



Dave Yost • Auditor of State



**AKRON CITY SCHOOL DISTRICT  
SUMMIT COUNTY**

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SUMMIT COUNTY**

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# Dave Yost • 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 the Akron City School District, Summit County, Ohio, (the District) as of and for the year ended June 30, 2011, 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, 2011, 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.

As further described in Note 3B to the basic financial statements, the District restated its July 1, 2010 governmental fund balances due to changes in fund structure as a result of implementing Governmental Accounting Standards Board (GASB) Statement 54.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 7, 2012, 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.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements taken as a whole. The federal awards receipts and expenditures schedule provides additional information required by the 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. The federal awards receipts and expenditures schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



**Dave Yost**  
Auditor of State

March 7, 2012

**Akron City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2011*  
*Unaudited*

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The discussion and analysis of the Akron City School District's (the "School District") financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2011. 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.

The financial performance of School District's component unit, Akron Digital Academy ("the Academy"), is not included in this discussion and analysis. The Academy issues separate basic financial statements which include a discussion and analysis of its financial performance.

**Financial Highlights**

Key financial highlights for the fiscal year ended June 30, 2011 are as follows:

- Total net assets decreased \$17.0 million. This is a 5.1 percent decrease from fiscal year 2010.
- Total revenues decreased to \$367.1 million from \$385.4 million. This is a decrease of \$18.3 million or 4.7 percent.
- Total program expenses were \$384.1 million. Total program expenses increased from \$365.6 million from fiscal year 2010. This is an increase of \$18.5 million or 5.1 percent.
- The fund balance in the general fund decreased \$9.0 million. This is a 26.3 percent decrease from fiscal year 2010.

**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.

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*Management's Discussion and Analysis*  
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*Unaudited*

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

While the basic financial statements contain the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, “How did we do financially during fiscal year 2011?” The Statement of Net Assets and the Statement of Activities answer this question. These two statements include all assets and liabilities using the accrual basis of accounting similar to the basis of accounting used by most companies in the private sector. This basis of accounting takes into account all of the current fiscal year’s revenues and expenses regardless of when cash is received or paid.

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

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

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

The analysis of the School District’s major funds begins on page 9. Fund financial reports provide detailed information about the School District’s major funds. The School District uses many funds to account for a multitude of financial transactions; however, these fund financial statements focus on the School District’s most significant funds. The School District’s 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 2011 compared to fiscal year 2010 as follows:

**Akron City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2011*  
*Unaudited*

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

	<u>Governmental Activities</u>	
	<u>2011</u>	<u>2010</u>
<b>Assets</b>		
Current and Other Assets	\$341.0	\$388.4
Capital Assets, Net	<u>225.1</u>	<u>200.1</u>
<i>Total Assets</i>	<u>566.1</u>	<u>588.5</u>
<b>Liabilities</b>		
Current and Other Liabilities	224.4	231.1
Long-Term Liabilities		
Due Within One Year	1.6	1.7
Due in More than One Year	<u>25.4</u>	<u>24.0</u>
<i>Total Liabilities</i>	<u>251.4</u>	<u>256.8</u>
<b>Net Assets</b>		
Invested in Capital Assets	225.1	200.1
Restricted:		
Capital Projects	56.1	92.8
Other Purposes	3.9	5.5
Unrestricted	<u>29.6</u>	<u>33.3</u>
<i>Total Net Assets</i>	<u><u>\$314.7</u></u>	<u><u>\$331.7</u></u>

Total assets decreased \$22.4 million.

Cash and cash equivalents and investments decreased \$7.0 million. The decrease in cash and cash equivalents and investments can be mostly attributed to the general fund. The general fund's cash and cash equivalents decreased \$9.7 million between fiscal year 2010 and fiscal year 2011. This decrease is mainly because of an increase in expenses of \$10.3 million. The expenses in the following categories increased in fiscal year 2011 from fiscal year 2010 in the general fund: health insurance, repairs and maintenance services, vouchers, excess costs, and open enrollment payments.

In addition, intergovernmental receivable decreased \$41.1 million. The decrease in intergovernmental receivable is mostly attributed to the Ohio Schools Facilities Commission ("OSFC") receivable. The School District records an intergovernmental receivable in the amount that 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 \$61.0 million as of June 30, 2010. As of June 30, 2011, the amount appropriated by OSFC and not remitted to the School District was \$20.3 million. This is a difference of \$40.7 million.

**Akron City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2011*  
*Unaudited*

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The decreases in cash and cash equivalents and investments and intergovernmental receivable were offset by an increase in capital assets of \$25.0 million.

The increase in capital assets is mainly due to the School District completing the construction of 4 community learning centers related to the OSFC construction project in fiscal year 2011. The change in capital assets will be discussed in greater detail later.

Total liabilities decreased \$5.4 million.

Intergovernmental payable decreased \$3.5 million. 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 \$3.0 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, 2011 are recorded as intergovernmental payable. The School District contributed \$3.0 million to the City during fiscal year 2011 concerning these securities. As of June 30, 2011, the School District still owed the City \$66.0 million in accordance with this agreement. This is down from the \$69.0 million the School District owed the City as of June 30, 2010 in accordance with this agreement.

In addition, accounts payable decreased \$2.2 million. This can be attributed to a decrease in accounts payable in the locally funded initiatives capital projects fund and the classroom facilities capital projects fund. These 2 funds account for the OSFC construction project. As of June 30, 2010, the School District recorded \$6.5 million in accounts payable related to the OSFC construction project but only recorded \$3.9 million in accounts payable concerning the OSFC construction project at June 30, 2011, resulting in a reduction of \$2.6 million.

The net impact of the assets decrease and the liabilities decrease was a decrease of net assets of \$17.0 million.

Recall that the Statement of Activities also provides the viewpoint of the School District as a whole. Table 2 shows the changes in net assets for fiscal years 2011 and 2010 for governmental activities as follows:

**Akron City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2011*  
*Unaudited*

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

	2011	2010
<b>Revenues</b>		
<i>Program Revenues:</i>		
Charges for Services and Sales	\$12.7	\$14.1
Operating Grants, Contributions and Interest	68.7	64.3
Capital Grants and Contributions	1.2	17.7
<i>Total Program Revenues</i>	82.6	96.1
<i>General Revenues:</i>		
Property Taxes	106.5	107.9
Grants and Entitlements	174.9	176.4
Investment Earnings	0.3	0.5
JEDD	0.5	0.5
Miscellaneous	2.3	4.0
<i>Total General Revenues</i>	284.5	289.3
<b>Total Revenues</b>	367.1	385.4
<b>Program Expenses</b>		
Instruction	218.2	214.8
Support Services:		
Pupil and Instructional Staff	49.7	46.6
Board of Education, Administration, Fiscal and Business	29.2	28.3
Operation and Maintenance of Plant	47.9	37.9
Pupil Transportation	12.0	11.8
Central	9.5	10.4
Operation of Non-Instructional Services	3.8	3.7
Extracurricular Activities	3.5	3.5
Food Service Operations	10.3	8.6
<b>Total Program Expenses</b>	384.1	365.6
<b>Increase (Decrease) in Net Assets</b>	(\$17.0)	\$19.8

While program revenues decreased for governmental activities from \$96.1 million to \$82.6 million, the vast majority of revenues supporting governmental activities are general revenues. General revenues decreased from \$289.3 million in fiscal year 2010 to \$284.5 million in fiscal year 2011. General revenues comprised 77.5 percent of revenues supporting governmental activities. The primary source of the decrease in general revenues was a decrease in miscellaneous revenue in the amount of \$1.7 million. The general fund, \$0.5 million, and the other local grants special revenue fund, \$1.1 million, accounted for the majority of this decrease in miscellaneous revenue.

**Akron City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2011*  
*Unaudited*

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The decrease in miscellaneous revenue in the general fund is due to reclassifying revenue recorded as miscellaneous revenue in fiscal year 2010 to a different fund and revenue classification in fiscal year 2011. There are times when revenue is recorded as miscellaneous revenue in the general fund in a "holding account" until a proper determination of what fund and revenue classification should have received the revenue. When that proper determination is made, the revenue is then reclassified to the proper fund and revenue classification. This determination is usually made by fiscal year end and the "holding account" then has a balance of zero at each June 30. However, as of June 30, 2010, there was a \$0.7 million balance in the "holding account" that should have been reclassified to the proper fund and revenue classification. Then, in fiscal year 2011, this \$0.7 million was reclassified to the proper fund and revenue classification causing the decrease in miscellaneous revenue between fiscal year 2010 and fiscal year 2011.

The decrease in miscellaneous revenue in the other local grants special revenue fund is simply attributed to a reduction in the number of other local grants being awarded. The School District was awarded fewer other local grants in fiscal year 2011 than was awarded in fiscal year 2010.

The primary source of the decrease in program revenue was a decrease in capital grants and contributions revenue amounting to \$16.5 million. This decrease is due to the OSFC receivable, as previously discussed.

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 37.4 percent of total general revenues for governmental activities for the School District in fiscal year 2011.

Program expenses increased from \$365.6 million in fiscal year 2010 to \$384.1 million, a 5.1 percent increase. Program expenses increased mainly because expenses in the following categories increased, as previously discussed, in fiscal year 2011 from fiscal year 2010 in the general fund: health insurance, repairs and maintenance services, vouchers, excess costs, and open enrollment payments.

The expense category with the largest increase was operation and maintenance of plant, a \$10.0 million increase. Part of this increase is because of the increases in health insurance and repairs and maintenance services in the general fund, as previously discussed. In addition, this increase is attributed to an increase in the costs of the OSFC construction project which are not capitalized because the School District and the City share ownership of the new community learning centers equally. For further information on the OSFC construction project, see Note 20 of the notes to the basic financial statements.

While expense increases were consistent with budget expectations, the decrease in miscellaneous revenue and the decrease in capital grants and contributions revenue resulted in a reduction of net assets of \$17.0 million.

