



Mary Taylor, CPA
Auditor of State

**AKRON CITY SCHOOL DISTRICT
SUMMIT COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Government-wide Financial Statements	
Statement of Net Assets	16
Statement of Activities.....	17
Fund Financial Statements	
Balance Sheet – Governmental Funds	18
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities	19
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	20
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	21
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual – General Fund	22
Statement of Fund Net Assets – Proprietary Fund	23
Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Fund.....	24
Statement of Cash Flows – Proprietary Fund	25
Statement of Fiduciary Net Assets – Fiduciary Funds	26
Statement of Changes in Fiduciary Net Assets - Private Purpose Trust Fund	27
Notes to the Basic Financial Statements	29
Federal Awards Receipts and Expenditures Schedule.....	69
Notes to the Federal Awards Receipts and Expenditures Schedule	72
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required By <i>Government Auditing Standards</i>	73

**AKRON CITY SCHOOL DISTRICT
SUMMIT COUNTY**

TABLE OF CONTENTS (Continued)

TITLE	PAGE
Independent Accountants' Report on Compliance with Requirements Applicable to Each Major Federal Program and Internal Control Over Compliance in Accordance with OMB Circular A-133	75
Schedule of Findings.....	77
Schedule of Prior Audit Findings.....	81



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Akron City School District, Summit County, Ohio, (the District) as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Akron City School District, Summit County, Ohio, as of June 30, 2008, and the respective changes in financial position and where applicable, cash flows, thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 6, 2009, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements. The Federal Awards Receipts and Expenditures Schedule is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. We subjected the Federal Awards Receipts and Expenditures Schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

March 6, 2009

Akron City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

The discussion and analysis of the Akron City School District's (the "School District") financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2008. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for the fiscal year ended June 30, 2008 are as follows:

- Total net assets increased \$16.9 million. This is a 7.0 percent increase from fiscal year 2007.
- Total revenues increased to \$373.0 million from \$361.3 million. This is an increase of \$11.7 million or 3.2 percent.
- Total program expenses were \$356.1 million. Total program expenses increased from \$338.2 million from fiscal year 2007. This is an increase of \$17.9 million or 5.3 percent.
- The fund balance in the general fund increased \$6.0 million. This is a 19.5 percent increase from fiscal year 2007.

Using this Annual Report

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

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

Akron City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

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

While the basic financial statements contain the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, “How did we do financially during fiscal year 2008?” The Statement of Net Assets and the Statement of Activities answer this question. These two statements include all assets and liabilities using the accrual basis of accounting similar to the basis of accounting used by most companies in the private sector. This basis of accounting takes into account all of the current fiscal year’s revenues and expenses regardless of when cash is received or paid.

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

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

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

The analysis of the School District’s major funds begins on page 10. Fund financial reports provide detailed information about the School District’s major funds. The School District uses many funds to account for a multitude of financial transactions; however, these fund financial statements focus on the School District’s most significant funds. The School District’s major governmental funds are the general fund, the permanent improvement capital projects fund and the classroom facilities capital projects fund.

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

Akron City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

The School District as a Whole

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

Table 1 provides a summary of the School District's net assets for fiscal year 2008 compared to fiscal year 2007 as follows:

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

	Governmental Activities	
	2008	2007
Assets		
Current and Other Assets	\$452.3	\$490.3
Capital Assets, Net	136.6	107.6
<i>Total Assets</i>	<i>588.9</i>	<i>597.9</i>
Liabilities		
Current and Other Liabilities	305.6	331.6
Long-Term Liabilities		
Due Within One Year	1.6	1.6
Due in More than One Year	24.4	24.3
<i>Total Liabilities</i>	<i>331.6</i>	<i>357.5</i>
Net Assets		
Invested in Capital Assets	136.6	107.6
Restricted:		
Capital Projects	83.4	103.9
Set Asides	0.4	0.0
Other Purposes	9.8	8.6
Unrestricted	27.1	20.3
<i>Total Net Assets</i>	<i>\$257.3</i>	<i>\$240.4</i>

Total assets decreased \$9.0 million.

Akron City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

Intergovernmental receivable decreased \$31.1 million. The decrease in intergovernmental receivable is mostly attributed to the OSFC receivable. The School District records an intergovernmental receivable in the amount that the Ohio Schools Facilities Commission ("OSFC") has appropriated less any funds remitted by OSFC to the School District as of the fiscal year end. The amount appropriated by OSFC and not remitted to the School District was \$82.0 million as of June 30, 2007. As of June 30, 2008, the amount appropriated by OSFC and not remitted to the School District was \$52.1 million. This is a difference of \$29.9 million.

In addition, taxes receivable decreased \$4.7 million. This decrease is due to a decline in the assessed value of tangible personal property. Ohio House Bill 66 eliminates tangible personal property tax as revenue to school districts after calendar year 2010. It is being phased out with declining valuations each calendar year.

Plus, deferred expense decreased \$3.0 million in fiscal year 2008 from fiscal year 2007. In accordance with an agreement between the School District and the City, the City issued securities to assist in the School District's funding of its share of basic project costs and any locally funded initiatives for rebuilding and renovating the School District's school buildings into community learning centers. The securities were issued with a maturity life of 30 years. While the securities are outstanding, the School District will contribute \$3.0 million each year to the City for the purpose of paying debt charges on those securities and other project costs. Payments due to the City for periods beyond June 30, 2008 are recorded as deferred expense. The School District contributed \$3.0 million to the City during fiscal year 2008 concerning these securities.

The decreases in intergovernmental receivable, taxes receivable and deferred expense were offset by an increase in capital assets in the amount of \$29.0 million.

The increase in capital assets is mainly due to the School District incurring more costs related to the OSFC construction project in fiscal year 2008 than in fiscal year 2007. The change in capital assets will be discussed in greater detail later.

Total liabilities decreased \$25.9 million.

Due to City of Akron decreased \$22.0 million. The amount of this liability was determined by reducing the \$155.7 million received in local funds from the City as of June 30, 2008 by the amount of capital expenses made by the School District using these local funds since the inception of this project. The School District has made a total of \$75.8 million in capital expenses using these local funds received from the City as of June 30, 2008. Therefore, the balance of due to City of Akron was \$79.9 million as of June 30, 2008. As of June 30, 2007, the School District had received \$150.2 million in local funds from the City and expensed \$48.3 million in capital expenses using these local funds, resulting in a balance of \$101.9 million for due to City of Akron as of June 30, 2007. A liability was recorded for these monies because if the School District does not spend these local funds by the end of this project, these funds would have to be returned to the City in accordance with an agreement between the School District and the City.

Akron City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

Also, deferred revenue decreased \$5.4 million. There are 2 reasons for this decrease. The first reason, as previously discussed, the assessed value of tangible personal property has declined. Secondly, the amount of unpaid but billed delinquent property taxes as of June 30, 2008 increased from the amount of unpaid but billed delinquent property taxes as of June 30, 2007. The amount of unpaid but billed delinquent property taxes at June 30 are reported as revenue instead of deferred revenue at fiscal year end since there is an enforceable legal claim as of June 30.

The net impact of the assets decrease and the liabilities decrease was an increase of net assets of \$16.9 million.

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

Table 2 shows the changes in net assets for fiscal years 2008 and 2007 for governmental activities as follows:

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

	<u>2008</u>	<u>Restated 2007</u>
Revenues		
<i>Program Revenues:</i>		
Charges for Services and Sales	\$15.0	\$11.1
Operating Grants, Contributions and Interest	72.4	70.9
Capital Grants and Contributions	<u>6.5</u>	<u>3.8</u>
<i>Total Program Revenues</i>	<u>93.9</u>	<u>85.8</u>
<i>General Revenues:</i>		
Property Taxes	117.8	113.6
Grants and Entitlements	150.0	146.6
Investment Earnings	8.6	9.7
JEDD	0.5	0.4
Miscellaneous	<u>2.2</u>	<u>5.2</u>
<i>Total General Revenues</i>	<u>279.1</u>	<u>275.5</u>
Total Revenues	<u>373.0</u>	<u>361.3</u>

Akron City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

Program Expenses		
Instruction	\$207.9	\$196.1
Support Services:		
Pupil and Instructional Staff	41.3	37.7
Board of Education, Administration, Fiscal and Business	29.3	28.2
Operation and Maintenance of Plant	40.8	41.0
Pupil Transportation	11.5	8.9
Central	7.9	9.4
Operation of Non-Instructional Services	3.6	3.7
Extracurricular Activities	3.7	2.9
Food Service Operations	<u>10.1</u>	<u>10.3</u>
Total Program Expenses	<u>356.1</u>	<u>338.2</u>
Increase in Net Assets	<u>\$ 16.9</u>	<u>\$23.1</u>

While program revenues increased for governmental activities from \$85.8 million to \$93.9 million, the vast majority of revenues supporting governmental activities are general revenues. General revenues increased from \$275.5 million in fiscal year 2007 to \$279.1 million in fiscal year 2008. General revenues comprised 74.8 percent of revenues supporting governmental activities. The primary sources of the increase in general revenues were increases in property taxes revenue in the amount of \$4.2 million and grants and entitlements revenue in the amount of \$3.4 million. There are 2 reasons for the increase in property taxes revenue. The first reason is attributed to the passage of a new levy in November of 2006. Collections from this new 7.9 mill levy, yielding \$23.6 million annually, began in January of 2007. As a result, the School District received the proceeds from this new tax levy for only a portion of fiscal year 2007 but for the entire 2008 fiscal year. Secondly, as previously discussed, the amount of unpaid but billed delinquent property taxes as of June 30, 2008 increased from the amount of unpaid but billed delinquent property taxes as of June 30, 2007.

The increase in grants and entitlements revenue is mostly due to the decline in the assessed value of tangible personal property, as previously discussed. The State reimburses the School District for its valuation losses through an unrestricted entitlement.

The increases in property taxes revenue and grants and entitlements revenue are offset by decreases in miscellaneous revenue (\$3.0 million) and investment earnings (\$1.1 million). The decrease in miscellaneous revenue is mostly due to the reclassification of the revenue in the severance special revenue fund. The revenue in the severance special revenue fund was classified as miscellaneous revenue in the prior fiscal year but was reclassified to program revenues, which is a more appropriate category, during the current fiscal year. The decrease in investment earnings can be attributed to a decline in interest rates.

Akron City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

There are a few reasons for the increase in program revenues. First of all, as previously discussed, the revenue in the severance special revenue fund was reclassified. Secondly, the School District received more funds from poverty based assistance and title I grants in fiscal year 2008 than in fiscal year 2007.

And finally, the increase in program revenues is due to the School District recognizing more revenue associated with the OSFC construction project in fiscal year 2008 than in fiscal year 2007. This can be attributed to the decrease in due to City of Akron. As previously discussed, due to City of Akron was determined by reducing the amount of monies received in local funds from the City as of June 30, 2008 by the amount of capital expenses made by the School District using these local funds since the inception of the OSFC construction project. The offset for due to City of Akron is program revenue. The School District received only \$5.5 million more in local funds from the City as of June 30, 2008 than it did as of June 30, 2007. However, the School District expensed \$27.5 million more in capital construction costs using these local funds as of June 30, 2008 than it did as of June 30, 2007. As a result, due to City of Akron decreased and program revenues increased.

The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. The overall revenue generated by the levy will not increase solely as a result of inflation. As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill would pay \$35.00 annually in taxes. If three years later the home was reappraised and increased to \$200,000 (and this inflationary increase in value is comparable to other property owners), the effective tax rate would become 0.5 mills and the owner would still pay \$35.00. Thus, school districts dependent upon property taxes are hampered by a lack of revenue growth and must regularly return to the voters to maintain a constant level of service. Property taxes made up 31.6 percent of total revenues for governmental activities for the School District in fiscal year 2008.

