



Dave Yost • Auditor of State

**AKRON CITY SCHOOL DISTRICT
SUMMIT COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Government-wide Financial Statements	
Statement of Net Assets	13
Statement of Activities.....	14
Fund Financial Statements	
Balance Sheet – Governmental Funds	15
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities	16
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	17
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	18
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual – General Fund	19
Statement of Fund Net Assets – Proprietary Fund	20
Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Fund.....	21
Statement of Cash Flows – Proprietary Fund	22
Statement of Fiduciary Net Assets – Fiduciary Funds	23
Statement of Changes in Fiduciary Net Assets - Private Purpose Trust Fund	24
Notes to the Basic Financial Statements	25
Federal Awards Receipts and Expenditures Schedule.....	63
Notes to the Federal Awards Receipts and Expenditures Schedule	66
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required By <i>Government Auditing Standards</i>	67

**AKRON CITY SCHOOL DISTRICT
SUMMIT COUNTY**

TABLE OF CONTENTS (Continued)

TITLE	PAGE
Independent Accountants' Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance Required by OMB Circular A-133	69
Schedule of Findings.....	73
Schedule of Prior Audit Findings.....	80
Corrective Action Plan.....	81
Independent Accountants' Report on Applying Agreed-Upon Procedures.....	83



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, 2012, 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, 2012, and the respective changes in financial position and where applicable, cash flows, thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 25, 2013, 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 25, 2013

Akron City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
Unaudited

The discussion and analysis of the Akron City School District's (the "School District") financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2012. 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, 2012 are as follows:

- Total net assets increased \$23.4 million. This is a 7.4 percent increase from fiscal year 2011.
- Total revenues increased to \$383.7 million from \$367.1 million. This is an increase of \$16.6 million or 4.5 percent.
- Total program expenses were \$360.3 million. Total program expenses decreased from \$384.1 million from fiscal year 2011. This is a decrease of \$23.8 million or 6.2 percent.
- The fund balance in the general fund decreased \$14.4 million. This is a 56.8 percent decrease from fiscal year 2011.

Using this Annual Report

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

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

Akron City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
Unaudited

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

While the basic financial statements contain the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, “How did we do financially during fiscal year 2012?” 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 2012 compared to fiscal year 2011 as follows:

Akron City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
Unaudited

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

	Governmental Activities	
	2012	2011
Assets		
Current and Other Assets	\$361.3	\$341.0
Capital Assets, Net	238.7	225.1
<i>Total Assets</i>	<u>600.0</u>	<u>566.1</u>
Liabilities		
Current and Other Liabilities	231.1	224.4
Long-Term Liabilities		
Due Within One Year	1.7	1.6
Due in More than One Year	29.1	25.4
<i>Total Liabilities</i>	<u>261.9</u>	<u>251.4</u>
Net Assets		
Invested in Capital Assets	238.7	225.1
Restricted:		
Capital Projects	87.0	56.1
Other Purposes	3.7	3.9
Unrestricted	8.7	29.6
<i>Total Net Assets</i>	<u>\$338.1</u>	<u>\$314.7</u>

Total assets increased \$33.9 million.

Intergovernmental receivable increased \$20.4 million. The increase 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 \$20.3 million as of June 30, 2011. As of June 30, 2012, the amount appropriated by OSFC and not remitted to the School District was \$42.5 million. This is a difference of \$22.2 million.

In addition, capital assets increased \$13.6 million. The increase in capital assets is mainly due to the School District completing the construction of 2 community learning centers, completing the construction of an addition to an existing community learning center and the construction in progress of 7 community learning centers related to the OSFC construction project in fiscal year 2012. The change in capital assets will be discussed in greater detail later.

Total liabilities increased \$10.5 million.

Akron City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
Unaudited

Due to City of Akron increased \$9.9 million. The amount of this liability was determined by reducing the \$232.8 million received in local funds from the City as of June 30, 2012 by the amount of capital expenses made by the School District using these local funds since the inception of this project. The School District has made a total of \$198.6 million in capital expenses using these local funds received from the City as of June 30, 2012. Therefore, the balance of due to City of Akron was \$34.2 million as of June 30, 2012. As of June 30, 2011, the School District had received \$199.9 million in local funds from the City and expensed \$175.6 million in capital expenses using these local funds, resulting in a balance of \$24.3 million for due to City of Akron 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 net impact of the assets increase and the liabilities increase was an increase of net assets of \$23.4 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 2012 and 2011 for governmental activities as follows:

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

	2012	2011
Revenues		
<i>Program Revenues:</i>		
Charges for Services and Sales	\$11.3	\$12.7
Operating Grants, Contributions and Interest	54.3	68.7
Capital Grants and Contributions	38.7	1.2
<i>Total Program Revenues</i>	104.3	82.6
<i>General Revenues:</i>		
Property Taxes	98.7	106.5
Grants and Entitlements	177.7	174.9
Investment Earnings	0.2	0.3
JEDD	0.0	0.5
Miscellaneous	2.8	2.3
<i>Total General Revenues</i>	279.4	284.5
Total Revenues	383.7	367.1

Akron City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
Unaudited

	2012	2011
Program Expenses		
Instruction	215.1	218.2
Support Services:		
Pupil and Instructional Staff	44.2	49.7
Board of Education, Administration, Fiscal and Business	29.2	29.2
Operation and Maintenance of Plant	31.3	47.9
Pupil Transportation	12.7	12.0
Central	9.8	9.5
Operation of Non-Instructional Services	3.6	3.8
Extracurricular Activities	3.6	3.5
Food Service Operations	10.8	10.3
Total Program Expenses	360.3	384.1
Increase (Decrease) in Net Assets	\$23.4	(\$17.0)

While program revenues increased for governmental activities from \$82.6 million to \$104.3 million, the vast majority of revenues supporting governmental activities are general revenues. General revenues decreased from \$284.5 million in fiscal year 2011 to \$279.4 million in fiscal year 2012. General revenues comprised 72.8 percent of revenues supporting governmental activities. The primary source of the decrease in general revenues was a decrease in property taxes revenue in the amount of \$7.8 million. A decrease in property taxes revenue in the general fund totaling \$7.6 million accounted for the majority of the decrease in property taxes revenue.

The general fund property taxes revenue decrease is partly a result of a reduction in real estate property values in Summit County. Also, the general fund property taxes revenue decrease occurred due to a decrease in the amount of property taxes available as an advance at June 30, 2012 from the amount of property taxes available as an advance at June 30, 2011. The amount of property taxes available as an advance at June 30, 2012 were levied to finance current fiscal year operations and are reported as revenue at fiscal year end instead of deferred revenue.

The primary source of the increase in program revenue was an increase in capital grants and contributions revenue amounting to \$37.5 million. This increase is due to the OSFC receivable, as previously discussed, and because the School District received more OSFC funds in fiscal year 2012 than received in fiscal year 2011.

The increase in capital grants and contributions revenue was offset by a decrease in operating grants, contributions and interest revenue in the amount of \$14.4 million. This decrease is mostly attributed to the end of the State Fiscal Stabilization funds. The School District received \$12.0 million in State Fiscal Stabilization funds in fiscal year 2011 which was the last fiscal year for these funds.

Akron City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
Unaudited

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 35.3 percent of total general revenues for governmental activities for the School District in fiscal year 2012.

Program expenses decreased from \$384.1 million in fiscal year 2011 to \$360.3 million, a 6.2 percent decrease. Program expenses decreased mainly because expenses decreased in the classroom facilities capital project fund. The School District spent less on the OSFC construction project in fiscal year 2012 than in fiscal year 2011. OSFC construction project expenses were classified as operation and maintenance of plant expenses, which had a \$16.6 million decrease. For further information on the OSFC construction project, see Note 19 of the notes to the basic financial statements.

While expense decreases were consistent with budget expectations, the decrease in property taxes revenue, the increase in capital grants and contributions revenue and the decrease in operating grants, contributions and interest revenue resulted in a rise of net assets of \$23.4 million.

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

Table 3
(In Millions)

	<u>2012</u>		<u>2011</u>	
	<u>Total Cost of Service</u>	<u>Net Cost of Service</u>	<u>Total Cost of Service</u>	<u>Net Cost of Service</u>
Program Expenses				
Instruction	\$215.1	\$190.9	\$218.2	\$175.6
Support Services:				
Pupil and Instructional Staff	44.2	30.9	49.7	31.6
Board of Education, Administration, Fiscal and Business	29.2	19.4	29.2	26.2
Operation and Maintenance of Plant	31.3	(7.5)	47.9	46.2
Pupil Transportation	12.7	12.2	12.0	11.4
Central	9.8	7.4	9.5	7.3
Operation of Non-Instructional Services	3.6	0.1	3.8	0.2
Extracurricular Activities	3.6	2.4	3.5	2.8
Food Service Operations	10.8	0.2	10.3	0.2
Total	<u>\$360.3</u>	<u>\$256.0</u>	<u>\$384.1</u>	<u>\$301.5</u>

The dependence upon general revenues for governmental activities is apparent. Over 71.0 percent of governmental activities are supported through taxes and other general revenues; such revenues are 72.8 percent of total governmental revenues. The community, as a whole, is by far the primary support for the School District students.

Akron City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
Unaudited

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 \$379.6 million and expenditures of \$381.5 million. The net change in fund balances for the fiscal year was a decrease of \$2.0 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 2012 was a decrease of \$14.4 million. Revenues in the general fund decreased \$4.6 million or 1.6 percent from fiscal year 2011 to fiscal year 2012. This is mostly due to a decrease in taxes revenue. As previously discussed, taxes revenue decreased because of a reduction in real estate property values in Summit County and because of a decrease in the amount of property taxes available as an advance at June 30, 2012.

The classroom facilities capital projects fund's net change in fund balance for fiscal year 2012 was an increase of \$7.7 million. Revenues in the classroom facilities capital projects fund increased \$3.9 million or 14.8 percent. This increase is due to an increase in intergovernmental revenue. The increase in intergovernmental revenue can be attributed to School District receiving more OSFC funds in fiscal year 2012 than received in fiscal year 2011, as previously discussed.

