



Dave Yost • Auditor of State



**AKRON CITY SCHOOL DISTRICT  
SUMMIT COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, 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, 2014 and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Akron City School District, Summit County, Ohio, as of June 30, 2014 and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

***Other Matters***

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, 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 applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

*Supplementary and Other Information*

Our audit was conducted to opine on the District's basic financial statements taken as a whole.

The Federal Awards Receipts and Expenditures Schedule (the Schedule) also presents additional analysis as 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 financial statements.

The Schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this Schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the Schedule 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 Schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 18, 2015, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

**Dave Yost**  
Auditor of State  
Columbus, Ohio

March 18, 2015

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**Akron City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2014*  
*Unaudited*

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The discussion and analysis of the Akron City School District's (the "School District") financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2014. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

**Financial Highlights**

Key financial highlights for the fiscal year ended June 30, 2014 are as follows:

- Total net position increased \$20.0 million. This is a 6.0 percent increase from fiscal year 2013.
- Total revenues increased to \$377.6 million from \$350.3 million. This is an increase of \$27.3 million or 7.8 percent.
- Total program expenses were \$353.5 million. Total program expenses increased from \$352.9 million from fiscal year 2013. This is an increase of \$0.6 million or 0.2 percent.
- The fund balance in the general fund increased \$19.6 million. This is a 1,065.24 percent increase from fiscal year 2013.

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

*Reporting the School District as a Whole – Statement of Net Position 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 2014?" The Statement of Net Position and the Statement of Activities answer this question. These two statements include all assets, deferred outflows of resources, liabilities and deferred inflows of resources 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.

**Akron City School District**  
*Management's Discussion and Analysis*  
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These two statements report the School District's net position and changes in that position. This change in net position 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 Position 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 12. 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 Position 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 Position provides the perspective of the School District as a whole.

Table 1 provides a summary of the School District's net position for fiscal year 2014 compared to fiscal year 2013 as follows:

**Akron City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2014*  
*Unaudited*

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

	Governmental Activities	
	2014	2013
<b>Assets</b>		
Current and Other Assets	\$303.1	\$289.4
Capital Assets, Net	259.1	252.7
<i>Total Assets</i>	562.2	542.1
<b>Deferred Outflows of Resources</b>	57.0	60.0
<b>Liabilities</b>		
Current and Other Liabilities	129.3	119.1
Long-Term Liabilities		
Due Within One Year	1.7	1.7
Due in More than One Year	29.5	30.6
<i>Total Liabilities</i>	160.5	151.4
<b>Deferred Inflows of Resources</b>	103.1	115.2
<b>Net Position</b>		
Net Investment in Capital Assets	259.1	252.7
Restricted:		
Capital Projects	72.3	81.2
Other Purposes	3.3	3.3
Unrestricted (Deficit)	20.8	(1.7)
<i>Total Net Position</i>	\$355.5	\$335.5

Total assets increased \$20.1 million.

Cash and cash equivalents and investments increased \$28.4 million. This increase can be mostly attributed to the general fund, the locally funded initiatives capital projects fund and the classroom facilities capital projects fund.

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*Management's Discussion and Analysis*  
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The general fund's cash and cash equivalents and investments increased \$11.2 million between fiscal year 2013 and fiscal year 2014. This increase is due to an increase in revenues. Revenues increased because of two factors. One factor was the passage of a new property tax levy in November of 2012. Collections from this 7.9 mill levy, yielding \$19.3 million annually, began in January of 2013. Therefore, the School District collected the proceeds from this levy for an entire fiscal year for the first time in fiscal year 2014. The School District only collected from this levy for half of the prior fiscal year. The other factor involved Ohio's new school funding model that was introduced in fiscal year 2014. The School District received more foundation aid in the current fiscal year because of this new funding formula passed by the Ohio legislature.

