1	26.4
Operation and Maintenance of Plant	31.7	33.1
Pupil Transportation	7.0	6.5
Central	6.3	6.9
Operation of Non-Instructional Services	3.7	3.4
Extracurricular Activities	3.6	3.2
Food Service Operations	10.0	9.6
Interest and Fiscal Charges	<u>0.1</u>	<u>0.7</u>
<b>Total Program Expenses</b>	<u>307.6</u>	<u>299.3</u>
 <b>Increase in Net Assets</b>	 <u>\$13.2</u>	 <u>\$1.7</u>

While program revenues declined for governmental activities from \$83.0 million to \$69.7 million, the vast majority of revenues supporting governmental activities are general revenues. General revenues increased from \$218.0 million in fiscal year 2002 to \$251.1 million in fiscal year 2003. General revenues comprised 78.3 percent of revenues supporting governmental activities. The primary sources of the increase were property taxes (\$15.9 million) and grants and entitlements not restricted to specific programs (\$17.8 million). As previously discussed, property taxes increased during fiscal year 2003 because the School District received voter approval for an 8.9 mill levy in November of 2001. This new tax revenue, which was partially received in fiscal year 2002, began to be fully realized in fiscal year 2003. Grants and entitlements not restricted to specific programs increased due to increases in school foundation, parity aid, excess cost supplement and homestead/rollback taxes. Homestead/rollback taxes went up during fiscal year 2003 due to full collection of a new 8.9 mill levy passed by voters in November of 2001, as previously discussed. This levy was partially realized in fiscal year 2002.

The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. The overall revenue generated by the levy will not increase solely as a result of inflation. As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill would pay \$35.00 annually in taxes. If three years later the home was reappraised and increased to \$200,000 (and this inflationary increase in value is comparable to other property owners), the effective tax rate would become 0.5 mills and the owner would still pay \$35.00. Thus, school districts dependent upon property taxes are hampered by a lack of revenue growth and must regularly return to the voters to maintain a constant level of service. Property taxes made up 34.2 percent of total revenues for governmental activities for the Akron City School District in fiscal year 2003.

**Akron City School District**  
*Management's Discussion and Analysis*  
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Program expenses increased from \$299.3 million in fiscal year 2002 to \$307.6 million, a 2.8 percent increase. Much of this increase resulted from a general increase in salaries and benefits. This also accounts for most of the increase in instructional expenses, which had the largest increase in terms of dollars (\$7.8 million) and the largest amount of expenses, comprising 58.8 percent of expenses. When combined with pupil and instructional staff support, these categories make up 70.9 percent of expenses. The largest increase in terms of percentage was in extracurricular activities expenses, which went up 12.5 percent. This increase resulted from a change in contracts, which led to an increase in salaries and benefits paid for extracurricular activities.

While expense increases were consistent with budget expectations, the increases in tax revenues and unrestricted State entitlements resulted in a rise of net assets of \$13.2 million.

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

Table 3  
(In Millions)

	<u>2003</u>		<u>2002</u>	
	<u>Total Cost of Service</u>	<u>Net Cost of Service</u>	<u>Total Cost of Service</u>	<u>Net Cost of Service</u>
<b>Program Expenses</b>				
Instruction	\$180.8	\$142.2	\$173.0	\$123.5
Support Services:				
Pupil and Instructional Staff	37.3	24.9	36.5	23.9
Board of Education, Administration, Fiscal and Business	27.1	25.4	26.4	24.7
Operation and Maintenance of Plant	31.7	29.5	33.1	31.8
Pupil Transportation	7.0	6.6	6.5	4.4
Central	6.3	5.4	6.9	5.1
Operation of Non-Instructional Services	3.7	0.7	3.4	0.2
Extracurricular Activities	3.6	2.5	3.2	2.0
Food Service Operations	10.0	0.6	9.6	0.0
Interest and Fiscal Charges	0.1	0.1	0.7	0.7
<b>Total</b>	<u>\$307.6</u>	<u>\$237.9</u>	<u>\$299.3</u>	<u>\$216.3</u>

The dependence upon general revenues for governmental activities is apparent. Over 77.3 percent of governmental activities are supported through taxes and other general revenues; such revenues are 78.3 percent of total governmental revenues. The community, as a whole, is by far the primary support for the Akron City School District students.

**Akron City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2003*  
*Unaudited*

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**The School District's Funds**

Information about the School District's major fund begins on page 14. This fund is accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$318.0 million and expenditures of \$306.1 million. The net change in fund balances for the fiscal year was an increase of \$11.8 million for all governmental funds with the most significant increase in the general fund. The general fund's net change in fund balance for fiscal year 2003 was an increase of \$13.6 million. This played a significant part in causing the unreserved fund balance in the general fund to increase from \$14.1 million in fiscal year 2002 to \$23.7 million in fiscal year 2003. As previously discussed, the School District received voter approval for an 8.9 mill operating levy in November of 2001. This new tax revenue, which was partially received in fiscal year 2002, was fully realized in fiscal year 2003.

**General Fund Budgeting Highlights**

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

During the course of fiscal year 2003, the School District amended its general fund budget numerous times; however, none of these amendments were significant. The School District uses a modified site-based budgeting system designed to tightly control total site budgets but provide flexibility for site management.

Total actual expenditures on the budget basis (cash outlays plus encumbrances) were \$235.5 million, \$7.3 million below actual revenues. Most of this difference is attributed to, as previously discussed, the passage of a new levy in November of 2001. Collections from this levy began in January of 2002. Full collection of this new 8.9 mill levy, yielding \$23.7 million annually, began during fiscal year 2003.

The School District's ending unobligated cash balance was \$0.1 million above the final budgeted amount.

**Capital Assets and Debt Administration**

*Capital Assets*

Capital assets at the end of fiscal year 2002 have been restated based on a correction of an error (see Note 3 to the basic financial statements). The estimated lives of buildings and improvements were increased from fifty years to seventy years.

At the end of fiscal year 2003, the School District had \$55.4 million invested in land, buildings and equipment. Table 4 shows fiscal year 2003 balances compared to fiscal year 2002 as follows:

**Akron City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2003*  
*Unaudited*

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

	Governmental Activities	
	2003	2002 (Restated)
Land	\$5.3	\$5.3
Land Improvements	0.1	0.0
Buildings and Improvements	42.8	43.4
Furniture and Equipment	5.9	7.0
Vehicles	1.3	1.3
Totals	\$55.4	\$57.0

The decrease is due to recognizing \$3.5 million in depreciation expense in fiscal year 2003. The largest decline in value was in furniture and equipment. For further information on capital assets, see Note 10 of the notes to the basic financial statements.

As of June 30, 2003, the School District had contractual commitments for construction projects with contractors in the amount of \$0.8 million.

*Debt Administration*

At June 30, 2003, the School District had \$35,383 in debt outstanding, \$7,863 due within one year. The School District retired the school foundation note during fiscal year 2003, which had an outstanding balance of \$2.1 million at June 30, 2002.

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 amount outstanding as of June 30, 2003 was \$35,383. The loan was issued for a 20 fiscal year period with final maturity during fiscal year 2008.

At June 30, 2003, the School District's overall legal debt margin was \$267.9 million with an unvoted debt margin of \$3.0 million. The debt is well within permissible limits. For further information on debt obligations, see Notes 16 and 17 of the notes to the basic financial statements.

**For the Future**

As the preceding information shows, the School District heavily depends on its property taxpayers. With the passage of the 8.9 mill levy and the full collection during fiscal year 2003, the School District has been able to continue its education programs. However, financially, the future is not without challenges.

While the School District was successful in increasing its tax revenue base by \$23.7 million annually, this increase is a one-time increase. State law fixes the amount of this increase, forcing it to remain nearly constant. Thus, management must diligently plan expenses, staying carefully within the School District's five-year plan.

**Akron City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2003*  
*Unaudited*

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

The Ohio Supreme Court found the State of Ohio in March of 1997 to be operating an unconstitutional educational system, one that was neither "adequate" nor "equitable". Since 1997, the State has directed its tax revenue growth toward school districts with little property tax wealth. On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding decision is unconstitutional. The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient..."

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

Voters in the City of Akron ("the City") passed an ordinance in May of 2003 levying a 0.25 percent additional municipal income tax for the purpose of acquiring, constructing, renovating, and adding to interests in land and the School District's school buildings. This tax will last for 30 years and will raise \$270.0 million in local funds needed to be eligible for \$409.0 million of Ohio School Facilities Commission monies. Combined, these funds will rebuild and renovate all of the School District's school buildings into community learning centers for educating students during school hours while serving as community learning centers for recreation, education, after school and summer school programs, as well as community activities at other times, open to City residents and persons employed in the City. The tax will take effect January 1, 2004. Also, in accordance with the agreement between the School District and the City, the City will issue securities to assist in the School District's funding of its share of basic project costs and any locally funded initiatives. While the securities are outstanding, the School District will contribute \$3.0 million each year from the permanent improvement capital projects fund to the City for the purpose of paying debt charges on those securities and other project costs.