Plus, expenditures in the classroom facilities capital projects fund decreased \$2.5 million or 10.0 percent. This decrease is simply because the School District spent less on the OSFC construction project in fiscal year 2012 than in fiscal year 2011, as previously discussed.

The permanent improvement capital projects fund's net change in fund balance for fiscal year 2012 was a decrease of \$0.2 million. Revenues in the permanent improvement capital projects fund decreased \$0.3 million or 8.8 percent from fiscal year 2011 to fiscal year 2012. These revenues decreased because of a reduction in real estate property values in Summit County and because of a decrease in the amount of property taxes available as an advance at June 30, 2012, as previously discussed.

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 2012, 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 \$293.2 million, \$10.0 million more than actual revenues.

The School District's ending unobligated cash balance was \$10.4 million above the final budgeted amount. This is attributed to the School District spending \$5.3 million less in expenditures than what was budgeted. The \$5.3 million variance in expenditures was mostly the result of the School District spending \$6.5 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, 2012
Unaudited

Capital Assets

At the end of fiscal year 2012, the School District had \$238.7 million invested in capital assets. Table 4 shows fiscal year 2012 balances compared to fiscal year 2011 as follows:

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

	Governmental Activities	
	2012	2011
Land	\$6.5	\$6.5
Construction In Progress	26.5	23.4
Land Improvements	0.1	0.1
Buildings and Improvements	193.3	181.9
Furniture and Equipment	9.8	10.4
Vehicles	2.5	2.8
Totals	\$238.7	\$225.1

Capital assets increased \$13.6 million from fiscal year 2011 to fiscal year 2012. The increase is due to buildings and improvements increasing by \$11.4 million and construction in progress increasing by \$3.1 million. Building and improvements increased because the construction of 2 new community learning centers and an addition to an existing community learning center was completed during the current fiscal year. Included in the completion of community learning centers during fiscal year 2012 was the Hyre Community Learning Center, a middle school building, which incurred significant construction costs amounting to \$11.1 million. Construction in progress increased because the School District is in the process of constructing and/or renovating 7 community learning centers. For further information on capital assets, see Note 9 of the notes to the basic financial statements.

As of June 30, 2012, the School District had contractual commitments for construction projects with contractors in the amount of \$45.4 million. For further information, see Note 18 of the notes to the basic financial statements.

For the Future

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

Fortunately, on November 6, 2012, the School District passed an additional tax for the purpose of current expenses at a rate not exceeding 7.9 mills for each one dollar of valuation, for a continuing period of time, commencing in 2013, first due in the second half of calendar year 2013 which is fiscal year 2014. This additional general tax levy will generate \$19,280,651 annually during the life of the levy for current expenses.

However, 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 2012. If this trend continues, the future looks bleak.

Akron City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
Unaudited

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

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

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

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

Contacting the School District's Management

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

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Akron City School District
Statement of Net Assets
June 30, 2012

	Primary Government	Component Unit
	Governmental Activities	Akron Digital Academy
Assets		
Equity in Pooled Cash and Cash Equivalents	\$90,556,153	\$2,331,658
Cash and Cash Equivalents In Segregated Accounts	24,856,209	0
Investments in Segregated Accounts	13,144,629	0
Accrued Interest Receivable	11,721	0
Accounts Receivable	354,937	0
Intergovernmental Receivable	47,296,400	289,624
Prepaid Items	47,225	23,878
Inventory Held for Resale	339,100	0
Materials and Supplies Inventory	510,529	0
Taxes Receivable	121,189,079	0
Deferred Expense	63,000,000	0
Nondepreciable Capital Assets	33,071,681	0
Depreciable Capital Assets, Net	205,672,350	63,253
<i>Total Assets</i>	<u>600,050,013</u>	<u>2,708,413</u>
Liabilities		
Accounts Payable	7,076,988	2,335
Accrued Wages	18,233,496	33,202
Compensated Absences Payable	3,258,097	0
Deferred Revenue	94,324,715	89,583
Intergovernmental Payable	68,154,549	44,999
Premium Payable	398,654	0
Claims Payable	5,488,736	0
Due to City of Akron	34,162,801	0
Long-Term Liabilities:		
Due Within One Year	1,701,658	0
Due In More Than One Year	29,129,173	0
<i>Total Liabilities</i>	<u>261,928,867</u>	<u>170,119</u>
Net Assets		
Invested in Capital Assets, Net of Related Debt	238,744,031	63,253
Restricted for:		
Capital Projects	87,000,804	0
Debt Service	13,007	0
Other Purposes	3,640,109	260,733
Unrestricted	8,723,195	2,214,308
<i>Total Net Assets</i>	<u>\$338,121,146</u>	<u>\$2,538,294</u>

See accompanying notes to the basic financial statements

Akron City School District
Statement of Activities
For the Fiscal Year Ended June 30, 2012

	Expenses	Program Revenues			Net Revenues (Expenses) and Change in Net Assets	
		Charges for Services and Sales	Operating Grants, Contributions and Interest	Capital Grants and Contributions	Primary	Component
					Governmental Activities	Unit Akron Digital Academy
Governmental Activities						
Instruction:						
Regular	\$155,163,311	\$4,652,570	\$11,394,309	\$0	(\$139,116,432)	\$0
Special	41,144,527	1,187,857	2,991,164	0	(36,965,506)	0
Vocational	11,992,099	116	82,788	0	(11,909,195)	0
Adult/Continuing	749,996	433,897	13,634	0	(184,465)	0
Other	6,063,071	77,404	3,182,625	0	(2,803,042)	0
Support Services:						
Pupil	2,131,221	29,000	2,734,721	0	(18,548,500)	0
Instructional Staff	22,890,592	244,662	10,269,963	0	(12,375,967)	0
Board of Education	102,637	0	0	0	(102,637)	0
Administration	22,823,427	272,919	8,913,544	0	(13,636,964)	0
Fiscal	3,701,197	123	413,641	0	(3,287,433)	0
Business	2,594,043	218,803	16,575	0	(2,358,665)	0
Operation and Maintenance of Plant	31,277,299	71,622	22,814	38,705,763	7,522,900	0
Pupil Transportation	12,706,962	2,10,542	281,320	0	(12,215,100)	0
Central	9,848,496	1,833,315	633,010	0	(7,382,171)	0
Operation of Non-Instructional Services	3,556,588	65,366	3,439,218	0	(52,004)	0
Extracurricular Activities	3,554,065	1,126,287	47,083	0	(2,380,695)	0
Food Service Operations	10,817,535	890,758	9,699,025	0	(227,752)	0
Total - Primary Government	<u>\$360,298,066</u>	<u>\$11,315,241</u>	<u>\$54,253,434</u>	<u>\$38,705,763</u>	<u>(256,023,628)</u>	<u>0</u>
Component Unit						
Akron Digital Academy	<u>\$4,839,838</u>	<u>\$0</u>	<u>\$1,138,533</u>	<u>\$0</u>	<u>0</u>	<u>(3,701,305)</u>
General Revenues						
Property Taxes Levied for:						
					95,356,375	0
					3,343,055	0
					177,731,094	3,781,650
					202,497	6,737
					<u>2,788,347</u>	<u>32</u>
Total General Revenues					<u>279,421,368</u>	<u>3,788,419</u>
Change in Net Assets					23,397,740	87,114
<i>Net Assets at Beginning of Fiscal Year</i>					<u>314,723,406</u>	<u>2,451,180</u>
<i>Net Assets at End of Fiscal Year</i>					<u>\$338,121,146</u>	<u>\$2,538,294</u>

See accompanying notes to the basic financial statements

Akron City School District
Balance Sheet
Governmental Funds
June 30, 2012

	General	Permanent Improvement Capital Projects	Classroom Facilities Capital Projects	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	\$4,149,354	\$1,357,922	\$38,586,834	\$32,646,812	\$76,740,922
Cash and Cash Equivalents In Segregated Accounts	20,252,320	0	3,558,328	1,045,561	24,856,209
Investments In Segregated Accounts	5,000	0	10,139,118	3,000,511	13,144,629
Taxes Receivable	117,055,863	4,133,216	0	0	121,189,079
Accounts Receivable	56,647	0	0	296,365	353,012
Intergovernmental Receivable	49,182	0	42,495,610	4,751,608	47,296,400
Accrued Interest Receivable	19	0	9,134	2,568	11,721
Interfund Receivable	1,359,485	0	0	0	1,359,485
Prepaid Items	9,809	0	0	37,416	47,225
Materials and Supplies Inventory	101,767	0	0	46,032	147,799
Inventory Held for Resale	0	0	0	339,100	339,100
Deferred Expense	0	63,000,000	0	0	63,000,000
<i>Total Assets</i>	<u>\$143,039,446</u>	<u>\$68,491,138</u>	<u>\$94,789,024</u>	<u>\$42,165,973</u>	<u>\$348,485,581</u>
Liabilities and Fund Balances					
Liabilities					
Accounts Payable	\$380,031	\$3,931	\$5,004,580	\$1,688,446	\$7,076,988
Accrued Wages	16,770,247	0	0	1,463,249	18,233,496
Compensated Absences Payable	2,841,855	0	0	416,242	3,258,097
Interfund Payable	0	0	0	1,359,485	1,359,485
Intergovernmental Payable	4,503,281	63,000,000	0	651,268	68,154,549
Deferred Revenue	107,583,486	3,810,063	42,495,610	1,778,154	155,667,313
Due to City of Akron	0	0	22,702,416	11,460,385	34,162,801
<i>Total Liabilities</i>	<u>132,078,900</u>	<u>66,813,994</u>	<u>70,202,606</u>	<u>18,817,229</u>	<u>287,912,729</u>
Fund Balances					
Nonspendable	126,583	0	0	422,548	549,131
Restricted	0	1,677,144	24,586,418	26,000,351	52,263,913
Committed	111,747	0	0	0	111,747
Assigned	1,812,144	0	0	0	1,812,144
Unassigned	8,910,072	0	0	(3,074,155)	5,835,917
<i>Total Fund Balances</i>	<u>10,960,546</u>	<u>1,677,144</u>	<u>24,586,418</u>	<u>23,348,744</u>	<u>60,572,852</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$143,039,446</u>	<u>\$68,491,138</u>	<u>\$94,789,024</u>	<u>\$42,165,973</u>	<u>\$348,485,581</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, 2012

