

**AKRON CITY SCHOOL DISTRICT
SUMMIT COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 1999

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Report of Independent Accountants

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

To the Board of Education.

We have audited the accompanying general purpose financial statements of Akron City School District (the School District) as of and for the year ended June 30, 1999, as listed in the Table of Contents. These general purpose financial statements are the responsibility of the School District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the School District as of June 30, 1999, and the results of its operations and cash flows of its proprietary fund types and nonexpendable trust fund for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 1999 on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

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



Jim Petro
Auditor of State

December 10, 1999

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Akron City School District
Combined Balance Sheet
All Fund Types and Account Groups
June 30, 1999

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Assets and Other Debits				
Assets				
Equity in Pooled Cash and Cash Equivalents	\$18,132,830	\$7,583,824	\$63,613	\$8,392,750
Cash and Cash Equivalents In Segregated Accounts	0	0	0	0
Receivables:				
Taxes	83,097,404	0	7,862	4,853,053
Accounts	96,783	3,429	0	0
Intergovernmental	22,806	897,722	0	235,979
Interfund Receivable	6,205,929	0	0	0
Materials and Supplies Inventory	563,878	0	0	0
Inventory Held for Resale	0	0	0	0
Restricted Assets				
Equity in Pooled Cash and Cash Equivalents	3,367,186	0	0	0
Fixed Assets (Net, where applicable, of Accumulated Depreciation)	0	0	0	0
Other Debits				
Amount Available in Debt Service Fund for Retirement of General Obligations	0	0	0	0
Amount to be Provided from General Government Resources	0	0	0	0
Total Assets and Other Debits	\$111,486,816	\$8,484,975	\$71,475	\$13,481,782

<u>Proprietary Fund Types</u>		<u>Fiduciary Fund Types</u>	<u>Account Groups</u>		<u>Totals (Memorandum Only)</u>
<u>Enterprise</u>	<u>Internal Service</u>	<u>Trust and Agency</u>	<u>General Fixed Assets</u>	<u>General Long-Term Obligations</u>	
\$5,317,272	\$0	\$191,302	\$0	\$0	\$39,681,591
0	6,133,968	406,552	0	0	6,540,520
0	0	0	0	0	87,958,319
31,056	0	0	0	0	131,268
743,441	0	0	0	0	1,899,948
0	0	0	0	0	6,205,929
0	0	0	0	0	563,878
300,873	0	0	0	0	300,873
0	0	0	0	0	3,367,186
477,677	0	0	169,217,861	0	169,695,538
0	0	0	0	63,613	63,613
0	0	0	0	24,847,782	24,847,782
<u>\$6,870,319</u>	<u>\$6,133,968</u>	<u>\$597,854</u>	<u>\$169,217,861</u>	<u>\$24,911,395</u>	<u>\$341,256,445</u>

(continued)

Akron City School District
Combined Balance Sheet
All Fund Types and Account Groups (continued)
June 30, 1999

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<i>Liabilities, Fund Equity and Other Credits</i>				
Liabilities				
Accounts Payable	\$1,140,565	\$604,718	\$0	\$2,353,654
Compensated Absences Payable	1,107,972	67,232	0	4,475
Interfund Payable	0	1,611,519	0	4,568,596
Intergovernmental Payable	2,979,483	594,648	0	23,091
Deferred Revenue	80,591,315	0	7,862	4,706,956
Due to Students	0	0	0	0
Claims Payable	0	0	0	0
School Foundation Notes Payable	10,256,584	0	0	0
Capital Leases Payable	0	0	0	0
Asbestos Loan Payable	0	0	0	0
<i>Total Liabilities</i>	96,075,919	2,878,117	7,862	11,656,772
Fund Equity and Other Credits				
Investment in General Fixed Assets	0	0	0	0
Retained Earnings				
Unreserved	0	0	0	0
Fund Balance (Deficit)				
Reserved				
Reserved for Endowment	0	0	0	0
Reserved for Encumbrances	260,417	1,022,583	0	4,108,386
Reserved for Inventory	563,878	0	0	0
Reserved for Budget Stabilization	3,367,186	0	0	0
Reserved for Property Taxes	2,506,089	-0	0	146,097
Unreserved:				
Designated for Budget Stabilization	13,599	0	0	0
Unreserved, Undesignated	8,699,728	4,584,275	63,613	(2,429,473)
<i>Total Fund Equity and Other Credits</i>	15,410,897	5,606,858	63,613	1,825,010
<i>Total Liabilities, Fund Equity and Other Credits</i>	\$111,486,816	\$8,484,975	\$71,475	\$13,481,782

See accompanying notes to the general purpose financial statements

<u>Proprietary Fund Types</u>		<u>Fiduciary Fund Types</u>	<u>Account Groups</u>		<u>Totals (Memorandum Only)</u>
<u>Enterprise</u>	<u>Internal Service</u>	<u>Trust and Agency</u>	<u>General Fixed Assets</u>	<u>General Long-Term Obligations</u>	
\$22,414	\$0	\$6,114	\$0	\$0	\$4,127,465
256,806	0	0	0	21,818,707	23,255,192
25,814	0	0	0	0	6,205,929
262,145	0	29,120	0	2,897,628	6,786,115
211,762	0	0	0	0	85,517,895
0	0	162,182	0	0	162,182
0	1,730,000	0	0	0	1,730,000
0	0	0	0	0	10,256,584
0	0	0	0	128,225	128,225
0	0	0	0	66,835	66,835
<u>778,941</u>	<u>1,730,000</u>	<u>197,416</u>	<u>0</u>	<u>24,911,395</u>	<u>138,236,422</u>
0	0	0	169,217,861	0	169,217,861
6,091,378	4,403,968	0	0	0	10,495,346
0	0	143,409	0	0	143,409
0	0	0	0	0	5,391,386
0	0	0	0	0	563,878
0	0	0	0	0	3,367,186
0	0	0	0	0	2,652,186
0	0	0	0	0	13,599
0	0	257,029	0	0	11,175,172
<u>6,091,378</u>	<u>4,403,968</u>	<u>400,438</u>	<u>169,217,861</u>	<u>0</u>	<u>203,020,023</u>
<u>\$6,870,319</u>	<u>\$6,133,968</u>	<u>\$597,854</u>	<u>\$169,217,861</u>	<u>\$24,911,395</u>	<u>\$341,256,445</u>

Akron City School District
Combined Statement of Revenues, Expenditures and Changes in Fund Balances
All Governmental Fund Types and Similar Trust Fund
For the Fiscal Year Ended June 30, 1999

	Governmental Fund		
	General	Special Revenue	Debt Service
Revenues			
Property and Other Taxes	\$79,417,401	\$0	\$7,863
Intergovernmental	109,800,053	39,025,619	0
Interest	2,819,960	100,935	783
Tuition and Fees	1,386,744	190,469	0
Rentals	170,297	17,581	0
Extracurricular Activities	232,689	1,554,538	0
Gifts and Donations	10,957	372,039	0
Charges for Services	424,427	99,972	0
Miscellaneous	1,505,964	359,443	0
Total Revenues	195,768,492	41,720,596	8,646
Expenditures			
Current :			
Instruction :			
Regular	85,823,870	17,988,176	0
Special	14,845,475	4,185,543	0
Vocational	10,765,858	625,523	0
Adult/Continuing	184,656	651,734	0
Support Services :			
Pupils	10,565,498	1,837,966	0
Instructional Staff	9,322,084	7,844,280	0
Board of Education	142,429	0	0
Administration	14,835,017	941,122	0
Fiscal	2,733,511	368,790	0
Business	3,305,294	10,552	0
Operation and Maintenance of Plant	23,155,702	1,233,233	0
Pupil Transportation	5,132,839	84,828	0
Central	3,955,064	432,370	0
Operation of Non-Instructional Services	182,860	3,514,054	0
Extracurricular Activities	1,773,993	1,015,984	0
Capital Outlay	213,135	4,521	0
Capital Lease	327,473	0	0
Debt Service:			
Principal Retirement	0	0	7,863
Interest and Fiscal Charges	685,954	0	0
Total Expenditures	187,950,712	40,738,676	7,863
Excess of Revenues Over (Under) Expenditures	7,817,780	981,920	783
Other Financing Sources (Uses)			
Proceeds from Sale of Fixed Assets	19,510	91	0
Operating Transfers In	70,577	369,083	0
Operating Transfers Out	(670,209)	(91,241)	0
Total Other Financing Sources (Uses)	(580,122)	277,933	0
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and other financing uses	7,237,658	1,259,853	783
Fund Balances Beginning of Year	8,214,724	4,347,005	62,830
Decrease in Reserve for Inventory	(41,485)	0	0
Fund Balances End of Year	\$15,410,897	\$5,606,858	\$63,613