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

**Contacting the School District's Management**

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Jack Pierson, Treasurer, at Akron City School District, 70 North Broadway, Akron, Ohio 44308-1999 or email at [jpierson@akron.k12.oh.us](mailto:jpierson@akron.k12.oh.us).

**Akron City School District**

*Statement of Net Assets*

*June 30, 2003*

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	Governmental Activities
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$43,131,432
Cash and Cash Equivalents In Segregated Accounts	4,566,203
Investments in Segregated Accounts	189,000
Accrued Interest Receivable	3,699
Accounts Receivable	7,940
Intergovernmental Receivable	9,659,395
Inventory Held for Resale	373,006
Materials and Supplies Inventory	583,985
Taxes Receivable	108,195,626
Nondepreciable Capital Assets	5,263,636
Depreciable Capital Assets, Net	<u>50,142,887</u>
<i>Total Assets</i>	<u>222,116,809</u>
<b>Liabilities</b>	
Accounts Payable	2,128,104
Deferred Revenue	97,319,692
Intergovernmental Payable	7,470,526
Claims Payable	3,448,895
Long-Term Liabilities:	
Due Within One Year	3,077,764
Due In More Than One Year	<u>23,670,676</u>
<i>Total Liabilities</i>	<u>137,115,657</u>
<b>Net Assets</b>	
Invested in Capital Assets, Net of Related Debt	54,456,241
Restricted for:	
Capital Projects	5,788,767
Debt Service	65,931
Set Asides	468,997
Other Purposes	7,588,586
Unrestricted	<u>16,632,630</u>
<i>Total Net Assets</i>	<u><u>\$85,001,152</u></u>

See accompanying notes to the basic financial statements

**Akron City School District**  
*Statement of Activities*  
For the Fiscal Year Ended June 30, 2003

	Program Revenues			Net Expenses and Changes in Net Assets	
	Expenses	Charges for Services and Sales	Operating Grants, Contributions and Interest	Capital Grants and Contributions	
				Governmental Activities	
<b>Governmental Activities</b>					
Instruction:					
Regular	\$139,168,611	\$1,159,808	\$27,269,904	\$1,022	(\$110,737,877)
Special	27,943,558	392,120	7,200,447	0	(20,350,991)
Vocational	11,472,177	248,808	229,037	77,041	(10,917,291)
Adult/Continuing	2,242,894	749,773	1,270,473	0	(222,648)
Support Services:					
Pupil	16,812,033	106,244	4,230,566	0	(12,475,223)
Instructional Staff	20,501,322	53,254	8,000,624	23,922	(12,423,522)
Board of Education	105,825	0	0	0	(105,825)
Administration	19,457,249	359,215	940,563	0	(18,157,471)
Fiscal	3,640,351	382	290,250	0	(3,349,719)
Business	3,901,789	116,242	7,738	0	(3,777,809)
Operation and Maintenance of Plant	31,685,750	44,459	1,337,388	782,849	(29,521,054)
Pupil Transportation	7,007,654	67,498	336,427	0	(6,603,729)
Central	6,258,236	8,149	878,499	19,534	(5,352,054)
Operation of Non-Instructional Services	3,701,705	31,364	3,010,774	0	(659,567)
Extracurricular Activities	3,582,029	1,085,712	10,323	0	(2,485,994)
Food Service Operations	9,999,016	2,515,131	6,844,474	0	(639,411)
Interest and Fiscal Charges	115,405	0	0	0	(115,405)
<i>Total Governmental Activities</i>	<u>\$307,595,604</u>	<u>\$6,938,159</u>	<u>\$61,857,487</u>	<u>\$904,368</u>	<u>(237,895,590)</u>
<b>General Revenues</b>					
Property Taxes Levied for:					
					104,811,346
					7,863
					4,746,017
					136,052,908
					794,836
					4,690,811
					<u>251,103,781</u>
					13,208,191
					<u>71,792,961</u>
					<u>\$85,001,152</u>

See accompanying notes to the basic financial statements

**Akron City School District**

*Balance Sheet*

*Governmental Funds*

*June 30, 2003*

	General	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$27,518,369	\$14,961,894	\$42,480,263
Cash and Cash Equivalents In Segregated Accounts	0	60,204	60,204
Investments In Segregated Accounts	0	189,000	189,000
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	468,997	0	468,997
Taxes Receivable	103,599,866	4,595,760	108,195,626
Accounts Receivable	7,940	0	7,940
Intergovernmental Receivable	344,425	9,314,970	9,659,395
Accrued Interest Receivable	0	3,699	3,699
Interfund Receivable	809,689	0	809,689
Materials and Supplies Inventory	583,985	0	583,985
Inventory Held for Resale	0	373,006	373,006
<i>Total Assets</i>	<u>\$133,333,271</u>	<u>\$29,498,533</u>	<u>\$162,831,804</u>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities</b>			
Accounts Payable	\$896,349	\$1,231,755	\$2,128,104
Interfund Payable	0	809,689	809,689
Intergovernmental Payable	4,367,542	965,445	5,332,987
Deferred Revenue	96,168,947	11,043,714	107,212,661
<i>Total Liabilities</i>	<u>101,432,838</u>	<u>14,050,603</u>	<u>115,483,441</u>
<b>Fund Balances</b>			
Reserved for Encumbrances	77,194	2,162,965	2,240,159
Reserved for Property Taxes	7,646,039	321,327	7,967,366
Reserved for Budget Stabilization	468,997	0	468,997
Unreserved, Reported in:			
General Fund	23,708,203	0	23,708,203
Special Revenue Funds	0	8,562,958	8,562,958
Debt Service Funds	0	65,931	65,931
Capital Projects Funds	0	4,334,749	4,334,749
<i>Total Fund Balances</i>	<u>31,900,433</u>	<u>15,447,930</u>	<u>47,348,363</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$133,333,271</u>	<u>\$29,498,533</u>	<u>\$162,831,804</u>

See accompanying notes to the basic financial statements

**Akron City School District**  
*Reconciliation of Total Governmental Fund Balances to  
 Net Assets of Governmental Activities  
 June 30, 2003*

<b>Total Governmental Fund Balances</b>	\$47,348,363
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	55,406,523
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:	
Grants	6,984,401
Delinquent Property Taxes	2,908,568
Total	9,892,969
Two internal service funds are used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.	1,239,276
Intergovernmental payable includes contractually required pension contributions not expected to be paid with expendable available financial resources and therefore are not reported in the funds.	(2,137,539)
Long-term liabilities, including compensated absences, loans payable and capital leases payable, are not due and payable in the current period and therefore are not reported in the funds:	
Compensated Absences	(25,798,158)
Loans Payable	(35,383)
Capital Leases Payable	(914,899)
Total	(26,748,440)
<i>Net Assets of Governmental Activities</i>	\$85,001,152

See accompanying notes to the basic financial statements

**Akron City School District**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Fiscal Year Ended June 30, 2003*

	General	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>			
Taxes	\$103,786,091	\$4,713,728	\$108,499,819
Intergovernmental	140,493,767	56,719,274	197,213,041
Interest	704,857	177,744	882,601
Tuition and Fees	1,049,610	1,111,598	2,161,208
Extracurricular Activities	0	1,701,301	1,701,301
Rentals	116,235	0	116,235
Charges for Services	229,336	0	229,336
Sales	0	2,515,131	2,515,131
Contributions and Donations	9,346	0	9,346
Miscellaneous	2,602,675	2,087,964	4,690,639
<i>Total Revenues</i>	<u>248,991,917</u>	<u>69,026,740</u>	<u>318,018,657</u>
<b>Expenditures</b>			
Current:			
Instruction:			
Regular	107,787,413	26,985,833	134,773,246
Special	23,658,961	4,122,377	27,781,338
Vocational	11,022,156	200,691	11,222,847
Adult/Continuing	215,221	2,045,266	2,260,487
Support Services:			
Pupil	14,680,733	2,337,701	17,018,434
Instructional Staff	12,163,206	7,578,735	19,741,941
Board of Education	104,797	0	104,797
Administration	18,141,759	1,402,300	19,544,059
Fiscal	3,332,573	296,313	3,628,886
Business	3,465,022	13,179	3,478,201
Operation and Maintenance of Plant	27,064,915	1,451,809	28,516,724
Pupil Transportation	6,181,686	466,587	6,648,273
Central	4,188,717	883,030	5,071,747
Operation of Non-Instructional Services	223,058	3,413,827	3,636,885
Extracurricular Activities	2,411,087	1,168,219	3,579,306
Food Service Operations	0	9,883,626	9,883,626
Capital Outlay	45,920	8,810,239	8,856,159
Debt Service:			
Principal Retirement	185,101	7,863	192,964
Interest and Fiscal Charges	115,405	0	115,405
<i>Total Expenditures</i>	<u>234,987,730</u>	<u>71,067,595</u>	<u>306,055,325</u>
<i>Excess (Deficiency) of Revenues</i>			
<i>Over (Under) Expenditures</i>	<u>14,004,187</u>	<u>(2,040,855)</u>	<u>11,963,332</u>
<b>Other Financing Sources (Uses)</b>			
Transfers In	7,208	240,872	248,080
Transfers Out	(388,835)	(53,895)	(442,730)
<i>Total Other Financing Sources (Uses)</i>	<u>(381,627)</u>	<u>186,977</u>	<u>(194,650)</u>
<i>Net Change in Fund Balances</i>	13,622,560	(1,853,878)	11,768,682
<i>Fund Balances at Beginning</i>			
<i>of Fiscal Year</i>	<u>18,277,873</u>	<u>17,301,808</u>	<u>35,579,681</u>
<i>Fund Balances at End of Fiscal Year</i>	<u>\$31,900,433</u>	<u>\$15,447,930</u>	<u>\$47,348,363</u>