Total Governmental Fund Balances		\$60,572,852
 <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.		238,744,031
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:		
Grants	44,214,066	
Delinquent Property Taxes	17,083,308	
Tuition and Fees	17,248	
Radio Station Charges for Services	20,822	
Other	<u>7,153</u>	
Total		61,342,597
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.		8,292,497
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
Compensated Absences		<u>(30,830,831)</u>
<i>Net Assets of Governmental Activities</i>		<u><u>\$338,121,146</u></u>

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, 2012

	General	Permanent Improvement Capital Projects	Classroom Facilities Capital Projects	Other Governmental Funds	Total Governmental Funds
Revenues					
Taxes	\$ 94,816,379	\$ 1,860,806	\$ 0	\$ 1,448,705	\$ 98,125,890
Intergovernmental	178,298,080	1,170,414	30,302,410	56,807,477	266,578,381
Interest	117,998	25,245	34,718	30,224	208,185
Tuition and Fees	5,751,500	0	0	30,542	5,782,042
Extracurricular Activities	357,857	0	0	880,541	1,238,398
Rentals	316,318	0	0	0	316,318
Charges for Services	1,888,773	0	0	472,681	2,361,454
Sales	0	0	0	890,758	890,758
Akron Digital Academy	708,624	0	0	0	708,624
Contributions and Donations	419,059	0	0	37,129	456,188
Miscellaneous	1,945,330	0	0	975,624	2,920,954
<i>Total Revenues</i>	<u>284,619,918</u>	<u>3,056,465</u>	<u>30,337,128</u>	<u>6,1573,681</u>	<u>379,587,192</u>
Expenditures					
Current:					
Instruction:					
Regular	140,449,070	0	0	11,374,930	151,824,000
Special	38,062,137	0	0	2,167,702	40,229,839
Vocational	11,472,536	0	0	94,708	11,567,244
Adult/Continuing	716,238	0	0	0	716,238
Other	2,473,352	0	0	3,606,838	6,080,190
Support Services:					
Pupil	18,065,934	0	0	2,794,051	20,859,985
Instructional Staff	11,967,180	0	0	10,900,512	22,867,692
Board of Education	102,187	0	0	0	102,187
Administration	12,386,532	0	0	8,905,943	21,292,475
Fiscal	4,035,136	0	0	392,554	4,427,690
Business	2,690,636	0	0	15,875	2,706,511
Operation and Maintenance of Plant	31,784,427	0	0	160	31,784,587
Pupil Transportation	12,083,856	0	0	317,950	12,401,806
Central	9,082,220	0	0	458,417	9,540,637
Operation of Non-Instructional Services	12,350	0	0	3,495,256	3,507,606
Extracurricular Activities	2,776,203	0	0	763,386	3,539,589
Food Service Operations	0	0	0	10,406,900	10,406,900
Capital Outlay	829,358	3,279,188	22,596,742	965,490	27,670,778
<i>Total Expenditures</i>	<u>298,989,352</u>	<u>3,279,188</u>	<u>22,596,742</u>	<u>56,660,672</u>	<u>381,525,954</u>
<i>Excess (Deficiency) of Revenues Over (Under) Expenditures</i>	<u>(14,369,434)</u>	<u>(222,723)</u>	<u>7,740,386</u>	<u>4,913,009</u>	<u>(1,938,762)</u>
Other Financing Sources (Uses)					
Transfers In	1,796	0	0	0	1,796
Transfers Out	(38,618)	0	0	(1,796)	(40,414)
<i>Total Other Financing Sources (Uses)</i>	<u>(36,822)</u>	<u>0</u>	<u>0</u>	<u>(1,796)</u>	<u>(38,618)</u>
<i>Net Change in Fund Balances</i>	(14,406,256)	(222,723)	7,740,386	4,911,213	(1,977,380)
<i>Fund Balances at Beginning 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>
<i>Fund Balances at End of Fiscal Year</i>	<u>\$ 10,960,546</u>	<u>\$ 1,677,144</u>	<u>\$ 24,586,418</u>	<u>\$ 23,348,744</u>	<u>\$ 60,572,852</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, 2012*

Net Change in Fund Balances - Total Governmental Funds (\$1,977,380)

*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	21,359,599	
Current Year Depreciation	(5,622,239)	
Total		15,737,360

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

(2,066,861)

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

Delinquent Property Taxes	573,539	
Radio Station Charges for Services	17,947	
Tuition and Fees	16,949	
Miscellaneous	7,083	
Total		615,518

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.

17,885,240

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 (3,821,017)

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.

(2,975,120)

Change in Net Assets of Governmental Activities

\$23,397,740

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, 2012

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$98,564,669	\$95,062,712	\$96,820,635	\$1,757,923
Intergovernmental	180,909,560	174,481,927	177,708,490	3,226,563
Interest	121,667	117,344	117,383	39
Tuition and Fees	5,143,174	4,963,986	5,055,607	91,621
Rentals	219,398	211,603	215,516	3,913
Charges for Services	78,203	276,772	272,003	(4,769)
Akron Digital Academy	206,859	199,510	836,870	637,360
Contributions and Donations	323,063	314,160	319,843	5,683
Miscellaneous	2,529,936	2,583,733	1,850,762	(732,971)
<i>Total Revenues</i>	<u>288,096,529</u>	<u>278,211,747</u>	<u>283,197,109</u>	<u>4,985,362</u>
Expenditures				
Current:				
Instruction:				
Regular	145,539,354	146,065,092	139,554,383	6,510,709
Special	32,646,888	32,437,723	37,792,870	(5,355,147)
Vocational	11,107,350	11,108,600	11,498,691	(390,091)
Adult	175,839	175,459	182,348	(6,889)
Other	2,455,390	2,453,590	2,505,506	(51,916)
Support Services:				
Pupils	17,986,547	18,001,778	17,974,856	26,922
Instructional Staff	11,982,322	12,083,569	11,952,956	130,613
Board of Education	140,513	140,513	102,504	38,009
Administration	12,254,316	12,072,114	12,046,027	26,087
Fiscal	3,933,647	4,061,325	4,003,806	57,519
Business	3,161,903	3,125,978	2,753,108	372,870
Operation and Maintenance of Plant	34,539,099	34,325,761	31,731,467	2,594,294
Pupil Transportation	12,085,417	12,124,827	12,130,176	(5,349)
Central	6,792,941	6,532,916	5,462,798	1,070,118
Operations of Non-Instructional Services	9,672	10,411	7,561	2,850
Extracurricular Activities	2,674,095	2,914,570	2,671,521	243,049
Capital Outlay	927,116	925,116	858,988	66,128
<i>Total Expenditures</i>	<u>298,412,409</u>	<u>298,559,342</u>	<u>293,229,566</u>	<u>5,329,776</u>
<i>Excess (Deficiency) of Revenues Over (Under) Expenditures</i>	<u>(10,315,880)</u>	<u>(20,347,595)</u>	<u>(10,032,457)</u>	<u>10,315,138</u>
Other Financing Sources (Uses)				
Transfers In	32,047	32,047	37,723	5,676
Transfers Out	(123,500)	(123,500)	(75,648)	47,852
<i>Total Other Financing Sources (Uses)</i>	<u>(91,453)</u>	<u>(91,453)</u>	<u>(37,925)</u>	<u>53,528</u>
<i>Net Change in Fund Balance</i>	(10,407,333)	(20,439,048)	(10,070,382)	10,368,666
<i>Fund Balance at Beginning of Fiscal Year</i>	33,381,796	33,381,796	33,381,796	0
Prior Fiscal Year Encumbrances Appropriated	312,871	312,871	312,871	0
<i>Fund Balance at End of Fiscal Year</i>	<u>\$23,287,334</u>	<u>\$13,255,619</u>	<u>\$23,624,285</u>	<u>\$10,368,666</u>

See accompanying notes to the basic financial statements

Akron City School District
Statement of Fund Net Assets
Proprietary Fund
June 30, 2012

	<u>Internal Service Funds</u>
Assets	
Equity in Pooled Cash and Cash	
Equivalents	\$13,815,232
Accounts Receivable	1,925
Materials and Supplies Inventory	<u>362,730</u>
<i>Total Assets</i>	<u>14,179,887</u>
Liabilities	
Premium Payable	398,654
Claims Payable	<u>5,488,736</u>
Total Liabilities	<u>5,887,390</u>
Net Assets	
Unrestricted	<u><u>\$8,292,497</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, 2012*

	Internal Service Funds
Operating Revenues	
Charges for Services	\$46,194,349
Operating Expenses	
Purchased Services	4,283,971
Materials and Supplies	782,568
Claims	44,141,548
Total Operating Expenses	49,208,087
<i>Operating (Loss)</i>	<i>(3,013,738)</i>
Transfers In	38,618
<i>Change in Net Assets</i>	<i>(2,975,120)</i>
<i>Net Assets at Beginning of Fiscal Year</i>	<i>11,267,617</i>
<i>Net Assets at End of Fiscal Year</i>	<i>\$8,292,497</i>

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, 2012

	Internal Service Funds
<i>Increase (Decrease) in Cash and Cash Equivalents</i>	
Cash Flows from Operating Activities	
Cash Received for Interfund Services	\$46,194,255
Cash Payments for Other Expenses	(4,329,659)
Cash Payments for Goods and Services	(848,749)
Cash Payments for Claims	(43,818,956)
<i>Net Cash (Used for) Operating Activities</i>	(2,803,109)
Cash Flows from Noncapital Financing Activities	
Transfer In	38,618
<i>Net (Decrease) in Cash and Cash Equivalents</i>	(2,764,491)
Cash and Cash Equivalents at Beginning of Fiscal Year	16,579,723
Cash and Cash Equivalents at End of Fiscal Year	\$13,815,232
Reconciliation of Operating (Loss) to Net Cash (Used for) Operating Activities	
<i>Operating (Loss)</i>	(\$3,013,738)
Adjustments:	
<i>(Increase) Decrease in Assets:</i>	
Accounts Receivable	(94)
Materials and Supplies Inventory	(66,181)
<i>Increase (Decrease) in Liabilities:</i>	
Accounts Payable	(17,966)
Premium Payable	(27,722)
Claims Payable	322,592
<i>Total Adjustments</i>	210,629
<i>Net Cash (Used for) Operating Activities</i>	(\$2,803,109)