See accompanying notes to the general purpose financial statements

Types	Fiduciary	Totals (Memorandum Only)
	Fund Type	
Capital Projects	Expendable Trust	
\$4,671,043	\$0	\$84,096,307
1,982,081	0	150,807,753
217,306	328	3,139,312
0	0	1,577,213
0	0	187,878
0	74	1,787,301
0	8,525	391,521
0	0	524,399
36,627	19,600	1,921,634
<u>6,907,057</u>	<u>28,527</u>	<u>244,433,318</u>
0	250	103,812,296
0	0	19,031,018
0	0	11,391,381
0	0	836,390
0	0	12,403,464
0	0	17,166,364
0	0	142,429
0	0	15,776,139
0	0	3,102,301
0	0	3,315,846
0	0	24,388,935
0	0	5,217,667
0	0	4,387,434
0	38,783	3,735,697
0	294	2,790,271
12,115,694	0	12,333,350
0	0	327,473
0	0	7,863
0	0	685,954
<u>12,115,694</u>	<u>39,327</u>	<u>240,852,272</u>
<u>(5,208,637)</u>	<u>(10,800)</u>	<u>3,581,046</u>
0	0	19,601
321,790	0	761,450
0	0	(761,450)
<u>321,790</u>	<u>0</u>	<u>19,601</u>
(4,886,847)	(10,800)	3,600,647
6,711,857	255,585	19,592,001
0	0	(41,485)
<u>\$1,825,010</u>	<u>\$244,785</u>	<u>\$23,151,163</u>

Akron City School District
*Combined Statement of Revenues, Expenditures
and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual
All Governmental Fund Types and Similar Trust Fund
For the Fiscal Year Ended June 30, 1999*

	General Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Property and Other Taxes	\$70,706,089	\$79,490,902	\$8,784,813
Intergovernmental	96,678,844	106,583,611	9,904,767
Interest	2,000,000	2,819,960	819,960
Tuition and Fees	847,500	1,295,173	447,673
Rentals	150,000	169,045	19,045
Extracurricular Activities	0	232,689	232,689
Gifts and Donations	2,600	10,957	8,357
Charges for Services	359,000	424,427	65,427
Miscellaneous	1,512,144	1,512,144	0
<i>Total Revenues</i>	<u>172,256,177</u>	<u>192,538,908</u>	<u>20,282,731</u>
Expenditures			
Current:			
Instruction			
Regular	85,752,776	85,644,595	108,181
Special	14,919,358	14,805,790	113,568
Vocational	10,848,243	10,787,589	60,654
Adult/Continuing	188,357	184,377	3,980
Support Services			
Pupils	10,823,290	10,664,200	159,090
Instructional Staff	9,478,014	9,272,877	205,137
Board of Education	181,144	144,260	36,884
Administration	14,939,901	14,691,664	248,237
Fiscal	2,786,707	2,724,005	64,702
Business	3,560,269	3,380,112	180,157
Operation and Maintenance of Plant	23,215,643	22,989,555	226,088
Pupil Transportation	6,182,357	5,846,332	336,025
Central	4,218,849	4,097,626	121,223
Operation of Non-Instructional Services	165,840	179,612	(13,772)
Extracurricular Activities	1,987,864	1,800,312	187,552
Capital Outlay	224,977	224,846	131
Debt Service			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
<i>Total Expenditures</i>	<u>189,475,589</u>	<u>187,437,752</u>	<u>2,037,837</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(17,219,412)</u>	<u>5,101,156</u>	<u>22,320,568</u>
Other Financing Sources (Uses)			
Advances In	3,227,376	3,227,376	0
Advances Out	0	(6,233,983)	(6,233,983)
Proceeds From Sale of Fixed Assets	0	19,510	19,510
Operating Transfers In	0	70,577	70,577
Operating Transfers Out	(623,600)	(670,209)	(46,609)
<i>Total Other Financing Sources (Uses)</i>	<u>2,603,776</u>	<u>(3,586,729)</u>	<u>(6,190,505)</u>
<i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</i>	<u>(14,615,636)</u>	<u>1,514,427</u>	<u>16,130,063</u>
<i>Fund Balances Beginning of Year Restated (see note 3)</i>	14,312,186	14,312,186	0
<i>Prior Year Encumbrances Appropriated</i>	<u>1,702,403</u>	<u>1,702,403</u>	<u>0</u>
<i>Fund Balances End of Year</i>	<u>\$1,398,953</u>	<u>\$17,529,016</u>	<u>\$16,130,063</u>

Special Revenue Funds			Debt Service Fund		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$0	\$0	\$0	\$7,863	\$7,863	\$0
43,500,035	38,989,451	(4,510,584)	3,225,595	3,206,822	(18,773)
100,502	100,935	433	0	783	783
262,382	187,040	(75,342)	0	0	0
17,541	17,581	40	0	0	0
743,912	1,554,538	810,626	0	0	0
292,753	372,039	79,286	0	0	0
96,175	99,972	3,797	0	0	0
1,708,188	362,426	(1,345,762)	0	0	0
<u>46,721,488</u>	<u>41,683,982</u>	<u>(5,037,506)</u>	<u>3,233,458</u>	<u>3,215,468</u>	<u>(17,990)</u>
20,031,090	18,247,633	1,783,457	0	0	0
4,796,101	4,206,668	589,433	0	0	0
828,152	743,617	84,535	0	0	0
1,027,258	651,010	376,248	0	0	0
2,273,413	1,914,958	358,455	0	0	0
11,222,380	7,958,241	3,264,139	0	0	0
0	0	0	0	0	0
1,663,994	966,526	697,468	0	0	0
554,459	368,044	186,415	0	0	0
17,081	10,465	6,616	0	0	0
1,481,854	1,249,723	232,131	0	0	0
132,208	96,129	36,079	0	0	0
1,026,114	450,383	575,731	0	0	0
3,894,048	3,722,606	171,442	0	0	0
1,516,646	1,093,389	423,257	0	0	0
32,677	4,991	27,686	0	0	0
0	0	0	2,527,932	2,559,524	(31,592)
0	0	0	705,526	655,161	50,365
<u>50,497,475</u>	<u>41,684,383</u>	<u>8,813,092</u>	<u>3,233,458</u>	<u>3,214,685</u>	<u>18,773</u>
<u>(3,775,987)</u>	<u>(401)</u>	<u>3,775,586</u>	<u>0</u>	<u>783</u>	<u>783</u>
0	1,611,519	1,611,519	0	0	0
(4,190)	(1,712,090)	(1,707,900)	0	0	0
0	91	91	0	0	0
306,980	369,083	62,103	0	0	0
(19,591)	(91,241)	(71,650)	0	0	0
<u>283,199</u>	<u>177,362</u>	<u>(105,837)</u>	<u>0</u>	<u>0</u>	<u>0</u>
(3,492,788)	176,961	3,669,749	0	783	783
4,656,807	4,656,807	0	62,830	62,830	0
763,083	763,083	0	0	0	0
<u>\$1,927,102</u>	<u>\$5,596,851</u>	<u>\$3,669,749</u>	<u>\$62,830</u>	<u>\$63,613</u>	<u>\$783</u>

(continued)

Akron City School District
Combined Statement of Revenues, Expenditures
and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual
All Governmental Fund Types and Similar Trust Fund (continued)
For the Fiscal Year Ended June 30, 1999

	Capital Projects Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Property and Other Taxes	\$4,679,142	\$4,679,142	\$0
Intergovernmental	9,963,528	1,746,102	(8,217,426)
Interest	319,596	217,306	(102,290)
Tuition and Fees	0	0	0
Rentals	0	0	0
Extracurricular Activities	0	0	0
Gifts and Donations	0	0	0
Charges for Services	0	0	0
Miscellaneous	36,627	36,627	0
Total Revenues	14,998,893	6,679,177	(8,319,716)
Expenditures			
Current:			
Instruction			
Regular	118,981	63,298	55,683
Special	0	0	0
Vocational	77,070	76,813	257
Adult/Continuing	0	0	0
Support Services			
Pupils	0	0	0
Instructional Staff	618,494	171,452	447,042
Board of Education	0	0	0
Administration	0	0	0
Fiscal	0	0	0
Business	0	0	0
Operation and Maintenance of Plant	12,875	10,266	2,609
Pupil Transportation	0	0	0
Central	2,708,290	2,477,234	231,056
Operation of Non-Instructional Services	0	0	0
Extracurricular Activities	0	0	0
Capital Outlay	19,239,675	14,785,032	4,454,643
Debt Service			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
Total Expenditures	22,775,385	17,584,095	5,191,290
Excess of Revenues Over (Under) Expenditures	(7,776,492)	(10,904,918)	(3,128,426)
Other Financing Sources (Uses)			
Advances In	0	4,568,596	4,568,596
Advances Out	0	(1,487,232)	(1,487,232)
Proceeds From Sale of Fixed Assets	0	0	0
Operating Transfers In	321,790	321,790	0
Operating Transfers Out	0	0	0
Total Other Financing Sources (Uses)	321,790	3,403,154	3,081,364
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(7,454,702)	(7,501,764)	(47,062)
Fund Balances Beginning of Year	5,519,688	5,519,688	0
Prior Year Encumbrances Appropriated	4,222,855	4,222,855	0
Fund Balances End of Year	\$2,287,841	\$2,240,779	(\$47,062)