See accompanying notes to the basic financial statements

**Akron City School District**  
*Reconciliation of the Statement of Revenues,  
Expenditures and Changes in Fund Balances of Governmental Funds  
to the Statement of Activities  
For the Fiscal Year Ended June 30, 2003*

**Net Change in Fund Balances - Total Governmental Funds** \$11,768,682

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

Governmental funds report capital outlays as expenditures.

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

Capital Asset Additions	1,918,832	
Current Year Depreciation	(3,478,268)	
Total		(1,559,436)

Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. (83,544)

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

Delinquent Property Taxes	1,065,407	
Grants	1,504,611	
Tuition and Fees	214,948	
Miscellaneous	172	
Total		2,785,138

Repayment of loan and capital lease principal are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 192,964

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

Compensated Absences	(594,980)	
Pension Obligation	(53,971)	
Total		(648,951)

The internal service funds used by management to charge the costs of insurance to individual funds are not reported in the district-wide statement of activities. Governmental fund expenditures and related internal funds revenues are eliminated. The net revenue (expense) of the internal service funds are allocated among the governmental activities. 753,338

*Change in Net Assets of Governmental Activities* \$13,208,191

See accompanying notes to the basic financial statements

**Akron City School District**  
*Statement of Revenues, Expenditures and Changes*  
*In Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*General Fund*  
*For the Fiscal Year Ended June 30, 2003*

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Taxes	\$100,978,111	\$100,093,784	\$99,506,442	(\$587,342)
Intergovernmental	141,126,957	139,891,022	138,358,554	(1,532,468)
Interest	726,710	720,346	704,857	(15,489)
Tuition and Fees	1,234,576	1,223,764	1,216,583	(7,181)
Rentals	117,954	116,921	116,235	(686)
Charges for Services	161,936	198,843	245,831	46,988
Contributions and Donations	9,484	9,401	9,346	(55)
Miscellaneous	2,871,721	2,870,417	2,612,592	(257,825)
<i>Total Revenues</i>	247,227,449	245,124,498	242,770,440	(2,354,058)
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	110,445,784	107,889,056	107,748,652	140,404
Special	23,018,166	24,008,332	23,669,632	338,700
Vocational	10,961,156	11,059,898	11,009,619	50,279
Adult	224,980	227,023	215,868	11,155
Support Services:				
Pupils	15,183,584	14,701,897	14,680,552	21,345
Instructional Staff	12,913,699	12,373,126	12,245,563	127,563
Board of Education	115,321	124,254	104,179	20,075
Administration	19,453,692	18,686,260	18,189,508	496,752
Fiscal	3,415,500	3,363,681	3,342,435	21,246
Business	4,383,232	3,986,181	3,711,353	274,828
Operation and Maintenance of Plant	28,124,616	27,649,721	27,195,453	454,268
Pupil Transportation	6,379,980	6,481,171	6,371,939	109,232
Central	5,186,922	4,406,287	4,239,975	166,312
Operations of Non-Instructional Services	271,792	242,319	225,302	17,017
Extracurricular Activities	2,509,164	2,638,275	2,428,677	209,598
Capital Outlay	195,000	150,600	150,535	65
<i>Total Expenditures</i>	242,782,588	237,988,081	235,529,242	2,458,839
<i>Excess of Revenues Over Expenditures</i>	4,444,861	7,136,417	7,241,198	104,781
<b>Other Financing Sources (Uses)</b>				
Transfers In	0	0	7,208	7,208
Transfers Out	(444,650)	(422,601)	(388,835)	33,766
<i>Total Other Financing Sources (Uses)</i>	(444,650)	(422,601)	(381,627)	40,974
<i>Net Change in Fund Balance</i>	4,000,211	6,713,816	6,859,571	145,755
<i>Fund Balance at Beginning of Fiscal Year</i>	18,206,010	18,206,010	18,206,010	0
Prior Fiscal Year Encumbrances Appropriated	475,228	475,228	475,228	0
<i>Fund Balance at End of Fiscal Year</i>	\$22,681,449	\$25,395,054	\$25,540,809	\$145,755

**Akron City School District**  
*Statement of Fund Net Assets*  
*Proprietary Fund*  
*June 30, 2003*

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	<u>Internal Service Funds</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$182,172
Cash and Cash Equivalents in Segregated Accounts	<u>4,505,999</u>
<i>Total Assets</i>	4,688,171
<b>Liabilities</b>	
Claims Payable	<u>3,448,895</u>
<b>Net Assets</b>	
Unrestricted	<u><u>\$1,239,276</u></u>

See accompanying notes to the basic financial statements

**Akron City School District**  
*Statement of Revenues,  
Expenses and Changes in Fund Net Assets  
Proprietary Fund  
For the Fiscal Year Ended June 30, 2003*

	Internal Service Funds
<b>Operating Revenues</b>	
Charges for Services	\$31,921,965
<b>Operating Expenses</b>	
Purchased Services	2,042,683
Claims	29,320,594
Total Operating Expenses	31,363,277
<i>Income before Transfers</i>	558,688
Transfers In	194,650
<i>Change in Net Assets</i>	753,338
<i>Net Assets at Beginning of Fiscal Year</i>	485,938
<i>Net Assets at End of Fiscal Year</i>	\$1,239,276

See accompanying notes to the basic financial statements

**Akron City School District**  
*Statement of Cash Flows*  
*Proprietary Fund*  
*For the Fiscal Year Ended June 30, 2003*

	Internal Service Funds
<b><i>Increase (Decrease) in Cash and Cash Equivalents</i></b>	
<b>Cash Flows from Operating Activities</b>	
Cash Received for Interfund Services	\$31,921,965
Cash Payments for Other Expenses	(2,048,847)
Cash Payments for Claims	(29,292,391)
<i>Net Cash Provided by Operating Activities</i>	580,727
<b>Cash Flows from Noncapital Financing Activities</b>	
Transfer In	194,650
<i>Net Increase in Cash and Cash Equivalents</i>	775,377
Cash and Cash Equivalents at Beginning of Fiscal Year	3,912,794
Cash and Cash Equivalents at End of Fiscal Year	\$4,688,171
 <b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>	
<i>Operating Income</i>	\$558,688
Adjustment:	
<i>Increase (Decrease) in Liabilities:</i>	
Accounts Payable	(6,164)
Claims Payable	28,203
<i>Total Adjustments</i>	22,039
<i>Net Cash Provided by Operating Activities</i>	\$580,727

See accompanying notes to the basic financial statements

**Akron City School District**  
*Statement of Fiduciary Net Assets*  
*Fiduciary Funds*  
*June 30, 2003*

	Private Purpose Trust	
	Scholarship	Agency
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$0	\$189,935
Cash and Cash Equivalents in Segregated Accounts	159,248	0
Investments in Segregated Accounts	5,000	0
Accrued Interest Receivable	6	0
	164,254	\$189,935
<i>Total Assets</i>	164,254	\$189,935
<b>Liabilities</b>		
Undistributed Monies	0	\$1,711
Due to Students	0	188,224
	0	188,224
<i>Total Liabilities</i>	0	\$189,935
<b>Net Assets</b>		
Held in Trust for Scholarships	\$164,254	

See accompanying notes to the basic financial statements

**Akron City School District**  
*Statement of Changes in Fiduciary Net Assets*  
*Private Purpose Trust Fund*  
*For the Fiscal Year Ended June 30, 2003*

	Scholarship
<b>Additions</b>	
Interest	\$1,434
Miscellaneous	306
<i>Total Additions</i>	1,740
 <b>Deductions</b>	
Miscellaneous	2,117
<i>Change in Net Assets</i>	(377)
 <i>Net Assets at Beginning of Fiscal Year</i>	164,631
 <i>Net Assets at End of Fiscal Year</i>	\$164,254

See accompanying notes to the basic financial statements

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**Akron City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2003*

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**Note 1 – Description of the School District and Reporting Entity**

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

The School District was established in 1847 through the consolidation of existing land areas and school districts. The School District serves an area of approximately 54 square miles and is located in Summit County, and is within the City of Akron. The School District is the fifth largest in the State of Ohio (among 613 school districts) in terms of enrollment. It is staffed by 1,029 full-time classified employees, 2,253 full-time certificated personnel, 145 administrative employees, and 729 part-time employees who provide services to 29,460 students and other community members. The School District currently operates 61 instructional buildings, four 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 ensure that the basic financial statements are not misleading. The primary government of the School District consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For the School District, this includes general operations, food service, and student related activities of the School District. The following activities are included within the reporting entity:

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

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. The School District has one component unit, Akron Digital Academy ("the Academy") (See Note 23). The School District appoints a voting majority of the Academy's governing board.