**Akron City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2011*  
*Unaudited*

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>2011</u>		<u>2010</u>	
	<u>Total Cost of Service</u>	<u>Net Cost of Service</u>	<u>Total Cost of Service</u>	<u>Net Cost of Service</u>
<b>Program Expenses</b>				
Instruction	\$218.2	\$175.6	\$214.8	\$174.1
Support Services:				
Pupil and Instructional Staff	49.7	31.6	46.6	30.4
Board of Education, Administration, Fiscal and Business	29.2	26.2	28.3	25.1
Operation and Maintenance of Plant	47.9	46.2	37.9	19.6
Pupil Transportation	12.0	11.4	11.8	11.4
Central	9.5	7.3	10.4	7.7
Operation of Non-Instructional Services	3.8	0.2	3.7	0.4
Extracurricular Activities	3.5	2.8	3.5	2.8
Food Service Operations	10.3	0.2	8.6	(1.9)
<b>Total</b>	<u>\$384.1</u>	<u>\$301.5</u>	<u>\$365.6</u>	<u>\$269.6</u>

The dependence upon general revenues for governmental activities is apparent. Over 78.4 percent of governmental activities are supported through taxes and other general revenues; such revenues are 77.5 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 15. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$391.4 million and expenditures of \$396.5 million. The net change in fund balances for the fiscal year was a decrease of \$5.1 million for all governmental funds with the most significant decrease in the general fund.

The general fund's net change in fund balance for fiscal year 2011 was a decrease of \$9.0 million. Expenditures in the general fund increased \$11.2 million or 3.9 percent from fiscal year 2010 to fiscal year 2011. This is partly due to the expenditures in the following categories increasing, as previously discussed: health insurance, repairs and maintenance services, vouchers, excess costs, and open enrollment payments.

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

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Also, the increase in general fund expenditures is partly due to the School District implementing Governmental Accounting Standards Board (GASB) Statement No. 54, "*Fund Balance Reporting and Governmental Fund Type Definitions*", during fiscal year 2011. GASB Statement No. 54 enhances the usefulness of governmental funds reporting by clarifying the existing governmental fund type definitions. As a result of implementing GASB Statement No. 54 during fiscal year 2011, the School District reclassified some special revenue funds and portions of some special revenue funds to the general fund for generally accepted accounting principles reporting purposes. For further information on the effects of implementing GASB Statement No. 54 during the current fiscal year, see Note 3 of the notes to the basic financial statements.

The classroom facilities capital projects fund's net change in fund balance for fiscal year 2011 was an increase of \$1.3 million. Expenditures in the classroom facilities capital projects fund decreased \$12.7 million or 33.6 percent. This decrease is simply because the School District spent less on the OSFC construction project in fiscal year 2011 than in fiscal year 2010. The School District spent less on the OSFC construction project because revenue declined in the classroom facilities capital projects fund from fiscal year 2010 to fiscal year 2011.

The permanent improvement capital projects fund's net change in fund balance for fiscal year 2011 was an increase of \$0.1 million. Expenditures in the permanent improvement capital projects fund decreased \$0.2 million or 4.5 percent from fiscal year 2010 to fiscal year 2011. These expenditures decreased because fewer projects were performed in fiscal year 2011 than in fiscal year 2010. Fewer projects were performed because of declining revenue 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 2011, the School District amended its general fund budget numerous times; however, none of these amendments were significant. The School District uses a modified site-based budgeting system designed to tightly control total site budgets but provide flexibility for site management.

Total actual expenditures on the budget basis (cash outlays plus encumbrances) were \$295.0 million, \$10.2 million more than actual revenues.

The School District's ending unobligated cash balance was \$0.4 million above the final budgeted amount. This is attributed to the School District spending \$1.6 million less in expenditures than what was budgeted. The \$1.6 million variance in expenditures was mostly the result of the School District spending \$2.4 million less in regular instruction expenditures than what was budgeted.

**Akron City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2011*  
*Unaudited*

**Capital Assets**

At the end of fiscal year 2011, the School District had \$225.1 million invested in capital assets. Table 4 shows fiscal year 2011 balances compared to fiscal year 2010 as follows:

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

	Governmental Activities	
	2011	2010
Land	\$6.5	\$6.3
Construction In Progress	23.4	30.4
Land Improvements	0.1	0.1
Buildings and Improvements	181.9	150.3
Furniture and Equipment	10.4	10.2
Vehicles	2.8	2.8
Totals	\$225.1	\$200.1

Capital assets increased \$25.0 million from fiscal year 2010 to fiscal year 2011. The increase is due to buildings and improvements increasing by \$31.6 million because the construction of 4 community learning centers was completed during the current fiscal year. Included in the completion of community learning centers during fiscal year 2011 was the East Community Learning Center, a seventh grade through twelfth grade building, which incurred significant construction costs amounting to \$17.8 million. The increase in buildings and improvements is offset by the decrease in construction in progress totaling \$7.0 million. This decrease is attributed to the School District incurring fewer costs related to the OSFC construction project in fiscal year 2011 than in fiscal year 2010, as previously discussed. For further information on capital assets, see Note 10 of the notes to the basic financial statements.

As of June 30, 2011, the School District had contractual commitments for construction projects with contractors in the amount of \$36.2 million. For further information, see Note 19 of the notes to the basic financial statements.

**For the Future**

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

A large number of students withdrew from the School District because of open enrollment, to attend community schools and for education choice vouchers once again during fiscal year 2011. 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.

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

The School District will receive new federal Education Job funds in fiscal year 2012 that will aid in trying to maintain current revenue levels. However, this revenue source will cease after fiscal year 2012, and it is unknown if there will be any new revenue sources after fiscal year 2012 to help maintain current revenue levels. This uncertainty makes it difficult to forecast revenues after fiscal year 2012.

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

**Contacting the School District's Management**

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

**Akron City School District**

*Statement of Net Assets*

*June 30, 2011*

	Primary Government	Component Unit
	Governmental Activities	Akron Digital Academy
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$67,770,612	\$2,314,577
Cash and Cash Equivalents In Segregated Accounts	25,359,382	0
Investments in Segregated Accounts	29,299,063	0
Accrued Interest Receivable	30,892	0
Accounts Receivable	416,415	0
Intergovernmental Receivable	26,896,279	295,924
Prepaid Items	12,942	22,135
Inventory Held for Resale	332,202	0
Materials and Supplies Inventory	396,907	0
Taxes Receivable	124,531,216	0
Deferred Expense	66,000,000	0
Nondepreciable Capital Assets	29,946,557	0
Depreciable Capital Assets, Net	195,126,975	83,337
<i>Total Assets</i>	<u>566,119,442</u>	<u>2,715,973</u>
<b>Liabilities</b>		
Accounts Payable	4,866,982	10,193
Accrued Wages	19,216,049	0
Compensated Absences Payable	1,491,320	0
Deferred Revenue	96,189,051	123,579
Intergovernmental Payable	72,740,243	128,246
Premium Payable	426,376	0
Claims Payable	5,166,144	0
Due to City of Akron	24,290,057	0
Long-Term Liabilities:		
Due Within One Year	1,606,535	2,775
Due In More Than One Year	25,403,279	0
<i>Total Liabilities</i>	<u>251,396,036</u>	<u>264,793</u>
<b>Net Assets</b>		
Invested in Capital Assets, Net of Related Debt	225,073,532	80,562
Restricted for:		
Capital Projects	56,154,566	0
Debt Service	13,007	0
Other Purposes	3,873,480	295,924
Unrestricted	29,608,821	2,074,694
<i>Total Net Assets</i>	<u>\$314,723,406</u>	<u>\$2,451,180</u>

See accompanying notes to the basic financial statements



**Akron City School District**

*Balance Sheet*

*Governmental Funds*

*June 30, 2011*

	<u>General</u>	<u>Permanent Improvement Capital Projects</u>	<u>Classroom Facilities Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>					
Equity in Pooled Cash and Cash Equivalents	\$16,280,220	\$1,529,997	\$11,789,328	\$21,591,344	\$51,190,889
Cash and Cash Equivalents In Segregated Accounts	20,225,421	0	3,296,264	1,852,921	25,374,606
Investments In Segregated Accounts	0	0	18,497,078	10,786,761	29,283,839
Taxes Receivable	120,440,064	4,091,152	0	0	124,531,216
Accounts Receivable	151,564	0	0	263,020	414,584
Intergovernmental Receivable	37,539	0	20,300,683	6,558,057	26,896,279
Accrued Interest Receivable	59	0	19,775	11,058	30,892
Interfund Receivable	1,925,903	0	0	0	1,925,903
Prepaid Items	9,542	0	0	3,400	12,942
Materials and Supplies Inventory	63,363	0	0	36,995	100,358
Inventory Held for Resale	0	0	0	332,202	332,202
Deferred Expense	0	66,000,000	0	0	66,000,000
<i>Total Assets</i>	<u>\$159,133,675</u>	<u>\$71,621,149</u>	<u>\$53,903,128</u>	<u>\$41,435,758</u>	<u>\$326,093,710</u>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities</b>					
Accounts Payable	\$529,869	\$5,200	\$3,090,890	\$1,223,057	\$4,849,016
Accrued Wages	17,262,332	0	0	1,953,717	19,216,049
Compensated Absences Payable	1,200,530	0	0	290,790	1,491,320
Interfund Payable	0	0	0	1,925,903	1,925,903
Intergovernmental Payable	5,834,743	66,000,000	0	905,500	72,740,243
Deferred Revenue	108,939,399	3,716,082	20,300,683	6,074,726	139,030,890
Due to City of Akron	0	0	13,665,523	10,624,534	24,290,057
<i>Total Liabilities</i>	<u>133,766,873</u>	<u>69,721,282</u>	<u>37,057,096</u>	<u>22,998,227</u>	<u>263,543,478</u>
<b>Fund Balances</b>					
Nonspendable	90,745	0	0	372,597	463,342
Restricted	33,333	1,899,867	16,846,032	23,478,108	42,257,340
Committed	1,647,468	0	0	0	1,647,468
Assigned	2,183,457	0	0	0	2,183,457
Unassigned	21,411,799	0	0	(5,413,174)	15,998,625
<i>Total Fund Balances</i>	<u>25,366,802</u>	<u>1,899,867</u>	<u>16,846,032</u>	<u>18,437,531</u>	<u>62,550,232</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$159,133,675</u>	<u>\$71,621,149</u>	<u>\$53,903,128</u>	<u>\$41,435,758</u>	<u>\$326,093,710</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, 2011*

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<b>Total Governmental Fund Balances</b>	<b>\$62,550,232</b>
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	225,073,532
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:	
Grants	26,328,826
Delinquent Property Taxes	16,509,769
Tuition and Fees	299
Radio Station Charges for Services	2,875
Other	70
Total	42,841,839
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.	11,267,617
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Compensated Absences	(27,009,814)
<i>Net Assets of Governmental Activities</i>	<b>\$314,723,406</b>