Program expenses increased from \$338.2 million in fiscal year 2007 to \$356.1 million, a 5.3 percent increase. Most of this increase is the result of a general increase in salaries and wages and fringe benefits.

While expense increases were consistent with budget expectations, the increase in program revenues, the increase in tax revenues, the increase grants and entitlements revenue, the decrease in investment earnings and the decrease in miscellaneous revenue resulted in a rise of net assets of \$16.9 million.

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

Akron City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

Table 3
(In Millions)

	<u>2008</u>		Restated <u>2007</u>	
	Total Cost of Service	Net Cost of Service	Total Cost of Service	Net Cost of Service
Program Expenses				
Instruction	\$207.9	\$162.0	\$196.1	\$149.0
Support Services:				
Pupil and Instructional Staff	41.3	26.3	37.7	24.9
Board of Education, Administration, Fiscal and Business	29.3	24.6	28.2	24.0
Operation and Maintenance of Plant	40.8	30.9	41.0	35.2
Pupil Transportation	11.5	11.1	8.9	8.5
Central	7.9	4.1	9.4	8.5
Operation of Non-Instructional Services	3.6	0.1	3.7	(0.2)
Extracurricular Activities	3.7	2.9	2.9	2.2
Food Service Operations	10.1	0.2	10.3	0.3
Total	<u>\$356.1</u>	<u>\$262.2</u>	<u>\$338.2</u>	<u>\$252.4</u>

The dependence upon general revenues for governmental activities is apparent. Over 73.6 percent of governmental activities are supported through taxes and other general revenues; such revenues are 74.8 percent of total governmental revenues. The community, as a whole, is by far the primary support for the School District students.

The School District's Funds

Information about the School District's major funds begins on page 18. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$391.3 million and expenditures of \$384.2 million. The net change in fund balances for the fiscal year was an increase of \$7.1 million for all governmental funds with the most significant increase in the general fund.

Akron City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

The general fund's net change in fund balance for fiscal year 2008 was an increase of \$6.0 million. Taxes revenue in the general fund increased \$2.3 million or 2.1 percent from fiscal year 2007 to fiscal year 2008. This is due to the passage of a new levy in November of 2006, as previously discussed. Also, Akron Digital Academy revenue increased \$1.0 million or 35.5 percent in the general fund. The increase is due to reimbursements from Akron Digital Academy for its share of salaries and fringe benefits increasing by \$0.6 million and payments from Akron Digital Academy for management services, such as insurance coverage, payroll processing, human resources, consulting, use of the School District's name and goodwill, etc. increasing by \$0.4 million. For further explanation of the revenue received from Akron Digital Academy, see Note 20E of the notes to the basic financial statements. In addition, miscellaneous revenue increased \$0.5 million or 56.2 percent in the general fund. The majority of this increase is due to a refund from Energy Acquisition Corporation related to the Energy for Education II Program in the amount of \$0.3 million and indirect costs increasing by \$0.1 million. Expenditures in the general fund increased \$11.3 million or 4.4 percent from fiscal year 2007 to fiscal year 2008. As previously stated, this is mostly because of a general increase in salaries and wages, fringe benefits, and supplies. Plus, the cost of the school buses increased between fiscal year 2007 and fiscal year 2008, and the School District purchased one more school bus in fiscal year 2008 than it did in fiscal year 2007.

The classroom facilities capital projects fund's net change in fund balance for fiscal year 2008 was a decrease of \$1.3 million. Intergovernmental revenue in the classroom facilities capital projects fund decreased \$39.5 million or 61.6 percent from fiscal year 2007 to fiscal year 2008. This is due to the OSFC construction project. Both the City of Akron and OSFC remitted less money to the School District in fiscal year 2008 than they did in fiscal year 2007. In addition, interest revenue decreased \$0.5 million or 13.1 percent. This is because of a decline in interest rates, as previously discussed. Also, classroom facilities capital projects fund expenditures decreased \$1.8 million or 5.7 percent from fiscal year 2007 to fiscal year 2008. This is attributed to the expenditures associated with the OSFC construction project. The School District spent less on projects during fiscal year 2008 than it did in the prior fiscal year.

The permanent improvement capital projects fund's net change in fund balance for fiscal year 2008 was a decrease of \$0.2 million. Taxes revenue in the permanent improvement capital projects fund decreased \$0.3 million or 7.2 percent. This is because of the assessed value of tangible personal property has declined, as previously discussed. In addition, intergovernmental revenue increased \$0.2 million or 25.1 percent. This occurred also because of the decline in the assessed value of tangible personal property, as previously discussed. The State reimburses the School District for its valuation losses. Expenditures in the permanent improvement capital projects fund increased \$0.1 million or 1.7 percent from fiscal year 2007 to fiscal year 2008. These expenditures increased because more projects were performed in fiscal year 2008 than in fiscal year 2007.

General Fund Budgeting Highlights

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

Akron City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

During the course of fiscal year 2008, the School District amended its general fund budget numerous times; however, none of these amendments were significant. The School District uses a modified site-based budgeting system designed to tightly control total site budgets but provide flexibility for site management.

Total actual expenditures on the budget basis (cash outlays plus encumbrances) were \$268.3 million, \$9.5 million less than actual revenues.

The School District's ending unobligated cash balance was \$4.0 million above the final budgeted amount. This is partly attributed to the School District spending \$2.7 million less in expenditures than what was budgeted. The \$2.7 million variance in expenditures was mostly the result of the School District spending \$1.4 million less in regular instruction expenditures, \$1.0 million less in operation and maintenance of plant support services expenditures, and \$0.5 million less in special instruction expenditures than what was budgeted.

In addition to the \$2.7 million variance in expenditures, the School District received \$1.3 million more in revenues than what was budgeted. The \$1.3 million variance in revenues was mostly the result of the School District receiving \$0.8 million more in intergovernmental revenue and \$0.6 million more in taxes revenue.

Capital Assets

At the end of fiscal year 2008, the School District had \$136.6 million invested in capital assets. Table 4 shows fiscal year 2008 balances compared to fiscal year 2007 as follows:

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

	Governmental Activities	
	2008	2007
Land	\$6.3	\$6.2
Construction In Progress	14.6	29.3
Land Improvements	0.1	0.1
Buildings and Improvements	103.4	61.8
Furniture and Equipment	8.8	7.6
Vehicles	3.4	2.6
Totals	\$136.6	\$107.6

Akron City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

Capital assets increased \$29.0 million from fiscal year 2007 to fiscal year 2008. The increase is partly due to buildings and improvements increasing by \$41.6 million because the construction of 8 community learning centers was completed during the current fiscal year. The increase in buildings and improvements is offset by a decrease in construction in progress of \$14.7 million. This decrease can be mostly attributed to moving the 8 completed community learning centers to building and improvements from construction in progress. For further information on capital assets, see Note 9 of the notes to the basic financial statements.

As of June 30, 2008, the School District had contractual commitments for construction projects with contractors in the amount of \$60.2 million. For further information, see Note 18 of the notes to the basic financial statements.

For the Future

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

A large number of students withdrew from the School District because of open enrollment, to attend community schools and for education choice vouchers during fiscal year 2008. If this trend continues, the future looks bleak.

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

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

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

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

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

Akron City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

Contacting the School District's Management

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

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Akron City School District

Statement of Net Assets

June 30, 2008

	Primary Government	Component Unit
	Governmental Activities	Akron Digital Academy
Assets		
Equity in Pooled Cash and Cash Equivalents	\$92,305,844	\$1,381,972
Cash and Cash Equivalents In Segregated Accounts	1,853,893	0
Investments in Segregated Accounts	98,282,867	0
Accrued Interest Receivable	227,170	0
Accounts Receivable	266,948	241
Intergovernmental Receivable	62,027,829	522,493
Prepaid Items	0	11,322
Inventory Held for Resale	290,313	0
Materials and Supplies Inventory	503,900	0
Taxes Receivable	121,572,119	0
Deferred Expense	75,000,000	0
Nondepreciable Capital Assets	20,948,440	0
Depreciable Capital Assets, Net	115,655,601	129,411
<i>Total Assets</i>	588,934,924	2,045,439
Liabilities		
Accounts Payable	7,587,859	66,513
Accrued Wages	19,764,435	0
Compensated Absences Payable	852,365	0
Deferred Revenue	107,439,039	0
Intergovernmental Payable	81,547,275	7,091
Premium Payable	655,218	0
Claims Payable	7,884,976	0
Due to City of Akron	79,897,492	0
Long-Term Liabilities:		
Due Within One Year	1,600,661	4,758
Due In More Than One Year	24,354,744	12,291
<i>Total Liabilities</i>	331,584,064	90,653
Net Assets		
Invested in Capital Assets, Net of Related Debt	136,604,041	112,362
Restricted for:		
Capital Projects	83,372,461	0
Debt Service	13,007	0
Set Asides	432,336	0
Other Purposes	9,810,220	522,493
Unrestricted	27,118,795	1,319,931
<i>Total Net Assets</i>	\$257,350,860	\$1,954,786

See accompanying notes to the basic financial statements

Akron City School District
Statement of Activities
For the Fiscal Year Ended June 30, 2008

	Program Revenues				Net (Expenses) Revenues and Change in Net Assets	
	Expenses	Charges for Services and Sales	Operating Grants, Contributions and Interest	Capital Grants and Contributions	Primary Government	Component Unit
					Governmental Activities	Akron Digital Academy
Governmental Activities						
Instruction:						
Regular	\$150,279,380	\$5,131,187	\$26,489,120	\$0	(\$118,659,073)	\$0
Special	34,773,187	407,689	3,653,639	0	(30,711,859)	0
Vocational	12,825,454	385,021	284,416	0	(12,156,017)	0
Adult/Continuing	1,890,317	730,371	1,023,084	0	(136,862)	0
Other	8,087,214	4,666	7,732,210	0	(350,338)	0
Support Services:						
Pupil	18,034,131	116,667	3,090,618	0	(14,826,846)	0
Instructional Staff	23,311,887	869,851	10,948,012	0	(11,494,024)	0
Board of Education	133,307	0	0	0	(133,307)	0
Administration	22,175,328	1,789,878	2,494,213	0	(17,891,237)	0
Fiscal	4,361,984	17,431	392,532	0	(3,952,021)	0
Business	2,677,572	100,129	1,537	0	(2,575,906)	0
Operation and Maintenance of Plant	40,764,835	57,480	3,294,085	6,514,666	(30,898,604)	0
Pupil Transportation	11,470,163	156,815	217,824	0	(11,095,524)	0
Central	7,922,575	3,222,989	650,021	0	(4,049,565)	0
Operation of Non-Instructional Services	3,576,719	63,344	3,369,994	0	(143,381)	0
Extracurricular Activities	3,653,799	739,592	0	0	(2,914,207)	0
Food Service Operations	10,153,496	1,197,324	8,736,603	0	(219,569)	0
<i>Total - Primary Government</i>	<u>\$356,091,348</u>	<u>\$14,990,434</u>	<u>\$72,377,908</u>	<u>\$6,514,666</u>	<u>(262,208,340)</u>	<u>0</u>
Component Unit						
Akron Digital Academy	<u>\$4,977,435</u>	<u>\$0</u>	<u>\$934,692</u>	<u>\$0</u>	<u>0</u>	<u>(4,042,743)</u>
General Revenues						
Property Taxes Levied for:						
General Purposes					113,758,838	0
Debt Service					3,931	0
Capital Outlay					4,002,295	0
Grants and Entitlements not Restricted to Specific Programs					149,981,453	4,254,986
Investment Earnings					8,659,713	48,415
JEDD					469,434	0
Miscellaneous					2,239,162	480
<i>Total General Revenues</i>					<u>279,114,826</u>	<u>4,303,881</u>
Change in Net Assets					16,906,486	261,138
<i>Net Assets at Beginning of Fiscal Year</i>					<u>240,444,374</u>	<u>1,693,648</u>
<i>Net Assets at End of Fiscal Year</i>					<u>\$257,350,860</u>	<u>\$1,954,786</u>