See accompanying notes to the general purpose financial statements

Expendable Trust Fund			Totals (Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$0	\$0	\$0	\$75,393,094	\$84,177,907	\$8,784,813
0	0	0	153,368,002	150,525,986	(2,842,016)
0	328	328	2,420,098	3,139,312	719,214
0	0	0	1,109,882	1,482,213	372,331
0	0	0	167,541	186,626	19,085
0	74	74	743,912	1,787,301	1,043,389
1,200	8,525	7,325	296,553	391,521	94,968
0	0	0	455,175	524,399	69,224
8,686	19,600	10,914	3,265,645	1,930,797	(1,334,848)
9,886	28,527	18,641	237,219,902	244,146,062	6,926,160
250	250	0	105,903,097	103,955,776	1,947,321
0	0	0	19,715,459	19,012,458	703,001
0	0	0	11,753,465	11,608,019	145,446
0	0	0	1,215,615	835,387	380,228
0	0	0	13,096,703	12,579,158	517,545
0	0	0	21,318,888	17,402,570	3,916,318
0	0	0	181,144	144,260	36,884
0	0	0	16,603,895	15,658,190	945,705
0	0	0	3,343,166	3,092,049	251,117
0	0	0	3,577,350	3,390,577	186,773
0	0	0	24,710,372	24,249,544	460,828
0	0	0	6,314,565	5,942,461	372,104
0	0	0	7,953,253	7,025,243	928,010
73,702	37,543	36,159	4,133,590	3,939,761	193,829
715	294	421	3,505,225	2,893,995	611,230
0	0	0	19,497,329	15,014,869	4,482,460
0	0	0	2,527,932	2,559,524	(31,592)
0	0	0	705,526	655,161	50,365
74,667	38,087	36,580	266,056,574	249,959,002	16,097,572
(64,781)	(9,560)	55,221	(28,836,672)	(5,812,940)	23,023,732
0	0	0	3,227,376	9,407,491	6,180,115
0	0	0	(4,190)	(9,433,305)	(9,429,115)
0	0	0	0	19,601	19,601
0	0	0	628,770	761,450	132,680
0	0	0	(643,191)	(761,450)	(118,259)
0	0	0	3,208,765	(6,213)	(3,214,978)
(64,781)	(9,560)	55,221	(25,627,907)	(5,819,153)	19,808,754
257,536	257,536	0	24,809,047	24,809,047	0
2,923	2,923	0	6,691,264	6,691,264	0
\$195,678	\$250,899	\$55,221	\$5,872,404	\$25,681,158	\$19,808,754

Akron City School District

*Combined Statement of Revenues, Expenses and Changes in Retained Earnings/Fund Balance
All Proprietary Fund Types and Similar Trust Fund
For the Fiscal Year Ended June 30, 1999*

	Proprietary Fund Types		Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Internal Service	Nonexpendable Trust	
Operating Revenues				
Charges for Services	\$0	\$20,439,373	\$0	\$20,439,373
Sales	2,458,742	0	0	2,458,742
Tuition and Fees	963,497	0	0	963,497
Interest	0	0	4,589	4,589
Miscellaneous	92,098	0	68	92,166
<i>Total Operating Revenues</i>	<u>3,514,337</u>	<u>20,439,373</u>	<u>4,657</u>	<u>23,958,367</u>
Operating Expenses				
Salaries and Wages	3,056,252	0	0	3,056,252
Fringe Benefits	1,171,765	0	0	1,171,765
Purchased Services	293,144	1,213,370	0	1,506,514
Materials and Supplies	681,349	0	0	681,349
Cost of Sales	4,295,436	0	0	4,295,436
Depreciation	99,586	0	0	99,586
Claims	0	17,458,865	0	17,458,865
Other	209,777	0	2,470	212,247
<i>Total Operating Expenses</i>	<u>9,807,309</u>	<u>18,672,235</u>	<u>2,470</u>	<u>28,482,014</u>
<i>Operating Income (Loss)</i>	<u>(6,292,972)</u>	<u>1,767,138</u>	<u>2,187</u>	<u>(4,523,647)</u>
Non-Operating Revenues (Expenses)				
Federal Donated Commodities	545,048	0	0	545,048
Operating Grants	6,143,011	0	0	6,143,011
Interest	271,872	0	0	271,872
Loss on Disposal of Fixed Assets	(1,175)	0	0	(1,175)
<i>Total Non-Operating Revenues (Expenses)</i>	<u>6,958,756</u>	<u>0</u>	<u>0</u>	<u>6,958,756</u>
<i>Net Income</i>	<u>665,784</u>	<u>1,767,138</u>	<u>2,187</u>	<u>2,435,109</u>
<i>Retained Earnings / Fund Balance</i>				
<i>Beginning of Year Restated (see note 3)</i>	<u>5,425,594</u>	<u>2,636,830</u>	<u>153,466</u>	<u>8,215,890</u>
<i>Retained Earnings / Fund Balance End of Year</i>	<u><u>\$6,091,378</u></u>	<u><u>\$4,403,968</u></u>	<u><u>\$155,653</u></u>	<u><u>\$10,650,999</u></u>

See accompanying notes to the general purpose financial statements

Akron City School District
*Combined Statement of Revenues, Expenses
and Changes in Fund Equity - Budget (Non-GAAP Basis) and Actual
All Proprietary Fund Types and Similar Trust Fund
For the Fiscal Year Ended June 30, 1999*

	Enterprise Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Charges for Services	\$0	\$0	\$0
Sales	2,410,380	2,458,742	48,362
Tuition and Fees	634,676 #	932,441	297,765
Operating Grants	3,245,435	5,561,448	2,316,013
Interest	215,000	271,872	56,872
Miscellaneous	24,745	96,125	71,380
<i>Total Revenues</i>	<u>6,530,236</u>	<u>9,320,628</u>	<u>2,790,392</u>
Expenses			
Salaries and Wages	2,850,078	2,788,256	61,822
Fringe Benefits	1,673,280	1,405,775	267,505
Purchased Services	483,706	360,561	123,145
Materials and Supplies	5,353,008	4,419,946	933,062
Claims	0	0	0
Other	397,711	209,634	188,077
Capital Outlay	290,000	163,335	126,665
<i>Total Operating Expenses</i>	<u>11,047,783</u>	<u>9,347,507</u>	<u>1,700,276</u>
<i>Excess of Revenues Over / (Under) Expenses</i>	(4,517,547)	(26,879)	4,490,668
Advance In	0	25,814	25,814
<i>Excess of Revenues and Advances In Over / (Under) Expenses</i>	(4,517,547)	(1,065)	4,516,482
<i>Fund Equity Beginning of Year</i>	5,073,070	5,073,070	0
<i>Prior Year Encumbrances Appropriated</i>	13,574	13,574	0
<i>Fund Equity End of Year</i>	<u>\$569,097</u>	<u>\$5,085,579</u>	<u>\$4,516,482</u>

(continued)

See accompanying notes to the general purpose financial statements.

Akron City School District
Combined Statement of Revenues, Expenses
and Changes in Fund Equity - Budget (Non-GAAP Basis) and Actual
All Proprietary Fund Types and Similar Trust Fund (continued)
For the Fiscal Year Ended June 30, 1999

	Internal Service Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Charges for Services	\$14,628,170	\$20,439,373	\$5,811,203
Sales	0	0	0
Tuition and Fees	0	0	0
Operating Grants	0	0	0
Interest	0	0	0
Miscellaneous	0	0	0
<i>Total Revenues</i>	<u>14,628,170</u>	<u>20,439,373</u>	<u>5,811,203</u>
Expenses			
Salaries and Wages	0	0	0
Fringe Benefits	0	0	0
Purchased Services	0	0	0
Materials and Supplies	0	0	0
Claims	19,000,000	18,677,235	322,765
Other	0	0	0
Capital Outlay	0	0	0
<i>Total Operating Expenses</i>	<u>19,000,000</u>	<u>18,677,235</u>	<u>322,765</u>
<i>Excess of Revenues Over / (Under) Expenses</i>	(4,371,830)	1,762,138	6,133,968
Advance In	0	0	0
<i>Excess of Revenues and Advances In Over / (Under) Expenses</i>	(4,371,830)	1,762,138	6,133,968
<i>Fund Equity Beginning of Year</i>	4,371,830	4,371,830	0
<i>Prior Year Encumbrances Appropriated</i>	0	0	0
<i>Fund Equity End of Year</i>	<u>\$0</u>	<u>\$6,133,968</u>	<u>\$6,133,968</u>

Nonexpendable Trust Fund			Totals (Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$0	\$0	\$0	\$14,628,170	\$20,439,373	\$5,811,203
0	0	0	2,410,380	2,458,742	48,362
0	0	0	634,676	932,441	297,765
0	0	0	3,245,435	5,561,448	2,316,013
0	4,589	4,589	215,000	276,461	61,461
0	68	68	24,745	96,193	71,448
0	4,657	4,657	21,158,406	29,764,658	8,606,252
0	0	0	2,850,078	2,788,256	61,822
0	0	0	1,673,280	1,405,775	267,505
0	0	0	483,706	360,561	123,145
0	0	0	5,353,008	4,419,946	933,062
0	0	0	19,000,000	18,677,235	322,765
4,471	4,470	1	402,182	214,104	188,078
0	0	0	290,000	163,335	126,665
4,471	4,470	1	30,052,254	28,029,212	2,023,042
(4,471)	187	4,658	(8,893,848)	1,735,446	10,629,294
0	0	0	0	25,814	25,814
(4,471)	187	4,658	(8,893,848)	1,761,260	10,655,108
151,466	151,466	0	9,596,366	9,596,366	0
2,000	2,000	0	15,574	15,574	0
<u>\$148,995</u>	<u>\$153,653</u>	<u>\$4,658</u>	<u>\$718,092</u>	<u>\$11,373,200</u>	<u>\$10,655,108</u>