**Akron City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2003*

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**Note 2 – Summary of Significant Accounting Policies**

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

***A. Basis of Presentation***

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

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

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

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

***B. Fund Accounting***

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

**Akron City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2003*

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

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

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

**Internal Service Funds** The internal service funds account for the financing of services provided by one department or agency to other departments or agencies of the School District on a cost-reimbursement basis. The School District's internal service funds account for the operation of the School District's self-insurance program for employee health benefits and a reserve established to pay for liability insurance claims over the School District's self-insured retention.

**Fiduciary Fund Types** Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. The School District has a private purpose trust fund to account for scholarships for further education after graduation. Agency funds are purely custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's only agency fund accounts for student activities.

**C. Measurement Focus**

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

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

**Akron City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2003*

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

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

***D. Basis of Accounting***

Basis of accounting determines when transactions are recorded in the financial records and reported on the basic financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue and in the presentation of expenses versus expenditures.

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

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

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

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

Property taxes for which there is an enforceable legal claim as of June 30, 2003, but which were levied to finance fiscal year 2004 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

**Akron City School District**  
*Notes to the Basic Financial Statements*  
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On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

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

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

***E. Budgetary Data***

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

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

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

***F. Cash and Cash Equivalents***

To improve cash management, all cash received by the School District is pooled. Monies for all funds, including the internal service funds, are maintained in this pool. Individual fund integrity is maintained through School District records. Interest in the pool is presented as "equity in pooled cash and cash equivalents" on the basic financial statements. The general fund provides advances to cover deficit cash balances at the end of the fiscal year. At the end of fiscal year 2003, the general fund advanced monies to several special revenue funds and a capital projects fund to cover negative cash balances. See Note 18 for additional information.

**Akron City School District**  
*Notes to the Basic Financial Statements*  
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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 on the statement of net assets and the balance sheet as "cash and cash equivalents in segregated accounts" and "investments in segregated accounts" since they are not required to be deposited into the School District's treasury.

During fiscal year 2003, investments were limited to overnight repurchase agreements, a money market mutual fund and certificates of deposit, which are reported at cost.

Following Ohio statutes, the Board of Education has, by resolution, identified the funds to receive an allocation of interest. Interest revenue credited to the general fund during fiscal year 2003 amounted to \$704,857, which includes \$512,881 assigned from other School District funds.

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are presented on the basic financial statements as cash equivalents. Investments with an initial maturity of more than three months that are not purchased from the pool are presented on the basic financial statements as investments.

***G. Inventory***

Inventories are presented at the lower of cost or market on a first-in, first-out basis and are expended/expensed when used.

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

***H. Restricted Assets***

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors or laws of other governments, or are imposed by enabling legislation. Restricted assets in the general fund include amounts required by State statute to be set aside to create a reserve for budget stabilization. See Note 19 for additional information regarding set asides.

***I. Capital Assets***

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

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the fiscal year. Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of one thousand dollars for all assets except for assets capitalized in the food service nonmajor special revenue fund, which has a capitalization threshold of three hundred dollars. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

**Akron City School District**  
*Notes to the Basic Financial Statements*  
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All reported capital assets except land are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Description	Estimated Lives
Land Improvements	20 years
Buildings and Improvements	70 years
Furniture and Equipment	3 - 20 years
Vehicles	7 years

***J. Interfund Balances***

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

***K. Compensated Absences***

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

Sick leave benefits are accrued as a liability using the termination method. An accrual for earned sick leave is made to the extent that it is probable that benefits will result in termination payments. The liability is an estimate based on the School District’s past experience of making termination payments.

The entire compensated absence liability is reported on the government-wide financial statements.

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

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

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

***M. Interfund Activity***

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

**Akron City School District**  
*Notes to the Basic Financial Statements*  
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***N. Fund Balance Reserves***

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

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statute. The reserve for budget stabilization represents monies required to be set aside by State statute to protect against cyclical fluctuations in revenues and expenditures.

***O. Net Assets***

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

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

***P. Operating Revenues and Expenses***

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the School District, these revenues are charges for services for self-insurance programs. Operating expenses are necessary costs incurred to provide the goods or services that are the primary activity of the funds. All revenues and expenses not meeting these definitions are reported as non-operating.

***Q. Extraordinary and Special Items***

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence.

***R. Estimates***

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

**Akron City School District**  
*Notes to the Basic Financial Statements*  
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**Note 3 – Changes in Accounting Principles and Restatement of Net Assets**

For fiscal year 2003, the School District has implemented GASB Statement No. 41, “Budgetary Comparison Schedules – Perspective Differences”. GASB Statement No. 41 allows the presentation of budgetary schedules as required supplementary information based on the fund, organization or program structure that the government uses for its legally adopted budget when significant budgetary perspective differences result in the governments not being able to present budgetary comparisons for the general and each major special revenue fund.

Also, for fiscal year 2003, the School District discovered the misuse and omission of certain facts and reports used in establishing the useful lives of buildings and improvements in the prior period. As a result, the School District has increased the estimated useful lives of buildings and improvements from fifty years to seventy years. This error correction affected only the government-wide financial statements and amounted to \$20,571,802. Net assets at June 30, 2002 were restated from \$51,221,159 to \$71,792,961. The impact on the change in net assets in the statement of activities for fiscal year ended June 30, 2002 would not be material.

**Note 4 – Accountability and Compliance**

**A. Accountability**

The following funds had deficit fund balances on a GAAP basis at June 30, 2003:

<u>Special Revenue Funds</u>	<u>Amount</u>
Career Development	\$3,463
Disadvantaged Pupil Impact Aid	147,689
Alternative Schools	25,414
Adult Basic Education	3,974
Job Training Partnership Act	9,482
Eisenhower Math and Science	283
Vocational Education	123,299
Title III - Limited English Proficiency	17,155
Title VI	4,914
Drug-Free Schools	12,081
Miscellaneous Federal Grants	25,452

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

**B. Legal Compliance**

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

**Akron City School District**  
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<b>Fund Type/Fund</b>	<b>Aug.</b>	<b>Nov.</b>	<b>Mar.</b>	<b>June</b>
<b>Special Revenue Funds</b>				
Career Development				\$3,577
Public School Preschool		\$23,191		
Disadvantaged Pupil Impact Aid	\$637,193			
Alternative Schools			\$88,331	62,796
Adult Basic Education	228,547		269,207	95,429
Job Training Partnership Act	741,907	220,601	306,950	118,464
Eisenhower Math and Science		21,661	3,958	
Title VI-B		221,338	25,163	
Vocational Education	324,963		93,830	121,658
Head Start	798,806	817,471	452,512	366,751
Title III - Limited English Proficiency			337	13,568
Title I			575,370	
Title VI		31,986	51,130	50,407
Drug-Free Schools	17,116		9,207	
Pre-School Handicapped	16,930			
Title II-A	80,354	453	53,460	
Miscellaneous Federal Grants	359,961			
<b>Capital Projects Fund</b>				
Ohio Schools Facilities Commission		1,159,114	1,298,001	48,299

**Note 5 - Budgetary Basis of Accounting**

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

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

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

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<u>Net Change In Fund Balance</u>	
GAAP Basis	\$13,622,560
Net Adjustment for Revenue Accruals	(6,221,477)
Net Adjustment for Expenditure Accruals	(241,238)
Adjustment for Encumbrances	<u>(300,274)</u>
Budget Basis	<u><u>\$6,859,571</u></u>

**Note 6 - Deposits and Investments**

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

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

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

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

Protection of the 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 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;

**Akron City School District**  
*Notes to the Basic Financial Statements*  
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3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and ,
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee, 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 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 \$6,731,758 and the bank balance was \$11,007,454. Of the bank balance:

1. \$373,389 was covered by federal deposit insurance.
2. \$10,634,065 was uncollateralized and uninsured. Although the securities serving as collateral were held by the pledging institution in the pledging institution's name, and all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

**Akron City School District**  
*Notes to the Basic Financial Statements*  
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**Investments** Investments are categorized to give an indication of the level of risk assumed by the School District at fiscal year end. Category 1 includes investments that are ensured or registered or for which the securities are held by 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 and Fair Value
Overnight Repurchase Agreements	\$35,270,000	\$35,270,000
Money Market Mutual Fund		6,239,066
 Total Investments	 \$35,270,000	 \$41,509,066

