



Mary Taylor, CPA
Auditor of State

**AKRON CITY SCHOOL DISTRICT
SUMMIT COUNTY**

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SUMMIT COUNTY**

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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, 2009, 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, 2009, 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 January 29, 2010, 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

January 29, 2010

Akron City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009
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, 2009. 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, 2009 are as follows:

- Total net assets increased \$48.1 million. This is an 18.7 percent increase from fiscal year 2008.
- Total revenues increased to \$424.4 million from \$373.0 million. This is an increase of \$51.4 million or 13.8 percent.
- Total program expenses were \$376.3 million. Total program expenses increased from \$356.1 million from fiscal year 2008. This is an increase of \$20.2 million or 5.7 percent.
- The fund balance in the general fund decreased \$9.4 million. This is a 25.7 percent decrease from fiscal year 2008.

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.

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 2009?" 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.

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For the Fiscal Year Ended June 30, 2009
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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.

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 2009 compared to fiscal year 2008 as follows:

Akron City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009
Unaudited

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

	Governmental Activities	
	2009	2008
Assets		
Current and Other Assets	\$434.6	\$452.3
Capital Assets, Net	159.8	136.6
<i>Total Assets</i>	<u>594.4</u>	<u>588.9</u>
Liabilities		
Current and Other Liabilities	262.8	305.6
Long-Term Liabilities		
Due Within One Year	1.6	1.6
Due in More than One Year	24.6	24.4
<i>Total Liabilities</i>	<u>289.0</u>	<u>331.6</u>
Net Assets		
Invested in Capital Assets	159.8	136.6
Restricted:		
Capital Projects	111.6	83.4
Set Asides	0.0	0.4
Other Purposes	7.3	9.8
Unrestricted	26.7	27.1
<i>Total Net Assets</i>	<u>\$305.4</u>	<u>\$257.3</u>

Total assets increased \$5.5 million.

Intergovernmental receivable increased \$23.2 million. The increase 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 \$52.1 million as of June 30, 2008. As of June 30, 2009, the amount appropriated by OSFC and not remitted to the School District was \$78.7 million. This is a difference of \$26.6 million.

In addition, capital assets increased \$23.2 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 2009 than in fiscal year 2008. The change in capital assets will be discussed in greater detail later.

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The increases in intergovernmental receivable and capital assets were offset by decreases in cash and cash equivalents and investments of \$32.5 million, taxes receivable of \$5.4 million and deferred expense of \$3.0 million.

The decrease in cash and cash equivalents and investments can be mostly attributed to the general fund (\$7.7 million), the locally funded initiatives capital projects fund (\$6.7 million), and the classroom facilities capital projects fund (\$23.3 million).

The decrease in cash and cash equivalents and investments in the general fund is due to an increase in expenses. The expenses in the following categories increased in fiscal year 2009 from fiscal year 2008: health insurance, community schools payments, natural gas utility, textbooks and general supplies.

The decrease in cash and cash equivalents and investments in the locally funded initiatives capital projects fund and the classroom facilities capital projects fund is due to the Ohio Schools Facilities Commission ("OSFC") construction project. The School District expended \$30.6 million more funds involving this project than it received from the State and the City of Akron ("the City") in fiscal year 2009. 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 \$284.2 million in local funds needed to be eligible for \$409.0 million of OSFC monies. Also, this tax will raise \$80.7 million 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 all of the School District's school buildings into community learning centers for educating students during school hours while serving as community learning centers for recreation, education, after school and summer school programs, as well as community activities at other times, open to City residents and persons employed in the City.

Also, taxes receivable decreased \$5.4 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 2009 from fiscal year 2008. 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, 2009 are recorded as deferred expense. The School District contributed \$3.0 million to the City during fiscal year 2009 concerning these securities.

Total liabilities decreased \$42.6 million.

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Due to City of Akron decreased \$31.5 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, 2009 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 \$107.3 million in capital expenses using these local funds received from the City as of June 30, 2009. Therefore, the balance of due to City of Akron was \$48.4 million as of June 30, 2009. As of June 30, 2008, the School District had received \$155.7 million in local funds from the City and expensed \$75.8 million in capital expenses using these local funds, resulting in a balance of \$79.9 million for due to City of Akron 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.

Also, deferred revenue decreased \$10.9 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, 2009 increased from the amount of unpaid but billed delinquent property taxes as of June 30, 2008. 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 increase and the liabilities decrease was an increase of net assets of \$48.1 million.

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

Akron City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009
Unaudited

Table 2 shows the changes in net assets for fiscal years 2009 and 2008 for governmental activities as follows:

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

	2009	2008
Revenues		
<i>Program Revenues:</i>		
Charges for Services and Sales	\$14.8	\$15.0
Operating Grants, Contributions and Interest	69.2	72.4
Capital Grants and Contributions	63.5	6.5
<i>Total Program Revenues</i>	147.5	93.9
<i>General Revenues:</i>		
Property Taxes	113.7	117.8
Grants and Entitlements	154.0	150.0
Investment Earnings	4.4	8.6
JEDD	0.5	0.5
Miscellaneous	4.3	2.2
<i>Total General Revenues</i>	276.9	279.1
Total Revenues	424.4	373.0
Program Expenses		
Instruction	210.0	207.9
Support Services:		
Pupil and Instructional Staff	43.9	41.3
Board of Education, Administration, Fiscal and Business	29.3	29.3
Operation and Maintenance of Plant	55.6	40.8
Pupil Transportation	11.8	11.5
Central	8.2	7.9
Operation of Non-Instructional Services	4.1	3.6
Extracurricular Activities	3.8	3.7
Food Service Operations	9.6	10.1
Total Program Expenses	376.3	356.1
Increase in Net Assets	\$48.1	\$16.9

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While program revenues increased for governmental activities from \$93.9 million to \$147.5 million, the vast majority of revenues supporting governmental activities are general revenues. General revenues decreased from \$279.1 million in fiscal year 2008 to \$276.9 million in fiscal year 2009. General revenues comprised 65.2 percent of revenues supporting governmental activities. The primary sources of the decrease in general revenues were decreases in investment earnings of \$4.2 million and property taxes revenue in the amount of \$4.1 million. The decrease in investment earnings can be attributed to a decline in interest rates and the decrease in cash and cash equivalents and investments, as previously discussed.

The reason for the decrease in property taxes revenue is, as previously discussed, the assessed value of tangible personal property has declined.

The decreases in investment earnings and property taxes revenue are offset by increases in grants and entitlements revenue (\$4.0 million) and miscellaneous revenue (\$2.1 million). 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 increase in miscellaneous revenue is mostly due to an increase in the following sources: tax increment financing payments from the City, enterprise zone abatements for personal property compensation from the City, payments from the Ohio Schools Council as a true-up to the electric bills paid to them by the School District, and grants from local foundations for the School District's new National Inventors Hall of Fame School Center for Science, Technology, Engineering and Mathematics Learning ("NIHF STEM"). Since the School District's NIHF STEM opened in the fall of 2009, the School District received significantly more grants from local foundations in fiscal year 2009 than in fiscal year 2008.

The School District received 2 payments from the City for tax increment financing payments totaling \$0.2 million in fiscal year 2009, but received only 1 payment from the City amounting to less than \$0.1 million for this in fiscal year 2008. The School District received no enterprise zone abatements for personal property from the City in fiscal year 2008 but received \$0.3 million related to this in fiscal year 2009.

For several fiscal years, the School District paid for its electricity through the Ohio Schools Council via a monthly arrangement where the monthly electric bills were based on an estimate for the entire fiscal year. At the conclusion of each fiscal year, the School District and the Ohio Schools Council would true-up the estimate and one would owe the other based on the true-up calculation. This arrangement ceased December, 2008. After this arrangement ended, the Ohio Schools Council reimbursed the School District based on the true-up calculation. As a result, the School District received two true-up payments from the Ohio Schools Council in fiscal year 2009 instead of the one true-up payment in fiscal year 2008.

The increase in program revenues is due to the increase in the OSFC receivable, as previously discussed.