Akron City School District
Combined Statement of Cash Flows
All Proprietary Fund Types and Similar Trust Fund
For the Fiscal Year Ended June 30, 1999

	Proprietary Fund Types		Fiduciary	Totals (Memorandum Only)
	Enterprise	Internal Service	Nonexpendable Trust	
Increase (Decrease) in Cash and Cash Equivalents				
Cash Flows from Operating Activities				
Cash Received from Customers	\$3,391,183	\$0	\$0	\$3,391,183
Cash Received from Quasi-External Operating Transactions with Other Funds	0	20,439,373	0	20,439,373
Cash Received from Other Operating Sources	96,125	0	68	96,193
Cash Payments for Goods and Services	(4,722,354)	(1,213,370)	0	(5,935,724)
Cash Payments to Employees for Services	(2,788,256)	0	0	(2,788,256)
Cash Payments for Employee Services and Benefits	(1,405,530)	0	0	(1,405,530)
Cash Payments for Claims	0	(17,463,865)	0	(17,463,865)
Cash Payments for Other Operating Expenses	(208,648)	0	(2,470)	(211,118)
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u>(5,637,480)</u>	<u>1,762,138</u>	<u>(2,402)</u>	<u>(3,877,744)</u>
Cash Flows from Noncapital Financing Activities				
Operating Grants Received	5,561,448	0	0	5,561,448
Advance In	25,814	0	0	25,814
<i>Net Cash Provided by Noncapital Financing Activities</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>5,587,262</u>
Cash Flows from Capital and Related Financing Activities				
Payments for Capital Acquisitions	(74,179)	0	0	(74,179)
Cash Flows from Investing Activities				
Interest on Investments	271,872	0	4,589	276,461
<i>Net Increase in Cash and Cash Equivalents</i>	147,475	1,762,138	2,187	1,911,800
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>5,169,797</u>	<u>4,371,830</u>	<u>153,466</u>	<u>9,695,093</u>
<i>Cash and Cash Equivalents End of Year</i>	<u>\$5,317,272</u>	<u>\$6,133,968</u>	<u>\$155,653</u>	<u>\$11,606,893</u>

(continued)

Akron City School District
Combined Statement of Cash Flows
All Proprietary Fund Types and Similar Trust Fund (continued)
For the Fiscal Year Ended June 30, 1999

	<u>Proprietary Fund Types</u>		<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Internal Service</u>	<u>Nonexpendable Trust</u>	
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities				
Operating Income (Loss)	<u>(\$6,292,972)</u>	<u>\$1,767,138</u>	<u>\$2,187</u>	<u>(\$4,523,647)</u>
Adjustments:				
Depreciation	99,586	0	0	99,586
Donated Commodities Used During Year	545,048	0	0	545,048
Interest Received by Nonexpendable Trust Fund	0	0	(4,589)	(4,589)
(Increase)/Decrease in Assets:				
Accounts Receivable	(27,029)	0	0	(27,029)
Inventory Held for Resale	8,392	0	0	8,392
Increase/(Decrease) in Liabilities:				
Accounts Payable	10,257	0	0	10,257
Compensated Absences Payable	(9,370)	0	0	(9,370)
Intergovernmental Payable	28,608	0	0	28,608
Claims Payable	0	(5,000)	0	(5,000)
<i>Total Adjustments</i>	<u>655,492</u>	<u>(5,000)</u>	<u>(4,589)</u>	<u>645,903</u>
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u>(\$5,637,480)</u>	<u>\$1,762,138</u>	<u>(\$2,402)</u>	<u>(\$3,877,744)</u>
Reconciliation of Cash and Cash Equivalents to the Balance Sheet				
Trust and Agency	\$597,854			
Less: Agency Funds and Expendable Trust	<u>442,201</u>			
Nonexpendable Trust Fund	<u>\$155,653</u>			

See accompanying notes to the general purpose financial statements

Akron City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The School District was established in 1847 through the consolidation of existing land areas and school districts. The School District serves an area of approximately 54 square miles. It is located in Summit County, and is within the City of Akron. The School District is the fifth largest in the State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by 958 classified employees, 2,176 certificated full-time teaching personnel and 190 administrative employees who provide services to 32,115 students and other community members. The School District currently operates 61 instructional buildings, two administrative buildings, two auxiliary buildings and one garage.

Reporting Entity

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

Non-Public Schools - Within the School District boundaries, St. Anthony School, St. Mary School, St. Martha Elementary, St. Matthew School, St. Paul School, St. Sebastian School, St. Vincent Elementary, Annunciation - St. John, Christ the King, Our Lady of Elms - Elementary, Immaculate Conception, Our Lady of Elms - High School, Archbishop Hoban High School, and St. Vincent - St. Mary High School are operated through the Akron Catholic Diocese; Arlington Christian, Emanuel Christian Academy, Interfaith Elementary, Shatto Academy, Summit Christian School, Color Our Rainbow Academy, Lippman Day School, Zion Lutheran School, and Phoenix School are operated as private schools. Current State legislation provides funding to these non-public schools. These monies are received and disbursed on behalf of the non-public schools by the Treasurer of the School District, as directed by the non-public schools. The activity of these State monies by the School District is reflected in a special revenue fund for financial reporting purposes.

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization, or (2) the School District is legally entitled to or can otherwise access the organization's resources, the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization, or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. The School District does not have any component units.

The School District is associated with the Ohio Schools Council, a jointly governed organization. See Note 19.

Akron City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis Of Presentation - Fund Accounting

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

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

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

Governmental Fund Types

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

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

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

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

Debt Service Funds - Debt service funds are used to account for the accumulation of resources for, and the payment of, general long-term obligation principal, interest, and related costs.

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

Akron City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

Proprietary Fund Types

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

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

Internal Service Fund - The internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the School District on a cost reimbursement basis

Fiduciary Fund Types

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

Account Groups

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

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

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

B. Measurement Focus and Basis of Accounting

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

Akron City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

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

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

The modified accrual basis of accounting is followed for the governmental, expendable trust, and agency funds. Under this basis, revenues are recognized in the accounting period when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period for the School District is thirty days after fiscal year end.

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: interest, tuition, grants, and student fees.

The School District reports deferred revenues on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 1999, and delinquent property taxes, whose availability is indeterminable and which are intended to finance fiscal year 2000 operations, have been recorded as deferred revenue.

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

The accrual basis of accounting is utilized for reporting purposes by the proprietary fund types and the nonexpendable trust fund. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported on the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

C. Budgetary Process

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

All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control has been established by the Board of Education at the object level within each function. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

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

Akron City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

Tax Budget

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

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

Estimated Resources

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 1999.

Appropriations

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

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

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

Encumbrances

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

Akron City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

Lapsing of Appropriations

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

D. Cash and Cash Equivalents

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

During fiscal year 1999, investments were limited to repurchase agreements and certificates of deposit, which are nonparticipating investment contracts and are reported at cost.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 1999 amounted to \$2,819,960, which includes \$1,594,835 assigned from other School District funds.

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

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

E. Inventory

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

F. Fixed Assets and Depreciation

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary funds are capitalized in the respective fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the dates received. The School District maintains a capitalization threshold of two hundred dollars for all funds except the Child Nutrition fund which uses a three hundred dollar threshold which matches the requirements set by the State of Ohio. The School District does not possess any infrastructure.

Akron City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

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

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

G. Intergovernmental Revenues

For governmental funds, intergovernmental revenues, such as entitlements and grants awarded on a non-reimbursement basis, are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Other than commodities, grants and entitlements for proprietary fund operations are recognized as non-operating revenues in the accounting period in which they are earned and become measurable. The School District currently participates in several State and Federal programs, categorized as follows:

Entitlements

General Fund

- State Foundation Program
- State Property Tax Relief
- School Bus Purchase Reimbursement

Special Revenue Fund

- Disadvantaged Pupil Impact Aid

Non-Reimbursable Grants

Special Revenue Funds

- Venture Capital
- Auxiliary Services
- Reading Recovery
- Consumer Education Projects
- Career Development
- Post Secondary Vocational Education
- Teacher Development
- Educational Mobility
- Early Childhood Education
- Education Management Information Systems
- Head Start
- Public School Preschool
- School Net
- Data Communications
- SchoolNet Professional Development
- Technology Equity
- Parent Involvement
- Adult Basic Education
- Job Training Partnership Act
- Eisenhower Math and Science
- Carl Perkins Vocational Education
- Title I
- Chapter II
- Title VI
- Title VI-B

Akron City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

Drug-Free Schools
Goals 2000 Intervention
E-Rate
Handicapped Preschool
Capital Projects Funds
School Net Plus
Technology Equity
Power Up

Reimbursable Grants

General Fund

Drivers Education

Proprietary Funds

National School Lunch Program

National School Breakfast Program

Government Donated Commodities

Grants and entitlements amounted to approximately 62 percent of the School District's governmental funds revenue during the 1999 fiscal year.