See accompanying notes to the basic financial statements

Akron City School District
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2012

	Private Purpose Trust	
	Scholarship	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	\$60,524	\$157,039
Cash and Cash Equivalents in Segregated Accounts	151,724	0
Investments in Segregated Accounts	96,782	0
Accrued Interest Receivable	38	0
<i>Total Assets</i>	<u>309,068</u>	<u>\$157,039</u>
Liabilities		
Accounts Payable	\$404	\$0
Undistributed Monies	0	40,928
Due to Students	0	116,111
<i>Total Liabilities</i>	<u>404</u>	<u>\$157,039</u>
Net Assets		
Held in Trust for Scholarships	<u>\$308,664</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, 2012

	<u>Scholarship</u>
Additions	
Interest	\$855
Deductions	
Miscellaneous	<u>2,332</u>
<i>Change in Net Assets</i>	(1,477)
<i>Net Assets at Beginning of Fiscal Year</i>	<u>310,141</u>
<i>Net Assets at End of Fiscal Year</i>	<u><u>\$308,664</u></u>

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, 2012

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 964 public school districts and community schools) in terms of enrollment. It is staffed by 779 full-time classified employees, 1,834 full-time certificated personnel, 147 administrative employees, and 2,079 part-time employees who provide services to 22,186 students and other community members. The School District currently operates 52 instructional buildings, nine 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. 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, 2012

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 self-appointed nine-member Board of Directors. The Board consists of a Board President, a Vice President, two members who hold administrative positions with the School District, a public official not employed by the School District, and four other 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.

The Academy is staffed by 79 employees who provide services to 627 students. The services of an additional six individuals were purchased from the School District during fiscal year 2012.

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, 2012

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, 2012

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 Family Education 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
For the Fiscal Year Ended June 30, 2012

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

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

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

D. Basis of Accounting

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

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

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

Akron City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

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, grants, rentals, radio station membership contributions and underwriting, sales 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, 2012, but which were levied to finance fiscal year 2013 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, 2012

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 2012, the general fund advanced monies to several special revenue funds to cover negative cash balances. See Note 15 for additional information.

The School District has segregated bank accounts and investments for monies held separate from the School District's central bank account. These 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 2012, 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 United States Treasury 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 2012 amounted to \$117,998, which includes \$6,513 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, 2012 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 and office supplies held for resale in the central warehouse, and non-food supplies held for consumption in the food service program.

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 supplies in the central warehouse. Inventories are expended/expensed when used.

Akron City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

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, 2012 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.

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.

Akron City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

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, other local grants, State and Federal programs, the Adult School of Practical Nursing 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.

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.

Akron City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

Assigned Resources that are constrained by the School District's intent to be used for 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, 2012

Note 3 – Accountability and Compliance

A. Accountability

The following nonmajor special revenue funds had deficit fund balances on a GAAP basis at June 30, 2012:

<u>Nonmajor Fund</u>	<u>Amount</u>
Special Revenue Funds	
Public School Preschool	\$5,881
High Schools That Work	21,079
Alternative Schools	2,077
Title VI-B - Special Education	128,696
Vocational Education	57,278
Title II-D - Technology	7,435
Title I School Improvement Stimulus A	20,425
Title I	692,632
Preschool Handicapped	2,398
Title II-A - Improving Teacher Quality	76,742
Miscellaneous Federal Grants	244,423

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

Note 4 - Budgetary Basis of Accounting

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

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

Akron City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

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	(\$14,406,256)
Net Adjustment for Revenue Accruals	2,160,624
Net Adjustment for Expenditure Accruals	678,672
Funds Budgeted Elsewhere **	1,573,656
Adjustment for Encumbrances	<u>(77,078)</u>
Budget Basis	<u><u>(\$10,070,382)</u></u>

** As part of GASB Statement No, 54, certain funds that are legally budgeted in separate special revenue funds 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 school of practical nursing fund, the public school support fund and the severance fund.

Note 5 - Deposits and Investments

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

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

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

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

Interim monies may be invested in the following securities:

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

Akron City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

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

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited.

An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

Deposits Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end, the carrying amount of the School District's deposits was \$30,857,159 and the bank balance was \$35,558,977. Of the bank balance, \$13,362,169 was covered by Federal Deposit Insurance Corporation, and \$22,196,808 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.

Akron City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

Investments As of June 30, 2012, the School District had the following investments, which all had maturities of less than 1 year:

	Carrying Value	% to Total
Overnight Repurchase Agreements	\$82,871,621	84.42%
Federal Home Loan Bank Notes	2,499,840	2.55
Federal Home Loan Mortgage Corporation Notes	5,200,154	5.30
Federal National Mortgage Association Notes	1,999,980	2.04
United States Treasury Bills	998,660	1.02
Fifth Third U.S. Treasury Money Market Fund	2,947,039	3.00
First American Treasury Money Market Fund	1,648,607	1.68
 Total Investments	 \$98,165,901	 100.00%

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

The overnight repurchase agreements, Federal Home Loan Bank Notes, Federal Home Loan Mortgage Corporation Notes, Federal National Mortgage Association Notes, and United States Treasury Bills carry a rating of AA+ by Standard and Poor's and Aaa by Moody's Investors Service. The First American Treasury Money Market Fund and the Fifth Third United States Treasury 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.

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

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

Note 6 - Property Taxes

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

Akron City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

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 2012 represents collections of calendar year 2011 taxes. Real property taxes received in calendar year 2012 were levied after April 1, 2011, on the assessed value listed as of January 1, 2011, 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 2012 represents collections of calendar year 2011 taxes. Public utility real and personal property taxes received in calendar year 2012, which became a lien December 31, 2010, were levied after April 1, 2011 and are collected in calendar year 2012 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility 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. The School District did not receive any tangible personal property taxes during calendar year 2012 because they have been phased out.

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, 2012, are available to finance fiscal year 2012 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2012 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, 2012 was \$9,496,778 in the general fund and \$323,153 in the permanent improvement capital projects fund. 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.

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 2012 taxes were collected are:

Akron City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

	2011 Second Half Collections		2012 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$2,671,097,200	96.97%	\$2,353,137,060	96.43%
Public Utility Personal	83,693,840	3.04%	87,451,720	3.58%
Total	\$2,754,791,040	100.00%	\$2,440,588,780	100.00%
 Tax rate per \$1,000 of assessed valuation	 \$71.66		 \$71.66	

Note 7 - Contingencies

A. Grants

The School District received financial assistance from federal and State agencies in the form of grants. The disbursements of funds received under these programs generally require compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, the effect of any disallowed claims on the overall financial position of the School District at June 30, 2012, if applicable, cannot be determined at this time.

B. Litigation

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

Note 8 – Receivables

Receivables at June 30, 2012 consisted of taxes, interest, accounts (student transportation fees, radio station membership contributions and underwriting, telephone reimbursement costs, printing reimbursement costs, rentals, Akron Education Association salaries/fringe benefits reimbursement costs, Early College High School tuition reimbursement costs, reimbursement for an employee attending SERS meetings, workshop registration fees, food service sales, COBRA insurance fees and local grants), interfund and intergovernmental (student transportation fees, printing reimbursement costs, workshop registration fees, 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.

Akron City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

A summary of the items of intergovernmental receivables follows:

<u>Governmental Activities</u>	<u>Amounts</u>
Tuition and Fees	\$365
Printing Services	3,893
Motor Vehicle Tax Fuel Reimbursement Costs	12,953
JROTC	28,146
STEM Hub Workshop Registrations	3,825
Other Local Grants	118,869
Public School Preschool	16,674
High Schools That Work	39,629
Alternative Schools	3,911
Miscellaneous State Grants	2,600
Education Jobs	730,915
Race to the Top	178,054
Title VI-B - Special Education	576,759
Vocational Education	89,562
Title II-D - Technology	105,441
Title I School Improvement Stimulus A	54,705
Title I School Improvement Stimulus G	84,334
Nutrition Education and Training Program	3,533
Title III - Limited English Proficiency	3
Title I	1,021,983
Pre-School Handicapped	768
Title II-A - Improving Teacher Quality	225,187
Miscellaneous Federal Grants	262,428
Food Service	1,236,253
Classroom Facilities	<u>42,495,610</u>
Total Intergovernmental Receivables	<u><u>\$47,296,400</u></u>

Akron City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

Note 9 – Capital Assets

Capital asset activity for the fiscal year ended June 30, 2012, was as follows:

	Balance 6/30/2011	Additions	Deletions	Balance 6/30/2012
Governmental Activities				
<i>Capital Assets, not being depreciated:</i>				
Land	\$6,493,404	\$72,746	\$0	\$6,566,150
Construction In Progress	23,453,153	17,855,989	(14,803,611)	26,505,531
<i>Total Capital Assets, not being depreciated</i>	<u>29,946,557</u>	<u>17,928,735</u>	<u>(14,803,611)</u>	<u>33,071,681</u>
<i>Capital Assets, being depreciated:</i>				
Land Improvements	102,896	0	0	102,896
Buildings and Improvements	237,763,726	16,799,687	(9,474,166)	245,089,247
Furniture and Equipment	38,142,400	1,367,077	(1,767,956)	37,741,521
Vehicles	8,284,396	67,711	(6,550)	8,345,557
<i>Total Capital Assets, being depreciated</i>	<u>284,293,418</u>	<u>18,234,475</u>	<u>(11,248,672)</u>	<u>291,279,221</u>
Less Accumulated Depreciation:				
Land Improvements	(41,589)	(5,145)	0	(46,734)
Buildings and Improvements	(55,885,262)	(3,443,104)	7,531,181	(51,797,185)
Furniture and Equipment	(27,768,507)	(1,773,045)	1,644,264	(27,897,288)
Vehicles	(5,471,085)	(400,945)	6,366	(5,865,664)
Total Accumulated Depreciation	<u>(89,166,443)</u>	<u>(5,622,239)</u> *	<u>9,181,811</u>	<u>(85,606,871)</u>
Total Capital Assets, being depreciated, net	<u>195,126,975</u>	<u>12,612,236</u>	<u>(2,066,861)</u>	<u>205,672,350</u>
Governmental Activities Capital Assets, Net	<u>\$225,073,532</u>	<u>\$30,540,971</u>	<u>(\$16,870,472)</u>	<u>\$238,744,031</u>

Akron City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$932,706
Special	83,579
Vocational	252,727
Adult/Continuing	2,037
Other	17,156
Support Services:	
Pupil	35,181
Instructional Staff	118,252
Board of Education	91
Administration	23,017
Fiscal	20,182
Business	157,248
Operation and Maintenance of Plant	3,190,025
Pupil Transportation	288,641
Central	208,874
Operation of Non-Instructional Services	19,741
Extracurricular Activities	14,377
Food Service Operations	258,405
Total Depreciation Expense	<u><u>\$5,622,239</u></u>

As of June 30, 2012 the District's capital assets include three 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 \$302,022. In addition, there are six other vacant buildings mainly used for storage or have no immediate usage plans with a carrying value of \$978,374.