Akron City School District
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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 41.1 percent of total general revenues for governmental activities for the School District in fiscal year 2009.

Program expenses increased from \$356.1 million in fiscal year 2008 to \$376.3 million, a 5.7 percent increase. Program expenses increased, as previously discussed, because of increases in the general fund in the following categories: health insurance, community schools payments, natural gas utility, textbooks and general supplies. In addition to the increases in the general fund, program expenses associated with miscellaneous state grants, local grants and auxiliary services increased. The expenses for state miscellaneous state grants increased because the School District spent the proceeds of a \$0.6 million grant from the State for the NIHF STEM during fiscal year 2009. Plus, the expenses for local grants increased because, as previously discussed, the School District received significantly more grants from local foundations for the NIHF STEM in fiscal year 2009 than in fiscal year 2008.

While expense increases were consistent with budget expectations, the increase in program revenues, the increase in grants and entitlements revenues, the increase in miscellaneous revenues, the decrease in investment earnings and the decrease in tax revenues resulted in a rise of net assets of \$48.1 million.

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

Table 3
(In Millions)

	<u>2009</u>		<u>2008</u>	
	<u>Total Cost of Service</u>	<u>Net Cost of Service</u>	<u>Total Cost of Service</u>	<u>Net Cost of Service</u>
Program Expenses				
Instruction	\$210.0	\$165.0	\$207.9	\$162.0
Support Services:				
Pupil and Instructional Staff	43.9	29.7	41.3	26.3
Board of Education, Administration, Fiscal and Business	29.3	26.4	29.3	24.6
Operation and Maintenance of Plant	55.6	(11.9)	40.8	30.9
Pupil Transportation	11.8	11.4	11.5	11.1
Central	8.2	4.8	7.9	4.1
Operation of Non-Instructional Services	4.1	0.7	3.6	0.1
Extracurricular Activities	3.8	3.1	3.7	2.9
Food Service Operations	9.6	(0.4)	10.1	0.2
Total	<u>\$376.3</u>	<u>\$228.8</u>	<u>\$356.1</u>	<u>\$262.2</u>

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The dependence upon general revenues for governmental activities is apparent. Over 60.8 percent of governmental activities are supported through taxes and other general revenues; such revenues are 65.2 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 16. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$403.2 million and expenditures of \$401.8 million. The net change in fund balances for the fiscal year was an increase of \$1.4 million for all governmental funds with the most significant increase in the classroom facilities capital projects fund.

The general fund's net change in fund balance for fiscal year 2009 was a decrease of \$9.4 million. Taxes revenue in the general fund decreased \$3.2 million or 2.9 percent from fiscal year 2008 to fiscal year 2009. This is due to the assessed value of tangible personal property has declining, as previously discussed. Also, interest revenue decreased \$2.3 million or 67.7%. This decrease can be attributed to a decline in interest rates and the decrease in cash and cash equivalents and investments, as previously discussed. Expenditures in the general fund increased \$15.1 million or 5.6 percent from fiscal year 2008 to fiscal year 2009. As previously stated, this is mostly because of increases in the following categories: health insurance, community schools payments, natural gas utility, textbooks and general supplies.

The classroom facilities capital projects fund's net change in fund balance for fiscal year 2009 was an increase of \$4.7 million. Intergovernmental revenue in the classroom facilities capital projects fund increased \$13.3 million or 54.1 percent from fiscal year 2008 to fiscal year 2009. This is due to the increase in the OSFC receivable, as previously discussed.

The permanent improvement capital projects fund's net change in fund balance for fiscal year 2009 was a decrease of \$0.2 million. Taxes revenue in the permanent improvement capital projects fund decreased \$0.2 million or 5.0 percent. This is because of the assessed value of tangible personal property has declined, as previously discussed. In addition, interest revenue decreased \$0.2 million or 78.1 percent. This occurred because of the decline in interest rates and the decrease in cash and cash equivalents, as previously discussed. Expenditures in the permanent improvement capital projects fund decreased \$0.2 million or 4.5 percent from fiscal year 2008 to fiscal year 2009. These expenditures decreased because fewer projects were performed in fiscal year 2009 than in fiscal year 2008. Fewer projects were performed because of a declining cash and cash equivalents balance in the permanent improvement capital projects fund.

General Fund Budgeting Highlights

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

During the course of fiscal year 2009, 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.

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Total actual expenditures on the budget basis (cash outlays plus encumbrances) were \$279.3 million, \$8.8 million more than actual revenues.

The School District's ending unobligated cash balance was \$1.0 million above the final budgeted amount. This is partly attributed to the School District spending \$8.6 million less in expenditures than what was budgeted. The \$8.6 million variance in expenditures was mostly the result of the School District spending \$2.1 million less in pupils support services expenditures, \$2.1 million less in operation and maintenance of plant support services expenditures, \$1.8 million less in regular instruction expenditures, \$0.9 million less in special instruction expenditures, \$0.6 million less in administration support services expenditures and \$0.6 million less in central support services expenditures than what was budgeted.

Capital Assets

At the end of fiscal year 2009, the School District had \$159.8 million invested in capital assets. Table 4 shows fiscal year 2009 balances compared to fiscal year 2008 as follows:

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

	Governmental Activities	
	2009	2008
Land	\$6.3	\$6.3
Construction In Progress	23.1	14.6
Land Improvements	0.1	0.1
Buildings and Improvements	118.3	103.4
Furniture and Equipment	9.0	8.8
Vehicles	3.0	3.4
Totals	\$159.8	\$136.6

Capital assets increased \$23.2 million from fiscal year 2008 to fiscal year 2009. The increase is due to buildings and improvements increasing by \$14.9 million because the construction of 4 community learning centers was completed during the current fiscal year. Also, construction in progress increased \$8.5 million. This increase is attributed to the School District incurring more costs related to the OSFC construction project in fiscal year 2009 than in fiscal year 2008. For further information on capital assets, see Note 9 of the notes to the basic financial statements.

As of June 30, 2009, the School District had contractual commitments for construction projects with contractors in the amount of \$47.1 million. For further information, see Note 18 of the notes to the basic financial statements.

Akron City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009
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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 2009. 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 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.

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.

Akron City School District

Statement of Net Assets

June 30, 2009

	Primary Government	Component Unit
	Governmental Activities	Akron Digital Academy
Assets		
Equity in Pooled Cash and Cash Equivalents	\$67,553,567	\$1,232,924
Cash and Cash Equivalents In Segregated Accounts	39,272,028	0
Investments in Segregated Accounts	53,157,422	0
Accrued Interest Receivable	89,199	0
Accounts Receivable	512,257	0
Intergovernmental Receivable	85,202,633	485,691
Prepaid Items	0	14,177
Inventory Held for Resale	168,267	0
Materials and Supplies Inventory	529,839	0
Taxes Receivable	116,147,925	0
Deferred Expense	72,000,000	0
Nondepreciable Capital Assets	29,415,306	0
Depreciable Capital Assets, Net	130,428,364	101,570
<i>Total Assets</i>	<u>594,476,807</u>	<u>1,834,362</u>
Liabilities		
Accounts Payable	8,709,823	55,513
Accrued Wages	20,508,533	0
Compensated Absences Payable	1,122,495	0
Deferred Revenue	96,497,774	0
Intergovernmental Payable	79,041,394	10,922
Premium Payable	687,675	0
Claims Payable	7,815,112	0
Due to City of Akron	48,406,850	0
Long-Term Liabilities:		
Due Within One Year	1,647,298	4,758
Due In More Than One Year	24,585,107	7,533
<i>Total Liabilities</i>	<u>289,022,061</u>	<u>78,726</u>
Net Assets		
Invested in Capital Assets, Net of Related Debt	159,843,670	89,279
Restricted for:		
Capital Projects	111,643,481	0
Debt Service	13,007	0
Other Purposes	7,263,285	485,691
Unrestricted	26,691,303	1,180,666
<i>Total Net Assets</i>	<u>\$305,454,746</u>	<u>\$1,755,636</u>