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

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

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement No. 9	\$48,046,824	\$194,000
Overnight Repurchase Agreements	(35,270,000)	35,270,000
Money Market Mutual Fund	(6,239,066)	6,239,066
Investments with Maturity Greater than Three Months	194,000	(194,000)
 GASB Statement No. 3	 \$6,731,758	 \$41,509,066

**Note 7 - Property Taxes**

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar year 2003 represents collections of calendar year 2002 taxes. Real property taxes received in calendar year 2003 were levied after April 1, 2002, on the assessed value listed as of January 1, 2002, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

**Akron City School District**  
*Notes to the Basic Financial Statements*  
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Public utility property tax revenue received in calendar year 2003 represents collections of calendar year 2002 taxes. Public utility real and tangible personal property taxes received in calendar year 2003, which became a lien December 31, 2001, were levied after April 1, 2002 and are collected in calendar year 2003 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar year 2003 (other than public utility property) represents the collection of calendar year 2003 taxes. Tangible personal property taxes received in calendar year 2003 were levied after April 1, 2002, on the value as of December 31, 2002. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-four percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Summit County. The County Fiscal Officer periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2003, are available to finance fiscal year 2003 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2003 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2003 was \$7,646,039 in the general fund and \$321,327 in the permanent improvement capital projects fund. The amount available as an advance at June 30, 2002, was \$3,366,390 in the general fund and \$156,252 in the permanent improvement capital projects fund.

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

**Akron City School District**  
*Notes to the Basic Financial Statements*  
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The assessed values upon which the fiscal year 2003 taxes were collected are:

	2002 Second Half Collections		2003 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$2,166,872,840	81.34%	\$2,516,475,040	84.54%
Public Utility Personal	119,059,860	4.47%	122,788,680	4.12%
Tangible Personal Property	378,158,644	14.19%	337,689,503	11.34%
<b>Total</b>	<u>\$2,664,091,344</u>	<u>100.00%</u>	<u>\$2,976,953,223</u>	<u>100.00%</u>

Tax rate per \$1,000 of assessed valuation	\$63.76	\$63.76
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**Note 8- Contingencies**

**A. Grants**

The School District received financial assistance from federal and State agencies in the form of grants. The disbursements of funds received under these programs generally require compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2003.

**B. Litigation**

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

**Akron City School District**  
*Notes to the Basic Financial Statements*  
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**Note 9 – Receivables**

Receivables at June 30, 2003 consisted of taxes, interest, accounts (student transportation fees), interfund and intergovernmental (tuition and grants). All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. All receivables are expected to be collected within one fiscal year.

A summary of the items of intergovernmental receivables follows:

<u>Governmental Activities</u>	<u>Amounts</u>
Tuition	\$332,989
Miscellaneous	1,740
JROTC	9,696
Other Local Grants	34,931
Career Development	9,531
Alternative Schools	62,796
Miscellaneous State Grants	29,589
Adult Basic Education	95,844
Job Training Partnership Act	115,365
Title VI-B	827,973
Vocational Education	171,899
Head Start	383,576
Title III - Limited English Proficiency	29,720
Title I	4,398,220
Title VI	104,707
Drug-Free Schools	92,556
Pre-School Handicapped	46,297
Title II-A	873,285
Miscellaneous Federal Grants	306,385
Food Service	693,686
Ohio Schools Facilities Commission	<u>1,038,610</u>
Total Intergovernmental Receivables	<u><u>\$9,659,395</u></u>

**Akron City School District**  
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**Note 10 – Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2003, was as follows:

	Restated Balance 6/30/2002	Additions	Deletions	Balance 6/30/2003
<b>Governmental Activities</b>				
<i>Capital Assets, not being depreciated:</i>				
Land	\$5,263,636	\$0	\$0	\$5,263,636
<i>Capital Assets, being depreciated:</i>				
Land Improvements	0	102,896	0	102,896
Buildings and Improvements	91,143,943	233,871	0	91,377,814
Furniture and Equipment	40,672,440	892,948	(1,783,677)	39,781,711
Vehicles	5,687,559	689,117	(3,000)	6,373,676
<i>Total Capital Assets, being depreciated</i>	<u>137,503,942</u>	<u>1,918,832</u>	<u>(1,786,677)</u>	<u>137,636,097</u>
Less Accumulated Depreciation:				
Buildings and Improvements	(47,681,083)	(890,248)	0	(48,571,331)
Furniture and Equipment	(33,710,894)	(1,840,351)	1,700,954	(33,850,291)
Vehicles	(4,326,098)	(747,669)	2,179	(5,071,588)
Total Accumulated Depreciation	<u>(85,718,075)</u>	<u>(3,478,268)</u>	<u>1,703,133</u>	<u>(87,493,210)</u>
Total Capital Assets, being depreciated, net	<u>51,785,867</u>	<u>(1,559,436)</u>	<u>(83,544)</u>	<u>50,142,887</u>
Governmental Activities Capital Assets, Net	<u>\$57,049,503</u>	<u>(\$1,559,436)</u>	<u>(\$83,544)</u>	<u>\$55,406,523</u>

\* Depreciation expense was charged to governmental functions as follows:

**Akron City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2003*

Instruction:	
Regular	\$1,300,678
Special	46,987
Vocational	256,291
Adult/Continuing	14,002
Support Services:	
Pupil	320,671
Instructional Staff	174,253
Board of Education	1,027
Administration	32,765
Fiscal	1,806
Business	29,885
Operation and Maintenance of Plant	156,033
Pupil Transportation	356,950
Central	603,807
Operation of Non-Instructional Services	35,894
Extracurricular Activities	18,153
Food Service Operations	<u>129,066</u>
 Total Depreciation Expense	 <u><u>\$3,478,268</u></u>

**Note 11 - Risk Management**

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2003, the School District contracted for property and fleet insurance, liability insurance, and inland marine coverage. Coverage provided is as follows:

Type of Coverage	Coverage Amount
Building and Contents - loss limit (\$50,000 self-insured retention)	\$100,000,000
Boiler and Machinery (\$5,000 deductible)	5,250,000
Automobile Liability (\$50,000 self-insured retention)	1,000,000
General Liability	
Per occurrence (\$50,000 self-insured retention)	1,000,000
Total per year (with a \$1,000,000 umbrella)	2,000,000

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

The School District 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.

**Akron City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2003*

Medical/surgical insurance is offered to employees on a self-insured basis. The School District has various third-party administrators for the self-insurance activity. The claims liability of \$3,448,895 reported in the self-insurance internal service fund at June 30, 2003 is based on an estimate provided by the third party administrator and the requirements of GASB Statement No. 30, which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. Changes in the fund's claims liability amount follows for the last two fiscal years:

	Balance at Beginning of Fiscal Year	Current Fiscal Year Claims	Claims Payments	Balance at End of Fiscal Year
2002	\$3,314,337	\$25,540,020	\$25,433,665	\$3,420,692
2003	3,420,692	29,320,594	29,292,391	3,448,895

**Note 12 – Defined Benefit Pension Plans**

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

The School District contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by 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 Systems, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling (614) 222-5853.

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 contributions is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2003, 8.17 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2002, 5.46 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, 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, 2003, 2002 and 2001 were \$2,938,506, \$1,883,450 and \$1,374,764, respectively; 50.45 percent has been contributed for fiscal year 2003 and 100 percent for fiscal years 2002 and 2001.

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

The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a publicly-available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3371 or by calling (614) 227-4090.

**Akron City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2003*

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New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB Plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all of their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the DB Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001 were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

For the fiscal year ended June 30, 2003, plan members were required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2002, the portion used to fund pension obligations was 9.5 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2003, 2002, and 2001 were \$18,517,776, \$13,353,285, and \$12,765,401, respectively; 82.37 percent has been contributed for fiscal year 2003 and 100 percent for fiscal years 2002 and 2001. Contributions to the DC and Combined Plans for fiscal year 2003 were \$61,260 made by the School District and \$173,516 made by the plan members.

***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 of Ohio have an option to choose Social Security or the School Employees Retirement/State Teachers Retirement System of Ohio. As of June 30, 2003, 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 Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2003*

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**Note 13 - Post Employment Benefits**

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System of Ohio (STRS Ohio), 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 Ohio benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. 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 Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For fiscal year ended June 30, 2003, the STRS Ohio Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$1,424,444 for fiscal year 2003.

STRS Ohio pays health care benefits from the Health Care Reserve Fund. At June 30, 2002, (the latest information available) the balance in the Fund was \$3.011 billion. For the year ended June 30, 2002, net health care costs paid by STRS Ohio were \$354,697,000 and STRS Ohio had 105,300 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, disability and survivor benefit recipients. Members retiring on or after August 1, 1989 with less than twenty-five 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, 2003, employer contributions to fund health care benefits were 5.83 percent of covered payroll, a decrease of 2.71 percent from fiscal year 2002. 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 2003, the minimum pay was established as \$14,500. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2003 fiscal year equaled \$2,447,607.