See accompanying notes to the basic financial statements

Akron City School District

Balance Sheet

Governmental Funds

June 30, 2008

	<u>General</u>	<u>Permanent Improvement Capital Projects</u>	<u>Classroom Facilities Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets					
Equity in Pooled Cash and Cash Equivalents	\$40,344,677	\$1,688,612	\$16,482,831	\$17,942,499	\$76,458,619
Cash and Cash Equivalents In Segregated Accounts	1,642,784	0	144,108	67,001	1,853,893
Restricted Assets:					
Equity in Pooled Cash and Cash Equivalents	432,336	0	0	0	432,336
Investments					
In Segregated Accounts	8,086,280	0	63,961,869	26,234,718	98,282,867
Taxes Receivable	117,505,358	4,066,761	0	0	121,572,119
Accounts Receivable	32,708	0	0	234,240	266,948
Intergovernmental Receivable	47,904	0	52,059,695	9,920,230	62,027,829
Accrued Interest Receivable	43,372	0	126,380	57,418	227,170
Interfund Receivable	1,038,988	0	0	0	1,038,988
Materials and Supplies Inventory	32,934	0	0	0	32,934
Inventory Held for Resale	0	0	0	290,313	290,313
Deferred Expense	0	75,000,000	0	0	75,000,000
<i>Total Assets</i>	<u>\$169,207,341</u>	<u>\$80,755,373</u>	<u>\$132,774,883</u>	<u>\$54,746,419</u>	<u>\$437,484,016</u>
Liabilities and Fund Balances					
Liabilities					
Accounts Payable	\$610,606	\$7,589	\$5,715,273	\$1,181,803	\$7,515,271
Accrued Wages	16,436,537	0	0	3,327,898	19,764,435
Compensated Absences Payable	737,020	0	0	115,345	852,365
Interfund Payable	0	0	0	1,038,988	1,038,988
Intergovernmental Payable	5,080,967	75,000,000	0	1,466,308	81,547,275
Deferred Revenue	109,668,020	3,792,943	20,057,338	9,101,974	142,620,275
Due to City of Akron	0	0	56,138,213	23,759,279	79,897,492
<i>Total Liabilities</i>	<u>132,533,150</u>	<u>78,800,532</u>	<u>81,910,824</u>	<u>39,991,595</u>	<u>333,236,101</u>
Fund Balances					
Reserved for Encumbrances	297,446	149,882	62,454,594	11,214,448	74,116,370
Reserved for Textbooks & Instructional Materials	432,336	0	0	0	432,336
Reserved for Property Taxes	7,863,551	273,818	0	0	8,137,369
Undesignated, Reported in:					
General Fund	28,080,858	0	0	0	28,080,858
Special Revenue Funds	0	0	0	2,962,466	2,962,466
Debt Service Funds	0	0	0	13,007	13,007
Capital Projects Funds	0	1,531,141	(11,590,535)	564,903	(9,494,491)
<i>Total Fund Balances</i>	<u>36,674,191</u>	<u>1,954,841</u>	<u>50,864,059</u>	<u>14,754,824</u>	<u>104,247,915</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$169,207,341</u>	<u>\$80,755,373</u>	<u>\$132,774,883</u>	<u>\$54,746,419</u>	<u>\$437,484,016</u>

See accompanying notes to the basic financial statements

Akron City School District
*Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities
 June 30, 2008*

Total Governmental Fund Balances \$104,247,915

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

Capital assets used in governmental activities are not financial
 resources and therefore are not reported in the funds. 136,604,041

Other long-term assets are not available to pay for current-
 period expenditures and therefore are deferred in the funds:

Grants	29,117,745	
Delinquent Property Taxes	6,031,801	
Tuition and Fees	21,977	
Radio Station Membership Contributions	5,477	
Other	4,236	
Total		35,181,236

Four internal service funds are used by management to charge
 the costs of insurance, central supplies and workers'
 compensation to individual funds. The assets and liabilities
 of the internal service funds are included in governmental
 activities in the statement of net assets. 7,273,073

Long-term liabilities are not due and payable in the current
 period and therefore are not reported in the funds:
 Compensated Absences (25,955,405)

Net Assets of Governmental Activities \$257,350,860

See accompanying notes to the basic financial statements

Akron City School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2008

	General	Permanent Improvement Capital Projects	Classroom Facilities Capital Projects	Other Governmental Funds	Total Governmental Funds
Revenues					
Taxes	\$110,402,607	\$3,898,661	\$0	\$3,931	\$114,305,199
Intergovernmental	149,331,080	895,952	24,600,633	74,766,571	249,594,236
Interest	3,387,705	243,141	3,550,776	1,529,469	8,711,091
Tuition and Fees	3,541,756	0	0	1,050,557	4,592,313
Extracurricular Activities	0	0	0	1,238,236	1,238,236
Rentals	100,129	0	0	74,000	174,129
Charges for Services	382,592	0	0	3,597,142	3,979,734
Sales	0	0	0	1,197,403	1,197,403
JEDD	938,868	0	0	0	938,868
Akron Digital Academy	3,808,213	0	0	0	3,808,213
Contributions and Donations	330,637	0	0	0	330,637
Miscellaneous	1,263,154	78,057	0	1,080,414	2,421,625
<i>Total Revenues</i>	<u>273,486,741</u>	<u>5,115,811</u>	<u>28,151,409</u>	<u>84,537,723</u>	<u>391,291,684</u>
Expenditures					
Current:					
Instruction:					
Regular	120,182,951	0	0	27,491,440	147,674,391
Special	31,409,051	0	0	3,757,534	35,166,585
Vocational	12,477,255	0	0	305,301	12,782,556
Adult/Continuing	299,790	0	0	1,611,458	1,911,248
Other	194,199	0	0	7,727,351	7,921,550
Support Services:					
Pupil	14,632,458	0	0	3,236,293	17,868,751
Instructional Staff	12,060,054	0	0	11,124,666	23,184,720
Board of Education	133,031	0	0	0	133,031
Administration	19,105,599	0	0	3,000,134	22,105,733
Fiscal	3,912,693	0	0	452,950	4,365,643
Business	2,680,218	0	0	1,468	2,681,686
Operation and Maintenance of Plant	29,835,751	0	0	3,037,539	32,873,290
Pupil Transportation	11,362,512	0	0	213,027	11,575,539
Central	5,137,746	0	0	2,819,224	7,956,970
Operation of Non-Instructional Services	264,563	0	0	3,289,652	3,554,215
Extracurricular Activities	2,775,087	0	0	870,448	3,645,535
Food Service Operations	0	0	0	10,642,512	10,642,512
Capital Outlay	965,614	3,869,684	29,442,197	3,883,298	38,160,793
Debt Service:					
Principal Retirement	0	0	0	3,931	3,931
<i>Total Expenditures</i>	<u>267,428,572</u>	<u>3,869,684</u>	<u>29,442,197</u>	<u>83,468,226</u>	<u>384,208,679</u>
<i>Excess (Deficiency) of Revenues Over (Under) Expenditures</i>	<u>6,058,169</u>	<u>1,246,127</u>	<u>(1,290,788)</u>	<u>1,069,497</u>	<u>7,083,005</u>
Other Financing Sources (Uses)					
Transfers In	20,232	0	0	1,576,365	1,596,597
Transfers Out	(95,391)	(1,448,705)	0	(52,501)	(1,596,597)
<i>Total Other Financing Sources (Uses)</i>	<u>(75,159)</u>	<u>(1,448,705)</u>	<u>0</u>	<u>1,523,864</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	5,983,010	(202,578)	(1,290,788)	2,593,361	7,083,005
<i>Fund Balances at Beginning of Fiscal Year</i>	<u>30,691,181</u>	<u>2,157,419</u>	<u>52,154,847</u>	<u>12,161,463</u>	<u>97,164,910</u>
<i>Fund Balances at End of Fiscal Year</i>	<u>\$36,674,191</u>	<u>\$1,954,841</u>	<u>\$50,864,059</u>	<u>\$14,754,824</u>	<u>\$104,247,915</u>

See accompanying notes to the basic financial statements

Akron City School District
*Reconciliation of the Statement of Revenues,
Expenditures and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Fiscal Year Ended June 30, 2008*

Net Change in Fund Balances - Total Governmental Funds \$7,083,005

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

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

Capital Asset Additions	33,634,144	
Current Year Depreciation	(3,302,502)	
Total	30,331,642	30,331,642

Governmental funds only report the disposal of capital assets to the
extent proceeds are received from the sale. In the statement of
activities, a gain or loss is reported for each disposal. (1,336,670)

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

Delinquent Property Taxes	3,459,865	
Radio Station Membership Contributions	(3,679)	
Tuition and Fees	4,164	
Food Service Sales	(79)	
Miscellaneous	4,004	
Total	3,464,275	3,464,275

In the prior fiscal year, grant revenues were reported on the statement
of activities but were excluded from the statement of revenues,
expenditures and changes in fund balances because it had not met
the availability criteria. For the current fiscal year, these grant
revenues are included on the statement of revenues, expenditures
and changes in fund balances but are not included on the
statement of activities. (21,758,338)

Repayment of loan principal are expenditures in the governmental
funds, but the repayment reduces long-term liabilities in the
statement of net assets. 3,931

Some expenses reported in the statement of activities do not
require the use of current financial resources and therefore
are not reported as expenditures in the governmental funds.
Compensated Absences (67,855)

The internal service funds used by management to charge the costs
of insurance, central supplies and workers' compensation to individual
funds are not reported in the district-wide statement of activities.
Governmental fund expenditures and related internal funds revenues
are eliminated. The net revenue (expense) of the internal service
funds are allocated among the governmental activities. (813,504)

Change in Net Assets of Governmental Activities **\$16,906,486**

See accompanying notes to the basic financial statements

Akron City School District
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance With
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
Revenues				
Taxes	\$121,390,816	\$112,426,247	\$113,016,428	\$590,181
Intergovernmental	162,256,290	150,273,854	151,062,715	788,861
Interest	3,575,315	3,311,282	3,326,261	14,979
Tuition and Fees	3,861,252	3,578,793	3,597,085	18,292
Rentals	107,548	99,606	100,129	523
Charges for Services	139,246	434,403	382,592	(51,811)
JEDD	1,008,437	933,965	938,868	4,903
Akron Digital Academy	3,388,919	3,893,734	3,808,213	(85,521)
Contributions and Donations	355,137	328,910	330,637	1,727
Miscellaneous	1,311,398	1,259,427	1,259,483	56
<i>Total Revenues</i>	<u>297,394,358</u>	<u>276,540,221</u>	<u>277,822,411</u>	<u>1,282,190</u>
Expenditures				
Current:				
Instruction:				
Regular	119,880,395	122,006,629	120,561,389	1,445,240
Special	32,024,998	32,156,310	31,667,472	488,838
Vocational	11,996,702	12,091,503	12,452,198	(360,695)
Adult	274,938	276,111	299,464	(23,353)
Other	28,409	243,409	217,890	25,519
Support Services:				
Pupils	15,042,251	14,932,802	14,497,262	435,540
Instructional Staff	12,128,522	11,157,239	12,100,816	(943,577)
Board of Education	173,096	172,700	132,077	40,623
Administration	19,018,388	18,852,744	19,225,215	(372,471)
Fiscal	3,805,308	3,880,628	3,906,436	(25,808)
Business	3,115,965	2,853,906	2,770,473	83,433
Operation and Maintenance of Plant	32,318,785	30,970,024	29,975,145	994,879
Pupil Transportation	11,081,164	11,555,006	11,314,249	240,757
Central	5,570,866	5,590,323	5,178,626	411,697
Operations of Non-Instructional Services	279,118	299,496	262,578	36,918
Extracurricular Activities	2,637,765	3,019,702	2,764,282	255,420
Capital Outlay	927,372	927,007	966,286	(39,279)
<i>Total Expenditures</i>	<u>270,304,042</u>	<u>270,985,539</u>	<u>268,291,858</u>	<u>2,693,681</u>
<i>Excess of Revenues Over Expenditures</i>	<u>27,090,316</u>	<u>5,554,682</u>	<u>9,530,553</u>	<u>3,975,871</u>
Other Financing Sources (Uses)				
Transfers In	16,352	16,352	20,232	3,880
Transfers Out	(150,000)	(98,010)	(95,391)	2,619
<i>Total Other Financing Sources (Uses)</i>	<u>(133,648)</u>	<u>(81,658)</u>	<u>(75,159)</u>	<u>6,499</u>
<i>Net Change in Fund Balance</i>	26,956,668	5,473,024	9,455,394	3,982,370
<i>Fund Balance at Beginning of Fiscal Year</i>	39,781,386	39,781,386	39,781,386	0
Prior Fiscal Year Encumbrances Appropriated	1,425,057	1,425,057	1,425,057	0
<i>Fund Balance at End of Fiscal Year</i>	<u>\$68,163,111</u>	<u>\$46,679,467</u>	<u>\$50,661,837</u>	<u>\$3,982,370</u>