See accompanying notes to the basic financial statements

Akron City School District

Balance Sheet

Governmental Funds

June 30, 2009

	General	Permanent Improvement Capital Projects	Classroom Facilities Capital Projects	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	\$12,859,040	\$1,413,480	\$14,473,770	\$20,853,217	\$49,599,507
Cash and Cash Equivalents In Segregated Accounts	10,163,065	0	20,025,655	9,083,308	39,272,028
Investments In Segregated Accounts	19,832,100	0	22,759,349	10,565,973	53,157,422
Taxes Receivable	112,320,186	3,827,739	0	0	116,147,925
Accounts Receivable	40,265	0	0	471,992	512,257
Intergovernmental Receivable	56,380	0	78,700,835	6,445,418	85,202,633
Accrued Interest Receivable	88,934	0	0	265	89,199
Interfund Receivable	346,959	0	0	0	346,959
Materials and Supplies Inventory	95,841	0	0	39,402	135,243
Inventory Held for Resale	0	0	0	168,267	168,267
Deferred Expense	0	72,000,000	0	0	72,000,000
<i>Total Assets</i>	<u>\$155,802,770</u>	<u>\$77,241,219</u>	<u>\$135,959,609</u>	<u>\$47,627,842</u>	<u>\$416,631,440</u>
Liabilities and Fund Balances					
Liabilities					
Accounts Payable	\$521,106	\$20,033	\$6,890,046	\$1,245,458	\$8,676,643
Accrued Wages	19,091,840	0	0	1,416,693	20,508,533
Compensated Absences Payable	1,050,059	0	0	72,436	1,122,495
Interfund Payable	0	0	0	346,959	346,959
Intergovernmental Payable	6,050,408	72,000,000	0	990,986	79,041,394
Deferred Revenue	101,855,503	3,477,843	41,195,683	6,379,984	152,909,013
Due to City of Akron	0	0	32,299,774	16,107,076	48,406,850
<i>Total Liabilities</i>	<u>128,568,916</u>	<u>75,497,876</u>	<u>80,385,503</u>	<u>26,559,592</u>	<u>311,011,887</u>
Fund Balances					
Reserved for Encumbrances	171,644	82,977	52,830,245	8,436,457	61,521,323
Reserved for Property Taxes	10,521,327	349,896	0	0	10,871,223
Undesignated, Reported in:					
General Fund	16,540,883	0	0	0	16,540,883
Special Revenue Funds	0	0	0	7,720,477	7,720,477
Debt Service Funds	0	0	0	13,007	13,007
Capital Projects Funds	0	1,310,470	2,743,861	4,898,309	8,952,640
<i>Total Fund Balances</i>	<u>27,233,854</u>	<u>1,743,343</u>	<u>55,574,106</u>	<u>21,068,250</u>	<u>105,619,553</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$155,802,770</u>	<u>\$77,241,219</u>	<u>\$135,959,609</u>	<u>\$47,627,842</u>	<u>\$416,631,440</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, 2009

Total Governmental Fund Balances	\$105,619,553
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***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.	159,843,670
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Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:

Grants	47,520,246	
Delinquent Property Taxes	8,818,833	
Tuition and Fees	52,276	
Radio Station Membership Contributions	15,516	
Other	4,368	
Total	<u>56,411,239</u>	56,411,239

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.	9,812,689
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Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds: Compensated Absences	<u>(26,232,405)</u>
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<i>Net Assets of Governmental Activities</i>	<u><u>\$305,454,746</u></u>
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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, 2009

	General	Permanent Improvement Capital Projects	Classroom Facilities Capital Projects	Other Governmental Funds	Total Governmental Funds
Revenues					
Taxes	\$107,176,342	\$3,702,947	\$0	\$0	\$110,879,289
Intergovernmental	153,116,718	1,175,794	37,914,729	75,493,945	267,701,186
Interest	1,094,936	53,238	2,274,341	1,036,039	4,458,554
Tuition and Fees	3,997,562	0	0	828,332	4,825,894
Extracurricular Activities	0	0	0	1,145,534	1,145,534
Rentals	84,730	0	0	77,000	161,730
Charges for Services	379,431	0	0	3,071,611	3,451,042
Sales	0	0	0	1,072,847	1,072,847
JEDD	1,025,962	0	0	0	1,025,962
Akron Digital Academy	4,079,146	0	0	0	4,079,146
Contributions and Donations	316,917	0	0	0	316,917
Miscellaneous	1,875,407	0	0	2,198,076	4,073,483
<i>Total Revenues</i>	<u>273,147,151</u>	<u>4,931,979</u>	<u>40,189,070</u>	<u>84,923,384</u>	<u>403,191,584</u>
Expenditures					
Current:					
Instruction:					
Regular	126,791,580	0	0	25,550,848	152,342,428
Special	33,479,125	0	0	4,065,732	37,544,857
Vocational	12,603,622	0	0	279,340	12,882,962
Adult/Continuing	226,668	0	0	1,225,625	1,452,293
Other	691,123	0	0	6,391,257	7,082,380
Support Services:					
Pupil	16,204,660	0	0	3,406,834	19,611,494
Instructional Staff	12,984,249	0	0	11,419,010	24,403,259
Board of Education	83,226	0	0	0	83,226
Administration	19,960,939	0	0	2,733,710	22,694,649
Fiscal	3,863,453	0	0	392,310	4,255,763
Business	2,544,600	0	0	1,344	2,545,944
Operation and Maintenance of Plant	32,294,071	0	0	2,834,968	35,129,039
Pupil Transportation	11,206,706	0	0	240,780	11,447,486
Central	5,329,757	0	0	2,842,044	8,171,801
Operation of Non-Instructional Services	277,007	0	0	3,885,057	4,162,064
Extracurricular Activities	2,923,446	0	0	853,359	3,776,805
Food Service Operations	0	0	0	9,677,310	9,677,310
Capital Outlay	1,022,389	3,694,772	35,479,023	4,360,002	44,556,186
<i>Total Expenditures</i>	<u>282,486,621</u>	<u>3,694,772</u>	<u>35,479,023</u>	<u>80,159,530</u>	<u>401,819,946</u>
<i>Excess (Deficiency) of Revenues Over (Under) Expenditures</i>	<u>(9,339,470)</u>	<u>1,237,207</u>	<u>4,710,047</u>	<u>4,763,854</u>	<u>1,371,638</u>
Other Financing Sources (Uses)					
Transfers In	12,760	0	0	1,562,332	1,575,092
Transfers Out	(113,627)	(1,448,705)	0	(12,760)	(1,575,092)
<i>Total Other Financing Sources (Uses)</i>	<u>(100,867)</u>	<u>(1,448,705)</u>	<u>0</u>	<u>1,549,572</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	(9,440,337)	(211,498)	4,710,047	6,313,426	1,371,638
<i>Fund Balances at Beginning 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>
<i>Fund Balances at End of Fiscal Year</i>	<u>\$27,233,854</u>	<u>\$1,743,343</u>	<u>\$55,574,106</u>	<u>\$21,068,250</u>	<u>\$105,619,553</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, 2009*

Net Change in Fund Balances - Total Governmental Funds	\$1,371,638
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*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	36,280,911	
Current Year Depreciation	(10,471,072)	
Total		25,809,839

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.

(2,570,210)

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

Delinquent Property Taxes	2,787,032	
Radio Station Membership Contributions	10,039	
Tuition and Fees	30,299	
Miscellaneous	132	
Total		2,827,502

In this fiscal year, grant revenues are reported on the statement of activities but are 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 activities but are not included on the statement of revenues, expenditures and changes in fund balances.

18,402,501

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	(277,000)
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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.