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, 2011*

	General	Permanent Improvement Capital Projects	Classroom Facilities Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
Taxes	\$99,561,751	\$1,940,311	\$0	\$1,448,705	\$102,950,767
Intergovernmental	175,252,768	1,399,590	26,318,856	67,647,565	270,618,779
Interest	200,125	19,118	87,803	52,258	359,304
Tuition and Fees	4,421,085	0	0	28,452	4,449,537
Extracurricular Activities	338,639	0	0	723,365	1,062,004
Rentals	275,594	0	0	0	275,594
Charges for Services	1,765,702	0	0	483,928	2,249,630
Sales	0	0	0	954,672	954,672
JEDD	952,680	0	0	0	952,680
Akron Digital Academy	3,823,590	0	0	0	3,823,590
Contributions and Donations	993,734	0	0	62,055	1,055,789
Miscellaneous	1,566,603	0	0	1,061,252	2,627,855
<i>Total Revenues</i>	<u>289,152,271</u>	<u>3,359,019</u>	<u>26,406,659</u>	<u>72,462,252</u>	<u>391,380,201</u>
<b>Expenditures</b>					
Current:					
Instruction:					
Regular	135,463,703	0	0	19,269,244	154,732,947
Special	32,329,958	0	0	4,346,686	36,676,644
Vocational	11,924,726	0	0	342,590	12,267,316
Adult/Continuing	797,619	0	0	0	797,619
Other	2,516,636	0	0	9,141,898	11,658,534
Support Services:					
Pupil	18,036,286	0	0	3,359,193	21,395,479
Instructional Staff	13,312,690	0	0	14,993,609	28,306,299
Board of Education	97,275	0	0	0	97,275
Administration	19,569,077	0	0	2,203,613	21,772,690
Fiscal	3,986,679	0	0	510,196	4,496,875
Business	3,058,409	0	0	22,002	3,080,411
Operation and Maintenance of Plant	32,865,588	0	0	800	32,866,388
Pupil Transportation	11,571,444	0	0	391,808	11,963,252
Central	8,766,297	0	0	509,643	9,275,940
Operation of Non-Instructional Services	2,137	0	0	3,859,875	3,862,012
Extracurricular Activities	2,826,820	0	0	658,812	3,485,632
Food Service Operations	0	0	0	9,976,381	9,976,381
Capital Outlay	1,023,468	3,216,390	25,150,755	381,424	29,772,037
<i>Total Expenditures</i>	<u>298,148,812</u>	<u>3,216,390</u>	<u>25,150,755</u>	<u>69,967,774</u>	<u>396,483,731</u>
<i>Excess (Deficiency) of Revenues Over (Under) Expenditures</i>	<u>(8,996,541)</u>	<u>142,629</u>	<u>1,255,904</u>	<u>2,494,478</u>	<u>(5,103,530)</u>
<b>Other Financing Sources (Uses)</b>					
Transfers In	14,185	0	0	63,652	77,837
Transfers Out	(63,652)	0	0	(14,185)	(77,837)
<i>Total Other Financing Sources (Uses)</i>	<u>(49,467)</u>	<u>0</u>	<u>0</u>	<u>49,467</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	<u>(9,046,008)</u>	<u>142,629</u>	<u>1,255,904</u>	<u>2,543,945</u>	<u>(5,103,530)</u>
<i>Fund Balances at Beginning of Fiscal Year (See Note 3)</i>	<u>34,412,810</u>	<u>1,757,238</u>	<u>15,590,128</u>	<u>15,893,586</u>	<u>67,653,762</u>
<i>Fund Balances at End of Fiscal Year</i>	<u>\$25,366,802</u>	<u>\$1,899,867</u>	<u>\$16,846,032</u>	<u>\$18,437,531</u>	<u>\$62,550,232</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, 2011*

**Net Change in Fund Balances - Total Governmental Funds** (\$5,103,530)

***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	34,744,747	
Current Year Depreciation	(4,983,949)	
Total		29,760,798

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.

(4,777,460)

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

Delinquent Property Taxes	3,523,242	
Radio Station Charges for Services	(4,458)	
Tuition and Fees	(62,911)	
Miscellaneous	33	
Total		3,455,906

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

(41,749,463)

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		(1,358,650)
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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.

2,781,356

*Change in Net Assets of Governmental Activities*

(\$16,991,043)

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, 2011*

	Budgeted Amounts			Variance With Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Revenues</b>				
Taxes	\$100,011,309	\$98,934,778	\$98,494,284	(\$440,494)
Intergovernmental	177,534,956	175,623,954	174,842,011	(781,943)
Interest	201,027	198,863	199,292	429
Tuition and Fees	3,880,403	3,841,371	3,824,134	(17,237)
Rentals	180,687	178,742	177,946	(796)
Charges for Services	95,932	287,140	276,460	(10,680)
JEDD	967,353	956,941	952,680	(4,261)
Akron Digital Academy	2,021,483	3,121,460	3,695,344	573,884
Contributions and Donations	879,450	872,050	868,066	(3,984)
Miscellaneous	1,957,912	1,966,006	1,430,225	(535,781)
<i>Total Revenues</i>	<u>287,730,512</u>	<u>285,981,305</u>	<u>284,760,442</u>	<u>(1,220,863)</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	134,807,635	137,273,566	134,832,918	2,440,648
Special	31,433,432	31,332,494	32,310,543	(978,049)
Vocational	11,038,456	11,184,456	11,915,079	(730,623)
Adult	190,583	190,583	178,196	12,387
Other	2,799,944	2,861,117	2,567,132	293,985
Support Services:				
Pupils	18,430,273	18,349,620	18,153,448	196,172
Instructional Staff	11,490,061	11,498,253	13,434,870	(1,936,617)
Board of Education	148,351	148,351	97,635	50,716
Administration	19,157,132	19,099,185	19,449,474	(350,289)
Fiscal	3,897,494	3,833,143	3,954,266	(121,123)
Business	3,228,663	3,247,533	3,066,276	181,257
Operation and Maintenance of Plant	34,162,708	34,629,869	33,124,739	1,505,130
Pupil Transportation	10,684,705	11,005,759	11,563,946	(558,187)
Central	7,471,333	7,697,079	6,572,075	1,125,004
Operations of Non-Instructional Services	7,523	15,042	10,514	4,528
Extracurricular Activities	2,979,693	3,194,518	2,735,891	458,627
Capital Outlay	1,048,202	1,048,202	1,015,014	33,188
<i>Total Expenditures</i>	<u>292,976,188</u>	<u>296,608,770</u>	<u>294,982,016</u>	<u>1,626,754</u>
<i>Excess (Deficiency) of Revenues Over (Under) Expenditures</i>	<u>(5,245,676)</u>	<u>(10,627,465)</u>	<u>(10,221,574)</u>	<u>405,891</u>
<b>Other Financing Sources (Uses)</b>				
Transfers In	32,000	32,000	22,777	(9,223)
Transfers Out	(123,500)	(85,500)	(84,716)	784
<i>Total Other Financing Sources (Uses)</i>	<u>(91,500)</u>	<u>(53,500)</u>	<u>(61,939)</u>	<u>(8,439)</u>
<i>Net Change in Fund Balance</i>	(5,337,176)	(10,680,965)	(10,283,513)	397,452
<i>Fund Balance at Beginning of Fiscal Year</i>	42,984,207	42,984,207	42,984,207	0
Prior Fiscal Year Encumbrances Appropriated	681,102	681,102	681,102	0
<i>Fund Balance at End of Fiscal Year</i>	<u>\$38,328,133</u>	<u>\$32,984,344</u>	<u>\$33,381,796</u>	<u>\$397,452</u>

See accompanying notes to the basic financial statements

**Akron City School District**  
*Statement of Fund Net Assets*  
*Proprietary Fund*  
*June 30, 2011*

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	<u>Internal Service Funds</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash	
Equivalents	\$16,579,723
Accounts Receivable	1,831
Materials and Supplies Inventory	<u>296,549</u>
<i>Total Assets</i>	<u>16,878,103</u>
<b>Liabilities</b>	
Accounts Payable	17,966
Premium Payable	426,376
Claims Payable	<u>5,166,144</u>
Total Liabilities	<u>5,610,486</u>
<b>Net Assets</b>	
Unrestricted	<u><u>\$11,267,617</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, 2011*

	Internal Service Funds
<b>Operating Revenues</b>	
Charges for Services	\$46,750,407
<b>Operating Expenses</b>	
Purchased Services	4,021,844
Materials and Supplies	809,678
Claims	39,137,529
Total Operating Expenses	43,969,051
<i>Operating Income/Change in Net Assets</i>	2,781,356
<i>Net Assets at Beginning of Fiscal Year</i>	8,486,261
<i>Net Assets at End of Fiscal Year</i>	\$11,267,617

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, 2011*

	Internal Service Funds
<b><i>Increase (Decrease) in Cash and Cash Equivalents</i></b>	
<b>Cash Flows from Operating Activities</b>	
Cash Received for Interfund Services	\$46,748,576
Cash Payments for Other Expenses	(2,814,467)
Cash Payments for Goods and Services	(825,469)
Cash Payments for Claims	(41,485,926)
<i>Net Cash Provided by Operating Activities</i>	1,622,714
<i>Net Increase in Cash and Cash Equivalents</i>	1,622,714
Cash and Cash Equivalents at Beginning of Fiscal Year	14,957,009
Cash and Cash Equivalents at End of Fiscal Year	\$16,579,723
 <b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>	
<i>Operating Income</i>	\$2,781,356
Adjustments:	
<i>(Increase) Decrease in Assets:</i>	
Accounts Receivable	(1,831)
Materials and Supplies Inventory	(15,791)
<i>Increase (Decrease) in Liabilities:</i>	
Accounts Payable	11,479
Premium Payable	(160,135)
Claims Payable	(992,364)
<i>Total Adjustments</i>	(1,158,642)
<i>Net Cash Provided by Operating Activities</i>	\$1,622,714

See accompanying notes to the basic financial statements

**Akron City School District**  
*Statement of Fiduciary Net Assets*  
*Fiduciary Funds*  
*June 30, 2011*

	Private Purpose Trust	
	Scholarship	Agency
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$61,527	\$182,119
Cash and Cash Equivalents in Segregated Accounts	151,788	195
Investments in Segregated Accounts	96,782	0
Accrued Interest Receivable	44	0
<i>Total Assets</i>	<u>310,141</u>	<u>\$182,314</u>
<b>Liabilities</b>		
Undistributed Monies	0	\$43,963
Due to Students	0	138,351
<i>Total Liabilities</i>	<u>0</u>	<u>\$182,314</u>
<b>Net Assets</b>		
Held in Trust for Scholarships	<u>\$310,141</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, 2011*

	<u>Scholarship</u>
<b>Additions</b>	
Interest	\$1,357
<b>Deductions</b>	
Miscellaneous	2,000
<i>Change in Net Assets</i>	(643)
<i>Net Assets at Beginning of Fiscal Year</i>	310,784
<i>Net Assets at End of Fiscal Year</i>	\$310,141

See accompanying notes to the basic financial statements

**Akron City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

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

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

The School District was established in 1847 through the consolidation of existing land areas and school districts. The School District serves an area of approximately 54.4 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 954 public school districts and community schools) in terms of enrollment. It is staffed by 830 full-time classified employees, 1,847 full-time certificated personnel, 155 administrative employees, and 650 part-time employees who provide services to 22,683 students and other community members. The School District currently operates 49 instructional buildings, 19 vacant buildings, four administrative buildings, two auxiliary buildings and one garage.