Cash and cash equivalents and investments increased in the locally funded initiatives capital projects fund and the classroom facilities capital projects fund because of an increase in revenues and a decrease in expenses on the cash basis of accounting. The School District received much more revenue from the City of Akron (the "City") in connection with the Ohio School Facilities Commission (the "OSFC") construction project in fiscal year 2014 than it did in fiscal year 2013 on the cash basis of accounting. Voters in the City passed an ordinance in May of 2003 levying a 0.25 percent additional municipal income tax for the purpose of acquiring, constructing, renovating, and adding to interests in land and the School District's school buildings. This tax will last for 30 years and will raise \$284.2 million in local funds needed to be eligible for \$409.0 million of OSFC monies. Combined, these funds will rebuild and renovate all of the School District's school buildings into community learning centers for educating students during school hours while serving as community learning centers for recreation, education, after school and summer school programs, as well as community activities at other times, open to City residents and persons employed in the City. The School District received \$30.8 million of revenue from the City in fiscal year 2014 in both the locally funded initiatives capital projects fund and the classroom facilities capital projects fund as opposed to receiving \$10.0 million in fiscal year 2013 on the cash basis of accounting. In addition, the School District expended less on the OSFC construction project in fiscal year 2014 than in fiscal year 2013 on the cash basis of accounting. As the OSFC construction project progresses and projects are completed, the School District expends less on the project as a whole. The School District spent \$25.8 million in both the locally funded initiatives capital projects fund and the classroom facilities capital projects fund in fiscal year 2014 as opposed to \$39.3 million in fiscal year 2013 on the cash basis of accounting.

Also, capital assets increased \$6.4 million. The increase in capital assets was mainly due to the School District completing the construction of two community learning centers related to the OSFC construction project and the purchase of more furniture and equipment during the current fiscal year. The change in capital assets will be discussed in greater detail later.

The increases in cash and cash equivalents and investments and capital assets were offset by decreases in intergovernmental receivable and taxes receivable.

Intergovernmental receivable decreased \$11.5 million. The decrease in intergovernmental receivable was mostly attributed to the 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 \$36.8 million as of June 30, 2013. As of June 30, 2014, the amount appropriated by OSFC and not remitted to the School District was \$26.4 million. This is a difference of \$10.4 million.

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Taxes receivable decreased \$3.4 million. Taxes receivable includes property taxes which are measurable as of June 30, 2014 and for which there is an enforceable legal claim. This decrease was because of a loss of valuation. The total assessed valuation of property taxes located in the School District is declining. As a result, taxes receivable also decreased.

Total liabilities increased \$9.1 million.

Due to City of Akron increased \$17.2 million. The amount of this liability was determined by reducing the \$273.6 million received in local funds from the City as of June 30, 2014 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 \$231.9 million in capital expenses using these local funds received from the City as of June 30, 2014. Therefore, the balance of due to City of Akron was \$41.7 million as of June 30, 2014. As of June 30, 2013, the School District had received \$242.8 million in local funds from the City and expensed \$218.3 million in capital expenses using these local funds, resulting in a balance of \$24.5 million for due to City of Akron as of June 30, 2013. 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.

Intergovernmental payable decreased \$3.1 million. In accordance with an agreement between the School District and the City, the City issued securities to assist in the School District's funding of its share of basic project costs and any locally funded initiatives for rebuilding and renovating the School District's school buildings into community learning centers. The securities were issued with a maturity life of 30 years. While the securities are outstanding, the School District will contribute \$3.0 million each year to the City for the purpose of paying debt charges on those securities and other project costs. Payments due to the City for periods beyond June 30, 2014 are recorded as intergovernmental payable. The School District contributed \$3.0 million to the City during fiscal year 2014 concerning these securities. As of June 30, 2014, the School District still owed the City \$57.0 million in accordance with this agreement. This is down from the \$60.0 million the School District owed the City as of June 30, 2013 in accordance with this agreement.