2,539,616

Change in Net Assets of Governmental Activities

\$48,103,886

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, 2009

	<u>Budgeted Amounts</u>			Variance With Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Taxes	\$108,571,453	\$107,441,615	\$104,518,566	(\$2,923,049)
Intergovernmental	159,056,714	157,401,506	153,119,252	(4,282,254)
Interest	1,178,631	1,166,366	1,091,417	(74,949)
Tuition and Fees	4,164,192	4,122,853	4,010,722	(112,131)
Rentals	88,016	87,100	84,730	(2,370)
Charges for Services	122,110	385,296	379,431	(5,865)
JEDD	1,065,745	1,054,655	1,025,962	(28,693)
Akron Digital Academy	3,921,160	4,184,880	4,079,146	(105,734)
Contributions and Donations	329,206	325,780	316,917	(8,863)
Miscellaneous	1,889,737	1,925,224	1,875,007	(50,217)
<i>Total Revenues</i>	<u>280,386,964</u>	<u>278,095,275</u>	<u>270,501,150</u>	<u>(7,594,125)</u>
Expenditures				
Current:				
Instruction:				
Regular	126,186,978	126,539,196	124,785,537	1,753,659
Special	33,539,305	33,980,664	33,097,521	883,143
Vocational	12,466,468	12,530,468	12,587,360	(56,892)
Adult	297,582	297,582	228,267	69,315
Other	505,732	512,732	616,630	(103,898)
Support Services:				
Pupils	18,161,333	18,156,769	16,029,164	2,127,605
Instructional Staff	12,253,827	12,249,574	12,861,906	(612,332)
Board of Education	177,285	179,185	85,944	93,241
Administration	20,390,534	20,426,103	19,855,117	570,986
Fiscal	3,973,203	3,945,772	3,867,406	78,366
Business	2,965,306	2,871,343	2,541,571	329,772
Operation and Maintenance of Plant	33,779,778	34,102,110	31,951,068	2,151,042
Pupil Transportation	11,955,979	11,701,763	11,294,391	407,372
Central	5,949,478	5,953,728	5,333,109	620,619
Operations of Non-Instructional Services	255,882	266,129	256,265	9,864
Extracurricular Activities	2,858,966	3,177,630	2,927,715	249,915
Capital Outlay	980,820	1,005,720	1,020,710	(14,990)
<i>Total Expenditures</i>	<u>286,698,456</u>	<u>287,896,468</u>	<u>279,339,681</u>	<u>8,556,787</u>
<i>(Deficiency) of Revenues (Under) Expenditures</i>	<u>(6,311,492)</u>	<u>(9,801,193)</u>	<u>(8,838,531)</u>	<u>962,662</u>
Other Financing Sources (Uses)				
Transfers In	13,121	13,121	12,760	(361)
Transfers Out	(122,099)	(122,099)	(113,627)	8,472
<i>Total Other Financing Sources (Uses)</i>	<u>(108,978)</u>	<u>(108,978)</u>	<u>(100,867)</u>	<u>8,111</u>
<i>Net Change in Fund Balance</i>	(6,420,470)	(9,910,171)	(8,939,398)	970,773
<i>Fund Balance at Beginning of Fiscal Year</i>	50,654,564	50,654,564	50,654,564	0
<i>Prior Fiscal Year Encumbrances Appropriated</i>	652,452	652,452	652,452	0
<i>Fund Balance at End of Fiscal Year</i>	<u>\$44,886,546</u>	<u>\$41,396,845</u>	<u>\$42,367,618</u>	<u>\$970,773</u>

See accompanying notes to the basic financial statements

Akron City School District
Statement of Fund Net Assets
Proprietary Fund
June 30, 2009

	<u>Internal Service Funds</u>
Assets	
Equity in Pooled Cash and Cash	
Equivalents	\$17,954,060
Materials and Supplies Inventory	<u>394,596</u>
<i>Total Assets</i>	<u>18,348,656</u>
Liabilities	
Accounts Payable	33,180
Premium Payable	687,675
Claims Payable	<u>7,815,112</u>
Total Liabilities	<u>8,535,967</u>
Net Assets	
Unrestricted	<u><u>\$9,812,689</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, 2009*

	Internal Service Funds
Operating Revenues	
Charges for Services	\$43,863,678
Operating Expenses	
Purchased Services	2,542,532
Materials and Supplies	1,292,802
Claims	37,488,728
Total Operating Expenses	41,324,062
<i>Operating Income/Change in Net Assets</i>	2,539,616
<i>Net Assets at Beginning of Fiscal Year</i>	7,273,073
<i>Net Assets at End of Fiscal Year</i>	\$9,812,689

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, 2009

	Internal Service Funds
<i>Increase (Decrease) in Cash and Cash Equivalents</i>	
Cash Flows from Operating Activities	
Cash Received for Interfund Services	\$43,863,678
Cash Payments for Other Expenses	(2,522,514)
Cash Payments for Goods and Services	(1,243,401)
Cash Payments for Claims	(37,558,592)
<i>Net Cash Provided by Operating Activities</i>	2,539,171
<i>Net Increase in Cash and Cash Equivalents</i>	2,539,171
Cash and Cash Equivalents at Beginning of Fiscal Year	15,414,889
Cash and Cash Equivalents at End of Fiscal Year	\$17,954,060
 Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
<i>Operating Income</i>	\$2,539,616
Adjustments:	
<i>(Increase) Decrease in Assets:</i>	
Materials and Supplies Inventory	76,370
<i>Increase (Decrease) in Liabilities:</i>	
Accounts Payable	(39,408)
Premium Payable	32,457
Claims Payable	(69,864)
<i>Total Adjustments</i>	(445)
<i>Net Cash Provided by Operating Activities</i>	\$2,539,171
 See accompanying notes to the basic financial statements	

Akron City School District
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2009

	Private Purpose Trust	
	Scholarship	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	\$61,326	\$224,722
Cash and Cash Equivalents in Segregated Accounts	153,929	0
Investments in Segregated Accounts	97,448	0
Accrued Interest Receivable	116	0
<i>Total Assets</i>	<u>312,819</u>	<u>\$224,722</u>
Liabilities		
Undistributed Monies	0	\$76,739
Due to Students	0	147,983
<i>Total Liabilities</i>	<u>0</u>	<u>\$224,722</u>
Net Assets		
Held in Trust for Scholarships	<u>\$312,819</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, 2009

	Scholarship
Additions	
Interest	\$5,340
Contributions and Donations	9,399
<i>Total Additions</i>	14,739
Deductions	
Miscellaneous	2,126
<i>Change in Net Assets</i>	12,613
<i>Net Assets at Beginning of Fiscal Year</i>	300,206
<i>Net Assets at End of Fiscal Year</i>	\$312,819

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, 2009

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 1,043 public school districts and community schools) in terms of enrollment. It is staffed by 883 full-time classified employees, 1,881 full-time certificated personnel, 155 administrative employees, and 573 part-time employees who provide services to 24,073 students and other community members. The School District currently operates 59 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, 2009
(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 665 students, were purchased from the School District during fiscal year 2009.

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, 2009
(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.

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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009
(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.

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

Akron City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009
(Continued)

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.

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.

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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009
(Continued)

Property taxes for which there is an enforceable legal claim as of June 30, 2009, but which were levied to finance fiscal year 2010 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, 2009
(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 2009, 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 2009, investments were limited to overnight repurchase agreements, Federal Home Loan Bank Notes, Federal Home Loan Mortgage Corporation Notes, Federal National Mortgage Association 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 2009 amounted to \$1,094,936, which includes \$357,596 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 consist of donated and purchased food, gasoline and diesel fuel, school supplies held for resale, and materials and supplies held for consumption.

Inventories are presented at the lower of cost or market on a first-in, first-out basis for food, non-food supplies in the food service program, and gasoline and diesel fuel and on an average-cost basis for materials and supplies in the central warehouse. Inventories are expended/expensed when used.

Akron City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009
(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, 2009 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, 2009
(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 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.

Akron City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009
(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, 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.