*Reporting Entity*

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

*Non-Public Schools* - Within the School District boundaries, St. Anthony of Padua School, St. Bernard - 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, The Lippman 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, 2011*

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*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 nine-member Board of Directors appointed by the School District. The Board consists of a Board President, two members who hold administrative positions with the School District, a public official not employed by the School District, and five 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 647 students, were purchased from the School District during fiscal year 2011.

**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, 2011*

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**A. Basis of Presentation**

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

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

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

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

**B. Fund Accounting**

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

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

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

**Akron City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

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***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, payroll liabilities and deductions, and the Adult School of Practical Nursing's Federal Pell grant and Federal Title IV Stafford Loan program.

***C. Measurement Focus***

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

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

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

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

***D. Basis of Accounting***

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

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

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

**Akron City School District**  
*Notes to the Basic Financial Statements*  
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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 and underwriting, sales, services and fees.

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

Property taxes for which there is an enforceable legal claim as of June 30, 2011, but which were levied to finance fiscal year 2012 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, 2011*

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***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 2011, the general fund advanced monies to several special revenue funds to cover negative cash balances. See Note 16 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 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 2011, investments were limited to overnight repurchase agreements, Federal Home Loan Bank Notes, Federal Home Loan Mortgage Corporation Notes, Federal National Mortgage Association Notes, Federal Farm Credit Bank Notes, United States Treasury Bills, United States Treasury Notes, 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 2011 amounted to \$200,125, which includes \$42,181 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. Prepaid Items***

Payments made to vendors for services that will benefit periods beyond June 30, 2011 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 expenditure/expense is reported in the fiscal year in which the services are consumed.

***H. 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*  
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***I. 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, 2011 are recorded as deferred expense with a corresponding intergovernmental payable.

***J. 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

***K. 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.

***L. 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*  
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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.

***M. 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, 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.

***N. 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 for scholarships, 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.

***O. Fund Balances***

In accordance with GASB Statement No, 54, "*Fund Balance Reporting and Governmental Fund Type Definitions*", the School District classifies its fund balances based on the purpose for which the resources were received and the level of constraint placed on the resources. The following categories can be used:

***Nonspendable*** Resources that are not in spendable form (inventories and prepaid amounts) or have legal or contractual requirements to maintain the balance intact.

***Restricted*** Resources that have external constraints imposed on them by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through enabling legislation.

**Akron City School District**  
*Notes to the Basic Financial Statements*  
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**Committed** Resources that are constrained for specific purposes that are internally imposed by formal action (resolution) by the School District at its highest level of decision making authority, the Board of Education.

**Assigned** Resources that are constrained by the School District's intent to be used specific purposes but are neither restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the Board of Education. Through School District policies, the Board of Education has given the School District Treasurer the authority to constrain monies for intended purposes.

**Unassigned** The residual fund balance with the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, this classification represents deficit fund balances resulting from overspending for specific purposes for which amounts had been restricted, committed or assigned.

The School District considers restricted amounts to have been spent first when expenditures are incurred for purposes for which both restricted and unrestricted (committed, assigned and unassigned) fund balances are available. Similarly, within unrestricted fund balances, committed amounts are reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

***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. 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.

***R. Estimates***

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

**Akron City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

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**Note 3 – Change in Accounting Principles and Restatement of Fund Balances**

***A. Change in Accounting Principles***

For the fiscal year ended June 30, 2011, the School District has implemented GASB Statement No. 54, “Fund Balance Reporting and Governmental Fund Type Definitions” and GASB Statement No. 59, “Financial Instruments Omnibus”.

GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. GASB Statement No. 54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The requirements of GASB Statement No. 54 classify fund balances as nonspendable, restricted, committed, assigned or unassigned.

GASB Statement No. 59 updated and improved existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice. Implementation of GASB Statement No. 59 did not affect the presentation of the basic financial statements of the School District.

***B. Restatement of Beginning Fund Balances***

On July 1, 2010, the School District implemented GASB Statement No. 54. As a result, the special cost centers of two special revenue funds and four entire special revenue funds were reclassified to the general fund for GAAP reporting purposes as follows: the special cost centers of the special trust fund related to the Superintendent’s certificate of deposit and unclaimed funds; the special cost centers of the other local grants fund related to rent from Fixed Wireless Holdings, LLC for the excess broadband service, e-rate reimbursements and summer school; the entire uniform school supplies fund; the entire adult education fund; the entire public school support fund; and, the entire severance fund.

The following is the effect of those changes to fund balances at beginning of the fiscal year in the statement of revenues, expenditures and changes in fund balances:

	<u>General Fund</u>	<u>Other Governmental Funds</u>
Fund Balances at June 30, 2010	\$30,374,608	\$19,931,788
Reclassification of Funds	<u>4,038,202</u>	<u>(4,038,202)</u>
Restated Fund Balances at July 1, 2010	<u><u>\$34,412,810</u></u>	<u><u>\$15,893,586</u></u>

**Akron City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

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**Note 4 – Accountability and Compliance**

**A. Accountability**

The following nonmajor special revenue funds had deficit fund balances on a GAAP basis at June 30, 2011:

<u>Nonmajor Fund</u>	<u>Amount</u>
<b>Special Revenue Funds</b>	
Public School Preschool	\$6,777
High Schools That Work	27,188
Alternative Schools	17,105
Race to the Top	217,787
Title VI-B - Special Education	1,389,953
Vocational Education	175,810
Title II-D - Technology	123,634
Title I School Improvement Stimulus A	93,693
Title III - Limited English Proficiency	19,222
Title I	2,236,714
Preschool Handicapped	30,306
Title II-A - Improving Teacher Quality	512,460
Miscellaneous Federal Grants	15,744

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 5705.36(A)(4) of the Ohio Revised Code, the following fund had appropriations that exceeded actual resources at fiscal year end:

Fund	Actual Resources	Appropriations	Variance
Classroom Facilities	\$39,909,133	\$157,254,299	(\$117,345,166)

Contrary to Section 5705.41(D) of the Ohio Revised Code, certain expenditures were not certified by the Treasurer prior to incurring the obligation.

**Akron City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

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**Note 5 - Budgetary Basis of Accounting**

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as an assignment of fund balances (GAAP basis).
4. Some funds have separate legally adopted budgets (budget basis) but are included in the general fund (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	(\$9,046,008)
Net Adjustment for Revenue Accruals	(1,350,648)
Net Adjustment for Expenditure Accruals	(121,009)
Funds Budgeted Elsewhere **	547,023
Adjustment for Encumbrances	<u>(312,871)</u>
Budget Basis	<u><u>(\$10,283,513)</u></u>

\*\* As part of GASB Statement No, 54, certain funds that are legally budgeted in separate special revenues are considered part of the general fund on a GAAP basis. This includes certain special cost centers in the special trust fund and the other local grants fund and this includes the uniform school supplies fund, the adult education fund, the public school support fund and the severance fund.

**Note 6 - Deposits and Investments**

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

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

**Akron City School District**  
*Notes to the Basic Financial Statements*  
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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);
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.

**Akron City School District**  
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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 \$39,612,189 and the bank balance was \$44,516,488. Of the bank balance, \$1,250,000 was covered by Federal Deposit Insurance Corporation, and \$43,266,488 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, 2011, the School District had the following investments:

	Carrying Value	Maturities In Years		% to Total
		Less than 1	1-3	
Overnight Repurchase Agreements	\$52,078,292	\$52,078,292	\$0	62.51%
Federal Home Loan Bank Notes	10,516,053	8,515,553	2,000,500	12.62
Federal Home Loan Mortgage Corporation Notes	7,247,385	5,247,145	2,000,240	8.70
Federal Farm Credit Bank Notes	499,691	499,691	0	0.60
Federal National Mortgage Association Notes	3,148,976	3,148,976	0	3.78
United States Treasury Bills	2,674,881	2,674,881	0	3.21
United States Treasury Notes	2,004,688	2,004,688	0	2.41
Fifth Third Institutional Money Market Fund	3,223,057	3,223,057	0	3.87
First American Treasury Money Market Fund	1,915,986	1,915,986	0	2.30
<b>Total Investments</b>	<b>\$83,309,009</b>	<b>\$79,308,269</b>	<b>\$4,000,740</b>	<b>100.00%</b>

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, Federal Farm Credit Bank Notes, United States Treasury Notes and United States Treasury Bills carry a rating of AAA by Standard and Poor's and Aaa by Moody's Investors Service. 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-mf by Moody's Investors Service. The School District has no investment policy dealing with investment credit risk beyond the requirements in state statutes.