Note 10 - Risk Management

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2012, 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:

Akron City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

Type of Coverage	Coverage Amount
Commercial Property (\$50,000 deductible)	
Building and Contents	\$795,510,656
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	1,000,000
Employers Liability	1,000,000
Educators Legal Liability (\$25,000 deductible)	
Annual Aggregate	2,000,000
Each Wrongful Act	1,000,000
Employment Practices Liability (\$25,000 deductible)	
Annual Aggregate	3,000,000
Each Wrongful Act	1,000,000
Automobile (\$25,000 deductible)	
Liability	1,000,000
Uninsured Motorists	1,000,000

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

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

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

Fiscal Year	Beginning Balance	Current Fiscal Year Premium/ Claims	Premium/ Claims Payments	Ending Balance
2011	\$1,294,219	\$1,014,634	\$1,356,033	\$952,820
2012	952,820	1,520,860	1,269,490	1,204,190

Akron City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

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 \$4,683,200 reported in the self-insurance internal service fund at June 30, 2012 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
2011	\$5,450,800	\$39,318,793	\$40,129,893	\$4,639,700
2012	4,639,700	43,862,456	43,818,956	4,683,200

Note 11 – Defined Benefit Pension Plans

A. School Employees Retirement System

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

Funding Policy Plan members are required to contribute 10 percent of their annual covered salary, and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District’s contribution is used to fund pension and death benefits with the remainder being used to fund health care benefits and Medicare Part B benefits; for fiscal year 2012, 12.70 percent of annual covered salary was the portion used to fund pension and death benefits. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension and death benefits to SERS for the fiscal years ended June 30, 2012, 2011 and 2010 were \$5,071,187, \$4,892,631 and \$5,165,401, respectively; 74.74 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

Akron City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

B. State Teachers Retirement System

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

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

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

Funding Policy For the fiscal year ended June 30, 2012, 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, 2012, 2011, and 2010 were \$18,571,947, \$19,746,365, and \$19,717,141, respectively; 88.33 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010. Contributions to the DC and Combined Plans for fiscal year 2012 were \$543,003 made by the School District and \$387,860 made by the plan members.

Akron City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

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, 2012, none of the members of the Board of Education have elected Social Security.

Note 12 - Postemployment Benefits Other Than Pension

A. State Teachers Retirement System

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

Funding Policy Ohio law authorizes STRS Ohio to offer the Health Plan and gives the STRS Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for postemployment health care may be deducted from employer contributions. For fiscal year 2012, 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, 2012, 2011 and 2010 were \$1,428,611, \$1,518,951 and \$1,516,703, respectively; 88.33 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

B. School Employees Retirement System

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

Akron City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

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 2012, 0.55 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 2012, 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, 2012, 2011 and 2010 were \$840,860, \$1,210,610 and \$837,843, respectively; 74.74 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

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 2012, the actuarially required allocation was 0.75 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal year ended June 30, 2012, 2011 and 2010 were \$299,480, \$314,852 and \$307,176, respectively; 74.74 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

Note 13 - Other Employee Benefits

A. Compensated Absences

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Employees working 52 weeks per year earn 1 day to 25 days of vacation per year, depending upon length of service. Accumulated, unused vacation time is paid upon termination of employment. Employees working less than 52 weeks per year do not earn vacation. Employees earn sick leave at the rate of one and one-fourth days per month or the equivalent in hours per month. Sick leave may be accumulated up to a maximum of 425 days. Upon retirement, payment is made for one-fourth of the total sick leave accumulation. Employees receive 1) two additional days for each year of perfect attendance commencing July 1, 1976 through June 30, 1981; and 2) one additional day for each year of perfect attendance commencing July 1, 1981.

B. Insurance Benefits

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

Akron City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

Note 14 - Long-Term Obligations

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

Governmental Activities:	Outstanding 6/30/2011	Additions	Reductions	Outstanding 6/30/2012	Amount Due in One Year
Compensated Absences	\$27,009,814	\$6,570,823	(\$2,749,806)	\$30,830,831	\$1,701,658

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

Note 15 – Interfund Transfers and Balances

A. Transfers

Transfers are primarily from the general fund to various funds within the School District. A transfer from the general fund totaling \$38,618 was made to the self-insurance liability reserve internal service fund to replenish the School District's deductible share of this insurance.

In addition, the district-managed activities special revenue fund transferred the unexpended balance of the Class of 2011 at Kenmore High School to the general fund in the amount of \$1,796 due to the termination of the activity.

Transfers made during the fiscal year ended June 30, 2012 were as follows:

Transfers To	Transfers From		
	General Fund	Nonmajor Funds	Total
General Fund	\$0	\$1,796	\$1,796
Internal Service Funds	38,618	0	38,618
Total	\$38,618	\$1,796	\$40,414

B. Balances

The general fund advanced funds to various special revenue funds to cover negative cash balances at the end of fiscal year 2012 as follows:

Akron City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

Advanced To	Nonmajor Funds
High Schools That Work	\$40,052
Education Jobs	730,915
Title VI-B - Special Education	180,077
Vocational Education	62,659
Title II-D - Technology	83,346
Title I School Improvement Stimulus A	4,542
Nutrition Education and Training	1
Miscellaneous Federal Grants	257,893
Total	\$1,359,485

Note 16 – 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 acquisition and construction of capital improvements. The amount 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 amount for capital improvements. Disclosure of this information is required by State statute.

	Capital Improvements Reserve
Set-aside Reserve Balances as of June 30, 2011	\$0
Current Fiscal Year Set-aside Requirements	3,926,263
Qualifying Disbursements	(5,029,401)
Totals	(\$1,103,138)
Set-aside Balances Carried Forward to Future Fiscal Years	\$0

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

Note 17 – 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.

Akron City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

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

Fund Balances	General	Permanent Improvement Capital Projects	Classroom Facilities Capital Projects	Other Governmental Funds	Total
<u>Nonspendable:</u>					
Inventory	\$101,767	\$0	\$0	\$385,132	\$486,899
Prepaid Items	9,809	0	0	37,416	47,225
Unclaimed Funds	15,007	0	0	0	15,007
<i>Total Nonspendable</i>	<u>126,583</u>	<u>0</u>	<u>0</u>	<u>422,548</u>	<u>549,131</u>
<u>Restricted for:</u>					
Permanent Improvements	0	1,677,144	0	0	1,677,144
Scholarships	0	0	0	301,811	301,811
Unemployment Compensation	0	0	0	49,070	49,070
Employer Contributions to SERS	0	0	0	81,090	81,090
General Operations of WAPS-FM	0	0	0	857,677	857,677
Other Local Grants	0	0	0	944,250	944,250
District Managed Activities	0	0	0	421,796	421,796
Auxiliary Services	0	0	0	185,880	185,880
Alternative Schools State Grant	0	0	0	379	379
Miscellaneous State Grants	0	0	0	17,936	17,936
Race to the Top Federal Grant	0	0	0	125,003	125,003
Title VI-B Special Education Federal Grant	0	0	0	186,482	186,482
Vocational Education Federal Grant	0	0	0	5,064	5,064
Title II-D Technology Federal Grant	0	0	0	5,627	5,627
Title I School Improvement Sub G Federal Grant	0	0	0	69,484	69,484
Nutrition Education and Training Program Federal Grant	0	0	0	3,530	3,530
Title III Limited English Proficiency Federal Grant	0	0	0	2,616	2,616
Title I Federal Grant	0	0	0	1,354,193	1,354,193
Title II-A Improving Teacher Quality Federal Grant	0	0	0	10,565	10,565
Miscellaneous Federal Grants	0	0	0	530	530
Food Service	0	0	0	3,688,956	3,688,956
Debt Service	0	0	0	13,007	13,007
Classroom Facilities Construction	0	0	24,586,418	3,788,093	28,374,511
Classroom Facilities Maintenance	0	0	0	13,887,312	13,887,312
<i>Total Restricted</i>	<u>0</u>	<u>1,677,144</u>	<u>24,586,418</u>	<u>26,000,351</u>	<u>52,263,913</u>
<u>Committed to:</u>					
Underground Storage Tanks	11,000	0	0	0	11,000
Superintendent	5,019	0	0	0	5,019
Severance Payments	95,728	0	0	0	95,728
<i>Total Committed</i>	<u>111,747</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>111,747</u>
<u>Assigned to:</u>					
Encumbrances	51,869	0	0	0	51,869
Unemployment Compensation	345,646	0	0	0	345,646
Employer Contributions to SERS	532,825	0	0	0	532,825
Uniform School Supplies	18,648	0	0	0	18,648
Consumer Services from Vocational Education Classes	269,295	0	0	0	269,295
Adult School of Practical Nursing	498,183	0	0	0	498,183
Public School Support	1,356	0	0	0	1,356
Summer School	94,322	0	0	0	94,322
<i>Total Assigned</i>	<u>1,812,144</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,812,144</u>
Unassigned (Deficits)	<u>8,910,072</u>	<u>0</u>	<u>0</u>	<u>(3,074,155)</u>	<u>5,835,917</u>
Total Fund Balances	<u>\$10,960,546</u>	<u>\$1,677,144</u>	<u>\$24,586,418</u>	<u>\$23,348,744</u>	<u>\$60,572,852</u>

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.