Akron City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009
(Continued)

Note 3 – Accountability and Compliance

A. Accountability

The following nonmajor special revenue funds had deficit fund balances on a GAAP basis at June 30, 2009:

<u>Nonmajor Fund</u>	<u>Amount</u>
Special Revenue Funds	
Public School Preschool	\$8,146
School Net Professional Development	119
Ohio Reads	44,173
High Schools That Work	28,354
Alternative Schools	43,801
Adult Basic Education	24,357
School to Work	1,114
Title VI-B - Special Education	325,337
Vocational Education	85,360
Title III - Limited English Proficiency	38,036
Title I	610,749
Title V - Innovative Programs	22,349
Safe and Drug-Free Schools	17,533
Preschool Handicapped	6,288
Title II-A - Improving Teacher Quality	251,883
Miscellaneous Federal Grants	47,738

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 at fiscal year end:

Akron City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009
(Continued)

Fund Type/Fund	Amount
Special Revenue Funds	
Library Automation	\$3,691
High Schools That Work	28,354
Alternative Schools	8,870
Adult Basic Education	85
School to Work	38,579
Title III - Limited English Proficiency	34,058
Title V - Innovative Programs	21,068
Safe and Drug-Free Schools	4,640
Pre-School Handicapped	613
Title II-A - Improving Teacher Quality	32,890
Miscellaneous Federal Grants	162,154

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	(\$9,440,337)
Net Adjustment for Revenue Accruals	(2,646,001)
Net Adjustment for Expenditure Accruals	3,364,919
Adjustment for Encumbrances	<u>(217,979)</u>
Budget Basis	<u><u>(\$8,939,398)</u></u>

Akron City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009
(Continued)

Note 5 - Deposits and Investments

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

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

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

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

Interim monies may be invested in the following 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);

Akron City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009
(Continued)

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 \$34,767,982 and the bank balance was \$40,061,394. Of the bank balance, \$1,000,000 was covered by Federal Deposit Insurance Corporation, and \$39,061,394 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.

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, 2009, the School District had the following investments:

	Carrying Value	Maturities In Years		% to
		Less than 1	1-3	Total
Overnight Repurchase Agreements	\$59,416,000	\$59,416,000	\$0	47.25%
Federal Home Loan Bank Notes	13,555,017	9,967,268	3,587,749	10.78
Federal Home Loan Mortgage Corporation Notes	12,869,862	12,869,862	0	10.23
Federal National Mortgage Association Notes	5,696,984	5,696,984	0	4.53
United States Treasury Notes	5,042,418	5,042,418	0	4.01
Fifth Third Institutional Money Market Fund	27,716,421	27,716,421	0	22.04
Allegiant Treasury Money Market Fund	72,532	72,532	0	0.06
First American Treasury Money Market Fund	1,383,227	1,383,227	0	1.10
Total Investments	\$125,752,461	\$122,164,712	\$3,587,749	100.00%

Akron City School District
Notes to the Basic Financial Statements
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(Continued)

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 National Mortgage Association Notes and 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.

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 2009 represents collections of calendar year 2008 taxes. Real property taxes received in calendar year 2009 were levied after April 1, 2008, on the assessed value listed as of January 1, 2008, 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 2009 represents collections of calendar year 2008 taxes. Public utility real and tangible personal property taxes received in calendar year 2009, which became a lien December 31, 2007, were levied after April 1, 2008 and are collected in calendar year 2009 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.

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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009
(Continued)

Tangible personal property tax revenue received during calendar year 2009 (other than public utility property) represents the collection of calendar year 2009 taxes. Tangible personal property taxes received in calendar year 2009 were levied after April 1, 2008, on the value as of December 31, 2008. Machinery and equipment is currently assessed at 6.25 percent of true value and telecommunications property is currently assessed at ten 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, 2009, are available to finance fiscal year 2009 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2009 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, 2009 was \$10,521,327 in the general fund and \$349,896 in the permanent improvement capital projects fund. 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.

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 2009 taxes were collected are:

	2008 Second Half Collections		2009 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$2,724,769,030	94.43%	\$2,657,669,670	96.65%
Public Utility Personal	74,006,660	2.56%	78,762,180	2.86%
Tangible Personal Property	86,871,162	3.01%	13,518,035	0.49%
Total	\$2,885,646,852	100.00%	\$2,749,949,885	100.00%
 Tax rate per \$1,000 of assessed valuation	 \$71.66		 \$71.66	

Akron City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009
(Continued)

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, 2009.

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.

Note 8 – Receivables

Receivables at June 30, 2009 consisted of taxes, interest, accounts (student transportation fees, natatorium rental fees, radio station membership contributions, tuition, local grants and sales), 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.

Akron City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009
(Continued)

A summary of the items of intergovernmental receivables follows:

<u>Governmental Activities</u>	<u>Amounts</u>
Tuition and Fees	\$37,078
JROTC	19,302
Other Local Grants	101,841
Library Automation	4,440
Public School Preschool	19,006
Ohio Reads	43,119
High Schools That Work	30,822
Alternative Schools	25,340
Miscellaneous State Grants	278,588
Adult Basic Education	6,402
School to Work	38,579
Title VI-B - Special Education	1,966,450
Vocational Education	111,911
Title III - Limited English Proficiency	66,044
Title I	2,121,448
Title V - Innovative Programs	21,410
Safe and Drug-Free Schools	22,003
Pre-School Handicapped	5,557
Title II-A - Improving Teacher Quality	1,236,318
Miscellaneous Federal Grants	187,162
Food Service	158,978
Classroom Facilities	<u>78,700,835</u>
Total Intergovernmental Receivables	<u><u>\$85,202,633</u></u>

Akron City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009
(Continued)

Note 9 – Capital Assets

Capital asset activity for the fiscal year ended June 30, 2009, was as follows:

	Balance 6/30/2008	Additions	Deletions	Balance 6/30/2009
Governmental Activities				
<i>Capital Assets, not being depreciated:</i>				
Land	\$6,300,174	\$16,432	(\$22,064)	\$6,294,542
Construction In Progress	14,648,267	18,494,946	(10,022,448)	23,120,765
<i>Total Capital Assets, not being depreciated</i>	<u>20,948,441</u>	<u>18,511,378</u>	<u>(10,044,512)</u>	<u>29,415,307</u>
<i>Capital Assets, being depreciated:</i>				
Land Improvements	102,896	0	0	102,896
Buildings and Improvements	155,326,206	26,104,180	(3,396,034)	178,034,352
Furniture and Equipment	36,548,396	1,560,801	(2,471,290)	35,637,907
Vehicles	8,743,640	127,000	(6,550)	8,864,090
<i>Total Capital Assets, being depreciated</i>	<u>200,721,138</u>	<u>27,791,981</u>	<u>(5,873,874)</u>	<u>222,639,245</u>
Less Accumulated Depreciation:				
Land Improvements	(26,154)	(5,145)	0	(31,299)
Buildings and Improvements	(51,927,513)	(8,651,417)	896,034	(59,682,896)
Furniture and Equipment	(27,720,937)	(1,353,689)	2,423,144	(26,651,482)
Vehicles	(5,390,934)	(460,821)	6,550	(5,845,205)
Total Accumulated Depreciation	<u>(85,065,538)</u>	<u>(10,471,072)</u>	<u>* 3,325,728</u>	<u>(92,210,882)</u>
Total Capital Assets, being depreciated, net	<u>115,655,600</u>	<u>17,320,909</u>	<u>(2,548,146)</u>	<u>130,428,363</u>
Governmental Activities Capital Assets, Net	<u>\$136,604,041</u>	<u>\$35,832,287</u>	<u>(\$12,592,658)</u>	<u>\$159,843,670</u>

Akron City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009
(Continued)

* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$7,827,309
Special	95,983
Vocational	267,910
Adult/Continuing	3,681
Other	4,460
Support Services:	
Pupil	60,587
Instructional Staff	127,021
Board of Education	215
Administration	70,745
Fiscal	609
Business	90,427
Operation and Maintenance of Plant	1,128,882
Pupil Transportation	375,630
Central	137,151
Operation of Non-Instructional Services	14,904
Extracurricular Activities	19,312
Food Service Operations	<u>246,246</u>
Total Depreciation Expense	<u><u>\$10,471,072</u></u>

Note 10 - Risk Management

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2009, the School District contracted for property, inland marine, crime, general liability, equipment breakdown, educators legal liability and automobile coverage. Coverage provided is as follows:

Akron City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009
(Continued)

Type of Coverage	Coverage Amount
Commercial Property (\$50,000 deductible)	
Building and Contents	\$637,424,064
Earthquake	5,000,000
Flood	5,000,000
Commercial Inland Marine (\$5,000 deductible)	250,000
Commercial Crime (\$5,000 deductible)	200,000
Equipment Breakdown (\$50,000 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
2008	\$2,861,317	\$2,159,293	\$1,850,816	\$3,169,794
2009	3,169,794	1,748,771	1,733,378	3,185,187

Akron City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009
(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 \$5,317,600 reported in the self-insurance internal service fund at June 30, 2009 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
2008	\$4,960,600	\$35,458,663	\$35,048,863	\$5,370,400
2009	5,370,400	35,772,414	35,825,214	5,317,600

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 Employers/Audit Resources.