**Akron City School District**  
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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 7 - Property Taxes**

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar year 2011 represents collections of calendar year 2010 taxes. Real property taxes received in calendar year 2011 were levied after April 1, 2010, on the assessed value listed as of January 1, 2010, 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 2011 represents collections of calendar year 2010 taxes. Public utility real and tangible personal property taxes received in calendar year 2011, which became a lien December 31, 2009, were levied after April 1, 2010 and are collected in calendar year 2011 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar year 2011 (other than public utility property) represents the collection of calendar year 2011 taxes. Tangible personal property taxes received in calendar year 2011 were levied after April 1, 2010, on the value as of December 31, 2010. Machinery and equipment has been phased out and telecommunications property is currently assessed at five 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, 2011, are available to finance fiscal year 2011 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

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Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2011 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, 2011 was \$11,501,034 in the general fund and \$375,070 in the permanent improvement capital projects fund. The amount available as an advance at June 30, 2010, was \$10,433,567 in the general fund and \$343,800 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 2011 taxes were collected are:

	2010 Second Half Collections		2011 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$2,653,233,150	96.78%	\$2,671,097,200	96.97%
Public Utility Personal	81,502,320	2.97%	83,693,840	3.04%
Tangible Personal Property	6,979,785	0.25%	0	0.00%
<b>Total</b>	<b>\$2,741,715,255</b>	<b>100.00%</b>	<b>\$2,754,791,040</b>	<b>100.00%</b>
 Tax rate per \$1,000 of assessed valuation	 \$71.66		 \$71.66	

**Note 8 - Contingencies**

**A. Grants**

The School District received financial assistance from federal and State agencies in the form of grants. The disbursements of funds received under these programs generally require compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2011.

**B. Litigation**

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

**Akron City School District**  
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**Note 9 – Receivables**

Receivables at June 30, 2011 consisted of taxes, interest, accounts (student transportation fees, radio station membership contributions and underwriting, tuition, telephone reimbursement costs, printing reimbursement costs, rentals, Akron Education Association salaries/fringe benefits reimbursement costs, oversight and monitoring of the Academy costs, food service sales, employee share of health/life insurance and local grants), interfund and intergovernmental (student transportation fees, mentor training costs, motor vehicle fuel tax reimbursement 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 taxes and classroom facilities.

A summary of the items of intergovernmental receivables follows:

<u>Governmental Activities</u>	<u>Amounts</u>
Tuition and Fees	\$367
Mentor Training Costs	1,980
Motor Vehicle Tax Fuel Reimbursement Costs	9,530
JROTC	25,662
Other Local Grants	274,303
Public School Preschool	15,094
High Schools That Work	27,043
Alternative Schools	15,998
Miscellaneous State Grants	17,715
Race to the Top	238,333
Title VI-B - Special Education	1,519,399
Vocational Education	170,421
Title II-D - Technology	177,416
Title I School Improvement Stimulus A	63,732
Title III - Limited English Proficiency	15,469
Title I	3,035,333
Pre-School Handicapped	33,884
Title II-A - Improving Teacher Quality	506,603
Miscellaneous Federal Grants	125,642
Food Service	321,672
Classroom Facilities	<u>20,300,683</u>
Total Intergovernmental Receivables	<u><u>\$26,896,279</u></u>

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**Note 10 – Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2011, was as follows:

	Balance 6/30/2010	Additions	Deletions	Balance 6/30/2011
<b>Governmental Activities</b>				
<i>Capital Assets, not being depreciated:</i>				
Land	\$6,329,945	\$163,459	\$0	\$6,493,404
Construction In Progress	30,426,494	16,834,076	(23,807,417)	23,453,153
<i>Total Capital Assets, not being depreciated</i>	<u>36,756,439</u>	<u>16,997,535</u>	<u>(23,807,417)</u>	<u>29,946,557</u>
<i>Capital Assets, being depreciated:</i>				
Land Improvements	102,896	0	0	102,896
Buildings and Improvements	204,382,778	39,341,233	(5,960,285)	237,763,726
Furniture and Equipment	36,340,008	1,832,651	(30,259)	38,142,400
Vehicles	7,903,651	380,745	0	8,284,396
<i>Total Capital Assets, being depreciated</i>	<u>248,729,333</u>	<u>41,554,629</u>	<u>(5,990,544)</u>	<u>284,293,418</u>
Less Accumulated Depreciation:				
Land Improvements	(36,444)	(5,145)	0	(41,589)
Buildings and Improvements	(54,085,102)	(2,996,649)	1,196,489	(55,885,262)
Furniture and Equipment	(26,157,782)	(1,627,320)	16,595	(27,768,507)
Vehicles	(5,116,250)	(354,835)	0	(5,471,085)
Total Accumulated Depreciation	<u>(85,395,578)</u>	<u>(4,983,949)</u>	<u>1,213,084</u>	<u>(89,166,443)</u>
Total Capital Assets, being depreciated, net	<u>163,333,755</u>	<u>36,570,680</u>	<u>(4,777,460)</u>	<u>195,126,975</u>
Governmental Activities Capital Assets, Net	<u>\$200,090,194</u>	<u>\$53,568,215</u>	<u>(\$28,584,877)</u>	<u>\$225,073,532</u>

**Akron City School District**  
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\* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$1,942,398
Special	352,447
Vocational	312,087
Adult/Continuing	7,750
Other	98,845
Support Services:	
Pupil	181,766
Instructional Staff	297,751
Board of Education	779
Administration	175,828
Fiscal	52,236
Business	141,811
Operation and Maintenance of Plant	339,379
Pupil Transportation	362,430
Central	285,638
Operation of Non-Instructional Services	54,104
Extracurricular Activities	41,668
Food Service Operations	<u>337,032</u>
Total Depreciation Expense	<u><u>\$4,983,949</u></u>

As of June 30, 2011 the District's capital assets include twelve vacant school buildings scheduled for demolition which are being replaced with new community learning centers through the Ohio School Facilities Commission Construction Project. The carrying value of these building is \$377,222. In addition, there are seven other vacant buildings mainly used for storage or have no immediate usage plans with a carrying value of \$605,483.

**Akron City School District**  
*Notes to the Basic Financial Statements*  
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**Note 11 - Risk Management**

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2011, the School District contracted for property, inland marine, crime, general liability, educators legal liability, employment practices liability and automobile coverage. Coverage provided is as follows:

Type of Coverage	Coverage Amount
Commercial Property (\$50,000 deductible)	
Building and Contents	\$705,381,482
Earthquake	5,000,000
Flood	5,000,000
Commercial Inland Marine (\$5,000 deductible)	250,000
Commercial Crime (\$5,000 deductible)	200,000
Commercial General Liability (\$25,000 deductible)	
General Aggregate Limit	3,000,000
Each Occurrence Limit	2,000,000
Employers Liability	1,000,000
Educators Legal Liability (\$25,000 deductible)	2,000,000
Employment Practices Liability (\$25,000 deductible)	
Annual Aggregate	3,000,000
Each Wrongful Act	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.

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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
2010	\$3,185,187	(\$281,636)	\$1,609,332	\$1,294,219
2011	1,294,219	1,014,634	1,356,033	952,820

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 \$4,639,700 reported in the self-insurance internal service fund at June 30, 2011 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
2010	\$5,317,600	\$37,803,054	\$37,669,854	\$5,450,800
2011	5,450,800	39,318,793	40,129,893	4,639,700

**Note 12 – 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](http://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 2011, 11.81 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.

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The School District's required contributions for pension and death benefits to SERS for the fiscal years ended June 30, 2011, 2010 and 2009 were \$4,892,631, \$5,165,401 and \$3,711,449, respectively; 71.06 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

***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](http://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, 2011, 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, 2011, 2010, and 2009 were \$19,746,365, \$19,717,141, and \$19,589,620, respectively; 84.98 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009. Contributions to the DC and Combined Plans for fiscal year 2011 were \$531,434 made by the School District and \$379,595 made by the plan members.

**Akron City School District**  
*Notes to the Basic Financial Statements*  
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***C. 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, 2011, none of the members of the Board of Education have elected Social Security.

**Note 13 - 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](http://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 fiscal year 2011, 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, 2011, 2010 and 2009 were \$1,518,951, \$1,516,703 and \$1,506,894, respectively; 84.98 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

***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](http://www.ohsers.org), under Employers/Audit Resources.

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***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 2011, 1.43 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 2011, 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, 2011, 2010 and 2009 were \$1,210,610, \$837,843 and \$2,356,717, respectively; 71.06 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

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 2011, the actuarially required allocation was 0.76 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal year ended June 30, 2011, 2010 and 2009 were \$314,852, \$307,176 and \$306,225, respectively; 71.06 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

## **Note 14 - Other Employee Benefits**

### ***A. Compensated Absences***

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Employees working 52 weeks per year earn 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 Aetna Life Insurance Company.

**Akron City School District**  
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**Note 15 - Long-Term Obligations**

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

Governmental Activities:	Outstanding 6/30/2010	Additions	Reductions	Outstanding 6/30/2011	Amount Due in One Year
Compensated Absences	\$25,651,164	\$3,516,786	(\$2,158,136)	\$27,009,814	\$1,606,535

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, miscellaneous state grants, race to the top, title VI-B special education, vocational education, title II-D technology, title I school improvement stimulus A, title III limited english proficiency, title I, pre-school handicapped, title II-A improving teacher quality, miscellaneous federal grants, food service and adult education.

**Note 16 – 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 \$63,652 were made to move unrestricted balances to support programs and projects accounted for in nonmajor funds.

During fiscal year 2009, the School District transferred \$8,854 to the adult basic education special revenue fund from the general fund to cover estimated expenditures that would not be covered by the adult basic education grant. Then, during fiscal year 2011, the School District transferred \$4,196 from the adult basic education special revenue fund back to the general fund because too much was transferred to the adult basic education special revenue fund from the general fund during fiscal year 2009. The adult basic education grant ended in fiscal year 2010.

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: Gospel Choir at Firestone High School amounting to \$5,710 and Class of 2010 at Kenmore High School totaling \$4,279.

Transfers made during the fiscal year ended June 30, 2011 were as follows:

	Transfers From		
	General Fund	Nonmajor Funds	Total
<u>Transfers To</u>			
General Fund	\$0	\$14,185	\$14,185
Nonmajor Funds	63,652	0	63,652
Total	<u>\$63,652</u>	<u>\$14,185</u>	<u>\$77,837</u>

**Akron City School District**  
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**B. Balances**

The general fund advanced funds to various special revenue funds to cover negative cash balances at the end of fiscal year 2011.