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 annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2002 (the latest information available), were \$182,946,777 and the target level was \$274.4 million. At June 30, 2002, SERS had net assets available for payment of health care benefits of \$335.2 million. SERS has approximately 50,000 participants currently receiving health care benefits.

**Akron City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2003*

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**Note 14 - Other Employee Benefits**

**A. Compensated Absences**

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Employees working 52 weeks per year earn 5 to 25 days of vacation per year, depending upon length of service. Accumulated, unused vacation time is paid upon termination of employment. Employees working less than 52 weeks per year do not earn vacation. Employees earn sick leave at the rate of one and one-fourth days per month or the equivalent in hours per month. Sick leave may be accumulated up to a maximum of 400 days for all staff. Upon retirement, payment is made for one-fourth of the total sick leave accumulation. Certified employees receive 1) two additional days for each year of perfect attendance commencing July 1, 1976 through June 30, 1981; and 2) one additional day for each year of perfect attendance commencing July 1, 1981.

**B. Insurance Benefits**

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

**Note 15 – Capital Leases**

Capital lease obligations relate to copiers for the School District. The leases meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, “Accounting for Leases.” Capital lease payments have been reclassified and are reflected as debt service expenditures in the basic financial statements. These expenditures are reflected as program/function expenditures on a budgetary basis. Capital assets acquired by lease have been originally capitalized in the amount of \$2,398,000.

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the minimum lease payments as of June 30, 2003:

Fiscal Year Ending June 30,	Governmental Activities
2004	\$271,500
2005	271,500
2006	271,500
2007	267,270
Total	1,081,770
Less: Amount Representing Interest	(166,871)
Present Value of Net Minimum Lease Payments	\$914,899

**Akron City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2003*

**Note 16 – Notes Payable**

The School District’s note activity for the fiscal year 2003, including amounts outstanding and the interest rate, is as follows:

	<u>Outstanding</u> <u>6/30/2002</u>	<u>Additions</u>	<u>Reductions</u>	<u>Outstanding</u> <u>6/30/2003</u>
General Fund				
1995 \$20,100,000 6.5%				
School Foundation Note	<u>\$2,109,063</u>	<u>\$0</u>	<u>(\$2,109,063)</u>	<u>\$0</u>

The school foundation note, issued to cover the deficit operating balance, was repaid in full with State Foundation revenue. The note was backed by the full faith and credit of the School District.

**Note 17 - Long-Term Obligations**

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

	<u>Principal</u> <u>Outstanding</u> <u>6/30/2002</u>	<u>Additions</u>	<u>Reductions</u>	<u>Principal</u> <u>Outstanding</u> <u>6/30/2003</u>	<u>Amount</u> <u>Due in</u> <u>One Year</u>
Governmental Activities:					
1988 \$141,533 0%					
Asbestos Loan	\$43,246	\$0	(\$7,863)	\$35,383	\$7,863
Capital Leases	1,100,000	0	(185,101)	914,899	201,462
Compensated Absences	<u>25,203,178</u>	<u>2,342,260</u>	<u>(1,747,280)</u>	<u>25,798,158</u>	<u>2,868,439</u>
Total Governmental Activities					
Long-Term Liabilities	<u>\$26,346,424</u>	<u>\$2,342,260</u>	<u>(\$1,940,244)</u>	<u>\$26,748,440</u>	<u>\$3,077,764</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-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, 2003 are as follows:

	<u>Principal</u>
2004	\$7,863
2005	7,863
2006	7,863
2007	7,863
2008	<u>3,931</u>
Total	<u>\$35,383</u>

**Akron City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2003*

Capital leases will be paid from the general fund. Compensated absences will be paid from the fund from which the employee is paid, which includes the following: general, other local grants, district managed activities, auxiliary services, career development, education management information system, public school preschool, disadvantaged pupil impact aid, Ohio reads, alternative schools, miscellaneous state grants, adult basic education, job training partnership act, title VI-B, vocational education, head start, title I, title VI, drug-free schools, pre-school handicapped, title II-A, miscellaneous federal grants, food service, adult education, permanent improvement, and interactive video distance learning funds.

**Note 18 – Interfund Transfers and Balances**

**A. Transfers**

Transfers are primarily from the general fund to various funds within the School District. Transfers from the general fund totaling \$194,185 were made to move unrestricted balances to support programs and projects accounted for in nonmajor funds. The general fund also transferred \$194,650 to establish the self-insurance liability reserve internal service fund to pay for liability insurance claims over the self-insured retention. The special trust special revenue fund transferred \$6,824 to the general fund to transfer unclaimed funds. The head start special revenue fund transferred \$384 to the general fund to return the portion of the local match for the head start program that was not used. In addition, the district managed activities special revenue fund transferred the unexpended balance of the Kenmore High School Class of 2002 activity amounting to \$3,096 to the public support special revenue fund due to the termination of the activity. The miscellaneous federal grants special revenue fund transferred \$43,591 to the title II-A special revenue fund because of a reorganization of the accounting for federal programs at the State level involving the class size reduction program that was previously reported in the miscellaneous federal grants fund and now required to be reported as part of the title II-A fund.

Transfers made during the fiscal year ended June 30, 2003 were as follows:

	Transfers From		
Transfers To	General Fund	Nonmajor Funds	Total
General Fund	\$0	\$7,208	\$7,208
Nonmajor Funds	194,185	46,687	240,872
Internal Service Funds	194,650	0	194,650
Total	\$388,835	\$53,895	\$442,730

**Akron City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2003*

**B. Balances**

The general fund advanced funds to various special revenue funds and a capital projects fund to cover negative cash balances at the end of fiscal year 2003 on the GAAP basis.

Advanced To	Nonmajor Funds
Career Development	\$2,481
Alternative Schools	61,063
Adult Basic Education	83,810
Job Training Partnership Act	109,969
Vocational Education	113,032
Head Start	330,413
Title III - Limited English Proficiency	13,451
Title VI	47,172
Ohio Schools Facilities Commission	48,298
Total	\$809,689

**Note 19 – Set Asides**

The School District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by fiscal year end or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year end and carried forward to be used for the same purposes in future fiscal years. In prior fiscal years, the School District was also required to set aside money for budget stabilization. At June 30, 2003, only the unspent portion of certain workers' compensation refunds continues to be set aside for budget stabilization.

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

	Textbooks & Instructional Materials Reserve	Capital Improvements Reserve	Budget Stabilization Reserve
Set-aside Reserve Balances as of June 30, 2002	(\$3,721,435)	\$0	\$468,997
Current Fiscal Year Set-aside Requirements	4,298,069	4,298,069	0
Qualifying Disbursements	(3,181,898)	(9,661,169)	0
Totals	(\$2,605,264)	(\$5,363,100)	\$468,997
Set-aside Balances Carried Forward to Future Fiscal Years	(\$2,605,264)	\$0	\$468,997
Set-aside Reserve Balances as of June 30, 2003	\$0	\$0	\$468,997

**Akron City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2003*

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

**Note 20 – State School Funding Decision**

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

The Supreme Court relinquished jurisdiction over the case and directed “... the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient...”.

The School District is currently unable to determine what effect, if any, this decision will have on its future State funding and on its financial operations.

**Note 21 – Construction Commitments**

The School District has active construction projects as of June 30, 2003. At fiscal year end, the School District’s commitments with contractors are as follows:

Project	Spent-to-Date	Remaining Commitment
Elevator controllers at Buchtel, Central-Hower & Miller South schools	\$5,759	\$92,318
Roof at Buchtel school	0	100,300
Stadium seat foundations at Buchtel, Ellet & Kenmore schools	0	96,673
Gymnasium roof at Firestone school	0	149,308
Vocational education addition roof at Garfield school	0	53,881
Gymnasium roof at Goodyear school	0	54,900
Plaster and painting at Hyre school	0	65,748
Plaster and painting at Innes school	0	63,000
Plaster and painting at McEbright school	0	51,300
Office HVAC and electrical upgrade at the Transportation/Distribution building	0	59,320
	<u>\$5,759</u>	<u>\$786,748</u>

These commitments are being financed entirely with property taxes, interest, and homestead/rollback taxes.

**Akron City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2003*

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**Note 22 – Subsequent Event**

Voters in the City of Akron (“the City”) passed an ordinance in May of 2003 levying a 0.25 percent additional municipal income tax for the purpose of acquiring, constructing, renovating, and adding to interests in land and the School District’s school buildings. This tax will last for 30 years and will raise \$270,000,000 in local funds needed to be eligible for \$409,000,000 of Ohio School Facilities Commission monies. Combined, these funds will rebuild and renovate all of the School District’s school buildings into community learning centers for educating students during school hours while serving as community learning centers for recreation, education, after school and summer school programs, as well as community activities at other times, open to City residents and persons employed in the City. The tax will take effect January 1, 2004. Also, in accordance with the agreement between the School District and the City, the City will issue securities to assist in the School District’s funding of its share of basic project costs and any locally funded initiatives. While the securities are outstanding, the School District will contribute \$3,000,000 each year from the permanent improvement capital projects fund to the City for the purpose of paying debt charges on those securities and other project costs.