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 and death benefits with the remainder being used to fund health care benefits and Medicare Part B benefits; for fiscal year 2009, 9.09 percent of annual covered salary was the portion used to fund pension and death benefits. 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 and death benefits to SERS for the fiscal years ended June 30, 2009, 2008 and 2007 were \$3,711,449, \$3,650,860 and \$3,735,021, respectively; 66.90 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

Akron City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009
(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, 2009, 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, 2009, 2008, and 2007 were \$19,589,620, \$19,459,784, and \$16,327,260, respectively; 85.74 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007. Contributions to the DC and Combined Plans for fiscal year 2009 were \$155,595 made by the School District and \$393,346 made by the plan members.

Akron City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009
(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, 2009, 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 2009, 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, 2009, 2008 and 2007 were \$1,506,894, \$1,496,906 and \$1,255,943, respectively; 85.74 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

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, Medicare Advantage 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 Employers/Audit Resources.

Akron City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009
(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 105(e). For fiscal year 2009, 4.16 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 2009, 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, 2009, 2008 and 2007 were \$2,356,717, \$2,219,641 and \$1,813,985, respectively; 66.90 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

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 2009, the actuarially required allocation was 0.75 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal year ended June 30, 2009, 2008 and 2007 were \$306,225, \$263,053 and \$253,981, respectively; 66.90 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

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 425 days. Upon retirement, payment is made for one-fourth of the total sick leave accumulation. Employees receive 1) two additional days for each year of perfect attendance commencing July 1, 1976 through June 30, 1981; and 2) one additional day for each year of perfect attendance commencing July 1, 1981.

B. Insurance Benefits

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

Akron City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009
(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 6/30/2008	Additions	Reductions	Principal Outstanding 6/30/2009	Amount Due in One Year
Compensated Absences	\$25,955,405	\$2,309,961	(\$2,032,961)	\$26,232,405	\$1,647,298

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, miscellaneous state grants, adult basic education, school to work, 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, adult education and permanent improvement.

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 \$113,627 were made to move unrestricted balances to support programs and projects accounted for in nonmajor funds.

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 uniform school supplies special revenue fund transferred the unexpended balances of the following activities to the general fund due to the termination of the activities: Science at Ellet High School amounting to \$30, Science at Garfield High School equaling \$573, Core Math at Garfield High School totaling \$946, Pre-Calculus at Garfield High School amounting to \$1 and Bookstore at Adult Vocational Services equaling \$1.

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: Yearbook at Central-Hower High School amounting to \$2,866, Ram Expenses at Garfield High School equaling \$20, Ski Club at Garfield High School totaling \$528, Temporary Supplies at East High School amounting to \$69, LD/DH at East High School equaling \$254, Hearing Impaired at East High School totaling \$15, Orthopedic/Other Handicapped at East High School amounting to \$517, SLD/CD at East High School equaling \$22, SPED Computer at East High School totaling \$10, World of Technology at East High School amounting to \$88, Computer Science I at East High School equaling \$5, Word Processing II at East High School totaling \$151, Word Processing I at East High School amounting to \$29, JOG Career Associates at East High School equaling \$385, SBH Canoe at East High School totaling \$140, Class of 2008 at Kenmore High School amounting to \$5,443, Ski Club at Perkins Middle School equaling \$36 and Community Garden at Perkins Middle School totaling \$631.

Akron City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009
(Continued)

Transfers made during the fiscal year ended June 30, 2009 were as follows:

Transfers To	Transfers From			Total
	General Fund	Permanent Improvement Capital Projects Fund	Nonmajor Funds	
General Fund	\$0	\$0	\$12,760	\$12,760
Nonmajor Funds	113,627	1,448,705	0	1,562,332
Total	\$113,627	\$1,448,705	\$12,760	\$1,575,092

B. Balances

The general fund advanced funds to various special revenue funds to cover negative cash balances at the end of fiscal year 2009 on the GAAP basis.

Advanced To	Nonmajor Funds
Library Automation	\$3,691
School Net Professional Development	9
High Schools That Work	28,354
Alternative Schools	9,226
School to Work	38,393
Title III - Limited English Proficiency	33,400
Title V - Innovative Programs	21,174
Safe and Drug-Free Schools	1,491
Title II-A - Improving Teacher Quality	34,839
Miscellaneous Federal Grants	176,382
Total	\$346,959

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.

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For the Fiscal Year Ended June 30, 2009
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During fiscal year 2009, the District participated in the Council's electric energy program until December 31, 2008. This program allowed school districts to purchase electricity at reduced rates. The participants made monthly payments based on estimated usage. At December 31, 2008, these estimated monthly payments were compared to their actual usage and any necessary adjustments were 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.

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
Set-aside Reserve Balances as of June 30, 2008	\$432,336	\$0
Current Fiscal Year Set-aside Requirements	4,175,102	4,175,102
Qualifying Disbursements	<u>(5,093,223)</u>	<u>(5,358,257)</u>
Totals	<u>(\$485,785)</u>	<u>(\$1,183,155)</u>
Set-aside Balances Carried Forward to Future Fiscal Years	<u>(\$485,785)</u>	<u>\$0</u>

The School District had qualifying disbursements during the fiscal year that reduced the textbooks and instructional materials and capital improvements set-aside amounts below zero. This extra amount may be used to reduce the set-aside requirement of future fiscal years for the textbooks and instructional materials set aside. 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
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For the Fiscal Year Ended June 30, 2009
(Continued)

Note 18 – Construction Commitments

The School District has active construction projects as of June 30, 2009. At fiscal year end, the School District's commitments with contractors are as follows:

Project	Spent-to-Date	Remaining Commitment
Barber Elementary School Construction	\$7,661,324	\$2,144,087
Crouse Elementary School Construction	9,275,608	933,991
Findley Elementary School Construction	8,302,935	1,029,713
Forest Hill Elementary School Construction	7,849,358	63,810
Glover Elementary School Construction	8,683,439	72,064
David Hill Elementary School Construction	8,866,029	24,773
Helen Arnold Elementary School Construction	8,908,548	34,599
Leggett Elementary School Construction	4,568,821	4,370,694
McEbright Elementary School Construction	604,383	61,800
Portage Path Elementary School Construction	1,726,009	6,963,948
Rankin Elementary School Construction	321	61,800
Reznik Elementary School Construction	7,959,735	19,260
Rimer Elementary School Construction	7,780,552	355,383
Ritzman Elementary School Construction	8,130,772	111,244
Robinson Elementary School Construction	9,830,822	73,485
Schumacher Elementary School Construction	463	61,800
Voris Elementary School Construction	7,392,352	22,425
Windemere Elementary School Construction	372,024	52,087
Hyre Middle School Construction	463	63,791
Innes Middle School Construction	15,712,230	141,016
NIHF Science, Technology, Engineering & Mathematics Middle School Construction	8,367,012	5,558,851
Buchtel High School Construction	784	61,800
East High School Construction	5,095,696	24,831,225
Bike Racks and Enclosure Construction at Mason Elementary School	0	12,480
	<u>\$137,089,680</u>	<u>\$47,126,126</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 bike racks and enclosure construction at Mason Elementary 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, 2009
(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, 2009, 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 \$48,406,850 as of June 30, 2009. The amount of this liability was determined by reducing the \$155,711,800 received as of June 30, 2009 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 \$107,304,950 in capital expenditures using these local funds received from the City as of June 30, 2009. 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 \$103,824 and as buildings capital assets in the amount of \$77,460,610 to date as of June 30, 2009. 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 \$23,120,765 as of June 30, 2009.