Advanced To	Nonmajor Funds
High Schools That Work	\$27,188
Alternative Schools	2,680
Race to the Top	157,400
Title VI-B - Special Education	598,595
Vocational Education	101,839
Title II-D - Technology	95,002
Title I School Improvement Stimulus A	861
Title III - Limited English Proficiency	9,735
Title I	597,840
Preschool Handicapped	24,797
Title II-A - Improving Teacher Quality	191,103
Miscellaneous Federal Grants	118,863
Total	\$1,925,903

**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.

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	Textbooks & Instructional Materials Reserve	Capital Improvements Reserve
Set-aside Reserve Balances as of June 30, 2010	(\$816,515)	\$0
Current Fiscal Year Set-aside Requirements	3,395,804	3,395,804
Qualifying Disbursements	(3,554,920)	(5,046,757)
Totals	(\$975,631)	(\$1,650,953)
Set-aside Balances Carried Forward to Future Fiscal Years	\$0	\$0

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. Effective July 1, 2011, the textbooks and instructional materials set-aside is no longer required and has been removed from existing law. This negative balance is therefore not presented as being carried forward to future fiscal years. Although the School District had qualifying disbursements during the fiscal year that reduced the set-aside amount to below zero for the capital improvements set aside, this amount may not be used to reduce the set-aside requirement for future fiscal years. This negative balance is therefore not presented as being carried forward to future fiscal years.

**Note 18 – Fund Balances**

Fund balances can be classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in governmental funds.

The constraints placed on the fund balances for the major governmental funds and all other governmental funds are presented as follows:

**Akron City School District**  
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For the Fiscal Year Ended June 30, 2011

Fund Balances	General	Permanent Improvement Capital Projects	Classroom Facilities Capital Projects	Other Governmental Funds	Total
<u>Nonspendable:</u>					
Inventory	\$63,363	\$0	\$0	\$369,197	\$432,560
Prepaid Items	9,542	0	0	3,400	12,942
Unclaimed Funds	17,840	0	0	0	17,840
<i>Total Nonspendable</i>	<u>90,745</u>	<u>0</u>	<u>0</u>	<u>372,597</u>	<u>463,342</u>
<u>Restricted for:</u>					
School Bus Purchase	33,333	0	0	0	33,333
Permanent Improvements	0	1,899,867	0	0	1,899,867
Scholarships	0	0	0	314,909	314,909
Unemployment Compensation	0	0	0	43,429	43,429
Employer Contributions to SERS	0	0	0	121,629	121,629
Employer Contributions to STRS	0	0	0	3,394	3,394
General Operations of WAPS-FM	0	0	0	928,228	928,228
Other Local Grants	0	0	0	1,016,928	1,016,928
District Managed Activities	0	0	0	410,548	410,548
Auxiliary Services	0	0	0	29,402	29,402
Alternative Schools State Grant	0	0	0	1,348	1,348
Miscellaneous State Grants	0	0	0	68,867	68,867
Race to the Top Federal Grant	0	0	0	27,371	27,371
Title VI-B Special Education Federal Grant	0	0	0	136,499	136,499
Vocational Education Federal Grant	0	0	0	1,795	1,795
Title II-D Technology Federal Grant	0	0	0	42,320	42,320
Title I School Improvement Sub A Federal Grant	0	0	0	2,656	2,656
Title III Limited English Proficiency Federal Grant	0	0	0	2,334	2,334
Title I Federal Grant	0	0	0	115,685	115,685
Pre-School Handicapped Federal Grant	0	0	0	95	95
Title II-A Improving Teacher Quality Federal Grant	0	0	0	22,921	22,921
Miscellaneous Federal Grants	0	0	0	91,505	91,505
Food Service	0	0	0	3,507,937	3,507,937
Debt Service	0	0	0	13,007	13,007
Classroom Facilities Construction	0	0	16,846,032	4,292,639	21,138,671
Classroom Facilities Maintenance	0	0	0	12,282,662	12,282,662
<i>Total Restricted</i>	<u>33,333</u>	<u>1,899,867</u>	<u>16,846,032</u>	<u>23,478,108</u>	<u>42,257,340</u>
<u>Committed to:</u>					
Underground Storage Tanks	11,000	0	0	0	11,000
Superintendent	15,283	0	0	0	15,283
Severance Payments	1,621,185	0	0	0	1,621,185
<i>Total Committed</i>	<u>1,647,468</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,647,468</u>
<u>Assigned to:</u>					
Encumbrances	235,016	0	0	0	235,016
Auxiliary Services	2,132	0	0	0	2,132
Unemployment Compensation	262,474	0	0	0	262,474
Employer Contributions to SERS	826,189	0	0	0	826,189
Employer Contributions to STRS	19,861	0	0	0	19,861
Uniform School Supplies	19,675	0	0	0	19,675
Consumer Services from Vocational Education Classes	261,851	0	0	0	261,851
Adult School of Practical Nursing	460,086	0	0	0	460,086
Public School Support	10,767	0	0	0	10,767
Summer School	85,406	0	0	0	85,406
<i>Total Assigned</i>	<u>2,183,457</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,183,457</u>
Unassigned (Deficits)	21,411,799	0	0	(5,413,174)	15,998,625
<b>Total Fund Balances</b>	<u><u>\$25,366,802</u></u>	<u><u>\$1,899,867</u></u>	<u><u>\$16,846,032</u></u>	<u><u>\$18,437,531</u></u>	<u><u>\$62,550,232</u></u>

**Akron City School District**  
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Regarding the committed fund balances, the School District's Board of Education approves transfers to and from the underground storage tanks fund, approves the Superintendent's contract and approves the retirements of its employees before severance payments can be made.

The School District's Treasurer authorized the assignment of fund balances to encumbrances, public school support, SERS employer contributions, STRS employer contributions, and unemployment compensation. The School District's Board of Education authorized the assignment of fund balances to auxiliary services, uniform school supplies, consumer services from vocational education classes, the adult school of practical nursing and summer school. The School District's Board of Education has established policies to collect tuition and fees for uniform school supplies, the adult school of practical nursing and summer school. Also, the School District's Board of Education has established an investments policy to deposit interest earned by auxiliary services into the auxiliary services special revenue fund.

**Note 19 – Construction Commitments**

The School District has active construction projects as of June 30, 2011. At fiscal year end, the School District's commitments with contractors are as follows:

Project	Spent-to-Date	Remaining Commitment
Barber Elementary School Construction	\$9,958,828	\$26,992
Betty Jane Elementary School Construction	8,600,245	14,507
Findley Elementary School Construction	9,500,256	26,035
Hatton Elementary School Construction	439,923	582,819
King Elementary School Construction	433,915	909,689
Leggett Elementary School Construction	9,650,899	170,626
Mason Elementary School Construction	11,278,796	20,844
McEbright Elementary School Construction	8,779,976	914,380
Portage Path Elementary School Construction	9,036,615	84,487
Schumacher Elementary School Construction	10,091,575	496,595
Seiberling Elementary School Construction	403,213	647,805
Voris Elementary School Construction	7,425,684	13,882
Windemere Elementary School Construction	9,707,729	332,335
Riedinger Community Learning Center Construction	336,250	1,543,940
Hyre Middle School Construction	17,933,251	2,049,567
Innes Middle School Construction	15,876,154	13,468
NIHF Science, Technology, Engineering & Mathematics Middle School Construction	14,434,469	84,873

**Akron City School District**  
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Project	Spent-to-Date	Remaining Commitment
Jennings Middle School Construction	14,624,425	34,936
Buchtel High School Construction	11,829,413	23,713,470
East High School Construction	31,908,814	206,304
Firestone High School Construction	184,099	4,307,921
NIHF Science, Technology, Engineering & Mathematics Middle School Escalator Repair	0	19,675
	<u>\$202,434,529</u>	<u>\$36,215,150</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 escalator repair at the NIHF Science, Technology, Engineering and Mathematics Middle School is being financed entirely with property taxes, interest, and homestead/rollback taxes.

**Note 20 – 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 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, 2011, the School District has received \$199,900,769 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 \$24,290,057 as of June 30, 2011. The amount of this liability was determined by reducing the \$199,900,769 received as of June 30, 2011 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 \$175,610,712 in capital expenditures using these local funds received from the City as of June 30, 2011. 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 \$243,283 and as buildings capital assets in the amount of \$142,389,948 to date as of June 30, 2011. 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 \$23,453,153 as of June 30, 2011.

**Akron City School District**  
*Notes to the Basic Financial Statements*  
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OSFC has determined that \$20,300,683 is owed to the School District as of June 30, 2011. This represents the amount that OSFC has appropriated but not remitted to the School District as of June 30, 2011 over the entire life of this project. As a result, that amount was recorded as an intergovernmental receivable as of June 30, 2011. 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, the entire amount was recorded as deferred revenue because it was not expected to be available.

**Note 21 – 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.

**Akron City School District**  
*Notes to the Basic Financial Statements*  
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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.

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*

During fiscal year 2011, the Academy had no investments.

*Prepaid Items*

Payments made to vendors for services that will benefit periods beyond June 30, 2011 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.

**Akron City School District**  
*Notes to the Basic Financial Statements*  
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*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 grants are primarily for instruction of students through Federal programs that are passed through the Ohio Department of Education's Comprehensive Continuous Improvement Plan.

*Intergovernmental Revenues*

The Academy currently participates in the State Foundation Program. Portions of the revenues received from this program are earmarked to be State support and portions of the revenues received from this program are earmarked to be federal support called State Fiscal Education Stabilization funds. The portion earmarked as State support is recognized as general revenue in the accounting period in which all eligibility requirements have been met. The portion earmarked as federal support is recognized as program revenue 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, 2011 to offset costs for EMIS reporting. Revenues received from this program are recognized as program revenue 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 I School Improvement Subsidy A, Title IV Safe and Drug-Free Schools, Title II-A Improving Teacher Quality, Title II-D Technology, Race to the Top, American Recovery and Reinvestment Act (ARRA) Title I, ARRA McKinley-Vento Homeless Assistance Program and ARRA Part B-IDEA Special Education. The Academy was awarded a total of \$1,799,424 during the fiscal year ended June 30, 2011 for these programs. Revenues received from these programs are recognized as program revenue in the accounting period in which all eligibility requirements have been met.

Amounts received under these programs for the 2011 fiscal year totaled \$5,021,327.

*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, 2011*

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**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 \$2,314,577 and the bank balance was \$2,580,357. Of the bank balance, \$500,000 was covered by the Federal Deposit Insurance Corporation and \$2,080,357 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, 2011, the Academy had no investments.