H. Interfund Assets/Liabilities

Short-term interfund loans are classified as "Interfund Receivable" and "Interfund Payable".

I. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include amounts required by statute to be set-aside by the School District to create a reserve for budget stabilization. See Note 23 for the calculation of the year-end restricted assets balance and the corresponding fund balance reserves.

J. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time earned for all employees with more than one year of service.

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

For governmental funds, the current portion of unpaid compensated absences is the amount currently funded. These amounts are recorded in the account "Compensated Absences Payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

Akron City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

K. Accrued Liabilities and Long-Term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, claims and judgments, compensated absences, contractually required pension contributions, and special termination benefits that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they are not funded. Capital leases, and long-term loans are reported as a liability of the general long-term obligations account group until due.

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

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

L. Interfund Transactions

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

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

M. Fund Balance Reserves

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

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

N. Estimates

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

Akron City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

O. Total Columns on the General Purpose Financial Statements

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

NOTE 3 - RESTATEMENT OF FUND BALANCES

During fiscal year 1999 the School District determined that the enterprise fund fixed assets were overstated by \$18,740 at June 30, 1998. The previous retained earnings balance was \$5,444,334. The adjustment resulted in a new restated beginning balance of \$5,425,594.

Additionally, during fiscal year 1999 the School District determined that the general fund (Non-GAAP basis) fund balance was overstated by \$694,831 at June 30, 1998. The previous fund balance was \$15,007,017. The adjustment resulted in a new restated beginning fund balance of \$14,312,186.

NOTE 4 - ACCOUNTABILITY AND COMPLIANCE

A. Fund Deficits

The following funds had deficit balances at June 30, 1999

	<u>Deficit Fund Balances</u>
<i>Special Revenue Funds</i>	
Vocational Education	\$ 59,131
Head Start	12,057
Drug Free Schools	9,581
Job Training Partnership Act	8,282
Adult Basic Education	4,582
Career Development	2,759
Economic Education	1,481
Excellence in Education	807
Entry Year Mentor	20
 <i>Capital Project Funds</i>	
Ohio School Facilities Commission	1,208,583

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

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING

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

Akron City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosure in the proprietary fund types (GAAP basis).
4. For proprietary funds, the acquisition and construction of capital assets are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis)
5. Proceeds from and principal payments on bond and revenue anticipation notes are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).
6. The School District repays short-term note debt from the debt service fund (budget basis) as opposed to the fund that received the proceeds (GAAP basis). Debt service fund resources used to pay both principal and interest have been allocated accordingly

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

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

	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust
GAAP Basis	\$7,237,658	\$1,259,853	\$783	(\$4,886,847)	(\$10,800)
Net Adjustment for Revenue Accruals	(22,762)	(36,614)	0	(227,880)	0
Tax Revenue for Debt Repayment	(3,206,822)	0	3,206,822	0	0
Advance In	3,227,376	1,611,519	0	4,568,596	0
Net Adjustments for Expenditure Accruals	363,822	686,863	0	665,317	1,240
Cash Adjustment	439,969	(201,550)	0	(980)	0
Debt Service.					
Principal	0	0	(2,551,661)	0	0
Interest	655,161	0	(655,161)	0	0
Advance Out	(6,233,983)	(1,712,090)	0	(1,487,232)	0
Adjustment for Encumbrances	(945,992)	(1,431,020)	0	(6,132,738)	0
Budget Basis	<u>\$1,514,427</u>	<u>\$176,961</u>	<u>\$783</u>	<u>(\$7,501,764)</u>	<u>(\$9,560)</u>

Akron City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

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

	Enterprise	Internal Service	Nonexpendable Trust
GAAP Basis	\$665,784	\$1,767,138	\$2,187
Net Adjustment for Revenue Accruals	(608,592)	0	0
Advance In	25,814	0	0
Net Adjustment for Expense Accruals	37,887	(5,000)	0
Cash Adjustment	(4,693)	0	0
Capital Outlay	(74,179)	0	0
Depreciation Expense	99,586	0	0
Loss on Disposal of Fixed Assets	1,175	0	0
Adjustment for Encumbrances	(143,847)	0	(2,000)
Budget Basis	<u>(\$1,065)</u>	<u>\$1,762,138</u>	<u>\$187</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 two year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

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

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

- 1 United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States,

Akron City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days,
4. Bonds and other obligations of the State of Ohio;
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 moneys 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 or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

The following information classifies deposits and investments by categories of 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 \$(786,703) and the bank balance was \$2,721,148. Of the bank balance

1. \$265,977 of the bank balance was covered by federal depository insurance.
2. \$2,455,171 was uninsured and uncollateralized. 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 General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

Investments The School District's investments are required to be categorized below to give an indication of the level of risk assumed by the School District at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held 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 Value	Fair Value
Repurchase Agreement	\$50,376,000	\$50,376,000	\$50,376,000

The classification of cash and cash equivalents and investments on the combined balance sheet is based on criteria set forth in GASB Statement No 9, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting." A reconciliation between the classifications of cash and investments on the combined balance sheet and the classification per GASB Statement No 3 is as follows

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement No 9	\$49,589,297	\$0
Investments of the Cash Management Pool		
Repurchase Agreement	(50,376,000)	50,376,000
GASB Statement No 3	(\$786,703)	\$50,376,000

NOTE 7 - PROPERTY TAXES

Property taxes include amounts levied against all real, public utility and tangible personal property located in the School District. Property tax revenue received during calendar 1999 for real and public utility property taxes represents collections of calendar 1998 taxes. Property tax payments received during calendar 1999 for tangible personal property (other than public utility property) is for calendar 1999 taxes.

The 1999 real property taxes are levied after April 1, 1999, on assessed value as of January 1, 1999, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at thirty-five percent of true value. The 1999 public utility property taxes became a lien December 31, 1998, are levied after April 1, 1999 and are collected in 2000 with real property taxes.

The 1999 tangible personal property taxes are levied after April 1, 1998, on the value as of December 31, 1998. Collections are made in 1999. Tangible personal property assessments are twenty-five percent of true value.

Akron City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

The assessed values upon which fiscal year 1999 taxes were collected are:

	1998 Second- Half Collections		1999 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$1,948,090,720	79.68 %	\$1,954,617,440	79.68 %
Public Utility	159,642,800	6.53	161,279,920	6.58
Tangible Personal Property	337,097,830	13.79	337,097,830	13.74
Total Assessed Value	<u>\$2,444,831,350</u>	<u>100.00 %</u>	<u>\$2,452,995,190</u>	<u>100.00 %</u>
Tax rate per \$1,000 of assessed valuation	\$54.86		\$54.86	

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

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

The School District receives property taxes from Summit County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 1999, are available to finance fiscal year 1999 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes which became measurable as of June 30, 1999. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 1999, was \$2,506,089 in the general fund and \$146,097 in the permanent improvement capital projects fund.

NOTE 8 - RECEIVABLES

Receivables at June 30, 1999, consisted of property taxes, accrued interest, accounts (rent, billings for user charged services, and student fees), interfund, and intergovernmental grants. All receivables are considered collectible in full 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.

Akron City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

A summary of the principal items of intergovernmental receivables follows:

General Fund	
ROTC Reimbursement	\$22,806
Special Revenue Funds	
Head Start	580,686
Miscellaneous State Grants	134,109
Title VI	73,190
Forging Partnership	39,958
Job Training Partnership Act	39,556
Vocational Education	17,825
Career Development Education	9,421
Miscellaneous Federal Grants	2,977
Total Special Revenue Funds	897,722
Capital Project Fund	
Power Up Technology	235,979
Enterprise Fund	
Child Nutrition	743,441
Total Intergovernmental Receivables	\$1,899,948

NOTE 9 - FIXED ASSETS

A summary of the enterprise funds' fixed assets at June 30, 1999, follows

Furniture and Equipment	\$2,187,804
Less Accumulated Depreciation	(1,710,127)
Net Fixed Assets	\$477,677

A summary of the changes in general fixed assets during fiscal year 1999 follows:

Asset Category	Balance at 7/1/98	Additions	Deletions	Balance at 6/30/99
Land and Improvements	\$5,137,186	\$0	\$0	\$5,137,186
Buildings and Improvements	90,973,611	0	0	90,973,611
Furniture, Fixtures and Equipment	64,902,610	5,529,437	2,237,017	68,195,030
Vehicles	4,779,313	340,401	207,680	4,912,034
Totals	\$165,792,720	\$5,869,838	\$2,444,697	\$169,217,861

NOTE 10 - RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts, theft or damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 1999, the School District contracted with Nationwide Insurance for property and fleet insurance, liability insurance, and inland marine coverage. Coverages provided by Nationwide Insurance are as follows:

Akron City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

Building and Contents-replacement cost (\$100,000 deductible)	\$473,408,000
Inland Marine Coverage (\$100 deductible)	5,000
Boiler and Machinery (\$5,000 deductible)	No limit
Automobile Liability (no deductible)	1,000,000
Uninsured Motorists (no deductible)	1,000,000
General Liability	
Per occurrence	1,000,000
Total per year	3,000,000

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

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

Medical/surgical insurance is offered to employees through a self insurance internal service fund. The School District has a third party administrator, Blue Cross Blue Shield Mutual Health, for the self insurance activity. The claims liability of \$1,730,000 reported in the internal service fund at June 30, 1999 is based on an estimate provided by the third party administrator and the requirements of Governmental Accounting Standards Board Statement No. 10 which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. Changes in claims activity for the fiscal year is as follows:

	Balance at Beginning of Fiscal Year	Current Year Claims	Claims Payments	Balance at End of Fiscal Year
1998	\$1,842,000	\$16,398,136	\$16,505,136	\$1,735,000
1999	1,735,000	17,458,865	17,463,865	1,730,000

NOTE 11 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

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

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 1999, 7.7 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 1998, 9.02 percent was used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$2,247,842, \$2,671,499 and \$2,721,653, respectively; 44.9 percent has been contributed for fiscal year 1999 and 100 percent for the fiscal years 1998 and 1997. \$1,238,989 representing the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds and the general long-term obligations account group.

Akron City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

B. State Teachers Retirement System

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

For fiscal year ended June 30, 1999, plan members are required to contribute 9.3 percent of their annual covered salary and the School District is required to contribute 14 percent; 6.0 percent was the portion used to fund pension obligations. For fiscal year 1998, the portion used to fund pension obligations was 10.5 percent. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$7,137,179, \$11,268,573, and \$12,104,893, respectively; 83.5 percent has been contributed for fiscal year 1999 and 100 percent for the fiscal years 1998 and 1997. \$1,174,713 represents the unpaid contribution for fiscal year 1999, and is recorded as a liability within the respective funds.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 1999, three members of the Board of Education have elected social security. The Board's liability is 6.2 percent of wages paid.

NOTE 12 - POSTEMPLOYMENT BENEFITS

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

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 1999, the STRS Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund, an increase from 3.5 percent for fiscal 1998. For the School District this amount equaled \$9,516,239 during fiscal year 1999.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 1998, (the latest information available) the balance in the Fund was \$2,156 million. For the year ended June 30, 1998, net health care costs paid by STRS were \$219,224,000 and STRS had 91,999 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.

Akron City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

After the allocation of 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, 1999, employer contributions to fund health care benefits were 6.30 percent of covered payroll, an increase from 4.98 percent for fiscal year 1998. 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 1999, the minimum pay has been established at \$12,400. For the School District, the amount contributed to fund health care benefits, including surcharge, during the 1999 fiscal year equaled \$1,839,143.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the assessed target level for the health care fund. The target level for the health care reserve is 125 percent of the annual health care expenses. Expense for health care at June 30, 1998 (the latest information available), were \$111,900,575 and the target level was \$139.9 million. At June 30, 1998, SERS had net assets available for payment of health care benefits of \$160.3 million. SERS has approximately 50,000 participants currently receiving health care benefits.

NOTE 13 - EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State Laws. Certified and classified employees working fifty-two weeks per year earn ten to twenty-five days of vacation per year, depending upon length of service. Accumulated, unused vacation time is paid upon termination of employment. Certified and classified staff working less than fifty weeks per year do not earn vacation. Certified and classified employees earn sick leave at the rate of one and one-fourth days per month or the equivalent in hours per month. Sick leave may be accumulated up to a maximum of 370 days for all staff. Upon retirement, payment is made for one-fourth of the total sick leave accumulation. Teachers and administrators receive 1) two additional days for each year of perfect attendance commencing July 1, 1976 through June 30, 1981; and 2) one additional day for each year of perfect attendance commencing July 1, 1981.

B. Life Insurance

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

NOTE 14 - CAPITAL LEASES - LESSEE DISCLOSURE

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

General fixed assets consisting of equipment and vehicles have been capitalized in the general fixed assets account group in the amount of \$370,202. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded in the general long-term obligations account group. Principal payments during fiscal year 1999 totaled \$327,473 in the governmental funds.

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 1999.

Akron City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

Fiscal Year Ending June 30,	GLTOAG
2000	\$47,064
2001	47,064
2002	47,064
2003	3,922
	145,114
Total	145,114
Less. Amount Representing Interest	(16,889)
Present Value of Net Minimum Lease Payments	\$128,225

NOTE 15 - NOTES PAYABLE

The changes in the School District's note activity follows:

	Outstanding 6/30/98	Additions	Deductions	Outstanding 6/30/99
General Fund				
School Foundation Notes	\$12,808,245	\$0	\$2,551,661	\$10,256,584

The school foundation notes will be repaid with State foundation revenue. The notes are backed by the full faith and credit of the School District. The note liability is reflected in the general fund which received the proceeds. Principal and interest requirements to retire the school foundation note outstanding at June 30, 1999, is as follows:

Fiscal Year Ending June 30,	Amount
2000	\$2,802,170
2001	2,802,170
2002	2,802,170
2003	2,802,170
2004	675,275
Total	\$11,883,955

NOTE 16 - LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 1999 were as follows

	Outstanding 6/30/98	Additions	Deductions	Outstanding 6/30/99
Compensated Absences	\$19,289,356	\$3,645,205	\$1,115,854	\$21,818,707
Pension Obligation	2,895,458	2,897,628	2,895,458	2,897,628
Capital Leases	455,698	0	327,473	128,225
Asbestos Loan 1988 0%	74,698	0	7,863	66,835
Total General Long-Term Obligations Account Group.	\$22,715,210	\$6,542,833	\$4,346,648	\$24,911,395

Akron City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

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 twenty fiscal year period with final maturity during fiscal year 2008. The loan will be retired from the debt service fund.

Principal requirements to retire the asbestos loan outstanding at June 30, 1999, is as follows:

Fiscal Year Ending June 30,	Principal
2000	\$ 7,863
2001	7,863
2002	7,863
2003	7,863
2004	7,863
2005 - 2008	27,520
Total	<u>\$66,835</u>

Capital leases will be paid from the general fund. Pension obligation and the compensated absences will be paid from the fund from which the employees' salaries are paid.

The School District's overall legal debt margin was \$220,769,567 with an unvoted debt margin of \$2,452,995 at June 30, 1999

NOTE 17 - INTERFUND ACTIVITY

As of June 30, 1999, receivables and payables that resulted from various interfund transactions were as follows

Fund Type/Fund	Receivables	Payables
General Fund	\$6,205,929	\$0
Special Revenue Funds		
Other Local Grants	0	3,444
District Managed Student Activities	0	3,475
Economic Education	0	1,480
Career Developments	0	9,516
Post Secondary	0	739
Forging Partnerships	0	45,218
Miscellaneous State Grants	0	126,071
Adult Basic Education	0	23,745
Job Training Partnership Act	0	64,728
Vocational Education	0	128,743
Head Start	0	671,687
Title I	0	4,456
Title VI	0	82,788
Drug Free Schools	0	27,906
Handicapped Preschool	0	28,504
Other Federal	0	389,019
Total Special Revenue Funds	0	1,611,519

Akron City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

Fund Type/Fund	Receivables	Payables
Capital Project Funds:		
Power Up Grant	0	271,113
Ohio School Facilities Commission	0	4,297,483
Total Capital Projects Funds	0	4,568,596
Enterprise Funds:		
Food Service	0	1,962
Adult Education	0	23,852
Total Enterprise Funds	0	25,814
All Funds	\$6,205,929	\$6,205,929

NOTE 18 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The School District maintains three enterprise funds to account for the operations of food service, adult vocational education and uniform school supplies. The table below reflects the more significant financial data relating to the enterprise funds of the School District as of and for the fiscal year ended June 30, 1999.

	Food Service	Uniform School Supplies	Adult Vocational Education	Total Enterprise Funds
Operating Revenues	\$2,447,542	\$11,200	\$1,055,595	\$3,514,337
Depreciation Expense	91,661	0	7,925	99,586
Operating Income (Loss)	(5,783,870)	3,983	(531,825)	(6,292,972)
Donated Commodities	545,048	0	0	545,048
Operating Grants	5,618,151	0	524,860	6,143,011
Net Income (Loss)	651,201	3,983	(8,140)	665,784
Fixed Assets Additions	68,499	0	5,680	74,179
Fixed Assets Deletions	1,368	0	19,915	21,283
Long-Term Compensated Absences	135,577	0	121,229	256,806
Net Working Capital	5,478,873	8,686	382,948	5,870,507
Total Assets	6,341,567	8,712	520,040	6,870,319
Total Equity	5,749,802	8,686	332,890	6,091,378
Encumbrances Outstanding at June 30, 1999	138,327	636	4,884	143,847

NOTE 19 - JOINTLY GOVERNED ORGANIZATION

The Ohio Schools Council (Council) is a jointly governed organization among eighty-two school districts. The jointly governed organization was formed to purchase quality products and services at the lowest possible cost to member districts. The council sponsors a gas consortium plan in which the School District participates. The Council's Board consists of seven superintendents of the participating districts whose term rotate every year. The degree of control exercised by any school district is limited to its representation on the Board. Financial information can be obtained by contacting Joseph Lesak, the Executive Secretary of the Ohio Schools Council, 6376 Mill Road, Broadview Heights, Ohio 44147.