**Note 23 – Akron Digital Academy**

The Academy has been determined to be a discrete component unit. The School District’s management has determined it is not significant; therefore, it has not been included as part of the School District’s basic financial statements. The Academy issues a publicly available, stand-alone financial report that includes financial statements and supplementary information. That report may be obtained by writing to the Akron Digital Academy, 70 North Broadway, Akron, Ohio 44308-1999 or by calling 330-761-2814.

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**AKRON CITY SCHOOL DISTRICT  
SUMMIT COUNTY**

**SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2003**

<u>FEDERAL GRANTOR/ Pass-Through Grantor/ Program Title</u>	<u>FEDERAL CFDA NUMBER</u>	<u>PASS-THROUGH GRANTOR'S NUMBER</u>	<u>RECEIPTS</u>	<u>NON-CASH RECEIPTS</u>	<u>DISBURSEMENTS</u>	<u>NON-CASH DISBURSEMENTS</u>
<b>National Science Foundation</b>						
<i>(Direct)</i>						
Education and Human Services	47.076		\$364,256	\$0	\$178,567	\$0
			30,607	0	0	0
Total Education and Human Services			<u>394,863</u>	<u>0</u>	<u>178,567</u>	<u>0</u>
Total National Science Foundation			394,863	0	178,567	0
<b>U.S. DEPARTMENT OF EDUCATION</b>						
<i>(Direct)</i>						
Impact Aid - Maintenance/Operations	84.041		17,005	0	17,005	0
Student Financial Assistance Cluster: Federal Family Education Loan Program	84.032		261,257	0	261,257	0
Federal Pell Grant Program	84.063		153,247	0	153,247	0
			182,155	0	182,155	0
			96,011	0	96,011	0
			261,257	0	261,238	0
PELL - Administrative Allowance			325	0	325	0
Total Federal Pell Grant Program			<u>692,995</u>	<u>0</u>	<u>692,976</u>	<u>0</u>
Total Student Financial Assistance Cluster			954,252	0	954,233	0
Adult Education - State Grant Program <i>(Passed through Ohio Department of Education)</i>	84.002		344,642	0	440,071	0
		043489-AB-S1-03	67,274	0	67,274	0
		043489-AB-S1-02	153,000	0	733	0
		043489-AB-S1-01C	90	0	0	0
Total Adult Education-State Grant Program <i>(Passed-through Ohio Department of Education)</i>			<u>565,006</u>	<u>0</u>	<u>508,078</u>	<u>0</u>
Adult Education - State Grant Program <i>(Passed through County of Summit)</i>		N/A	0	0	4,103	0
		N/A	<u>303,369</u>	<u>0</u>	<u>303,369</u>	<u>0</u>
Total Adult Education - State Grant Program <i>(Passed through County of Summit)</i>			<u>303,369</u>	<u>0</u>	<u>307,472</u>	<u>0</u>
Total Adult Education-State Grant Program <i>(Passed through Ohio Department of Education)</i>			868,375	0	815,550	0
Improving Teacher Quality State Grants	84.367		0	0	14,425	0
		043489-MS-S1-98C	18,515	0	94,141	0
		043489-MS-S1-02	0	0	5,475	0
		043489-MS-S1-01	0	0	1,680	0
		043489-MS-S1-00	512,333	0	318,900	0
		043489-CR-S1-02	2,084,762	0	1,968,725	0
Total Improving Teacher Quality State Grants			<u>2,615,610</u>	<u>0</u>	<u>2,403,346</u>	<u>0</u>
Special Education Cluster: Special Education Grants to States	84.027		1,440	0	239,897	0
		043489-6B-SF-02P	2,833,674	0	2,828,220	0
		043489-6B-SF-03P	8,970	0	0	0
		043489-6B-SD-03P	9,000	0	0	0
Total Special Education Grants to States			<u>2,853,084</u>	<u>0</u>	<u>3,068,117</u>	<u>0</u>
Special Education Preschool Grants	84.173		52,000	0	52,000	0
		043489-PG-SC-2002P	109,136	0	107,656	0
		043489-PG-S1-2003P	38,442	0	36,471	0
Total Special Education Preschool Grants			<u>199,578</u>	<u>0</u>	<u>196,127</u>	<u>0</u>
Total Special Education Cluster			3,052,662	0	3,264,244	0
Vocational Education-Basic Grants to States	84.048		4,086	0	2,464	0
		043489-20A0-2001	272,125	0	229,916	0
		VECP11-S02	13,109	0	0	0
		CP111-A02	792,643	0	879,579	0
		CP111-S02	128,009	0	160,030	0
Total Vocational Education-Basic Grants to States			<u>1,209,972</u>	<u>0</u>	<u>1,271,989</u>	<u>0</u>

**AKRON CITY SCHOOL DISTRICT  
SUMMIT COUNTY**

**SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2003**

<b>FEDERAL GRANTOR/ Pass-Through Grantor/ Program Title</b>	<b>FEDERAL CFDA NUMBER</b>	<b>PASS-THROUGH GRANTOR'S NUMBER</b>	<b>RECEIPTS</b>	<b>NON-CASH RECEIPTS</b>	<b>DISBURSEMENTS</b>	<b>NON-CASH DISBURSEMENTS</b>
Vocational Education - Consumer and Homemaking	84.051	VEAFSC-2003-01	15,300	0	18,000	0
		VECA-2002-PD-01	5,000	0	0	0
Total Vocational Education - Consumer and Homemaking			20,300	0	18,000	0
Technology Literacy Challenge Fund Grants	84.318	043489-TJ-S1-03	81,834	0	69,346	0
		N/A	0	0	19,676	0
		N/A	0	0	13,513	0
Total Technology Literacy Challenge Fund Grants			81,834	0	102,535	0
Title I Grants to Local Educational Agencies	84.010	043489-C1-S1-03	7,537,623	0	7,312,871	0
		N/A	24,814	0	0	0
		043489-C1-SK-03	24,454	0	5,240	0
		043489-C1-SK-03	133,652	0	133,652	0
		043489-C1-S1-02	0	0	1,225,603	0
		043489-C1-SD-01C	0	0	77,586	0
		043489-C1-S1-00	0	0	(900)	0
Total Title I Grants to Local Educational Agencies			7,720,543	0	8,754,052	0
Education for Homeless Children and Youth	84.196	043489-HC-S1-03	84,822	0	82,482	0
		043489-C1-SS-02P	26,000	0	26,000	0
Total Education for Homeless Children and Youth			110,822	0	108,482	0
Capital Expenses	84.216	043489-CX-S1-01	0	0	30,448	0
Title I Accountability Grants	84.348A	043489-AK-S1-02	100,238	0	177,717	0
		043489-AK-S1-01	0	0	15,008	0
Total Title I Accountability Grants			100,238	0	192,725	0
Innovative Education Program Strategies	84.298	043489-C2-S1-03	196,848	0	199,890	0
		043489-C2-S1-02	20,000	0	76,252	0
		043489-C2-S1-01	5,443	0	1,955	0
Total Innovative Education Program Strategies			222,291	0	278,097	0
Immigrant Education	84.162	N/A	0		50	
Refugee and Entrant Assistance Discretionary Grant	93.576	N/A	17,295	0	28,635	0
Safe and Drug-Free Schools and Communities State Grants	84.186	043489-DR-S1-03	238,927	0	223,192	0
		043489-DR-S1-02	44,429	0	49,185	0
		043489-DR-S1-01	0	0	4,892	0
Total Safe and Drug-Free Schools and Communities State Grants			283,356	0	277,269	0
Goals 2000 State and Local Educational Systemic Improvement Programs						
Ohio High School Transformation Planning	84.276	043489-G2-ST-99	0		33,683	
High Schools that Work Academy		N/A	0		9,000	
Continuous Improvement Implementation		043489-G2-S2-01	0		6,940	
Total GOALS 2000 State and Local Educational Systemic Improvement Programs			0		49,623	
Tech-Prep Education						
Tech-Prep - Marketing	84.243	N/A	2,500	0	2,500	0
Tech-Prep - EMT Fire Training		N/A	6,000	0	6,000	0
Total Tech-Prep Education			8,500	0	8,500	0
English Language Acquisition Grants	84.365	043489-T3-S1-03	55,010	0	68,578	0
School Renovation Grants	84.352	1810-0642	70,010	0	46,119	0
Twenty-First Century Community Learning	84.287	043489-T1-S1-03	89,967	0	113,102	0
<b>Total U.S. Department of Education</b>			<b>17,498,042</b>	<b>0</b>	<b>18,802,582</b>	<b>0</b>