**C. Capital Assets**

Capital asset activity for the fiscal year June 30, 2011, was as follows:

	Balance 6/30/2010	Additions	Deletions	Balance 6/30/2011
<b>Capital Assets, being depreciated:</b>				
Furniture and Equipment	\$159,171	\$34,129	(\$1,689)	\$191,611
Less Accumulated Depreciation:				
Furniture and Equipment	(73,746)	(35,689)	1,161	(108,274)
Total Capital Assets, being depreciated, net	<u>\$85,425</u>	<u>(\$1,560)</u>	<u>(\$528)</u>	<u>\$83,337</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 2011, the Academy was covered under the School District's insurance for property, inland marine, crime, general liability, educators legal liability, employment practices 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. Payments to the Akron City School District**

The Academy purchased the following 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, hourly staff to provide support services to the Academy, printing of supplies and materials for the Academy and postage for 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 \$3,716,833 during fiscal year 2011 for these services.

**Akron City School District**  
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In addition, in accordance with the sponsorship contract between the School District and the Academy, the Academy will remit an amount not to exceed \$2,000 per student enrolled in the Academy per fiscal year. The Academy paid \$128,246 to the School District during fiscal year 2011.

All personnel providing services to the Academy on behalf of the School District are considered employees of the School District. All of the Academy's personnel services were provided by the School District during the 2011 fiscal year.

For the fiscal year ended June 30, 2011, the Academy paid the School District the following expenses:

Operating Expenses	Amounts
Purchased Services	
Professional and Technical Services	\$3,840,017
Communications	234
Supplies and Materials	4,828
Total Operating Expenses	\$3,845,079

***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](http://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 2011, 11.81 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, 2011, 2010 and 2009 were \$117,464, \$104,373 and \$64,204, respectively; 100 percent has been contributed for fiscal years 2011, 2010 and 2009.

**Akron City School District**  
*Notes to the Basic Financial Statements*  
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*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](http://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, 2011, 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, 2011, 2010, and 2009 were \$264,313, \$207,198, and \$207,003, respectively; 84.98 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

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There were no contributions to the DC and Combined Plans for fiscal year 2011 by the School District for the personnel provided to the Academy or made by the plan members.

***G. Postemployment Benefits Other Than Pension***

*State Teachers Retirement System*

***Plan Description*** The School District contributes to the cost-sharing, multiple-employer defined benefit Health Plan administered by STRS Ohio for eligible, certificated retirees and their beneficiaries who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. Benefit provisions and the obligations to contribute are established by STRS Ohio based on authority granted by State statute. The Plan is included in the financial report of STRS Ohio. Interested parties can view the most recent Comprehensive Annual Financial Report by visiting [www.strsoh.org](http://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 fiscal year 2011, 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, 2011, 2010 and 2009 were \$20,332, \$15,938 and \$15,923, respectively; 84.98 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

*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](http://www.ohsers.org), under Employers/Audit Resources.

**Akron City School District**  
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**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 2011, 1.43 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 2011, this amount was \$35,800.

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

The School District's contributions for health care for the personnel provided to the Academy for the fiscal years ended June 30, 2011, 2010 and 2009 were \$35,386, \$23,980 and \$48,677, respectively; 100 percent has been contributed for fiscal years 2011, 2010 and 2009.

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 2011, the actuarially required allocation was 0.76 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, 2011, 2010 and 2009 were \$7,559, \$6,207 and \$5,297, respectively; 100 percent has been contributed for fiscal years 2011, 2010 and 2009.

**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, 2011:

Fiscal Year Ending June 30,	Principal Payment
<u>2012</u>	<u>\$2,775</u>

**Akron City School District**  
*Notes to the Basic Financial Statements*  
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***I. Operating Leases***

The Academy leases facilities space, copiers and a postage meter under noncancelable operating leases. Total costs for such leases were \$300,654 for the fiscal year ended June 30, 2011. The future minimum lease payments for these leases are as follows:

	Fiscal Year Ending June 30,	Amount
	2012	\$280,084
	2013	269,444
	2014	73,767
	2015	69,120
Total		<u>\$692,415</u>

***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, 2011.

***K. Enrollment FTE***

The Ohio Department of Education conducts reviews of enrollment and full-time equivalency (FTE) calculations made by all schools in Ohio. These reviews are conducted to ensure schools are reporting accurate student enrollment data to the State, upon which State foundation funding is calculated. The conclusions of this review could result in State funding being adjusted. For fiscal year 2011, this review resulted in a reduction of \$123,579. This amount is reflected as deferred revenue on the statement of net assets and the Academy's future foundation settlements will be reduced.

***L. 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.

***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](mailto:tadkins@akron.k12.oh.us).

AKRON CITY SCHOOL DISTRICT  
SUMMIT COUNTY

FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2011

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	GRANT YEAR	RECEIPTS	EXPENDITURES
<b>U.S. DEPARTMENT OF EDUCATION (Direct)</b>				
Impact Aid - Maintenance/Operations	84.041	2011	\$46,949	\$46,949
<b>Student Financial Assistance Cluster:</b>				
Federal Pell Grant Program	84.063	2011	171,689	171,494
Federal Family Education Loan	84.032	2011	<u>228,343</u>	<u>228,282</u>
<b>Total Student Financial Assistance Cluster</b>			400,032	399,776
Fund for the Improvement of Education STEM Federal Earmark for NIHF School	84.215	2009	144,392	21,393
<b>U.S. DEPARTMENT OF EDUCATION (Pass-through Ohio Department of Education)</b>				
ARRA State Fiscal Stabilization Fund (SFSF) - Race-to the-Top Incentive Grants, Recovery Act	84.395	2011	147,625	306,077
ARRA State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394	2011	11,981,266	11,981,266
Adult Education - Basic Grants to State	84.002	2009		4,196
<b>Special Education Cluster:</b>				
Special Education - Grants to State	84.027	2011	5,585,264	5,827,638
	84.027	2010	<u>577,314</u>	<u>319,894</u>
<b>Total Special Education-Grants to State</b>			6,162,578	6,147,532
ARRA Special Education - IDEA, Part B	84.391	2011	3,455,840	3,852,582
	84.391	2010	<u>647,262</u>	<u>356,894</u>
<b>Total ARRA Special Education-IDEA,Part B</b>			4,103,102	4,209,476
Special Education - Preschool Grants	84.173	2011	132,430	145,267
	84.173	2010	<u>10,166</u>	<u>846</u>
<b>Total Special Education - Preschool Grants</b>			142,596	146,113
ARRA Special Education - Preschool Grants, Recovery Act	84.392	2011	106,196	120,523
	84.392	2010	<u>13,244</u>	<u>3,235</u>
<b>Total IDEA Part B - Preschool Stimulus</b>			<u>119,440</u>	<u>123,758</u>
<b>Total Special Education Cluster</b>			10,527,716	10,626,879
<b>Education Technology Cluster:</b>				
Education Technology State Grants	84.318	2011	24,763	42,746
	84.318	2011	53,556	57,861
	84.318	2010	20,017	14,211
	84.318	2010	<u>5,085</u>	<u></u>
<b>Total Education Technology State Grants</b>			103,421	114,818
ARRA Education Tech. Stimulus	84.318	2011	<u>731,674</u>	<u>804,672</u>
<b>Total Education Technology Cluster</b>			835,095	919,490

AKRON CITY SCHOOL DISTRICT  
SUMMIT COUNTY

FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2011

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	GRANT YEAR	RECEIPTS	EXPENDITURES
Career and Technical Education-Basic Grants to State	84.048	2011	669,403	774,435
	84.048	2010	219,125	56,541
	84.048	2010	297	
<b>Total Career and Technical Education-Basic Grants to State</b>			<b>888,825</b>	<b>830,976</b>
<b>Title I Cluster:</b>				
Title I -Grants to Local Educational Agencies	84.010	2011	14,716,276	13,469,789
Delinquent	84.010	2011	130,467	128,258
	84.010	2010	1,220,780	1,300,818
Delinquent	84.010	2010	52	
<b>Total Title I-Grants to Local Educational Agencies</b>			<b>16,067,575</b>	<b>14,898,865</b>
Title I School Improvement	84.010	2011	630,549	632,265
	84.010	2010	68,732	84,937
<b>Total Title I School Improvement</b>			<b>699,281</b>	<b>717,202</b>
ARRA Title I Part A Stimulus	84.389	2011	5,402,026	7,269,011
ARRA Title I Delinquent Stimulus	84.389	2011	15,646	15,647
ARRA Title I Part A Stimulus	84.389	2010	1,211,929	577,061
ARRA Title I Delinquent Stimulus	84.389	2010	6,629	
<b>Total ARRA Title I</b>			<b>6,636,230</b>	<b>7,861,719</b>
<b>Total Title I Cluster</b>			<b>23,403,086</b>	<b>23,477,786</b>
Safe and Drug-Free Schools and Communities	84.186	2010	28,217	13,389
<b>Education for Homeless Children Cluster:</b>				
Education for Homeless Children and Youth	84.196	2011	158,204	169,576
	84.196	2010	3,103	
<b>Total Education for Homeless Children and Youth</b>			<b>161,307</b>	<b>169,576</b>
ARRA Education for Homeless Children	84.387	2011	41,234	45,404
	84.387	2010	37,544	456
<b>Total ARRA Education for Homeless Children</b>			<b>78,778</b>	<b>45,860</b>
<b>Total Education for Homeless Children Cluster</b>			<b>240,085</b>	<b>215,436</b>
Twenty-First Century Community Learning Centers	84.287	2011	1,262,888	1,350,000
	84.287	2010	125,130	
<b>Total Twenty-First Century Community Learning Centers</b>			<b>1,388,018</b>	<b>1,350,000</b>
<b>English Language Acquisition Cluster:</b>				
Title III LEP - English Language Acquisition	84.365	2011	120,369	129,846
	84.365	2010	14,561	275
<b>Total Title III LEP - English Language Acquisition</b>			<b>134,930</b>	<b>130,121</b>
Title III Immigrant - English Language Acquisition	84.365	2011	11,598	13,735
	84.365	2010	2,471	
<b>Total Title III Immigrant - English Language Acquisition</b>			<b>14,069</b>	<b>13,735</b>
<b>Total English Language Acquisition Cluster</b>			<b>148,999</b>	<b>143,856</b>