See accompanying notes to the basic financial statements

Akron City School District
Statement of Fund Net Assets
Proprietary Fund
June 30, 2008

	<u>Internal Service Funds</u>
Assets	
Equity in Pooled Cash and Cash	
Equivalents	\$15,414,889
Materials and Supplies Inventory	<u>470,966</u>
<i>Total Assets</i>	<u>15,885,855</u>
Liabilities	
Accounts Payable	72,588
Premium Payable	655,218
Claims Payable	<u>7,884,976</u>
Total Liabilities	<u>8,612,782</u>
Net Assets	
Unrestricted	<u><u>\$7,273,073</u></u>

See accompanying notes to the basic financial statements

Akron City School District
*Statement of Revenues,
Expenses and Changes in Fund Net Assets
Proprietary Fund
For the Fiscal Year Ended June 30, 2008*

	Internal Service Funds
Operating Revenues	
Charges for Services	\$40,551,406
Operating Expenses	
Purchased Services	4,371,601
Materials and Supplies	1,263,449
Claims	35,729,860
Total Operating Expenses	41,364,910
<i>Operating (Loss)/Change in Net Assets</i>	(813,504)
<i>Net Assets at Beginning of Fiscal Year</i>	8,086,577
<i>Net Assets at End of Fiscal Year</i>	\$7,273,073

See accompanying notes to the basic financial statements

Akron City School District
Statement of Cash Flows
Proprietary Fund
For the Fiscal Year Ended June 30, 2008

	Internal Service Funds
<i>Increase (Decrease) in Cash and Cash Equivalents</i>	
Cash Flows from Operating Activities	
Cash Received for Interfund Services	\$40,551,406
Cash Payments for Other Expenses	(4,303,687)
Cash Payments for Goods and Services	(1,332,831)
Cash Payments for Claims	(35,048,863)
<i>Net Cash (Used in) Operating Activities</i>	(133,975)
<i>Net (Decrease) in Cash and Cash Equivalents</i>	(133,975)
Cash and Cash Equivalents at Beginning of Fiscal Year	15,548,864
Cash and Cash Equivalents at End of Fiscal Year	\$15,414,889
 Reconciliation of Operating (Loss) to Net Cash (Used in) Operating Activities	
<i>Operating (Loss)</i>	(\$813,504)
Adjustments:	
<i>(Increase) Decrease in Assets:</i>	
Materials and Supplies Inventory	(74,338)
<i>Increase (Decrease) in Liabilities:</i>	
Accounts Payable	35,590
Premium Payable	37,280
Claims Payable	680,997
<i>Total Adjustments</i>	679,529
<i>Net Cash (Used in) Operating Activities</i>	(\$133,975)
 See accompanying notes to the basic financial statements	

Akron City School District
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2008

	Private Purpose Trust	
	Scholarship	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	\$58,723	\$461,372
Cash and Cash Equivalents in Segregated Accounts	153,249	0
Investments in Segregated Accounts	87,905	0
Accrued Interest Receivable	329	0
<i>Total Assets</i>	<u>300,206</u>	<u>\$461,372</u>
Liabilities		
Undistributed Monies	0	\$303,337
Due to Students	0	158,035
<i>Total Liabilities</i>	<u>0</u>	<u>\$461,372</u>
Net Assets		
Held in Trust for Scholarships	<u>\$300,206</u>	

See accompanying notes to the basic financial statements

Akron City School District
Statement of Changes in Fiduciary Net Assets
Private Purpose Trust Fund
For the Fiscal Year Ended June 30, 2008

	Scholarship
Additions	
Interest	\$4,052
Contributions and Donations	82,905
<i>Total Additions</i>	86,957
Deductions	
Miscellaneous	2,754
<i>Change in Net Assets</i>	84,203
<i>Net Assets at Beginning of Fiscal Year</i>	216,003
<i>Net Assets at End of Fiscal Year</i>	\$300,206

See accompanying notes to the basic financial statements

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Akron City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

Note 1 – Description of the School District and Reporting Entity

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

The School District was established in 1847 through the consolidation of existing land areas and school districts. The School District serves an area of approximately 54.4 square miles and is located in Summit County, and is within the City of Akron. The School District is the fifth largest in the State of Ohio (among 1,044 public school districts and community schools) in terms of enrollment. It is staffed by 1,009 full-time classified employees, 1,957 full-time certificated personnel, 158 administrative employees, and 746 part-time employees who provide services to 24,888 students and other community members. The School District currently operates 56 instructional buildings, four administrative buildings, three auxiliary buildings and one garage.

Reporting Entity

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

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

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

Akron City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008
(Continued)

Discretely Presented Component Unit

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

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

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

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

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

All of the Academy's personnel services, which provided services to 660 students, were purchased from the School District during fiscal year 2008.

Note 2 – Summary of Significant Accounting Policies

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

Akron City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008
(Continued)

A. Basis of Presentation

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

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

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

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

B. Fund Accounting

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

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

General Fund The general fund is the operating fund of the School District and is used to account for all financial resources except those required to be accounted for in another fund.

Akron City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008
(Continued)

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

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

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

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

Internal Service Funds The internal service funds account for the financing of services provided by one department or agency to other departments or agencies of the School District on a cost-reimbursement basis. The School District's internal service funds account for the operation of the School District's central warehouse that provides goods to other departments and schools in the School District, the operation of the School District's self-insurance program for employee health benefits, a reserve established to pay for liability insurance claims over the School District's self-insured retention, and the operation of the School District's workers' compensation Retrospective Rating Plan.

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

C. Measurement Focus

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

Akron City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008
(Continued)

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

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

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

D. Basis of Accounting

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

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

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 6). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Akron City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008
(Continued)

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

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

Property taxes for which there is an enforceable legal claim as of June 30, 2008, but which were levied to finance fiscal year 2009 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

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

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

E. Budgetary Data

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

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

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

Akron City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008
(Continued)

F. Cash, Cash Equivalents and Investments

To improve cash management, all cash received by the School District is pooled. Monies for all funds, including the internal service funds, are maintained in this pool. Individual fund integrity is maintained through School District records. Interest in the pool is presented as "equity in pooled cash and cash equivalents" on the basic financial statements. The general fund provides advances to cover deficit cash balances at the end of the fiscal year. At the end of fiscal year 2008, the general fund advanced monies to several special revenue funds to cover negative cash balances. See Note 15 for additional information.

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

During fiscal year 2008, investments were limited to overnight repurchase agreements, Federal Home Loan Bank Notes, Federal Home Loan Mortgage Corporation Notes, Federal National Mortgage Association Notes, Federal Farm Credit Bank Notes, United States Treasury Notes, an Allegiant Treasury Money Market Fund, a First American Treasury Money Market Fund, a Fifth Third Institutional Money Market Fund and certificates of deposit. Except for investment contracts and money market investments that had a remaining maturity of one year or less at the time of purchase, investments are reported at fair value which is based on quoted market prices. Investment contracts and money market investments that had a remaining maturity of one year or less at the time of purchase are reported at cost or amortized cost.

Following Ohio statutes, the Board of Education has, by resolution, identified the funds to receive an allocation of interest. Interest revenue credited to the general fund during fiscal year 2008 amounted to \$3,387,705, which includes \$1,839,391 assigned from other School District funds.

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

G. Inventory

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

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

Akron City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008
(Continued)

H. Deferred Expense

In accordance with an agreement between the School District and the City of Akron (the “City”), the City issued securities to assist in the School District’s funding of its share of basic project costs and any locally funded initiatives for rebuilding and renovating the School District’s school buildings into community learning centers. The securities were issued with a maturity life of 30 years. While the securities are outstanding, the School District will contribute \$3,000,000 each year from the permanent improvement capital projects fund to the City for the purpose of paying debt charges on those securities and other project costs. Payments due to the City for periods beyond June 30, 2008 are recorded as deferred expense with a corresponding intergovernmental payable.

I. Capital Assets

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

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

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

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

J. Interfund Balances

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

K. Compensated Absences

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

Akron City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008
(Continued)

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

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

For governmental fund financial statements, the current portion of unpaid compensated absences is the amount that is normally expected to be paid using expendable available financial resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated leave are paid.

L. Accrued Liabilities and Long-Term Obligations

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

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

M. Interfund Activity

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

N. Fund Balance Reserves

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

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statute. The reserve for textbooks and instructional materials represents monies required to be set aside by statute for purchases of textbooks and other instructional materials in future fiscal years.

Akron City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008
(Continued)

O. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws and regulations of other governments. Net assets restricted for other purposes include special trust, auxiliary services, local grants, State and Federal programs, adult education and uniform school supplies.

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

P. Operating Revenues and Expenses

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

Q. Estimates

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

R. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents set aside to establish a textbooks and instructional materials reserve. This reserve is required by State statute. A schedule of statutory reserves is presented in Note 17.

Note 3 – Accountability and Compliance

A. Accountability

The following nonmajor special revenue funds had deficit fund balances on a GAAP basis at June 30, 2008:

Akron City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008
(Continued)

<u>Nonmajor Fund</u>	<u>Amount</u>
Special Revenue Funds	
Post Secondary Vocational Education	\$1,914
Public School Preschool	21,039
Ohio Reads	13,070
High Schools That Work	8,670
Alternative Schools	24,753
Poverty Based Assistance	2,636,677
Adult Basic Education	67,182
Title VI-B - Special Education	379,806
Vocational Education	98,872
Title III - Limited English Proficiency	39,988
Title I	447,368
Safe and Drug-Free Schools	21,859
Preschool Handicapped	16,247
Title II-A - Improving Teacher Quality	340,650
Miscellaneous Federal Grants	84,772

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

B. Legal Compliance

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

<u>Fund Type/Fund</u>	<u>Jan.</u>	<u>Mar.</u>	<u>June</u>
Special Revenue Funds			
Post Secondary Vocational Education			\$1,818
Public School Preschool			478
High Schools That Work			3,621
Alternative Schools	\$112,037	\$6,902	7,646
Adult Basic Education		27,987	48,097
Vocational Education			3,596
Title III - Limited English Proficiency			36,718
Title I	990,595	1,361,517	
Title V - Innovative Programs		1,732	
Safe and Drug-Free Schools		14,853	9,208
Pre-School Handicapped	5,394	12,738	8,654
Title II-A - Improving Teacher Quality	66,813	95,749	251,355
Miscellaneous Federal Grants	199,440	199,870	655,852

Akron City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008
(Continued)

Note 4 - Budgetary Basis of Accounting

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

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

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

<u>Net Change In Fund Balance</u>	
GAAP Basis	\$5,983,010
Net Adjustment for Revenue Accruals	4,335,670
Net Adjustment for Expenditure Accruals	(218,117)
Adjustment for Encumbrances	<u>(645,169)</u>
Budget Basis	<u>\$9,455,394</u>

Note 5 - Deposits and Investments

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

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

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

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

Akron City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008
(Continued)

Interim monies may be invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

Deposits Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end, the carrying amount of the School District's deposits was (\$460,809) and the bank balance was \$4,823,035. Of the bank balance, \$397,905 was covered by Federal Deposit Insurance Corporation, and \$4,425,130 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the School District's name.