Akron City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

The School District's Treasurer authorized the assignment of fund balances to encumbrances, public school support, SERS employer contributions, and unemployment compensation. The School District's Board of Education authorized the assignment of fund balances to 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.

Note 18 – Construction Commitments

The School District has active construction projects as of June 30, 2012. At fiscal year end, the School District's commitments with contractors are as follows:

Project	Spent-to-Date	Remaining Commitment
Barber Community Learning Center Construction	\$9,959,153	\$15,528
Old Betty Jane Elementary School Demolition	466,103	529,742
Old Crosby Elementary School Demolition	23,990	277,033
Old Findley Elementary School Demolition	285,801	25,626
Hatton Community Learning Center Construction	5,076,499	9,211,842
Old Jackson Elementary School Demolition	35,174	322,910
King Community Learning Center Construction	2,879,412	9,715,927
Old King Elementary School Demolition	867,370	77,016
Old Leggett Elementary School Demolition	574,399	20,341
Old Lincoln Elementary School Demolition	9,035	40,707
Old Mason Elementary School Demolition	39,386	559,793
McEbright Community Learning Center Construction	9,708,567	40,796
Portage Path Community Learning Center Construction	9,097,645	15,602
Schumacher Community Learning Center Construction	10,351,746	46,691
Old Schumacher Elementary School Demolition	1,105,597	69,663
Seiberling Community Learning Center Construction	1,705,077	13,022,367
Old Seiberling Elementary School Demolition	429,549	24,967
Old Voris Elementary School Demolition	5,295	43,516
Windemere Community Learning Center Construction	10,009,174	22,596
Riedinger Community Learning Center Construction	2,066,999	10,018
Hyre Community Learning Center Construction	20,182,202	152,954
Old Hyre Middle School Demolition	6,893	24,278
Old Jennings Middle School Demolition	1,206,200	622,761
Old Litchfield Middle School Demolition	0	20,402
Buchtel Community Learning Center Construction	35,107,771	3,748,608
Old Buchtel High School Demolition	108,886	1,205,448
East Community Learning Center Construction	32,441,168	60,776
Firestone Community Learning Center Construction	521,544	3,987,582
Old Firestone High School Demolition	0	81,899

Akron City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

Project	Spent-to-Date	Remaining Commitment
Science, Technology, Engineering & Mathematics		
High School Construction	545,028	1,318,875
Administration Building Parking Lot Resurfacing	0	54,700
Firestone Park Elementary School Parking Lot Resurfacing	0	33,300
	\$154,815,663	\$45,404,264

The commitments involving the construction and demolition 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 Administration Building and Firestone Park Elementary School parking lot resurfacing projects are being financed entirely with property taxes, interest, and homestead/rollback taxes.

Note 19 – Ohio Schools Facilities Commission Construction Project

Voters in the City passed an ordinance in May of 2003 levying a 0.25 percent additional municipal income tax for the purpose of acquiring, constructing, renovating, and adding to interests in land and the School District’s school buildings. This tax will last for 30 years and will raise \$284,208,394 in local funds needed to be eligible for \$408,982,810 of 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, 2012, the School District has received \$232,749,736 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 \$34,162,801 as of June 30, 2012. The amount of this liability was determined by reducing the \$232,749,736 received as of June 30, 2012 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 \$198,586,935 in capital expenditures using these local funds received from the City as of June 30, 2012. 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 \$316,029 and as buildings capital assets in the amount of \$159,189,635 to date as of June 30, 2012. 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 \$26,505,531 as of June 30, 2012.

Akron City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

OSFC has determined that \$42,495,610 is owed to the School District as of June 30, 2012. This represents the amount that OSFC has appropriated but not remitted to the School District as of June 30, 2012 over the entire life of this project. As a result, that amount was recorded as an intergovernmental receivable as of June 30, 2012. 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 20 – Subsequent Event

On November 6, 2012, the School District passed an additional tax for the purpose of current expenses at a rate not exceeding 7.9 mills for each one dollar of valuation, for a continuing period of time, commencing in 2013, first due in the second half of calendar year 2013 which is fiscal year 2014. This additional general tax levy will generate \$19,280,651 annually during the life of the levy for current expenses.

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.

Akron City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

Basis of Accounting

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

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

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

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 2012, the Academy had no investments.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2012 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.

Akron City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

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

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Academy or through external restrictions imposed by creditors, grantors or laws or regulations of governments. Net assets restricted for 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. Revenues received from this program are recognized as general revenue in the accounting period in which all eligibility requirements have been met.

The Academy also 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 II-A Improving Teacher Quality, Title II-D Technology, Race to the Top and Education Jobs. In addition, the Academy participated in the following federal grant programs that were awarded individually outside the Ohio Department of Education's Comprehensive Continuous Improvement Plan: Title IV Safe and Drug-Free Schools Sustainability Grant, Race to the Top Ohio My Voice Initiative and Race to the Top Innovative Advancement Via Individual Determination program. The Academy was awarded a total of \$1,508,819 during the fiscal year ended June 30, 2012 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 2012 fiscal year totaled \$4,920,183.

Estimates

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

B. Deposits and Investments

Deposits Custodial credit risk for deposits is the risk that in the event of bank failure, the Academy will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end, the carrying amount of the Academy's deposits was \$2,331,658 and the bank balance was \$2,398,129. Of the bank balance, \$544,514 was covered by the Federal Deposit Insurance Corporation and \$1,853,615 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.

Akron City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

Investments As of June 30, 2012, the Academy had no investments.

C. Capital Assets

Capital asset activity for the fiscal year June 30, 2012, was as follows:

	Balance 6/30/2011	Additions	Deletions	Balance 6/30/2012
Capital Assets, being depreciated:				
Furniture and Equipment	\$191,611	\$14,993	(\$26,679)	\$179,925
Less Accumulated Depreciation:				
Furniture and Equipment	(108,274)	(31,531)	23,133	(116,672)
Total Capital Assets, being depreciated, net	<u>\$83,337</u>	<u>(\$16,538)</u>	<u>(\$3,546)</u>	<u>\$63,253</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 2012, the Academy contracted for property, inland marine, crime, general liability, educators legal liability, employment practices liability, automobile coverage and excess liability. Coverage provided is as follows:

Type of Coverage	Coverage Amount
Commercial Property (\$1,000 deductible)	
Building and Contents	\$180,000
Commercial Inland Marine (\$1,000 deductible)	400,000
Commercial Crime (\$500 deductible)	210,000
Commercial General Liability (No deductible)	
General Aggregate Limit	3,000,000
Each Occurrence Limit	1,000,000
Employers Liability	1,000,000
Educators Legal Liability (\$2,500 deductible)	
Annual Aggregate	3,000,000
Each Wrongful Act	1,000,000
Employment Practices Liability (\$2,500 deductible)	
Annual Aggregate	3,000,000
Each Wrongful Act	1,000,000
Automobile Liability (No deductible)	1,000,000
Commercial Excess Liability (No deductible)	1,000,000

Settled claims did not exceed commercial coverage in the past fiscal year. The Academy was covered under the School District's insurance for commercial coverage in fiscal years 2011 and 2010. Settled claims of the School District did not exceed commercial coverage in fiscal years 2011 and 2010, and there has not been a significant reduction in coverage from the prior fiscal year.

Akron City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

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, 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 \$638,413 during fiscal year 2012 for these services.

In addition, in accordance with the sponsorship contract between the School District and the Academy and in accordance with Ohio Revised Code Section 3314.03, the Academy will pay a sponsorship fee to the School District of an amount not to exceed two percent of the total State Foundation Program payments during the fiscal year for oversight and monitoring. The Academy paid \$74,953 to the School District during fiscal year 2012 for these services.

All personnel providing services to the Academy on behalf of the School District are considered employees of the School District. The services of six individuals were purchased from the School District during fiscal year 2012.

For the fiscal year ended June 30, 2012, the Academy paid the School District the following expenses:

Operating Expenses	Amounts
Purchased Services	
Professional and Technical Services	\$708,371
Communications	299
Contracted Craft or Trade Services	4,220
Supplies and Materials	476
Total Operating Expenses	\$713,366

F. Defined Benefit Pension Plans

School Employees Retirement System

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

Akron City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

Funding Policy Plan members are required to contribute 10 percent of their annual covered salary, and the Academy is required to contribute at an actuarially determined rate. The current Academy rate is 14 percent of annual covered payroll. A portion of the Academy'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 2012, 12.70 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 Academy's required contributions for pension and death benefits to SERS for the fiscal years ended June 30, 2012 were \$107,205; 100 percent has been contributed for fiscal year 2012. 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, 2012, 2011 and 2010 were \$11,458, \$117,464 and \$104,373, respectively; 100 percent has been contributed for fiscal years 2012, 2011 and 2010.

State Teachers Retirement System

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

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

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

Akron City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

Funding Policy For the fiscal year ended June 30, 2012, plan members were required to contribute 10 percent of their annual covered salaries. The Academy 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 Academy's required contributions for pension obligations to STRS Ohio for the DB Plan for the fiscal year ended June 30, 2012 were \$180,087; 85.76 percent has been contributed for fiscal year 2012. 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, 2012, 2011, and 2010 were \$43,914, \$264,313, and \$207,198, respectively; 88.33 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010. Contributions to the DC and Combined Plans for fiscal year 2012 were \$12,008 made by the Academy and \$8,620 made by the plan members.

G. Postemployment Benefits Other Than Pension

State Teachers Retirement System

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

Funding Policy Ohio law authorizes STRS Ohio to offer the Health Plan and gives the STRS Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for postemployment health care may be deducted from employer contributions. For fiscal year 2012, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The Academy's contributions for health care for the fiscal year ended June 30, 2012 were \$13,853; 85.76 percent has been contributed for fiscal year 2012. The School District's contributions for health care for the personnel provided to the Academy for the fiscal years ended June 30, 2012, 2011 and 2010 were \$3,378, \$20,332 and \$15,938, respectively; 88.33 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

Akron City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

School Employees Retirement System

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

Funding Policy State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation of statutorily required benefits, the SERS Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established under, and is administered in accordance with, Internal Revenue Code Section 105(e). For fiscal year 2012, 0.55 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 2012, 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 Academy's contributions for health care for the fiscal year ended June 30, 2012 were \$15,468; 100 percent has been contributed for fiscal year 2012. The School District's contributions for health care for the personnel provided to the Academy for the fiscal years ended June 30, 2012, 2011 and 2010 were \$23,037, \$35,386 and \$23,980 respectively; 100 percent has been contributed for fiscal years 2012, 2011 and 2010.