AKRON CITY SCHOOL DISTRICT  
SUMMIT COUNTY

FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2011

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	GRANT YEAR	RECEIPTS	EXPENDITURES
Improving Teacher Quality State Grants	84.367	2011	2,850,388	3,046,215
	84.367	2010	<u>508,460</u>	<u>312,046</u>
<b>Total Improving Teacher Quality State Grants</b>			<u>3,358,848</u>	<u>3,358,261</u>
<b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>			52,947,780	53,227,612
<b>ENVIRONMENTAL PROTECTION AGENCY</b>				
<b>(Passed through the Office of Air &amp; Radiation)</b>				
State Clean Diesel Grant Program	66.040	2010		
	66.040	2011	<u>207,085</u>	<u>207,085</u>
<b>Total State Clean Diesel Grant Program</b>			207,085	207,085
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>				
<b>(Passed through Summit County Department of Job and Family Services)</b>				
ARRA – Temporary Assistance for Needy Families (TANF) Supplemental Grants	93.716	2010	209,765	209,766
Temporary Assistance for Needy Families - Supplemental Grants	93.558	2010	<u>151,285</u>	<u>124,511</u>
<b>Total Temporary Assistance for Needy Families (TANF)</b>			361,050	334,277
Refugee and Entrant Assistance-Discretionary Grants	93.576	2011	29,053	67,585
	93.576	2010	18,000	
	93.576	2010	<u>571</u>	
<b>Total Refugee and Entrant Assistance-Discretionary Grants</b>			47,624	67,585
<b>(Pass through the Ohio Dept. of Developmental Disabilities)</b>				
Medical Assistance Program (CAFS)	93.778	NOT APPLICABLE	<u>1,146,464</u>	
<b>TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			1,555,138	401,862
<b>U.S. DEPARTMENT OF AGRICULTURE</b>				
<b>(Passed through the Ohio Department of Education)</b>				
<b>Child Nutrition Cluster:</b>				
<b>Non-Cash Assistance (Food Distribution):</b>				
National School Lunch Program/Commodities	10.555	2011	697,240	696,680
School Breakfast Program/Commodities	10.553	2011	<u>55,907</u>	<u>55,907</u>
<b>Total Non-Cash Assistance (Food Distribution)</b>			753,147	752,587
School Breakfast Program	10.553	2011	1,857,296	1,857,296
National School Lunch Program	10.555	2011	5,949,036	5,949,037
Summer Food Program	10.559	2011	<u>69,429</u>	<u>69,430</u>
<b>Total Child Nutrition Cluster</b>			8,628,908	8,628,350
ODE/Office for Safety/Health/Nutrition/Resnik	10.554	2010		<u>147</u>
<b>TOTAL U.S. DEPARTMENT OF AGRICULTURE</b>			8,628,908	8,628,497

AKRON CITY SCHOOL DISTRICT  
SUMMIT COUNTY

FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2011

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	GRANT YEAR	RECEIPTS	EXPENDITURES
<b>U.S. DEPARTMENT OF DEFENSE</b>				
(Direct)				
Air Force R.O.T.C. Grant	12.xxx	N/A	41,422	41,423
Army R.O.T.C. Grant	12.xxx	N/A	70,673	70,674
Marines R.O.T.C. Grant	12.xxx	N/A	56,296	56,296
Navy R.O.T.C. Grant	12.xxx	N/A	51,446	51,446
<b>Total R.O.T.C. Grants</b>			219,837	219,839
<b>TOTAL U.S. DEPARTMENT OF DEFENSE</b>			219,837	219,839
<b>TOTAL FEDERAL ASSISTANCE</b>			<u>\$64,150,121</u>	<u>\$63,153,013</u>

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

**AKRON CITY SCHOOL DISTRICT  
SUMMIT COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FISCAL YEAR ENDED JUNE 30, 2011**

**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 2011 were \$1,146,464. The amount relates to settlements for CAFS services provided during prior years.

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# Dave Yost • 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, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 7, 2012. We noted governmental fund balances were restated due to changes in fund structure as a result of implementing Government Accounting Standards Board (GASB) Statement 54. 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 the purpose of expressing our opinions on the financial statements, but not for the purpose of opining 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 *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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.

### **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 instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2011-01 and 2011-02.

We also noted certain matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated March 7, 2012.

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the District's responses and, accordingly, we express no opinion on them.

We intend this report solely for the information and use of management, Board of Education, federal awarding agencies and pass-through entities and others within the District. We intend it for no one other than these specified parties.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "Y" and "O".

**Dave Yost**  
Auditor of State

March 7, 2012



# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY 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 could directly and materially affect each of Akron City School District's major federal programs for the year ended June 30, 2011. 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 \$1,585,760 in federal expenditures which is not included in the District's Federal Awards Receipts and Expenditures Schedule for the year ended June 30, 2011. 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.

Our compliance audit followed auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the 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 these 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 these requirements.

In our opinion, the Akron City School District complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2011.

### 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, to determine our auditing procedures for the purpose of opining on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

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 over compliance that might be deficiencies, 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.

We noted a certain matter not requiring inclusion in this report that we reported to the District's management in a separate letter dated March 7, 2012.

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



**Dave Yost**  
Auditor of State

March 7, 2012

**AKRON CITY SCHOOL DISTRICT  
SUMMIT COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2011**

<b>1. SUMMARY OF AUDITOR'S RESULTS</b>
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<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unqualified
<b>(d)(1)(ii)</b>	<b>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weaknesses reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510(a)?</b>	No
<b>d)(1)(vii)</b>	<b>Major Programs (list):</b>	<p>Title I Cluster:  Title I Grants to Local Educational Agencies: CFDA# 84.010  ARRA Title I Part A Stimulus: CFDA# 84.389</p> <p>Special Education Cluster:  Special Education - Grants to State: CFDA 84.027  ARRA Special Education - IDEA, Part B: CFDA# 84.391  Special Education - Preschool Grants: CFDA# 84.173  ARRA Special Education - Preschool Grants, Recovery Act CFDA# 84.392</p> <p>ARRA State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act: CFDA# 84.394</p>

**1. SUMMARY OF AUDITOR'S RESULTS (continued)**

<b>(d)(1)(vii)</b>	<b>Major Programs (list): (continued)</b>	Improving Teacher Quality State Grants: CFDA# 84.367 Education for Homeless Children Cluster: Education for Homeless Children and Youth: CDFA# 84.196 ARRA Education for Homeless Children: CFDA# 84.387
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$1,894,590 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	Yes

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

**Appropriations Exceeding Actual Resources**

<i>Finding Number</i>	2011-01
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NONCOMPLIANCE

**Ohio Rev. Code Section 5705.36(A)(4)** states, "Upon a determination by the fiscal officer of a subdivision that the revenue to be collected by the subdivision will be less than the amount included in an official certificate and that the amount of the deficiency will reduce available resources below the level of current appropriations, the fiscal officer shall certify the amount of the deficiency to the (budget)commission, and the (budget) commission shall certify an amended certificate reflecting the deficiency."

**Additionally, Auditor of State Bulletin 99-004** provides guidance for accounting for School Facilities Commission Grants/Loans. This bulletin states that once the grant or loan has been approved by the State, the treasurer should obtain an amended official certificate of estimated resources for all or part of the grant or loan, based on what is to be received in the current fiscal year. Any money expected to be received in the next year should be reflected on the next year's certificate. This bulletin further states that if the grant or loan will be expended over a period longer than the current fiscal year, only the amount estimated to be obligated during the current fiscal year should be recorded as appropriated. The remainder of the project should be appropriated in the subsequent year(s).

The entire School Facilities project was appropriated; however, it is a multiyear project.

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

**Appropriations Exceeding Actual Resources (continued)**

<i>Finding Number</i>	2011-01
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NONCOMPLIANCE

As of June 30, 2011, we noted the following fund had appropriations that exceeded actual resources:

Fund	Actual Resources	Appropriations	Variance
Classroom Facilities	\$39,909,133	\$157,254,299	(\$117,345,166)

We noted expenditures did not exceed actual resources or appropriations in this fund.

The Treasurer should frequently compare actual revenues to estimated resources and obtain a reduced amended certificate if necessary. Additionally, the current level of appropriations should be reduced accordingly to prevent appropriating funds that exceed actual resources.

**Official's Response:** It is impractical to only budget for one year on our multi-year OSFC project. I realize that the belief is that by only budgeting for one year at a time the District reduces the risk of not having the resources to cover its' obligations. This is not true. In either situation (one year budget or multi-year) we would be encumbering the same amount of money. Our contractors would not begin work without it. We do not encumber until work is eminent. If we were to budget one year at a time it would take considerable more time and effort to correctly track the appropriations correctly.

**Certifying Fund Availability Prior in Incurring Obligation**

<i>Finding Number</i>	2011-02
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NONCOMPLIANCE

**Ohio Rev. Code Section 5705.41(D)** requires that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the subdivision's fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

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

**Certifying Fund Availability Prior in Incurring Obligation (continued)**

<i>Finding Number</i>	2011-02
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1. **“Then and Now” Certificate** – If the fiscal officer can certify that both at the time that the contract or order was made (“then”), and at the time that the fiscal officer is completing the certification (“now”), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the District can authorize the drawing of a warrant for the payment of the amount due. The District has thirty days from the receipt of the “then and now” certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the “then and now” certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the District.

2. **Blanket Certificate** – Fiscal officers may prepare “blanket” certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. **Super Blanket Certificate** – The District may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

During fiscal year 2011, 8 of 25 or 32% of the expenditures tested were not certified by the Treasurer prior to incurring the obligation. It was also found that none of the exceptions above were utilized for the items found to be in noncompliance. The District should certify the availability of funds for expenditure and also implement the use of Then and Now Certificates as further means to certify funds pursuant to Ohio Rev. Code Section 5705.41(D).

**Official’s Response:** We will work at doing better with our purchase orders.

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

None

AKRON CITY SCHOOL DISTRICT  
SUMMIT COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS  
JUNE 30, 2011

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Fully Corrected?</b>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2010-01	Ohio Rev. Code Section 5705.36(A)(4) – appropriations exceeding actual resources in two funds.	No	Partially Corrected. Similar comment repeated as finding 2011-01.

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

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

We noted the District did not amend its anti-harassment policy to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

Ohio Rev. Code Section 3313.666 required the District to amend its definition by September 28, 2010.

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 management and the Board of Education and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Dave Yost".

**Dave Yost**  
Auditor of State

March 7, 2012

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# Dave Yost • 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 29, 2012