Compensated absences payable decreased \$2.4 million. This decrease can be mostly attributed to a reduction in retirements from fiscal year 2013 to fiscal year 2014. The School District had 195 retirements in fiscal year 2013 compared to 140 retirements in fiscal year 2014.

Deferred inflows of resources decreased \$12.1 million. Two factors attributed to this decrease. The first factor was the loss of valuation, as previously discussed. The portion of taxes receivable not levied to finance current fiscal year operations is offset to deferred inflows of resources. The loss of valuation caused both taxes receivable and deferred inflows of resources to decrease. The other factor was an increase in the amount of property taxes available as an advance at June 30, 2014 compared to June 30, 2013. Second-half property taxes collected by the County by fiscal year-end are available to finance current fiscal year operations and are reported as revenue at fiscal year-end instead of deferred inflow of resources. The amount available as an advance at June 30, 2014 was \$14.5 million. The amount available as an advance at June 30, 2013, was \$6.2 million.

The net impact of the assets increase, the liabilities increase and the deferred inflows of resources decrease was an increase of net position of \$20.0 million.

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

**Akron City School District**  
*Management's Discussion and Analysis*  
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Table 2 shows the changes in net position for fiscal years 2014 and 2013 for governmental activities as follows:

	2014	2013
<b>Revenues</b>		
<i>Program Revenues:</i>		
Charges for Services and Sales	\$11.0	\$11.7
Operating Grants, Contributions and Interest	55.6	57.4
Capital Grants and Contributions	1.3	9.9
<i>Total Program Revenues</i>	67.9	79.0
<i>General Revenues:</i>		
Property Taxes	124.8	99.2
Grants and Entitlements	180.7	168.8
Investment Earnings	0.1	0.1
JEDD	0.6	0.6
Miscellaneous	3.5	2.6
<i>Total General Revenues</i>	309.7	271.3
<b>Total Revenues</b>	377.6	350.3
<b>Program Expenses</b>		
Instruction	208.8	210.5
Support Services:		
Pupil and Instructional Staff	36.2	39.7
Board of Education, Administration, Fiscal and Business	29.2	28.7
Operation and Maintenance of Plant	38.1	33.8
Pupil Transportation	11.8	12.2
Central	11.2	9.8
Operation of Non-Instructional Services	3.4	3.7
Extracurricular Activities	3.3	3.2
Food Service Operations	11.5	11.3
<b>Total Program Expenses</b>	353.5	352.9
<b>Special Item</b>		
Loss on Disposal of Capital Assets	(4.1)	0.0
<b>Increase (Decrease) in Net Position</b>	\$20.0	(\$2.6)

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*Management's Discussion and Analysis*  
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While program revenues decreased for governmental activities from \$79.0 million to \$67.9 million, the vast majority of revenues supporting governmental activities are general revenues. General revenues increased from \$271.3 million in fiscal year 2013 to \$309.7 million in fiscal year 2014. General revenues comprised 82.0 percent of revenues supporting governmental activities. The primary sources of the increase in general revenues were increases in property taxes in the amount of \$25.6 million and grants and entitlements not restricted to specific programs revenue in the amount of \$11.9 million. The increase in property taxes revenue was the result of the passage of a new property tax levy in November of 2012, as previously discussed.

An increase in grants and entitlements not restricted to specific programs revenue in the general fund totaling \$11.9 million accounted for this increase. The general fund grants and entitlements not restricted to specific programs revenue increase was a result of Ohio's new school funding model that was introduced in fiscal year 2014, as previously discussed.

The primary source of the decrease in program revenue was a decrease in capital grants and contributions revenue amounting to \$8.6 million. This decrease was mainly due to the decrease in OSFC receivable, as previously discussed.