Akron City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

NOTE 20 - STATE SCHOOL FUNDING DECISION

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in that system. Declared unconstitutional was the State's "school foundation program" which provides significant amounts of monetary support to the School District. For the fiscal year ended June 30, 1999, the School District received \$97,429,571 in school foundation support for its general fund, and \$100,662,908 in total (all funds) support. As of the date of these financial statements, the School District is unable to determine what effect, if any, this decision will have on its future State foundation funding.

The Court also declared the emergency school loan assistance program unconstitutional. The emergency school loan program allowed the School District to borrow money from a commercial financial institution with repayment going directly to the lender from the State through withholding a portion of the School District's future school foundation payments. The School District had borrowed \$20,100,000 under this program, the final payment of this note will be made in fiscal year 2004. At June 30, 1999, the School District had \$10,256,584 outstanding on notes issued under this program. The need for continued borrowing will depend on the level of funding adopted by the State legislature in response to the Supreme Court decision. The terms of the debt are further described in Note 15 to these financial statements.

Since the Supreme Court ruling, numerous pieces of legislation have been passed in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County has reviewed the laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State has appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. As of the date of these financial statements, the Ohio Supreme Court has not rendered an opinion on the issue. The decision of the Court of Common Pleas in Perry County has been stayed by the Ohio Supreme Court, and, as such, school districts are still operating under the laws that the Common Pleas Court declared unconstitutional.

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

NOTE 21 - CONTINGENCIES

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 1999.

B. Litigation

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

NOTE 22 - YEAR 2000 COMPLIANCE

The Year 2000 issue is the result of shortcomings in many electronic data processing systems and other equipment that may adversely affect the School District's operations.

Akron City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

The School District has identified, remedied, tested and validated the following systems in order to address the Year 2000 issue.

Financial reporting, payroll, student reporting and employee benefit systems The School District has remedied these systems with vendor supplied upgrades received in December 1998. The upgrades were covered under the School District's annual maintenance agreement. Testing and validation of these systems was completed in April 1999.

Child nutrition "Bon Appetite" system This system has been remedied. The vendor has supplied the Y2k compliant software upgrades which have been installed, tested and validated as of March 1999.

Summit County collects property taxes for distribution to the School District. Summit County is responsible for remediating the tax collection system.

The State of Ohio distributes a substantial sum of money to the School District in the form of "Foundation" and federal and state grant payments. Further, the State processes a significant amount of financial and non-financial information about the School District through the State's Education Management Information System (EMIS). The State is responsible for remediating these systems.

The County is solely responsible for any costs associated with the tax collection system project. The State is solely responsible for any costs associated with the Foundation processing and EMIS systems.

Because of the unprecedented nature of the Year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Management cannot assure that the School District is or will be Year 2000 ready, that the School District's remediation efforts will be successful in whole or in part, or that parties with whom the School District does business will be year 2000 ready.

NOTE 23 - SET ASIDE CALCULATIONS AND FUND RESERVES

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

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

	Textbooks	Capital Acquisition	Budget Stabilization	Totals
Set-aside Cash Balance as of June 30, 1998	\$0	\$0	\$1,904,997	\$1,904,997
Current Year Set-aside Requirement	2,927,223	2,927,223	1,462,189	7,316,635
Current Year Offsets	0	5,175,000	0	5,175,000
Qualifying Disbursements	5,032,550	3,939,105	0	8,971,655
Set-aside Cash Balance as of June 30, 1999	(2,105,327)	(6,186,882)	3,367,186	(4,925,023)
Total Restricted Assets	<u>\$0</u>	<u>\$0</u>	<u>\$3,367,186</u>	<u>\$0</u>

Akron City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

Although the School District had offsets and qualifying disbursements during the year that reduced the set-aside amounts to below zero, these extra amounts may not be used to reduce the set-aside requirements of future years.

NOTE 24- SUBSEQUENT EVENT

On November 2, 1999, the School District passed a renewal of tax for the purpose of general, on-going permanent improvements at a rate not exceeding 3.56 mills for each dollar of valuation, for a continuing period of time, commencing in 2000, first due in calendar year 2001. This permanent improvement levy will generate \$5,175,000 per year for the repair and maintenance of the School Districts' 66 buildings.

SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 1999

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS-THROUGH GRANTOR'S NUMBER	RECEIPTS	NON-CASH RECEIPTS	EXPENDITURES	NON-CASH EXPENDITURES
U.S. DEPARTMENT OF EDUCATION						
(Direct)						
Impact Aid	84 041	N/A	\$56,204		\$56,204	
E-Rate	84 XXX	N/A	197,139			
Ohio Rise - Bread Loaf School of English	84 276	N/A	5 000			
Federal Pell Grant Program	84 063	N/A	77 925		77,925	
		N/A	105,596		105,596	
		N/A	25,106		25 106	
		N/A	142,008		142,008	
Pell Administrative Allowance		N/A	530		530	
Total Federal Pell Grant Program			351,165		351,165	
Total Direct			609,508		407,369	
(Pass-through State Department of Education)						
Adult Education - State Grant Program	84 002	043489-AB-S1-98	170,916		77 981	
		043489-AB-S1-99	473,713		494,741	
Total Adult Education - State Administered Basic Grant Program			644,629		572,722	
Eisenhower Professional Development Grant	84 281	043489-MS-S1-98	65,200		86 980	
		043489-MS-S1-97C	119,575		227,502	
		043489-MS-S1-99	145,278		139,478	
		043489-MS-S1-98C	50,787			
Total Eisenhower Professional Development Grant			380,840		453 960	
Special Education Cluster:						
Title VI-B - Education Handicapped Act	84 027	043489-6B-SF-98P	540,130		386,111	
		043489-6B-SF-99P	1,298,376		1,184,351	
Total Title VI-B - Education Handicapped Act			1,838 506		1,570 462	
Title VI-B - Handicapped Education - Preschool	84 173	043489-PG-S1-98P	38 900		18 878	
		043489-PG-S1-99P	110,505		88,836	
Total VI-B - Handicapped Education - Preschool			149,405		107 714	
Total Special Education Cluster			1 987 911		1 678 176	
Vocational Education - Basic Grant to State	84 048	043489-CP11-S98	86 607		104,092	
		043489-CP11-A98-095	13,423		13 424	
		043489-CP11-S99	673,824		713,209	
		VECP11-A99-095	84,010		94,208	
Total Vocational Education - Basic Grant to State			857,864		924,933	
Vocational Education - Consumer and Homemaking	84 049	VEAFSC-98-01	3,000		3 000	
		VESP-CG98	11,550		15,828	
		VEAFSC-99-01	17,000		20,000	
		VESP-CG99-043489	75,321		94,384	
Total Vocational Education - Consumer and Homemaking			106,871		133 212	
Title I Program - Education Consolidation Improvement Act	84 010	043489-C1-S1-97			843	
		043489-C1-S1-98	46 408		(81,753)	
		043489-C1-S1-99	9 264,781		8 973,977	
Title I Delinquent Fund		N/A	31,214			
		043489-C1-S1-97C			736,385	
		043489-C1-S1-98C	1,093,744		716,133	
		043489-C1-SS-98P	9,300		9,300	
Total Title I Program - Education Consolidation Improvement Act			10 445,447		10,354,885	