OSFC has determined that \$78,700,835 is owed to the School District as of June 30, 2009. This represents the amount that OSFC has appropriated but not remitted to the School District as of June 30, 2009 over the entire life of this project. As a result, that amount was recorded as an intergovernmental receivable as of June 30, 2009. Of this receivable, \$37,505,152 is the amount that OSFC estimates will be remitted to the School District in fiscal year 2010. On the accrual basis, the entire amount was recorded as revenue because all of the eligibility requirements were satisfied for this nonexchange transaction. On the modified accrual basis, \$37,505,152 was recorded as revenue because this is the amount that is estimated to be available to pay the liabilities of the 2009 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, 2009
(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, 2009
(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 2009, 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, 2009 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, 2009
(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, 2009 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 \$730,615 during the fiscal year ended June 30, 2009 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 2009 fiscal year totaled \$4,916,265.

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 \$1,232,924 and the bank balance was \$1,548,174. Of the bank balance, \$998,114 was covered by the Federal Deposit Insurance Corporation and \$550,060 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, 2009, the Academy had no investments, however the Academy invested in overnight Eurodollars during fiscal year 2009.

Akron City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009
(Continued)

C. Capital Assets

Capital asset activity for the fiscal year June 30, 2009, was as follows:

	Balance 6/30/2008	Additions	Deletions	Balance 6/30/2009
<i>Capital Assets, being depreciated:</i>				
Furniture and Equipment	\$148,196	\$3,582	(\$4,297)	\$147,481
Less Accumulated Depreciation:				
Furniture and Equipment	(18,785)	(28,630)	1,504	(45,911)
Total Capital Assets, being depreciated, net	<u>\$129,411</u>	<u>(\$25,048)</u>	<u>(\$2,793)</u>	<u>\$101,570</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 2009, 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 2009 between the Academy and the School District was previously approved. This service contract commenced on July 1, 2007 and ends on June 30, 2009 and may be renewed by mutual agreement. On September 16, 2009, the Academy and the School District entered into a new service contract which commences on July 1, 2009 and ends June 30, 2010, 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 \$2,878,779 during fiscal year 2009 for these services.

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 \$1,219,854 during fiscal year 2009 for these services.

Akron City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009
(Continued)

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 2009 fiscal year.

For the fiscal year ended June 30, 2009, the Academy paid the School District the following expenses:

Operating Expenses	Amounts
Purchased Services	
Professional and Technical Services	\$4,096,243
Communications	367
Contracted Craft or Trade Services	158
Supplies and Materials	1,525
Other	340
Total Operating Expenses	\$4,098,633

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 Employers/Audit Resources.

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 and death benefits with the remainder being used to fund health care benefits and Medicare Part B benefits; for fiscal year 2009, 9.09 percent of annual covered salary was the portion used to fund pension and death benefits. 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 and death benefits to SERS for the personnel provided to the Academy for the fiscal years ended June 30, 2009, 2008 and 2007 were \$64,204, \$53,129 and \$44,517, respectively; 66.90 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

Akron City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009
(Continued)

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.

Funding Policy For the fiscal year ended June 30, 2009, 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, 2009, 2008, and 2007 were \$207,003, \$195,555, and \$145,913, respectively; 85.74 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007. There were no contributions to the DC and Combined Plans for fiscal year 2009 by the School District for the personnel provided to the Academy or made by the plan members.

Akron City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009
(Continued)

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 2009, 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, 2009, 2008 and 2007 were \$15,923, \$15,043 and \$11,224, respectively; 85.74 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

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, Medicare Advantage 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 Employers/Audit Resources.

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 105(e). For fiscal year 2009, 4.16 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 2009, 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.

Akron City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009
(Continued)

The School District's contributions for health care for the personnel provided to the Academy for the fiscal years ended June 30, 2009, 2008 and 2007 were \$43,490, \$38,352 and \$32,854, respectively; 66.90 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

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 2009, the actuarially required allocation was 0.75 percent 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, 2009, 2008 and 2007 were \$5,297, \$3,828 and \$3,027, respectively; 66.90 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

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.

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, 2009:

Fiscal Year Ending June 30,	Principal Payments
2010	\$4,758
2011	4,758
2012	2,775
Total	\$12,291

I. Operating Leases

The Academy leases facilities space, copiers and a postage meter under noncancelable operating leases. Total costs for such leases were \$157,810 for the fiscal year ended June 30, 2009. The future minimum lease payments for these leases are as follows:

Fiscal Year Ending June 30,	Amount
2010	\$162,466
2011	26,003
2012	24,792
2013	12,396
Total	\$225,657

Akron City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009
(Continued)

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, 2009.

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.

L. Related-Party Transaction

The Academy Director's wife was hired as a consultant for programming and software support. The Academy paid her \$55,161 for these consulting services during fiscal year 2009.

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.

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**AKRON CITY SCHOOL DISTRICT
SUMMIT COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2009**

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	84.041	N/A	\$51,391		\$51,391	
Student Financial Assistance Cluster: Federal Pell Grant Program	84.063	N/A	279,113		279,113	
Federal Family Education Loan	84.032	N/A	189,390		189,042	
Total Student Financial Assistance Cluster			468,503		468,155	
Fund for the Improvement of Education	84.215	N/A	128,368		98,713	
<i>(Passed through County of Summit)</i>						
Adult Education -Basic Grants to States	84.002	N/A	51,686		51,686	
<i>(Passed-through Ohio Department of Education)</i>						
Adult Education - Basic Grants to States	84.002	043489-AB-S1-2009	622,521		631,459	
		043489-AB-S1-2008	50,655		2,559	
Total Adult Education- Basic Grants to States			724,862		685,704	
Special Education Cluster:						
Special Education Grants to States	84.027	043489-6B-SF-2009	6,704,195		6,596,968	
		043489-6B-SF-2008	726,292		772,177	
Total Special Education Grants to States			7,430,487		7,369,145	
Special Education Preschool Grants	84.173	043489-PG-S1-2009	148,567		149,180	
		043489-PG-S1-2008	10,331		1,677	
		043489-PG-D1-06	9,000		9,000	
Total Special Education Preschool Grants			167,898		159,857	
Total Special Education Cluster			7,598,385		7,529,002	
Education Technology State Grants	84.318	043489-TJ-SL-2009	152,468		154,000	
		043489-TJ-SI-2009	120,467		120,159	
		043489-TJ-SI-2009	22,078		19,185	
Total Education Technology State Grants			295,013		293,344	
Javits Gifted and Talented Students Education Grant Program	84.206	043489-JG-S3-08	0		5,092	
Career and Technical Education- Basic Grants to States	84.048	043489-20-C1-2009	705,979		701,976	
		043489-20-C2-2009	11,964		248	
		VECP-HSBI-09-043489	5,313		6,250	
		043489-20-C1-2008	124,178		126,848	
		043489-20-C2-2008	29,579		32,312	
		VECP-HBSU-08-043489	9,000		0	
Total Career and Tehnical Education-Basic Grants to State			886,013		867,634	
Title I - Grants to Local Educational Agencies	84.010	043489-C1-S1-2009	14,905,994		14,508,161	
		043489-C1-SD-2009	66,147		0	
		043489-C1-SK-2009	756,308		795,848	
		043489-C1-SK-2008	0		136,188	
		043489-C1-SI-2008	507,332		994,435	
Total Title I - Grants to Local Educational Agencies			16,235,781		16,434,632	
Safe and Drug-Free Schools and Communities - State Grants	84.186	043489-DR-S1-2009	202,057		206,697	
		043489-DR-S1-2008	24,839		15,631	
Total Safe and Drug-Free Schools and Communities - State Grants			226,896		222,328	
Education for Homeless Children and Youth	84.196	043489-HC-S1-2009	151,157		160,339	
		043489-HC-S1-2008	13,698		10,072	
Total Education for Homeless Children and Youth			164,855		170,411	
Twenty-First Century Community Learning Centers	84.287	043489-T1-S1-2008	180,000		200,000	
		043489-T1-S1-2008	12,267		0	
Total Twenty-First Century Community Learning Centers			192,267		200,000	
Title V - Innovative Program Strategies	84.298	043489-C2-S1-2009	39,929		61,951	
		043489-C2-S1-2008	0		1,197	
Total Title V - Innovative Program Strategies			39,929		63,148	
English Language Acquisition Grants	84.365	043489-T3-S1-2009	96,571		134,429	
		043489-T3-S1-2008	38,130		1,760	
		043489-T3-S2-2009	3,801		0	
		043489-T3-S2-2008	348		0	
Total English Language Acquisition Grants			138,850		136,189	
Improving Teacher Quality State Grants	84.367	043489-TR-S1-2009	2,109,604		2,142,494	
		043489-TR-S1-2008	501,827		250,472	
		N/A	7,000		1,266	
Total Improving Teacher Quality State Grants			2,618,431		2,394,232	
TOTAL U.S. DEPARTMENT OF EDUCATION			29,769,544		29,619,975	