Akron City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008
(Continued)

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

Investments As of June 30, 2008, the School District had the following investments:

	Carrying Value	Maturities In Years		% to
		Less than 1	1-4	Total
Overnight Repurchase Agreements	\$93,734,000	\$93,734,000	\$0	48.40%
Federal Home Loan Bank Notes	40,982,178	20,373,350	20,608,828	21.16
Federal Home Loan Mortgage Corporation Notes	20,434,817	8,462,958	11,971,859	10.55
Federal Farm Credit Bank Notes	8,990,010	0	8,990,010	4.64
Federal National Mortgage Association Notes	19,591,882	15,462,340	4,129,542	10.12
United States Treasury Notes	8,086,280	4,019,080	4,067,200	4.17
Fifth Third Institutional Money Market Fund	170,538	170,538	0	0.09
Allegiant Treasury Money Market Fund	1,642,784	1,642,784	0	0.85
First American Treasury Money Market Fund	32,173	32,173	0	0.02
Total Investments	<u>\$193,664,662</u>	<u>\$143,897,223</u>	<u>\$49,767,439</u>	<u>100.00%</u>

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

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

Akron City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008
(Continued)

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

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

Note 6 - Property Taxes

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar year 2008 represents collections of calendar year 2007 taxes. Real property taxes received in calendar year 2008 were levied after April 1, 2007, on the assessed value listed as of January 1, 2007, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable semi-annually with payments due in February and July. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2008 represents collections of calendar year 2007 taxes. Public utility real and tangible personal property taxes received in calendar year 2008, which became a lien December 31, 2006, were levied after April 1, 2007 and are collected in calendar year 2008 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar year 2008 (other than public utility property) represents the collection of calendar year 2008 taxes. Tangible personal property taxes received in calendar year 2008 were levied after April 1, 2007, on the value as of December 31, 2007. Machinery and equipment is currently assessed at 6.25 percent of true value and telecommunications property is currently assessed at fifteen percent of true value. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Summit County. The County Fiscal Officer periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2008, are available to finance fiscal year 2008 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Akron City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008
(Continued)

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2008 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2008 was \$7,863,551 in the general fund and \$273,818 in the permanent improvement capital projects fund. The amount available as an advance at June 30, 2007, was \$10,477,372 in the general fund and \$375,665 in the permanent improvement capital projects fund.

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

The assessed values upon which the fiscal year 2008 taxes were collected are:

	2007 Second		2008 First	
	Half Collections		Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$2,746,092,200	91.82%	\$2,724,769,030	94.43%
Public Utility Personal	108,869,360	3.64%	74,006,660	2.56%
Tangible Personal Property	135,863,639	4.54%	86,871,162	3.01%
Total	\$2,990,825,199	100.00%	\$2,885,646,852	100.00%
 Tax rate per \$1,000 of assessed valuation	 \$71.66		 \$71.66	

Note 7 - Contingencies

A. Grants

The School District received financial assistance from federal and State agencies in the form of grants. The disbursements of funds received under these programs generally require compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2008.

B. Litigation

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

Akron City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008
(Continued)

Note 8 – Receivables

Receivables at June 30, 2008 consisted of taxes, interest, accounts (student transportation fees, radio station membership contributions, tuition, local grants and rentals), interfund and intergovernmental (tuition and grants). All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. All receivables are expected to be collected within one fiscal year except for classroom facilities.

A summary of the items of intergovernmental receivables follows:

Governmental Activities	Amounts
Tuition and Fees	\$26,068
JROTC	21,836
Other Local Grants	117,033
Post Secondary Vocational Education	1,755
Public School Preschool	31,144
Ohio Reads	278,257
High Schools That Work	8,256
Alternative Schools	22,070
Adult Basic Education	56,414
Title VI-B - Special Education	3,590,068
Vocational Education	153,757
Title III - Limited English Proficiency	69,013
Title I	3,461,677
Title V - Innovative Programs	35,131
Safe and Drug-Free Schools	63,500
Pre-School Handicapped	23,287
Title II-A - Improving Teacher Quality	1,177,838
Miscellaneous Federal Grants	683,506
Food Service	147,524
Classroom Facilities	52,059,695
Total Intergovernmental Receivables	\$62,027,829

Akron City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008
(Continued)

Note 9 – Capital Assets

Capital asset activity for the fiscal year ended June 30, 2008, was as follows:

	Balance 6/30/2007	Additions	Deletions	Balance 6/30/2008
Governmental Activities				
<i>Capital Assets, not being depreciated:</i>				
Land	\$6,196,612	\$103,562	\$0	\$6,300,174
Construction In Progress	29,272,655	11,594,946	(26,219,334)	14,648,267
<i>Total Capital Assets, not being depreciated</i>	<u>35,469,267</u>	<u>11,698,508</u>	<u>(26,219,334)</u>	<u>20,948,441</u>
<i>Capital Assets, being depreciated:</i>				
Land Improvements	102,896	0	0	102,896
Buildings and Improvements	114,457,113	44,390,323	(3,521,230)	155,326,206
Furniture and Equipment	35,767,944	2,585,366	(1,804,914)	36,548,396
Vehicles	7,736,231	1,179,281	(171,872)	8,743,640
<i>Total Capital Assets, being depreciated</i>	<u>158,064,184</u>	<u>48,154,970</u>	<u>(5,498,016)</u>	<u>200,721,138</u>
Less Accumulated Depreciation:				
Land Improvements	(21,009)	(5,145)	0	(26,154)
Buildings and Improvements	(52,633,561)	(1,556,872)	2,262,920	(51,927,513)
Furniture and Equipment	(28,172,765)	(1,274,726)	1,726,554	(27,720,937)
Vehicles	(5,097,047)	(465,759)	171,872	(5,390,934)
Total Accumulated Depreciation	<u>(85,924,382)</u>	<u>(3,302,502) *</u>	<u>4,161,346</u>	<u>(85,065,538)</u>
Total Capital Assets, being depreciated, net	<u>72,139,802</u>	<u>44,852,468</u>	<u>(1,336,670)</u>	<u>115,655,600</u>
Governmental Activities Capital Assets, Net	<u>\$107,609,069</u>	<u>\$56,550,976</u>	<u>(\$27,556,004)</u>	<u>\$136,604,041</u>

Akron City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008
(Continued)

* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$1,285,934
Special	85,691
Vocational	256,831
Adult/Continuing	4,662
Other	900
Support Services:	
Pupil	79,418
Instructional Staff	153,285
Board of Education	216
Administration	67,380
Fiscal	521
Business	71,235
Operation and Maintenance of Plant	524,084
Pupil Transportation	385,467
Central	144,503
Operation of Non-Instructional Services	14,327
Extracurricular Activities	18,031
Food Service Operations	210,017
	<hr/>
Total Depreciation Expense	<u>\$3,302,502</u>

Akron City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008
(Continued)

Note 10 - Risk Management

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2008, the School District contracted for property, inland marine, crime, general liability, equipment breakdown, educators legal liability and automobile coverage. Coverage provided is as follows:

Type of Coverage	Coverage Amount
Commercial Property (\$50,000 deductible)	
Building and Contents	\$593,601,701
Earthquake	5,000,000
Flood	5,000,000
Commercial Inland Marine (\$5,000 deductible)	250,000
Commercial Crime (\$5,000 deductible)	175,000
Equipment Breakdown (\$25,000 deductible)	100,000,000
Commercial General Liability (\$25,000 deductible)	
General Aggregate Limit	3,000,000
Each Occurrence Limit	2,000,000
Employers Liability (Ohio Stop Gap)	1,000,000
Educators Legal Liability (\$25,000 deductible)	2,000,000
Automobile (\$25,000 deductible)	
Liability	2,000,000
Uninsured/Underinsured Motorists	1,000,000

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

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

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

Fiscal Year	Beginning Balance	Current Fiscal Year Premium/ Claims	Premium/ Claims Payments	Ending Balance
2007	\$2,059,035	\$2,306,805	\$1,504,523	\$2,861,317
2008	2,861,317	2,159,293	1,850,816	3,169,794

Akron City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008
(Continued)

Medical/surgical insurance is offered to employees on a self-insured basis. The School District has various third-party administrators for the self-insurance activity. The claims liability of \$5,370,400 reported in the self-insurance internal service fund at June 30, 2008 is based on an estimate provided by the third party administrator and the requirements of GASB Statement No. 30, which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. Changes in the fund's claims liability amount follow for the last two fiscal years:

	Balance at Beginning of Fiscal Year	Current Fiscal Year Claims	Claims Payments	Balance at End of Fiscal Year
2007	\$4,954,500	\$33,159,699	\$33,153,599	\$4,960,600
2008	4,960,600	35,458,663	35,048,863	5,370,400

Note 11 – Defined Benefit Pension Plans

A. School Employees Retirement System

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

Funding Policy Plan members are required to contribute 10 percent of their annual covered salary, and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District’s contribution is used to fund pension obligations with the remainder being used to fund health care benefits and Medicare Part B benefits; for fiscal year 2008, 9.16 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2008, 2007 and 2006 were \$3,650,860, \$3,735,021 and \$3,776,478, respectively; 67.06 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

Akron City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008
(Continued)

B. State Teachers Retirement System

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

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

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

Funding Policy For the fiscal year ended June 30, 2008, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations with the remainder being used to fund health care benefits. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions

The School District’s required contributions for pension obligations to STRS Ohio for the DB Plan for the fiscal years ended June 30, 2008, 2007, and 2006 were \$19,459,784, \$16,327,260, and \$19,360,383, respectively; 86.56 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006. Contributions to the DC and Combined Plans for fiscal year 2008 were \$148,760 made by the School District and \$371,224 made by the plan members.

Akron City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008
(Continued)

Social Security System

Effective July 1, 1991, all employees not otherwise covered by SERS or STRS Ohio have an option to choose Social Security or SERS. As of June 30, 2008, two 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 Other Than Pension

A. State Teachers Retirement System

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

Funding Policy Ohio law authorizes STRS Ohio to offer the Health Plan and gives the STRS Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for postemployment health care may be deducted from employer contributions. For 2008, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2008, 2007 and 2006 were \$1,496,906, \$1,255,943 and \$1,489,260, respectively; 86.56 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

B. School Employees Retirement System

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

Akron City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008
(Continued)

Funding Policy State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation of statutorily required benefits, the SERS Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established under, and is administered in accordance with, Internal Revenue Code Section 401(h). For fiscal year 2008, 4.18 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for fiscal year 2007 (the latest information available), this amount was \$35,800.