**AKRON CITY SCHOOL DISTRICT  
SUMMIT COUNTY**

**SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2003**

<b>FEDERAL GRANTOR/ Pass-Through Grantor/ Program Title</b>	<b>FEDERAL CFDA NUMBER</b>	<b>PASS-THROUGH GRANTOR'S NUMBER</b>	<b>RECEIPTS</b>	<b>NON-CASH RECEIPTS</b>	<b>DISBURSEMENTS</b>	<b>NON-CASH DISBURSEMENTS</b>
<b><u>U.S. DEPARTMENT OF LABOR</u></b>						
<i>(Passed through County of Summit)</i>						
Work Force Investment Act Youth Activities	17.259	2001-187	564,191	0	534,220	0
Temporary Assistance for Needy Families	93.558	N/A	435,624	0	392,778	0
			0	0	25,527	0
			44,041	0	47,519	0
			23,300	0	0	0
		N/A	0	0	570	0
Total Temporary Assistance for Needy Families			<u>502,965</u>	<u>0</u>	<u>466,394</u>	<u>0</u>
<b>Total U.S. Department of Labor</b>			<b>1,067,156</b>	<b>0</b>	<b>1,000,614</b>	<b>0</b>
<b><u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u></b>						
<i>(Passed through the Ohio Department of Mental Retardation &amp; Developmental Disabilities)</i>						
Medicaid Assistance Program - FY 01	93.778	N/A	89	0	89	0
Medicaid Assistance Program - FY 02		N/A	897,246	0	897,246	0
Medicaid Assistance Program - FY 03		N/A	1,798,518	0	1,798,518	0
Total Medicaid Assistance Program			<u>2,695,853</u>	<u>0</u>	<u>2,695,853</u>	<u>0</u>
<i>(Passed through Akron Summit Community Action Agency)</i>						
Head Start	93.600	PA-22-02-03	1,272,296	0	1,653,000	0
		PA-22-02-03	7,705	0	11,000	0
		PA-22-02-03	9,600	0	9,600	0
		PA-22-01-02	1,356,261	0	741,271	0
		PA-22-01-02	15,140	0	8,379	0
		PA-22-01-02	1,929	0	1,929	0
Total Head Start			<u>2,662,931</u>	<u>0</u>	<u>2,425,179</u>	<u>0</u>
<b>Total U.S. Department of Health and Human Services</b>			<b>5,358,784</b>	<b>0</b>	<b>5,121,032</b>	<b>0</b>
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>						
<i>(Passed through the Ohio Department of Education)</i>						
Child Nutrition Cluster:						
Food Donation	10.550	N/A	0	564,559		565,548
School Breakfast Program	10.553	N/A	1,094,788	0	1,094,788	0
National School Lunch Program	10.555	N/A	4,816,195	0	4,816,195	0
Total Child Nutrition Cluster			<u>5,910,983</u>	<u>564,559</u>	<u>5,910,983</u>	<u>565,548</u>
<b>Total U.S. Department of Agriculture</b>			<b>5,910,983</b>	<b>564,559</b>	<b>5,910,983</b>	<b>565,548</b>
<b><u>U.S. DEPARTMENT OF DEFENSE</u></b>						
<i>(Direct)</i>						
Air Force R.O.T.C. Grant	12.XXX		43,658	0	43,658	0
Army R.O.T.C. Grant	12.XXX		61,488	0	61,488	0
Marines R.O.T.C. Grant	12.XXX		39,744	0	39,744	0
Navy R.O.T.C. Grant	12.XXX		23,450	0	23,450	0
<b>Total U.S. Department of Defense</b>			<u>168,340</u>	<u>0</u>	<u>168,340</u>	<u>0</u>
<b>TOTALS</b>			<b><u>\$30,398,168</u></b>	<b><u>\$564,559</u></b>	<b><u>\$31,182,118</u></b>	<b><u>\$565,548</u></b>

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

**AKRON CITY SCHOOL DISTRICT  
SUMMIT COUNTY**

**NOTES TO THE SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2003**

**NOTE A--SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B—CHILD NUTRITION CLUSTER**

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

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

**NOTE C -- MATCHING REQUIREMENTS**

Certain Federal programs require that the District contribute non-Federal funds (matching funds) to support the Federally-funded programs. The District has complied with the matching requirements. The expenditure of non-Federal matching funds is not included on the Schedule.

**NOTE D – EPA ASBESTOS LOAN**

On March 1, 1998, 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.

**NOTE E – MEDICAL ASSISTANCE PROGRAM**

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



**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON  
INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS**

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

To the Board of Education:

We have audited the basic financial statements of Akron City School District, Summit County, Ohio, (the District) as of and for the year ended June 30, 2003, and have issued our report thereon dated January 30, 2004, in which we noted the District made a correction of an error regarding the estimated useful lives of capital assets. 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 an instance of noncompliance that is required to be reported under *Government Auditing Standards*. The noncompliance item is described in the accompanying Schedule of Findings as item 2003-001.

We also noted certain immaterial instances of noncompliance that we have reported to the management of the District in a separate letter dated January 30, 2004.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered 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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

However, we noted other 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 January 30, 2004.

This report is intended for the information and use of management, the 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.

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

**Betty Montgomery**  
Auditor of State

January 30, 2004



## Auditor of State Betty Montgomery

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

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

To the Board of Education

#### Compliance

We have audited the compliance of Akron City School District, Summit County, Ohio, 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 its major federal programs for the year ended June 30, 2003. 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 its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to 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, 2003.

We 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 January 30, 2004.

#### 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.

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Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a 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. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

However, we noted other matters involving internal controls over federal compliance that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated January 30, 2004.

This report is intended for the information and use of management, the 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.

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

**Betty Montgomery**  
Auditor of State

January 30, 2004

**AKRON CITY SCHOOL DISTRICT  
SUMMIT COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 §.505  
JUNE 30, 2003**

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

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unqualified
<b>(d)(1)(ii)</b>	<b>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material non-compliance at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any other reportable internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Student Financial Aid Cluster: Federal Family Education Loan Program (CFDA 84.032) and Federal Pell Grant Program (CFDA 84.063); Special Education Cluster (CFDA 84.027 and 84.173); Vocational Education Basic Grants to States (CFDA 84.048); Improving Teacher Quality State Grants (CFDA 84.367); Head Start (CFDA 93.600); Child Nutrition Cluster (CFDA 10.550, 10.553, and 10.555), Medicaid Assistance Program (CFDA 93.778); Workforce Investment Act Youth Activities (CFDA 17.259)
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 952,430 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	No

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

**FINDING NUMBER 2003-001**

**Noncompliance Citation**

**Ohio Rev. Code Section 5705.10** requires that money that is paid into a fund must be used only for the purposes for which such fund has been established. A negative fund balance indicates that money from one fund was used to cover the expenses of another fund.

Throughout fiscal year 2003, certain funds incurred negative cash fund balances as follows:

Fund Type/Fund	Aug-02	Nov-02	Mar-03	Jun-03
<b>Special Revenue Funds</b>				
Career Ed (409)				\$(3,577)
Public School Preschool (439)		\$(23,191)		
DPIA (447)	\$(637,193)			
Alternative School (463)			\$(88,331)	(62,796)
Adult Basic Education (501)	(228,547)		(269,207)	(95,429)
JTPA (502)	(741,907)	(220,601)	(306,950)	(118,464)
Eisenhower Grant (514)		(21,661)	(3,958)	
Title VI B (516)		(221,338)	(25,163)	
Vocational Education (524)	(324,963)		(93,830)	(121,658)
Head Start (525)	(798,806)	(817,471)	(452,512)	(366,751)
Title III – LEP (551)			(337)	(13,568)
Title I (572)			(575,370)	
Title VI (573)		(31,986)	(51,130)	(50,407)
Drug Free (584)	(17,116)		(9,207)	
Preschool Grant (587)	(16,930)			
Title II – A (590)	(80,354)	(453)	(53,460)	
Misc. Federal Grants (599)	(359,961)			
<b>Capital Projects Fund</b>				
Ohio School Facility Comm (496)		(1,159,114)	(1,298,001)	(48,299)

The District should monitor receipts and disbursements on a regular basis to ensure a sufficient fund balance exists before authorizing the expenditure of funds. In those cases where additional funds are required, the resources should either be transferred or advanced to the fund from the General Fund.

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

None

**AKRON CITY SCHOOL DISTRICT  
SUMMIT COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
JUNE 30, 2003**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain:</i></b>
2002-10977-001	Ohio Rev. Code Section 5705.10 – Negative cash fund balances	No	Repeated as item 2003-001.
2002-10977-002	Various extracurricular activities not in compliance with District policies and procedures	No	Partially corrected, comment included in management letter

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**Auditor of State  
Betty Montgomery**

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**AKRON CITY SCHOOL DISTRICT**

**SUMMIT COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MARCH 25, 2004**