(Continued)

AKRON CITY SCHOOL DISTRICT
SUMMIT COUNTY

FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2009

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 LABOR						
<i>(Passed through County of Summit)</i>						
Work Investment Act - Youth Activities	17.259	N/A	0		38,579	
TOTAL U.S. DEPARTMENT OF LABOR			0		38,579	
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES						
<i>(Passed Through Summit County Department of Job and Family Services)</i>						
Temporary Assistance for Needy Families (TANF)	93.558	N/A	1,299,460		906,870	
<i>(Passed through the Ohio Department of Job and Family Services)</i>						
Temporary Assistance for Needy Families (TANF)	93.558	G-89-17-0802-2009 G-89-17-0802-2008	247,748 201,924		375,471 2,419	
Total Temporary Assistance for Needy Families (TANF)			1,749,132		1,284,760	
Refugee and Entrant Assistance- Discretionary Grants	93.576	G-89-17-1040	0		18,000	
Children's Health Insurance Program	93.767	N/A	12,091		12,091	
<i>(Passed through the Ohio Department of Mental Retardation and Developmental Disabilities)</i>						
Medical Assistance Program (CAFS)	93.778	N/A	43,044		0	
<i>(Passed through Tri-County Educational Service Center)</i>						
Medical Assistance Program (CAFS)			20,873		0	
Total Medical Assistance Program (CAFS)			63,917		0	
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			1,825,140		1,314,851	
U.S. DEPARTMENT OF HOMELAND SECURITY						
<i>(Passed through the Ohio Department of Safety)</i>						
Emergency Management Performance Grants (FEMA)	97.042	FEMA-1805-DR-153-092C2	12,217		12,217	
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY			12,217		12,217	
U.S. DEPARTMENT OF AGRICULTURE						
<i>(Passed through the Ohio Department of Education)</i>						
Child Nutrition Cluster:						
Non-cash Assistance (Food Distribution):						
National School Lunch Program	10.555	N/A		\$776,004		\$778,150
School Breakfast Program	10.553			58,495		58,495
Cash Assistance:						
School Breakfast Program	10.553	N/A	2,005,542		2,005,542	
National School Lunch Program	10.555	N/A	5,861,891		5,861,891	
Total Child Nutrition Cluster			7,867,433	834,499	7,867,433	836,645
TOTAL U.S. DEPARTMENT OF AGRICULTURE			7,867,433	834,499	7,867,433	836,645
U.S. DEPARTMENT OF DEFENSE						
<i>(Direct)</i>						
Air Force R.O.T.C. Grant	12.XXX	N/A	48,134		48,134	
Army R.O.T.C. Grant	12.XXX	N/A	27,544		27,544	
Marines R.O.T.C. Grant	12.XXX	N/A	60,748		60,748	
Navy R.O.T.C. Grant	12.XXX	N/A	47,753		47,753	
Total R.O.T.C Grants			184,179		184,179	
TOTAL U.S. DEPARTMENT OF DEFENSE			184,179		184,179	
TOTALS			\$39,658,513	\$834,499	\$39,037,234	\$836,645

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, 2009**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Receipts and Expenditures Schedule (the Schedule) reports the Akron City School District's (the District's) federal award programs' receipts and expenditures. 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 versus food commodities it receives from U.S. Department of Agriculture. The District reports commodities consumed on the Schedule at the fair value.

NOTE C - CHILD NUTRITION CLUSTER

The District commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the District assumes it expends federal monies first.

NOTE D - MATCHING REQUIREMENTS

Certain Federal programs require the District to contribute non-Federal funds (matching funds) to support the Federally-funded programs. The District has met its matching requirements. The Schedule does not include the expenditure of non-Federal matching funds.

NOTE E - MEDICAL ASSISTANCE PROGRAM

Community Alternative Funding System (CAFS) Medicaid revenues received during fiscal year 2009 were \$43,044. The amount relates to settlements for CAFS services provided during prior years.

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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, 2009, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 29, 2010. 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 January 29, 2010.

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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We noted certain noncompliance or other matters that we reported to the District's management in a separate letter dated January 29, 2010.

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

January 29, 2010



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, 2009. 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 \$556,995 in federal expenditures which is not included in the Federal Awards Receipts and Expenditures Schedule for the year ended June 30, 2009. 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, 2009.

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.

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.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results 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.

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

However, we noted matters 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 January 29, 2010.

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

January 29, 2010

**AKRON CITY SCHOOL DISTRICT
SUMMIT COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2009**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Student Financial Aid Cluster: Federal Pell Grant Program (CFDA 84.063), Federal Family Education Loan (CFDA 84.032); Title I, Grants to Local Educational Agencies (CFDA 84.010); Temporary Assistance for Needy Families (CFDA 93.558); Child Nutrition Cluster: National School Breakfast Program (CFDA 10.553), National School Lunch Program (CFDA 10.555)
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: >\$1,196,216 Type B: >All Others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

None.

3. FINDINGS FOR FEDERAL AWARDS

None.

**AKRON CITY SCHOOL DISTRICT
SUMMIT COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315(b)
JUNE 30, 2009**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2008-001	<p>Ohio Rev. Code Section 2921.42(A)(1), Ohio Rev. Code Section 2921.42(A)(4) An After-School Program Coordinator entered into contracts on behalf of Akron Public Schools for after-school enrichment program services with a vendor of which she is on the Board of Trustees.</p>	Yes	Finding No Longer Valid.
2008-002	<p>2 C.F.R. Part 225 indicates, in part, that to be allowable under Federal awards, costs must be adequately documented. Several control weaknesses were noted over purchasing procedures for the after school program paid with Temporary Assistance for Needy Families (TANF) funds.</p>	Yes	Finding No Longer Valid.



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

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

To the Board of Education:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedures enumerated below, which were agreed to by the Board, solely to assist the Board in evaluating whether Akron City School District, Summit County, Ohio, (the District) has adopted an anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the Board. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board adopted an anti-harassment policy at its meeting on January 24, 2005 and was most recently revised on July 28, 2008.
2. We read the policy, noting it included the following requirements from Ohio Rev. Code Section 3313.666(B):
 - (1) A statement prohibiting harassment, intimidation, or bullying of any student on school property or at school-sponsored events;
 - (2) A definition of harassment, intimidation, or bullying that shall include the definition in division (A) of Ohio Rev. Code Section 3313.666;
 - (3) A procedure for reporting prohibited incidents;
 - (4) A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;
 - (5) A requirement that parents or guardians of any student involved in a prohibited incident be notified and, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident;

- (6) A procedure for documenting any prohibited incident that is reported;
- (7) A procedure for responding to and investigating any reported incident;
- (8) A strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report;
- (9) A disciplinary procedure for any student guilty of harassment, intimidation, or bullying, which shall not infringe on any student's rights under the first amendment to the Constitution of the United States;
- (10) A requirement that the district administration semiannually provide the president of the district board a written summary of all reported incidents and post the summary on its web site, if the district has a web site, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board of Education, and is not intended to be and should not be used by anyone other than these specified parties.



Mary Taylor, CPA
Auditor of State

January 29, 2010



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
MARCH 11, 2010