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

The School District's contributions for health care for the fiscal years ended June 30, 2008, 2007 and 2006 were \$2,219,641, \$1,813,985 and \$1,878,401, respectively; 67.06 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

The SERS Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2008, the actuarially required allocation was 0.66% of covered payroll. The School District's contributions for Medicare Part B for the fiscal year ended June 30, 2008, 2007 and 2006 were \$263,053, \$253,981 and \$259,394, respectively; 67.06 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

Note 13 - Other Employee Benefits

A. Compensated Absences

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Employees working 52 weeks per year earn 1 day to 25 days of vacation per year, depending upon length of service. Accumulated, unused vacation time is paid upon termination of employment. Employees working less than 52 weeks per year do not earn vacation. Employees earn sick leave at the rate of one and one-fourth days per month or the equivalent in hours per month. Sick leave may be accumulated up to a maximum of 420 days. Upon retirement, payment is made for one-fourth of the total sick leave accumulation. Employees receive 1) two additional days for each year of perfect attendance commencing July 1, 1976 through June 30, 1981; and 2) one additional day for each year of perfect attendance commencing July 1, 1981.

B. Insurance Benefits

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

Akron City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008
(Continued)

Note 14 - Long-Term Obligations

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

Governmental Activities:	Principal Outstanding 6/30/2007	Additions	Reductions	Principal Outstanding 6/30/2008	Amount Due in One Year
1988 \$141,533 0%					
Asbestos Loan	\$3,931	\$0	(\$3,931)	\$0	\$0
Compensated Absences	25,887,550	1,956,822	(1,888,967)	25,955,405	1,600,661
Total Governmental Activities					
Long-Term Liabilities	<u>\$25,891,481</u>	<u>\$1,956,822</u>	<u>(\$1,892,898)</u>	<u>\$25,955,405</u>	<u>\$1,600,661</u>

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

Compensated absences will be paid from the fund from which the employee is paid, which includes the following: general, other local grants, auxiliary services, public school preschool, Ohio reads, alternative schools, poverty based assistance, miscellaneous state grants, adult basic education, title VI-B special education, vocational education, title III limited english proficiency, title I, title V innovative programs, safe and drug-free schools, pre-school handicapped, title II-A improving teacher quality, miscellaneous federal grants, food service and adult education.

Note 15 – Interfund Transfers and Balances

A. Transfers

Transfers are primarily from the general fund to various funds within the School District. Transfers from the general fund totaling \$95,391 were made to move unrestricted balances to support programs and projects accounted for in nonmajor funds.

The special trust special revenue fund transferred \$3,021 of unclaimed monies to the general fund. These monies were unclaimed for five years, and in accordance with State law, can be transferred to the general fund to be spent for general operating purposes.

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

The other local grants special revenue fund transferred \$32,269 to the special trust special revenue fund because the purpose of the H. Peter Burg Akron Reads program changed from a fund supporting reading to a fund whose focus will be scholarship opportunities.

Akron City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008
(Continued)

During fiscal year 2007, the School District closed Jackson Elementary School, Heminger Elementary School and Margaret Park Elementary School. During fiscal year 2008, the District transferred the following unexpended balances of the public school support special revenue fund to the general fund: Jackson Elementary School amounting to \$3,128, Heminger Elementary School totaling \$1,381 and Margaret Park Elementary School equaling \$4,360.

In addition, the district managed activities special revenue fund transferred the unexpended balances of the following activities to the general fund due to the termination of the activities: MD at Firestone High School amounting to \$144, Student Action (Pep Club) at Firestone High School totaling \$464, Judy Resnik Periodical Purchases at Firestone High School equaling \$566, Falcon Friends at Firestone High School amounting to \$524, Gym at Firestone High School totaling \$203, Home Economics II at Firestone High School equaling \$280, Vocal Music at Firestone High School amounting to \$1, M. Schneiderman Memorial Music at Firestone High School totaling \$26, Band at Firestone High School equaling \$63, Photography at North High School amounting to \$27, North Temporary Central-Hower Curricular Supplies at North High School totaling \$94, Class of '07 at Kenmore High School equaling \$5,398 and Leadership Club at East High School amounting to \$552.

Transfers made during the fiscal year ended June 30, 2008 were as follows:

	Transfers From			
	General Fund	Permanent Improvement Capital Projects Fund	Nonmajor Funds	Total
Transfers To				
General Fund	\$0	\$0	\$20,232	\$20,232
Nonmajor Funds	95,391	1,448,705	32,269	1,576,365
Total	\$95,391	\$1,448,705	\$52,501	\$1,596,597

Akron City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008
(Continued)

B. Balances

The general fund advanced funds to various special revenue funds to cover negative cash balances at the end of fiscal year 2008 on the GAAP basis.

Advanced To	Nonmajor Funds
Post Secondary Vocational Education	\$1,818
High Schools That Work	3,622
Alternative Schools	8,498
Poverty Based Assistance	13,426
Adult Basic Education	46,930
Vocational Education	2,134
Title III - Limited English Proficiency	36,064
Safe and Drug-Free Schools	6,342
Preschool Handicapped	6,796
Title II-A - Improving Teacher Quality	258,048
Miscellaneous Federal Grants	655,310
Total	\$1,038,988

Note 16 – Jointly Governed Organization

The Ohio Schools Council (“the Council”) is a jointly governed organization among many school districts. The jointly governed organization was formed to purchase quality products and services at the lowest possible cost to member districts. The Council’s Board consists of seven superintendents of the participating districts whose terms rotate every year. The degree of control exercised by any school district is limited to its representation on the Board. Financial information for the Council can be obtained by contacting the Executive Secretary of the Council at 6133 Rockside Road, Suite 10, Independence, Ohio 44131.

In fiscal year 2008, the District participated in the Council’s electric energy program. This program allows school districts to purchase electricity at reduced rates. The participants make monthly payments based on estimated usage. At the end of the fiscal year, these estimated monthly payments are compared to their actual usage and any necessary adjustments are made.

Note 17 – Set Asides

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

Akron City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008
(Continued)

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

	Textbooks & Instructional Materials Reserve	Capital Improvements Reserve
	<u> </u>	<u> </u>
Set-aside Reserve Balances as of June 30, 2007	(\$108,904)	\$0
Current Fiscal Year Set-aside Requirements	4,218,603	4,218,603
Qualifying Disbursements	<u>(3,677,363)</u>	<u>(6,290,463)</u>
Totals	<u>\$432,336</u>	<u>(\$2,071,860)</u>
Set-aside Balances Carried Forward to Future Fiscal Years	<u>\$432,336</u>	<u>\$0</u>

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

Akron City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008
(Continued)

Note 18 – Construction Commitments

The School District has active construction projects as of June 30, 2008. At fiscal year end, the School District's commitments with contractors are as follows:

Project	Spent-to-Date	Remaining Commitment
Barber Elementary School Construction	\$345,822	\$9,224,142
Betty Jane Elementary School Construction	8,315,832	284,275
Crouse Elementary School Construction	5,671,218	3,596,304
Findley Elementary School Construction	567,599	8,552,137
Forest Hill Elementary School Construction	6,864,023	1,049,835
Glover Elementary School Construction	6,979,630	1,736,272
Sam Salem Elementary School Construction	6,971,526	514,357
David Hill Elementary School Construction	8,816,809	36,260
Helen Arnold Elementary School Construction	8,843,087	58,214
Leggett Elementary School Construction	20,912	62,116
Mason Elementary School Construction	11,102,824	174,704
McEbright Elementary School Construction	0	62,116
Portage Path Elementary School Construction	138	62,116
Rankin Elementary School Construction	0	62,116
Rimer Elementary School Construction	1,277,808	6,672,051
Ritzman Elementary School Construction	3,433,610	4,714,629
Robinson Elementary School Construction	8,923,651	830,975
Schumacher Elementary School Construction	0	62,116
Voris Elementary School Construction	7,338,687	37,046
Windemere Elementary School Construction	46,976	82,696
Hyre Middle School Construction	0	62,116
Innes Middle School Construction	6,106,459	9,286,100
Science, Technology, Engineering & Mathematics Middle School Construction	724,120	12,676,767
Jennings Middle School Construction	14,531,223	79,841
Buchtel High School Construction	0	62,433
East High School Construction	502,584	102,775
Unit Ventilator Replacement in the Instructional Technology Lab at Ellet High School	0	21,690
	<u>\$107,384,538</u>	<u>\$60,166,199</u>

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

Akron City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008
(Continued)

Note 19 – Ohio Schools Facilities Commission Construction Project

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

The tax took effect January 1, 2004. As of June 30, 2008, the School District has received \$155,711,800 in local funds from the City by way of this tax to date. A liability, "due to City of Akron", was recorded in the amount of \$79,897,492 as of June 30, 2008. The amount of this liability was determined by reducing the \$155,711,800 received as of June 30, 2008 by the amount of capital expenditures made by the School District using these local funds received from the City since the inception of this project. The School District has made a total of \$75,814,308 in capital expenditures using these local funds received from the City as of June 30, 2008. A liability was recorded for these monies because if the School District does not spend these local funds by the end of this project, these funds would have to be returned to the City in accordance with an agreement between the School District and the City.

The School District and the City share ownership of the new community learning centers equally. For completed community learning centers, the School District has recorded 50 percent of the capital expenditures as land capital assets in the amount of \$87,392 and as buildings capital assets in the amount of \$53,162,092 to date as of June 30, 2008. For community learning centers still under construction, the School District has recorded 50 percent of the capital expenditures as construction in progress capital assets. Construction in progress capital assets totaled \$14,648,267 as of June 30, 2008.

OSFC has determined that \$52,059,695 is owed to the School District as of June 30, 2008. This represents the amount that OSFC has appropriated but not remitted to the School District as of June 30, 2008 over the entire life of this project. As a result, \$52,059,695 was recorded as an intergovernmental receivable as of June 30, 2008. Of this \$52,059,695 receivable, \$32,002,357 is the amount that OSFC estimates will be remitted to the School District in fiscal year 2009. On the accrual basis, the entire \$52,059,695 was recorded as revenue because all of the eligibility requirements were satisfied for this nonexchange transaction. On the modified accrual basis, \$32,002,357 was recorded as revenue because this is the amount that is estimated to be available to pay the liabilities of the 2008 fiscal year. The remaining portion was recorded as deferred revenue.

Akron City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008
(Continued)

Note 20 – Akron Digital Academy

A. Summary of Significant Accounting Policies

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

Basis of Presentation

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

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

Measurement Focus

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

Basis of Accounting

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

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place.

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

Akron City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008
(Continued)

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

Expenses are recognized at the time they are incurred.

Budgetary Process

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

Cash and Cash Equivalents

During fiscal year 2008, investments were limited to overnight Eurodollars. Investments with an original maturity of three months or less at the time they are purchased by the Academy are presented on the basic financial statements as cash equivalents.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2008 are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expense is reported in the fiscal year in which the services are consumed.

Capital Assets

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the fiscal year. Donated capital assets are recorded at their fair market values as of the date received. The Academy maintains a capitalization threshold of one thousand dollars. The Academy does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Academy or through external restrictions imposed by creditors, grantors or laws or regulations of governments. Net assets restricted for operating grants are primarily for instruction of students through Federal programs that are passed through the Ohio Department of Education's Comprehensive Continuous Improvement Plan.

Akron City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008
(Continued)

Intergovernmental Revenues

The Academy currently participates in the State Foundation Program. Revenues received from this program are recognized as operating revenues in the accounting period in which all eligibility requirements have been met.

The Academy also participates in the State Education Management Information System (“EMIS”) through the Ohio Department of Education. Under this program, the Academy was awarded \$5,000 during the fiscal year ended June 30, 2008 to offset costs for EMIS reporting. Revenues received from this program are recognized in the accounting period in which all eligibility requirements have been met.

In addition, the Academy participated in the following federal grant programs which are passed through the Ohio Department of Education’s Comprehensive Continuous Improvement Plan: Part B-IDEA Special Education, Title I, Title V Innovative Programs, Title IV-A Safe and Drug-Free Schools, Title II-A Improving Teacher Quality, and Title II-D Technology. The Academy was awarded a total of \$929,692 during the fiscal year ended June 30, 2008 for these programs. Revenues received from these programs are recognized in the accounting period in which all eligibility requirements have been met.