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 2012, the actuarially required allocation was 0.75 percent of covered payroll. The Academy's contributions for Medicare Part B for the fiscal year ended June 30, 2012 were \$6,331; 100 percent has been contributed for fiscal years 2012. The School District's contributions for Medicare Part B for the personnel provided to the Academy for the fiscal year ended June 30, 2012, 2011 and 2010 were \$677, \$7,559 and \$6,207, respectively; 100 percent has been contributed for fiscal years 2012, 2011 and 2010.

H. Operating Leases

The Academy leases facilities space, copiers and a postage meter under noncancelable operating leases. Total costs for such leases were \$294,980 for the fiscal year ended June 30, 2012. The future minimum lease payments for these leases are as follows:

Akron City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

Fiscal Year Ending June 30,	Amount
2013	280,084
2014	73,767
2015	69,120
Total	<u>\$422,971</u>

I. 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, the effect of any disallowed claims on the overall financial position of the Academy at June 30, 2012, if applicable, cannot be determined at this time.

Litigation

The Academy is party to various unasserted claims. The amount of the liability, if any, cannot 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 Academy.

J. 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 2012, this review resulted in a reduction of \$89,583. This amount is reflected as deferred revenue on the statement of net assets and the Academy's future foundation settlements will be reduced.

K. Federal Tax-Exempt Status

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

L. Contacting the Academy's Management

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

AKRON CITY SCHOOL DISTRICT
SUMMIT COUNTY

FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2012

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	Pass Through Entity Number	FEDERAL CFDA NUMBER	GRANT YEAR	RECEIPTS	EXPENDITURES
U.S. DEPARTMENT OF EDUCATION (Direct)					
Impact Aid - Maintenance/Operations		84.041	2012	\$42,230	\$42,230
Student Financial Assistance Cluster:					
Federal Pell Grant Program		84.063	2012	242,243	242,438
Practical Nursing Pell Admin. Fee		84.063	2012	585	585
Federal Direct Student Loans		84.268	2012	438,314	431,976
Total Student Financial Assistance Cluster				681,142	674,999
U.S. DEPARTMENT OF EDUCATION (Pass-through Ohio Department of Education)					
Education Jobs	100765-3ET0	84.410	2012	6,081,319	6,812,234
ARRA State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	100765-3FD0	84.395A	2012		25,200
ARRA State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	100765-3FD0	84.395A	2012	1,577,449	1,546,895
ARRA State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	100765-3FD0	84.395A	2012	1,014	1,014
ARRA State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	100765-3FD0	84.395A	2011	238,333	79,882
Total ARRA State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act				1,816,796	1,652,991
Special Education Cluster:					
Special Education - Grants to State	100765-3M20	84.027	2012	5,472,745	5,666,187
Special Education - Grants to State	100765-3M20	84.027	2011	681,428	439,055
Total Special Education-Grants to State				6,154,173	6,105,242
Catastrophic Special Education Reimbursement	100765-3M20	84.027	2012	45,729	45,729
ARRA Special Education - IDEA, Part B Stimulus	100765-3DJ0	84.391	2011	837,971	441,229
Special Education - Preschool Grants	100765-3C50	84.173	2012	145,174	145,742
Special Education - Preschool Grants	100765-3C50	84.173	2011	14,743	1,907
Total Special Education - Preschool Grants				159,917	147,649
ARRA Special Education - Preschool Grants, Recovery Act	100765-3DL0	84.392	2011	19,141	4,816
Total Special Education Cluster				7,216,931	6,744,665
Education Technology Cluster:					
Education Technology State Grants	100765-3S20	84.318	2012	87,305	86,089
Education Technology State Grants	100765-3S20	84.318	2012	104,129	99,188
Education Technology State Grants	100765-3S20	84.318	2012	14,328	103,716
Education Technology State Grants	100765-3S20	84.318	2011	18,094	112
Education Technology State Grants	100765-3S20	84.318	2011	5,490	1,184
Total Education Technology State Grants				229,346	290,289
ARRA Education Tech. Stimulus	100765-3S20	84.318	2011	153,831	80,833
Total Education Technology Cluster				383,177	371,122

AKRON CITY SCHOOL DISTRICT
SUMMIT COUNTY

FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2012

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	Pass Through Entity Number	FEDERAL CFDA NUMBER	GRANT YEAR	RECEIPTS	EXPENDITURES
Career and Technical Education-Basic Grants to State	100765-3L90	84.048	2012	620,821	684,048
Career and Technical Education-Basic Grants to State	100765-3L90	84.048	2011	170,421	65,390
Total Career and Technical Education-Basic Grants to State				791,242	749,438
ARRA- School Improvement Grants, Recovery Act	100765-3DP0	84.388	2012	746,739	749,679
ARRA- School Improvement Grants, Recovery Act	100765-3DP0	84.388	2012	552,078	511,897
ARRA- School Improvement Grants, Recovery Act	100765-3DP0	84.388	2012	575,148	524,423
Total ARRA- School Improvement Grants, Recovery Act				1,873,965	1,785,999
Title I Cluster:					
Title I -Grants to Local Educational Agencies	100765-3M00	84.010	2012	15,770,097	15,119,110
Title I -Grants to Local Educational Agencies	100765-3M00	84.010	2012	155,623	153,561
Title I -Grants to Local Educational Agencies	100765-3M00	84.010	2011	23,199	1,246,487
Title I -Grants to Local Educational Agencies	100765-3M00	84.010	2011	23,199	25,409
Total Title I Grants to Local Educational Agencies				15,948,919	16,544,567
ARRA Title I Part A Stimulus	100765-3DK0	84.389	2011	2,995,548	1,128,564
School Improvement Title I	100765-3M00	84.010	2012	330,295	333,519
School Improvement Title I	100765-3M00	84.010	2011	63,732	62,015
Total Title I School Improvement				394,027	395,534
Total Title I Cluster				19,338,494	18,068,665
Education for Homeless Children Cluster:					
Education for Homeless Children and Youth-	100765-3EJ0	84.196	2012	172,967	176,443
Education for Homeless Children and Youth-	100765-3EJ0	84.196	2011	12,247	876
Total Education for Homeless Children and Youth				185,214	177,319
ARRA Education for Homeless Children	100765-3DG0	84.387	2011	4,339	170
Total Education for Homeless Children Cluster				189,553	177,489
Twenty-First Century Community Learning	100765-3Y20	84.287	2012	100,000	100,000
Twenty-First Century Community Learning	100765-3Y20	84.287	2012	153,290	200,000
Twenty-First Century Community Learning	100765-3Y20	84.287	2012	200,000	195,096
Twenty-First Century Community Learning	100765-3Y20	84.287	2012	200,000	200,000
Twenty-First Century Community Learning	100765-3Y20	84.287	2012	180,478	200,000
Twenty-First Century Community Learning	100765-3Y20	84.287	2012	138,565	200,000
Twenty-First Century Community Learning	100765-3Y20	84.287	2012	100,162	199,376
Twenty-First Century Community Learning	100765-3Y20	84.287	2011	44,235	
Twenty-First Century Community Learning	100765-3Y20	84.287	2011	42,876	
Total Twenty-First Century Community Learning Centers				1,159,606	1,294,472
English Language Acquisition Cluster:					
Title III LEP - English Language Acquisition	100765-3Y70	84.365	2012	193,945	184,876
Title III LEP - English Language Acquisition	100765-3Y70	84.365	2011		3,818
Total Title III LEP - English Language Acquisition				193,945	188,694
Title III Immigrant - English Language Acquisition	100765-3Y70	84.365	2012	14,308	14,311
Title III Immigrant - English Language Acquisition	100765-3Y70	84.365	2011	15,469	39
Total Title III Immigrant - English Language Acquisition				29,777	14,350
Total English Language Acquisition Cluster				223,722	203,044
Improving Teacher Quality State Grants	100765-3Y60	84.367	2012	2,008,309	1,940,201
Improving Teacher Quality State Grants	100765-3Y60	84.367	2011	506,603	310,777
Total Improving Teacher Quality State Grants				2,514,912	2,250,978
TOTAL U.S. DEPARTMENT OF EDUCATION				42,313,089	40,828,326

AKRON CITY SCHOOL DISTRICT
SUMMIT COUNTY

FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2012

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	Pass Through Entity Number	FEDERAL CFDA NUMBER	GRANT YEAR	RECEIPTS	EXPENDITURES
ENVIRONMENTAL PROTECTION AGENCY					
(Passed through the Office of Air & Radiation)					
State Clean Diesel Grant Program	100765	66.040	2010	59,720	59,720
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES					
(Passed through Summit County Department of Job and Family Services)					
Refugee and Entrant Assistance-Discretionary Grants	100765	93.576	2012	20,142	55,065
Refugee and Entrant Assistance-Discretionary Grants	100765	93.576	2011	38,531	
Total Refugee and Entrant Assistance-Discretionary Grants				58,673	55,065
U.S. DEPARTMENT OF AGRICULTURE					
(Passed through the Ohio Department of Education)					
Child Nutrition Cluster:					
Non-Cash Assistance (Food Distribution):					
National School Lunch Program/Commodities	100765-3L60	10.555	2012	619,937	709,532
School Breakfast Program/Commodities	100765-3L70	10.553	2012	56,728	53,661
Total Non-Cash Assistance (Food Distribution)				676,665	763,193
School Breakfast Program	100765-3L70	10.553	2012	2,032,266	2,032,266
National School Lunch Program	100765-3L60	10.555	2012	5,789,059	5,789,059
Total Child Nutrition Cluster				8,497,990	8,584,518
Fresh Fruit & Vegetable Program	100765	10.582	2012	9,578	9,578
TOTAL U.S. DEPARTMENT OF AGRICULTURE				8,507,568	8,594,096
U.S. DEPARTMENT OF DEFENSE					
(Direct)					
Air Force R.O.T.C. Grant		12.xxx	N/A	55,435	55,435
Army R.O.T.C. Grant		12.xxx	N/A	50,867	50,867
Marines R.O.T.C. Grant		12.xxx	N/A	64,833	64,833
Navy R.O.T.C. Grant		12.xxx	N/A	53,506	53,506
Total R.O.T.C. Grants				224,641	224,641
TOTAL FEDERAL ASSISTANCE				<u>\$51,163,691</u>	<u>\$49,761,848</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, 2012**

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.