Akron City School District

SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 1999

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS-THROUGH GRANTOR'S NUMBER	RECEIPTS	NON-CASH RECEIPTS	EXPENDITURES	NON-CASH EXPENDITURES
Technology Literacy Challenge Fund	84 318	TF-S197P			6 889	
			150,000			
			62,500		25,712	
			100,000		99,947	
Total Technology Literacy Challenge Fund			312,500		132,548	
Title I - Capital Expenses	84 216	043489-CX-S1-97 043489-CX-S1-98	92,996 29,500		100 795 8,438	
Total Title I - Capital Expenses			122,496		109,233	
Education for Homeless Children and Youth	84 196	043489-HC-S1-98 043489-HC-S1-99	18,285 61,098		5,293 65,184	
Total Homeless Child Education Grant			79,383		70 477	
Immigrant Education	84 162	043489-E1-S1-00	9,916		6,835	
Total Immigrant Education			9,916		6,835	
Innovative Education Program Strategies	84 298	043489-C2-S1-98 043489-C2-S1-97C 043489-C2-S1-98	45 000 164,461 141,167		85,158 108 799 173,678 26,244	
Total Innovative Education Program Strategies			350 628		393,879	
Safe and Drug-Free Schools and Communities Grant	84 186	043489-DR-S1-98 043489-DR-S1-97C 043489-DR-S1-99 043489-DR-S1-98C	172,293 68,525 227 175 59,750		108,225 22 338 204 641 79,022	
Total Safe and Drug-Free Schools and Communities Grant			527,743		414,226	
Secondary Education and Transitional Services for Youths with Disabilities	84 158	043489-PF-S1-94C			8,830	
LIFE in a Metropolitan Area	84 158A	043489-PF-S1-96			4,129	
GOALS 2000-State and Local Education Systemic Improvement Grants	84 276	043489-G2-S2-98 043489-G2-SP-98P 043489-G2-S2-98C 043489-G2-SP-98C	44 183 11 456 119 373 163,544		90,496 73 350 106 249 95,712	
Total GOALS 2000-State & Local Education Systemic Improvement Grants			338 556		365 807	
GOALS 2000 Performance Audit		043489-G2-S1-97	69 657		55 345	
Partnership 2000/Parent Involvement/Barrett		043489-G2-S4-98			196	
Partnership 2000/Parent Involvement/King		043489-G2-S4-98			(219)	
Partnership 2000/Parent Involvement/Essex		043489-G2-S4-98			(242)	
Partnership 2000/Parent Involvement/King School & Family		043489-G2-S4-99P	3 000		2,923	
Partnership 2000/Essex		043489-G2-S4-99P	3,000		2,580	
Total GOALS 2000-Parent Involvement			6,000		5,238	
Goals 2000/ Ohio Consortium for Conceptual Learning		043489-G2-ST-99	42,128			
Performance Incentive Grant		043489-G2-S1-99P	57,870		90,201	
East High Schools that Work		043489-G2-S6-00P	42,000		4,063	
Total GOALS 2000			556,211		520,654	

SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 1999

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS-THROUGH GRANTOR'S NUMBER	RECEIPTS	NON-CASH RECEIPTS	EXPENDITURES	NON-CASH EXPENDITURES
Javits Gifted and Talented Students Education Grant	84 206	N/A	7,500			
Javits Gifted and Talented Students Education Grant Program/Sub Reimbursement	84 206A	N/A	210		210	
(Pass-through Summit County ESC)						
Technology Innovation Challenge Grant	84 303	N/A	38,618		86,611	
Summit County Challenge New3 Project			150,452		193,067	
Total Pass-through Summit County ESC			189,070		279,678	
TOTAL U S DEPARTMENT OF EDUCATION			17,188,727		16,465,956	
U S DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT						
(Pass-through City of Akron)						
Empowerment Zones Program	14 244	96-336	150,539		17,248	
			76,383		204,283	
Total Empowerment Zones Program			226,922		221,531	
Enterprise Community Tech Prep		96-066A	4,678		4,678	
		N/A	74,740		1,799	
		N/A	10,000		10,000	
Total Enterprise Community Tech Prep			89,418		16,477	
Enterprise Community Career Prep		N/A	9,136		9,137	
TOTAL U S DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			325,476		247,145	
U.S. DEPARTMENT OF LABOR						
(Pass-through City of Akron)						
Machining Trades Project	17 XXX	N/A	2,792		2,792	
U S DEPARTMENT OF HEALTH AND HUMAN SERVICES						
(Pass-through Akron Summit Community Action Agency)						
Head Start	93 600	PA-22-97-98	1,090,582		801,956	
		PA-22-97-98	5,925		5,925	
		PA-22-98-99	784,337		1,365,023	
		PA-22-98-99	1,761		1,784	
Total Head Start			1,882,605		2,174,688	
Total Pass-through Akron Summit Community Action Agency			1,882,605		2,174,688	
(Pass-through State Department of Education)						
Job Opportunities/Basic Skills Training	93 561	N/A	2,800		2,800	
TOTAL U S DEPARTMENT HEALTH AND HUMAN SERVICES			1,885,405		2,177,488	

SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 1999

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS-THROUGH GRANTOR'S NUMBER	RECEIPTS	NON-CASH RECEIPTS	EXPENDITURES	NON-CASH EXPENDITURES
U.S. DEPARTMENT OF AGRICULTURE						
(Pass-through State Department of Education)						
Child Nutrition Cluster:						
Food Distribution	10 550	N/A		547,650		545,048
School Breakfast Program	10 553	N/A	647,706		647,706	
National School Lunch Program	10 555	N/A	3,973,602		3,973,602	
Total Child Nutrition Cluster			4,621,308	547,650	4,621,308	545,048
TOTAL U S DEPARTMENT OF AGRICULTURE			4,621,308	547,650	4,621,308	545,048
U.S. DEPARTMENT OF DEFENSE						
(Direct)						
Air Force R O T C Grant	12 XXX	N/A	33,979		33,979	
Army R O T C Grant	12 XXX	N/A	47,914		47,914	
Marines R O T C Grant	12 XXX	N/A	30,776		30,776	
Navy R O T C Grant	12 XXX	N/A	33,476		33,476	
TOTAL U S DEPARTMENT OF DEFENSE			146,145		146,145	
U.S. DEPARTMENT OF JUSTICE						
(Pass-through State Department of Education)						
Juvenile Justice and Delinquency Prevention Special	16 541	N/A	30,289		30,390	
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE						
(Pass-through State Department of Education)						
Adult Basic JOBS	94 001	N/A	15,555		6,443	
(Pass-through Summit County)						
JOBS	94 001	N/A	115,536		115,536	
TOTAL CORPORATION FOR NATIONAL AND COMMUNITY SERVICE			131,091		121,979	
OTHER FEDERAL ASSISTANCE						
School Readiness	N/A	N/A	25,435		172,626	
School to Work	17 249	N/A	2,000		2,000	
Education and Human Resources	47 076	5300009936 HRD-9702012	198,467 51,082		324,123	
Total National Science Foundation			249,549		324,123	
Total Other Federal Assistance			276,984		498,749	
TOTAL FEDERAL FINANCIAL ASSISTANCE			\$24,808,217	\$547,650	\$24,311,952	\$545,048

The notes to the Schedule of Federal Awards Receipts and Expenditures are an integral part of this statement

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 1999**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - FOOD DISTRIBUTION

Nonmonetary assistance is reported in the Schedule at fair market value of the commodities received and disbursed. Monies are commingled with State grants. It is assumed federal monies are expended first. At June 30, 1999, the School District had \$211,762 of food commodities in inventory.

NOTE C - EPA 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 in District buildings. The loan will be completely repaid during fiscal year 2008. The loan has no continuing compliance requirements and is not reflected on the Schedule of Federal Awards Receipts and Expenditures.

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STATE OF OHIO
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**Report on Compliance And on Internal Control Required by
*Government Auditing Standards***

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

To the Board of Education

We have audited the general purpose financial statements of the Akron City School District (the School District) as of and for the year ended June 30, 1999, and have issued our report thereon dated December 10, 1999. We conducted our audit in accordance with generally accepted auditing standards 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 School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

However, we also noted certain immaterial instances of noncompliance that we have reported to management of the School District in a separate letter dated December 10, 1999.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the School District's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying Schedule of Findings as item 1999-10977-001.

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

We also 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 School District in a separate letter dated December 10, 1999.

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.



Jim Petro
Auditor of State

December 10, 1999



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Report on Compliance with Requirements Applicable to Each Major Federal Program and Internal Control Over Compliance in Accordance with OMB Circular A-133

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

Compliance

We have audited the compliance of Akron City School District (the School District) with the types of compliance requirements described in the *U S Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal programs for the year ended June 30, 1999. The School 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 School District's management. Our responsibility is to express an opinion on the School District's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; 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 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 School 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 School District's compliance with those requirements.

In our opinion, the School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 1999.

Internal Control Over Compliance

The management of the School 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 School 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.

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.

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.



Jim Petro
Auditor of State

December 10, 1999

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505

June 30, 1999

1. SUMMARY OF AUDITOR'S RESULTS
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(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	Yes
(d)(1)(iii)	Was there any reported non-compliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § 510?	No
(d)(1)(vii)	Major Programs (list)	CFDA #84 063, Pell Grant, CFDA # 84 010, Title I, CFDA # 84 186, Safe and Drug Free Schools, and CFDA # 47 076, Education and Human Resources
(d)(1)(viii)	Dollar Threshold Type A\B Programs	Type A > \$745,710 Type B all others
(d)(1)(ix)	Low Risk Auditee?	Yes

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505**

**June 30, 1999
(Continued)**

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

Finding Number	1999-10977-001
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Reportable Condition

Programmers' Access to Application Data and Program Files

The protection of financial and managerial data is one of the primary security concerns which must be addressed by an organization. The current implementation of the UNIX security system prevents general users from accessing the School District's data but does not prevent the School District's programmers from accessing the data outside of the controls of the application.

Without adequate access restrictions to prevent programmers' access to application data there is an increased risk of unauthorized data manipulation. Manipulation of financial data could result in the misstatement of the financial statements, or prevent the detection of fraudulent activities. The School District should review the current Unix security parameters and alter them to prevent programmers from accessing application data outside of the application's controls

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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None



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AKRON CITY SCHOOL DISTRICT, SUMMIT COUNTY

CLERK'S CERTIFICATION

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

By _____

Susan Babbitt
Clerk of the Bureau

Date _____

FEB 08 2000