Amounts received under these programs for the 2008 fiscal year totaled \$5,189,678.

Estimates

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

B. Deposits and Investments

Deposits Custodial credit risk for deposits is the risk that in the event of bank failure, the Academy will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end, the carrying amount of the Academy’s deposits was \$1,857 and the bank balance was \$284,916. Of the bank balance, \$100,000 was covered by the Federal Deposit Insurance Corporation and \$184,916 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution’s trust department or agent, but not in the Academy’s name.

The Academy has no deposit policy for custodial risk.

Investments As of June 30, 2008, the Academy had the following investment:

	<u>Carrying Value</u>	<u>Maturity</u>
Overnight Eurodollars	\$1,380,115	July 1, 2008

Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The Academy has no investment policy that addresses interest rate risk.

The overnight Eurodollars carry a rating of AA- by Standard and Poor’s and Aa2 by Moody’s Investors Service.

Akron City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008
(Continued)

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Academy will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The overnight Eurodollars are exposed to custodial credit risk as they are uninsured, unregistered, and held by the counterparty's trust department or agent but not in the Academy's name. The Academy has no investment policy dealing with investment custodial risk.

C. Capital Assets

Capital asset activity for the fiscal year June 30, 2008, was as follows:

	Balance 6/30/2007	Additions	Deletions	Balance 6/30/2008
<i>Capital Assets, being depreciated:</i>				
Furniture and Equipment	\$54,821	\$110,031	(\$16,656)	\$148,196
Less Accumulated Depreciation:				
Furniture and Equipment	(18,482)	(11,665)	11,362	(18,785)
Total Capital Assets, being depreciated, net	<u>\$36,339</u>	<u>\$98,366</u>	<u>(\$5,294)</u>	<u>\$129,411</u>

D. Risk Management

The Academy is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2008, the Academy was covered under the School District's insurance for property, inland marine, crime, general liability, equipment breakdown, educators legal liability and automobile coverage.

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

E. Agreement with the Akron City School District

A service contract for fiscal year 2008 between the Academy and the School District was previously approved. This service contract commenced on July 1, 2007 and ends on June 30, 2009, which may be renewed by mutual agreement.

In agreement with the current service contract, the Academy purchased the following services from the School District: personnel to administer and oversee the instruction and governance of the Academy, hourly personnel to provide instructional services to the Academy, and hourly staff to provide support services to the Academy. The Academy is responsible for reimbursement of 100 percent of all costs incurred by the School District related to these services. The Academy reimbursed the School District \$2,607,857 during fiscal year 2008 for these services.

Akron City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008
(Continued)

In addition, in accordance with the current service contract, the Academy will remit an amount not to exceed \$2,000 per pupil enrolled in the Academy during the respective academic years for the following management services: marketing support; insurance coverage; human resource services; payroll processing; use of the School District's name and goodwill; printing services; professional consulting related to curriculum, instruction, special education, finances, employee relations and legal issues; professional development and training; and, instructional materials. The Academy paid the School District \$1,216,978 during fiscal year 2008 for these services.

All personnel providing services to the Academy on behalf of the School District under the service contract are considered employees of the School District. All of the Academy's personnel services were provided by the School District during the 2008 fiscal year.

For the fiscal year ended June 30, 2008, the Academy paid the School District the following expenses:

Operating Expenses	Amounts
Purchased Services	
Professional and technical services	\$3,822,900
Communications	356
Supplies and Materials	985
Other	594
Total Operating Expenses	\$3,824,835

F. Defined Benefit Pension Plans

School Employees Retirement System

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

Akron City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008
(Continued)

Funding Policy Plan members are required to contribute 10 percent of their annual covered salary, and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contributions is used to fund pension obligations with the remainder being used to fund health care benefits and Medicare Part B benefits; for fiscal year 2008, 9.16 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District's required contributions for pension obligations to SERS for the personnel provided to the Academy for the fiscal years ended June 30, 2008, 2007 and 2006 were \$53,129, \$44,517 and \$48,911, respectively; 67.06 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

State Teachers Retirement System

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

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

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

Akron City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008
(Continued)

Funding Policy For the fiscal year ended June 30, 2008, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations with the remainder being used to fund health care benefits. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions

The School District's required contributions for pension obligations to STRS Ohio for the DB Plan for the personnel provided to the Academy for the fiscal years ended June 30, 2008, 2007, and 2006 were \$195,555, \$145,913, and \$93,924, respectively; 86.56 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006. There were no contributions to the DC and Combined Plans for fiscal year 2008 by the School District for the personnel provided to the Academy or made by the plan members.

G. Postemployment Benefits Other Than Pension

State Teachers Retirement System

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

Funding Policy Ohio law authorizes STRS Ohio to offer the Health Plan and gives the STRS Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for postemployment health care may be deducted from employer contributions. For 2008, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the personnel provided to the Academy for the fiscal years ended June 30, 2008, 2007 and 2006 were \$15,043, \$11,224 and \$7,225, respectively; 86.56 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

Akron City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008
(Continued)

School Employees Retirement System

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

Funding Policy State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation of statutorily required benefits, the SERS Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established under, and is administered in accordance with, Internal Revenue Code Section 401(h). For fiscal year 2008, 4.18 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for fiscal year 2007 (the latest information available), this amount was \$35,800.

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

The School District's contributions for health care for the personnel provided to the Academy for the fiscal years ended June 30, 2008, 2007 and 2006 were \$38,352, \$32,854 and \$28,970, respectively; 67.06 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

The SERS Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2008, the actuarially required allocation was 0.66% of covered payroll. The School District's contributions for Medicare Part B for the personnel provided to the Academy for the fiscal year ended June 30, 2008, 2007 and 2006 were \$3,828, \$3,027 and \$3,030, respectively; 67.06 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

H. Capital Leases

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

Akron City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008
(Continued)

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the minimum lease payments as of June 30, 2008:

Fiscal Year Ending June 30,	Principal Payments
2009	\$4,758
2010	4,758
2011	4,758
2012	2,775
Total	\$17,049

I. Operating Leases

The Academy leases facilities space, copiers and a postage meter under noncancelable operating leases. Total costs for such leases were \$130,088 for the fiscal year ended June 30, 2008. The future minimum lease payments for these leases are as follows:

Fiscal Year Ending June 30,	Amount
2009	\$157,810
2010	152,781
2011	3,328
Total	\$313,919

J. Contingencies

Grants

The Academy received financial assistance from federal and State agencies in the form of grants. The disbursements of funds received under these programs generally require compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the Academy. However, in the opinion of management, any disallowed claims will not have a material adverse effect on the overall financial position of the Academy at June 30, 2008.

K. Federal Tax-Exempt Status

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

Akron City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008
(Continued)

L. Related-Party Transaction

The Academy Director's wife was hired as a consultant for programming and software support. The Academy paid her \$38,235 for these consulting services during fiscal year 2008.

M. Contacting the Academy's Management

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

AKRON CITY SCHOOL DISTRICT
SUMMIT COUNTY

FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2008

FEDERAL GRANTOR/ Pass-Through Grantor/ Program Title	FEDERAL CFDA NUMBER	PASS-THROUGH GRANTOR'S NUMBER	RECEIPTS	NON-CASH RECEIPTS	EXPENDITURES	NON-CASH EXPENDITURES
U.S. DEPARTMENT OF EDUCATION						
<i>(Direct)</i>						
Impact Aid - Maintenance/Operations	84.041	N/A	\$35,700		\$35,700	
Student Financial Assistance Cluster: Federal Family Education Loan	84.032	N/A	238,280		250,280	
Federal Pell Grant Program	84.063	N/A	363,835		363,835	
Federal Pell Grant Program - Administrative Allowance			515		515	
Total Federal Pell Grant Program			<u>364,350</u>		<u>364,350</u>	
Total Student Financial Assistance Cluster			602,630		614,630	
Federal Crisis Grant	84.184E	N/A	54,379		32,604	
Fund for the Improvement of Education	84.215X	N/A	302,244		323,140	
<i>(Passed through the County of Summit)</i>						
Adult Education - State Grant Program	84.002	N/A	451,991		451,991	
<i>(Passed-through Ohio Department of Education)</i>						
Adult Education - State Grant Program	84.002	043489-AB-S1-2008	604,432		652,529	
		043489-AB-S1-2007	23,367		5,848	
Total Adult Education-State Grant Program			1,079,790		1,110,368	
Special Education Cluster: Special Education Grants to States	84.027	043489-6B-SF-2008	6,813,587		6,767,703	
		043489-6B-SF-2007	370,214		492,587	
Total Special Education Grants to States			7,183,801		7,260,290	
Special Education Preschool Grants	84.173	043489-PG-DO-2007	31,500		648	
		043489-PG-S1-2007	17,020		1,607	
		043489-PG-S1-2008	182,942		191,596	
Total Special Education Preschool Grants			231,462		193,851	
Total Special Education Cluster			7,415,263		7,454,141	
Javits Gifted and Talented Students Education Grant	84.206	043489-JG-S1-07	0		2,235	
		043489-JG-S1-08	4,777		0	
Total Javits Gifted and Talented Students Education Grant			4,777		2,235	
Vocational Education-Basic Grants to State	84.048	043489-20-C1-2008	813,430		810,760	
		043489-20-C2-2008	79,871		77,137	
		043489-20-C1-2007	350,962		95,736	
		043489-20-C2-2007	3,122		0	
		n/a	1,000		10,000	
Total Vocational Education-Basic Grants to State			1,248,385		993,633	
Title I Grants to Local Educational Agencies	84.010	043489-C1-S1-2008	14,525,395		14,112,250	
		043489-C1-SD-2008	64,559		0	
		043489-C1-SK-2008	386,642		250,454	
		043489-C1-S1-2007	496,398		965,141	
		043489-C1-SK-2007	0		5,746	
		043489-C1-SK-2006	0		30,934	
		043489-C1-SK-2005	0		43,459	
Total Title I Grants to Local Educational Agencies			15,472,994		15,407,984	
Twenty-First Century Community Learning Centers	84.287	043489-T1-S1-2008	187,733		200,000	
		043489-T1-S1-2008	225,000		225,000	
		043489-T1-S1-2007	3,004		2,062	
		043489-T1-S1-2007	5,529		2,650	
Total Twenty-First Century Community Learning Centers			421,266		429,712	

**AKRON CITY SCHOOL DISTRICT
SUMMIT COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2008**

FEDERAL GRANTOR/ Pass-Through Grantor/ Program Title	FEDERAL CFDA NUMBER	PASS-THROUGH GRANTOR'S NUMBER	RECEIPTS	NON-CASH RECEIPTS	EXPENDITURES	NON-CASH EXPENDITURES
Comprehensive School Reform Demonstration	84.332	043489-RF-CC-2007	166,658		22,826	
		043489-RF-CC-2006	0		142,956	
Total Comprehensive School Reform Demonstration			166,658		165,782	
Education for Homeless Children and Youth	84.196	043489-HC-S1-2008	133,955		137,581	
		043489-HC-S1-2007	2,557		0	
Total Education for Homeless Children and Youth			136,512		137,581	
State Grants for Innovative Programs	84.298	043489-C2-S1-2008	51,545		50,347	
		043489-C2-S1-2007	12,847		663	
Total State Grants for Innovative Programs			64,392		51,010	
English Language Acquisition Grant	84.365	043489-T3-S1-2008	16,688		94,005	
Improving Teacher Quality State Grants	84.367	043489-TR-S1-2008	1,886,536		2,137,891	
		043489-TR-S1-2007	229,393		339,458	
Total Improving Teacher Quality State Grants			2,115,929		2,477,349	
Safe and Drug Free Schools and Communities State Grants	84.186	043489-DR-S1-2008	206,023		215,231	
		043489-DR-S1-2007	18,484		9,125	
Total Safe and Drug-Free Schools and Communities State Grants			224,507		224,356	
Education Technology State Grant	84.318	043489-TJ-S1-2008	128,780		131,674	
		043489-TJ-S1-2007	20,746		14,779	
Total Education Technology State Grant			149,526		146,453	
Reading First State Grants	84.357	043489-RS-S1-2007	70,632		85,923	
			0		0	
Total Reading First State Grants			70,632		85,923	
TOTAL U.S. DEPARTMENT OF EDUCATION			29,527,893		29,786,606	
U.S. DEPARTMENT OF LABOR						
<i>(Passed through County of Summit)</i>						
Work Investment Act Youth Activities	17.259	N/A	8,503		0	
TOTAL U.S. DEPARTMENT OF LABOR			8,503		0	
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES						
<i>(Passed through the Ohio Department of Job and Family Services)</i>						
<i>(Passed through Summit County Job & Family Services/TANF)</i>						
Temporary Assistance for Needy Families	93.558	N/A	608,637		908,021	
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			608,637		908,021	