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, 2012, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 25, 2013. 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 an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2012-01.

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 25, 2013.

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

We intend this report solely for the information and use of management, 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.



Dave Yost
Auditor of State

March 25, 2013



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, 2012. The summary of auditor's results section of the accompanying schedule of findings and questioned costs 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 opine 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 \$1,179,407 in federal expenditures which is not included in the District's Federal Awards Receipts and Expenditures Schedule for the year ended June 30, 2012. 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.

As described in findings 2012-02 through 2012-04 in the accompanying schedule of findings and questioned costs, the District did not comply with requirements regarding Allowable Costs and Special Tests and Provisions applicable to its ARRA–School Improvement Grant and Student Financial Assistance Cluster major federal programs, respectively. Compliance with these requirements is necessary, in our opinion, for the District to comply with requirements applicable to these programs.

In our opinion, except for the noncompliance described in the preceding paragraph, the Akron City School District, Summit County, Ohio, 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, 2012.

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 the requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of expressing our opinion on compliance, and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, we cannot assure we have identified all deficiencies, significant deficiencies, or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2012-02 through 2012-04 to be material weaknesses.

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

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 25, 2013.

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.

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Dave Yost
Auditor of State

March 25, 2013

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**AKRON CITY SCHOOL DISTRICT
SUMMIT COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
JUNE 30, 2012**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	Yes
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Qualified for Student Financial Assistance Cluster – Special Tests and Provisions Qualified for ARRA-School Improvement Grant – Allowable Costs
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	Yes
<i>(d)(1)(vii)</i>	Major Programs (list):	Education Jobs: CFDA #84.410 ARRA-State Fiscal Stabilization Fund (SFSF) - Race to the Top Incentive Grants, Recovery Act: CFDA #84.395A ARRA-School Improvement Grants, Recovery Act: CFDA #84.388 Child Nutrition Cluster: School Breakfast Program: CFDA #10.553 National School Lunch Program: CFDA #10.555

1. SUMMARY OF AUDITOR'S RESULTS (continued)

<i>(d)(1)(vii)</i>	Major Programs (list):	Education for Homeless Children Cluster: Education for Homeless Children and Youth: CFDA #84.196 ARRA Education for Homeless Children: CFDA #84.387 Student Financial Assistance Cluster: Federal Pell Grant Program: CFDA #84.063 Federal Family Education Loan: CFDA #84.268
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$1,492,855 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

1. Certifying Fund Availability Prior to Incurring Obligation

<i>Finding Number</i>	2012-01
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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
(continued)**

1. Certifying Fund Availability Prior to Incurring Obligation (Continued)

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 2012, 1 of 4 or 25% of the expenditures tested was 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

2. Time and Effort Documentation

Finding Number	2012-02
CFDA Title and Number	ARRA – School Improvement Grant – CFDA #84.388 ARRA – Race to the Top – CFDA #84.395A
Federal Award Number / Year	3DPO – 2012 3FDO – 2012 & 2011
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

QUESTIONED COST, NONCOMPLIANCE AND MATERIAL WEAKNESS

2 C.F.R. Part 225, Appendix B (8)(h) provides, in part, salaries and wages will be based on payrolls documented in accordance with generally accepted practice of the governmental unit and approved by a responsible official of the government unit. Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personal activity reports or equivalent documentation. Such documentary support will be required where employees work on more than one Federal award, or a federal award and a non-Federal award. Personal activity reports or equivalent documentation must meet the following standards:

- They must reflect an after-the-fact distribution of the actual activity of each employee;
- They must account for the total activity for which the employee is compensated;
- They must be prepared at least monthly and must coincide with one or more pay periods; and
- They must be signed by the employee.

During our testing of the ARRA - School Improvement Grant (SIG) program, we noted fifteen employees charged a portion of their payroll time to the program and did not maintain personal activity reports or equivalent documentation. We are therefore questioning \$23,368 in salaries and fringe benefits for the employees mentioned above, projected to be \$396,311, charged to the SIG program.

During our testing of the ARRA - Race to the Top (RttT) program, we noted one employee charged a portion of their payroll time to the program and did not maintain personal activity reports or equivalent documentation. We are therefore questioning \$1,355 in salaries and fringe benefits for the employee mentioned above, projected to be \$72,672, charged to the RttT program.

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
 (continued)**

2. Time and Effort Documentation (continued)

The District should maintain personal activity reports, or equivalent documentation required for all employees paid from any federal programs, in accordance with the requirements of 2 C.F.R. Part 225, Appendix B (8)(h). This will help ensure the District is in compliance with all Federal time and effort documentation requirements. Furthermore, failure to maintain adequate time and effort documentation could compromise the District's eligibility to participate in future Federal grant programs.

Official's Response: See corrective action plan on page 81.

3. Student Financial Assistance Program Enrollment Reporting

Finding Number	2012-03
CFDA Title and Number	Student Financial Assistance Cluster – CFDA #84.063 & 84.268
Federal Award Number / Year	2012
Federal Agency	U.S. Department of Education
Pass-Through Agency	N/A

NONCOMPLIANCE AND MATERIAL WEAKNESS

For Schools participating in the Direct Student Loan program, **34 C.F.R. 685.309 (b)** indicates a school shall, upon receipt of a student status confirmation report from the U.S. Department of Education (ED), complete and return that report to ED within 30 days of receipt; and, unless it expects to submit its next student status confirmation report to ED within the next 60 days, notify ED within 30 days if it discovers that a Direct Subsidized or Direct Unsubsidized Loan has been made to or on behalf of a student who has ceased to be enrolled on at least a half-time basis. Student status confirmation reports are sent to Financial Aid Administrators via the Student Aid Internet Gateway (SAIG) mailboxes by ED and are generated from the National Student Loan Data System (NSLDS), with the default method being every two months and the minimum is twice per year.

We reviewed the District's enrollment reporting history for the Akron School of Practical Nursing in the NSLDS system, noting the District was receiving student status confirmation reports from ED every two months. The District is required to respond within 30 days of receiving the report from ED. During fiscal year 2012, the District was late in reporting enrollment information to the NSLDS system on three of six occasions and a late e-mail notification was sent to the Financial Aid Administrator's SAIG mailbox. Even after receiving late SAIG notifications, the District did not always respond in a timely manner. The District's last update of the student status confirmation reports was submitted by the District on April 2, 2012.

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
 (continued)**

3. Student Financial Aid Program Enrollment Reporting (continued)

The District's last required confirmation of enrollment data in fiscal year 2012 in the NSLDS system was required by May 31, 2012; however, the District did not update enrollment data in the NSLDS system until August 17, 2012. The delay in reporting data in the NSLDS system resulted in all students withdrawn after the term ending April 5, 2012 not being accurately reported for over four months in the NSLDS system and all students graduating or withdrawn after the term ending June 21, 2012 not being accurately reported in the NSLDS system for almost two months.

The District should ensure it reports all students participating in the Direct Student Loan Program within 30 days after they are not attending the Akron School of Practical Nursing on at least a half-time basis, unless it expects to submit its next student status confirmation report to ED within 60 days. The District should respond to student status confirmation reports from ED that are sent to the SAIG within the required time frames.

Official's Response: See corrective action plan on page 81.

4. Student Financial Aid Borrower Data Transmission and Reconciliation

Finding Number	2012-04
CFDA Title and Number	Student Financial Assistance Cluster – CFDA #84.063 & 84.268
Federal Award Number / Year	2012
Federal Agency	U.S. Department of Education
Pass-Through Agency	N/A

NONCOMPLIANCE AND MATERIAL WEAKNESS

34 C.F.R. 685.301 and .303 requires institutions to report all loan disbursements and submit required records to the Direct Loan Servicing System (DLSS) via the Common Origination and Disbursement System (COD) within 30 days of disbursement.

Each month, the COD provides institutions with a School Account Statement (SAS) file which consists of a Cash Summary, Cash Detail, and (optional at the request of the school) Loan Detail records. The School is required to reconcile these records to the institutions financial records.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (continued)
--

4. Student Financial Aid Borrower Data Transmission and Reconciliation (continued)

The Akron School of Practical Nursing (APN) personnel did not obtain the SAS files from COD for any month during fiscal year 2012, nor did they appear aware of the requirement to obtain the SAS files each month and to reconcile them to their own financial records, and they did not know how to access the SAS files from the COD system.

The District should ensure SAS files are obtained from the COD system each month and reconciled to the District's financial records.

Official's Response: See corrective action plan on page 81.

**AKRON CITY SCHOOL DISTRICT
SUMMIT COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2012**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2011-01	Ohio Rev. Code Section 5705.36(A)(4) – appropriations exceeding actual resources.	Yes	Finding No Longer Valid
2011-02	Ohio Rev. Code Section 5705.41(D) – certifying fund availability prior to incurring obligations	No	Not corrected. Repeated as Finding 2012-01

**AKRON CITY SCHOOL DISTRICT
SUMMIT COUNTY**

**CORRECTIVE ACTION PLAN
OMB CIRCULAR A -133 § .315 (c)
June 30, 2012**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2012-02	Time and effort reports will be completed by each individual	Immediately	Director of School Improvement
2012-03	Reports will be completed within the timeline	Immediately	Interim Director Of Practical Nursing
2012-04	Reports will be completed within the timeline	Immediately	Interim Director Of Practical Nursing

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Dave Yost • Auditor of State

Independent Accountants' Report on Applying Agreed-Upon Procedure

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 Board amended its anti-harassment policy at its meeting on July 9, 2012 to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

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 black ink that reads "Dave Yost".

Dave Yost
Auditor of State

March 25, 2013

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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
APRIL 4, 2013