AKRON CITY SCHOOL DISTRICT
SUMMIT COUNTY

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2008**

FEDERAL GRANTOR/ <i>Pass-Through Grantor/ Program Title</i>	FEDERAL CFDA NUMBER	PASS-THROUGH GRANTOR'S NUMBER	RECEIPTS	NON-CASH RECEIPTS	EXPENDITURES	NON-CASH EXPENDITURES
<u>U.S. DEPARTMENT OF AGRICULTURE</u>						
<i>(Passed through the Ohio Department of Education)</i>						
Food Donation	10.550	N/A		\$773,584		\$773,584
Nutrition Mini Grants:						
Resnik Nutrition Mini Grant	10.554		300		300	
Rankin Nutrition Mini Grant			300		300	
Total Nutrition Mini Grant			<u>600</u>		<u>600</u>	
Child Nutrition Cluster:						
School Breakfast Program	10.553	N/A	2,034,526		2,034,526	
National School Lunch Program	10.555	N/A	<u>6,538,525</u>		<u>6,538,525</u>	
Total Child Nutrition Cluster			<u>8,573,051</u>		<u>8,573,051</u>	
TOTAL U.S. DEPARTMENT OF AGRICULTURE			<u>8,573,651</u>	<u>773,584</u>	<u>8,573,651</u>	<u>773,584</u>
<u>U.S. DEPARTMENT OF DEFENSE</u>						
<i>(Direct)</i>						
Air Force R.O.T.C. Grant	12.XXX	N/A	37,321		37,321	
Army R.O.T.C. Grant	12.XXX	N/A	65,329		65,329	
Marines R.O.T.C. Grant	12.XXX	N/A	55,444		55,444	
Navy R.O.T.C. Grant	12.XXX	N/A	45,035		45,035	
Total R.O.T.C Grants			<u>203,129</u>		<u>203,129</u>	
TOTAL U.S. DEPARTMENT OF DEFENSE			<u>203,129</u>		<u>203,129</u>	
TOTALS			<u>\$38,913,310</u>	<u>\$773,584</u>	<u>\$39,471,407</u>	<u>\$773,584</u>

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

**AKRON CITY SCHOOL DISTRICT
SUMMIT COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2008**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - FOOD DONATION PROGRAM

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

NOTE C - CHILD NUTRITION CLUSTER

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

NOTE D - MATCHING REQUIREMENTS

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



Mary Taylor, CPA

Auditor of State

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Akron City School District, Summit County, Ohio, (the District) as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 6, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the District's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the District's internal control will not prevent or detect a material financial statement misstatement.

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

We noted certain matters that we reported to the District's management in a separate letter dated March 6, 2009.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter we must report under *Government Auditing Standards* which is described in the accompanying Schedule of Findings as item 2008-001.

We also noted certain noncompliance or other matters that we reported to the District's management in a separate letter dated March 6, 2009.

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

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

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

Mary Taylor, CPA
Auditor of State

March 6, 2009



Mary Taylor, CPA

Auditor of State

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

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

To the Board of Education:

Compliance

We have audited the compliance of Akron City School District, Summit County, Ohio, (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement that apply to each of its major federal programs for the year ended June 30, 2008. The summary of auditor's results section of the accompanying Schedule of Findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

The District's basic financial statements include the operations of the Akron Digital Academy, which disbursed \$586,751 in federal expenditures which is not included in the Federal Awards Receipts and Expenditures Schedule for the year ended June 30, 2008. Our audit of Federal awards, described below, did not include the operations of Akron Digital Academy because the component unit was audited separately in accordance with OMB Circular A-133.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits 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 reasonably assure whether noncompliance occurred with the types of compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the Akron City School District complied, in all material respects, with the requirements referred to above applying to each of its major federal programs for the year ended June 30, 2008.

However, the results of our auditing procedures disclosed an other instance of noncompliance with those requirements that OMB Circular A-133 requires us to report, which is described in the accompanying Schedule of Findings as item 2008-002.

Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the District's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency.

A *control deficiency* in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood that the District's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings as finding 2008-002 to be a significant deficiency.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that result in more than a remote likelihood that the District's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements. We do not consider the deficiency described in the accompanying Schedule of Findings to be a material weakness.

However, we noted a matter involving the internal control over federal compliance not requiring inclusion in this report, that we reported to the District's management in a separate letter dated March 6, 2009.

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

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



Mary Taylor, CPA
Auditor of State

March 6, 2009

**AKRON CITY SCHOOL DISTRICT
SUMMIT COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2008**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any other significant deficiencies in internal control reported for major federal programs?	Yes
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	Yes
(d)(1)(vii)	Major Programs (list):	Student Financial Aid Cluster: Federal Pell Grant Program (CFDA 84.063), Federal Family Education Loan (CFDA 84.032); Special Education Cluster: Special Education - Grants to State (CFDA 84.027), Special Education Preschool Grants (CFDA 84.173); Improving Teacher Quality –State Grants (CFDA 84.367); Temporary Assistance for Needy Families (CFDA 93.558)
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: >\$1,207,350 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

Finding 2008-001

Noncompliance:

Conflict of Interest Policy

Ohio Rev. Code Section 2921.42(A)(1) states that no public official shall knowingly authorize or employ the authority or influence of his office to secure authorization of any public contract in which he, a member of his family, or any of his business associates has an interest.

Ohio Rev. Code Section 2921.42(A)(4) states that no public official shall knowingly have an interest in the profits or benefits of a public contract entered into by or for the use of the political subdivision or governmental agency or instrumentality with which he is connected.

The type of interest prohibited by R.C. 2921.42 can be either pecuniary or fiduciary in nature. See OEC Advisory Op. No. 87-003. This same Opinion provides that unpaid trustees and officers of a nonprofit corporation have a fiduciary interest in the contracts of the corporation.

Furthermore, the District’s Conflict of Interest Policy, Section 3113(A)(1), also restricts employees from engaging in or having a financial interest directly or indirectly, in any activity that conflicts or raises a reasonable question of conflict with his/her duties and responsibilities in the school system.

As After-School Program Coordinator, Desiree Bolden entered into contracts on behalf of Akron Public Schools for after-school enrichment program services with a vendor, Weathervane Community Playhouse, of which she is on the Board of Trustees. In addition, as After-School Program Coordinator, she also approved \$117,967 in payments to this vendor.

The District should take corrective action to address this conflict of interest as set forth in the Board Conflict of Interest Policy.

This matter will be referred to the Ohio Ethics Commission.

3. FINDINGS FOR FEDERAL AWARDS

Finding Number	2008 – 002
CFDA Title and Number	Temporary Assistance for Needy Families CFDA # 93.558
Federal Award Number / Year	2008
Federal Agency	U.S. Dept. of Health and Human Services
Pass – Through Agency	County of Summit, Department of Job and Family Services

Noncompliance/Significant Deficiency:

Purchasing Procedures

2 C.F.R. Part 225 indicates, in part, that to be allowable under Federal awards, costs must be adequately documented. The following control weaknesses were noted during our testing of the afterschool program paid with Temporary Assistance for Needy Families (TANF) funds:

- The District did not require vendors providing services under the TANF program to submit supporting documentation with invoices, such as attendance records, sign in sheets, or other documentation to verify services were delivered. To confirm vendor services were rendered, independent confirmations were sent to various schools within the District to verify their presence.

Finding 2008-002 (Continued)

Noncompliance/Significant Deficiency: (Continued)

- Bills totaling \$105,535 to Weathervane Community Playhouse and \$17,740 to Buckeye Digital Services (BDS), were approved for payment lacked supporting detailed invoices and should not have been approved for payment as presented. Several invoices had hand-written changes; and were not remitted on official letterhead and did not appear to originate from the Weathervane Community Playhouse and BDS. Vendor services were confirmed by records maintained by Weathervane Community Playhouse and independent confirmations sent to various schools. Upon request, BDS faxed a detailed invoice to support the amount paid of \$17,740 for a summer camp video production of 101 Dalmations.
- Purchase orders for the summer camp referred to a range of dates from June through August, and did not refer to a specific service or vendor.
- Purchase orders and payments were approved by the same person authorizing contracts to vendors.
- Payments for services were made prior to the service being rendered in order to meet the fiscal year end contract deadline with County of Summit Department of Job and Family Services. As a result, a payment of \$9,500 was made for transportation of students that did not subsequently take place. The Treasurer had contacted Weathervane to inquire about the amount paid for transportation and found that Weathervane did not need to transport students as originally planned for the summer camp. The District requested and recovered the \$9,500 from the vendor and has subsequently returned the \$9,500 to the grantor, Summit County Job and Family Services.

To improve controls over payments to vendors for services rendered with grant monies:

- The District should require vendor sign in sheets at each location to verify dates of services and the number of instructors present at each school.
- Invoices not on official company letterhead should be scrutinized for authenticity. The vendor should be required to submit detailed invoices for hours worked, and rate for each service rendered and specific dates. Invoices that have been altered, or changed should not be approved for payment.
- Purchase orders should be more specific as to purchased services and limited time period.
- Each contract should be reviewed and approved by the Department Head, and the original contract should be kept on file.
- Payments should not be issued until services are confirmed as rendered/goods received or it should be referenced to a contract in place. If applicable, sign in sheets should be maintained by each school for all classes held or camps with a list of participants.

Implementation of these procedures would reduce the risk that errors and irregularities may result from lack of monitoring expenditures paid from federal funds and lessen the chance monies have to be returned to the grantor agency.

Corrective Action Plan:

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2008-001	The after-school program coordinator has resigned from the Board of Trustees of the vendor in question.	Immediately	Judi Hill
2008-002	<p>The following corrective action will be implemented immediately:</p> <ul style="list-style-type: none"> • Each location is now required to maintain vendor sign-in sheets to verify dates of service and the number of instructors present at each location. The District personnel at each location are now aware of the requirement to keep these sign-in sheets in accordance with the District's records retention policy and schedule. • Invoices from vendors will no longer be altered or changed, and they will no longer be prepared on forms supplied by the After-School Department. Invoices will be generated by each vendor on the vendor's invoice forms and/or letterhead. • Purchase orders will now be more specific as to purchased services and limited time period. • Each contract will now be reviewed and approved by the Department Head with the original contract being kept on file. • Payments will not be issued until services are confirmed as rendered and goods received again. Sign-in sheets will now be maintained by each school for all classes held or camps with a list of participants and will now be kept in accordance with the District's records retention policy and schedule. 	Immediately	Judi Hill

**AKRON CITY SCHOOL DISTRICT
SUMMIT COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2008**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2007-001	Ohio Rev. Code Section 5705.41D , the District did not certify certain expenditures prior to incurring the obligation	Yes	Finding no longer valid



Mary Taylor, CPA
Auditor of State

AKRON CITY SCHOOL DISTRICT
SUMMIT COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
APRIL 14, 2009