The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. The overall revenue generated by the levy will not increase solely as a result of inflation. As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill would pay \$35.00 annually in taxes. If three years later the home was reappraised and increased to \$200,000 (and this inflationary increase in value is comparable to other property owners), the effective tax rate would become 0.5 mills and the owner would still pay \$35.00. Thus, school districts dependent upon property taxes are hampered by a lack of revenue growth and must regularly return to the voters to maintain a constant level of service. Property taxes made up 40.3 percent of total general revenues for governmental activities for the School District in fiscal year 2014.

Program expenses increased from \$352.9 million in fiscal year 2013 to \$353.5 million, a 0.2 percent increase. Program expenses increased because expenses increased in the general fund by \$7.8 million or 2.7 percent. This increase in the general fund was mostly attributed to 2.0 percent pay raise in fiscal year 2014.

The general fund expenses increase was offset by a decrease of expenses in the classroom facilities capital projects fund of \$5.6 million. This decrease was from the School District expending less on the OSFC construction project in fiscal year 2014 than in fiscal year 2013, as previously discussed.

The School District incurred a special item, a loss on the disposal of capital assets, in the amount of \$4.1 million during the current fiscal year. The School District disposed of a building and land to the University of Akron in exchange for the University of Akron providing \$13.5 million in future scholarships to students who graduate from the School District and who meet specific requirements as determined by the School District.

While expense increases were consistent with budget expectations, the increase in property taxes revenue, the increase in grants and entitlements not restricted to specific programs revenue, the decrease in capital grants and contributions revenue and the special item occurrence resulted in an increase of net position of \$20.0 million.

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*Management's Discussion and Analysis*  
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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>2014</u>		<u>2013</u>	
	Total Cost of Service	Net Cost of Service	Total Cost of Service	Net Cost of Service
<b>Program Expenses</b>				
Instruction	\$208.8	\$178.0	\$210.5	\$179.4
Support Services:				
Pupil and Instructional Staff	36.2	26.1	39.7	28.0
Board of Education, Administration, Fiscal and Business	29.2	26.7	28.7	26.0
Operation and Maintenance of Plant	38.1	36.2	33.8	23.3
Pupil Transportation	11.8	10.0	12.2	10.3
Central	11.2	6.4	9.8	5.0
Operation of Non-Instructional Services	3.4	(0.1)	3.7	0.3
Extracurricular Activities	3.3	2.3	3.2	2.3
Food Service Operations	11.5	(0.1)	11.3	(0.6)
<b>Total</b>	<u>\$353.5</u>	<u>\$285.5</u>	<u>\$352.9</u>	<u>\$274.0</u>

The dependence upon general revenues for governmental activities is apparent. Over 80.7 percent of governmental activities are supported through taxes and other general revenues; such revenues are 82.0 percent of total governmental revenues. The community, as a whole, is by far the primary support for the School District students.

**The School District's Funds**

Information about the School District's major funds begins on page 18. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$387.7 million and expenditures of \$365.4 million. The net change in fund balances for the fiscal year was an increase of \$22.2 million for all governmental funds with the most significant increase in the general fund.

The general fund's net change in fund balance for fiscal year 2014 was an increase of \$19.6 million. Revenues in the general fund increased \$40.3 million or 14.3 percent from fiscal year 2013 to fiscal year 2014. This was mostly due to increases in taxes revenue and intergovernmental revenue. As previously discussed, taxes revenue increased because of the passage of a new property tax levy in November of 2012. Also, as previously discussed, intergovernmental revenue increased because of Ohio's new school funding model which was introduced in fiscal year 2014.



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*Management's Discussion and Analysis*  
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The classroom facilities capital projects fund's net change in fund balance for fiscal year 2014 was a decrease of \$0.1 million. Revenues in the classroom facilities capital projects fund decreased \$3.8 million or 25.5 percent. This decrease is due to a reduction in intergovernmental revenue. The decrease in intergovernmental revenue can be attributed to the School District receiving less revenue from the State in connection with the OSFC construction project in fiscal year 2014 than it did in fiscal year 2013. The School District received \$11.1 million of revenue from the State in fiscal year 2014 in the classroom facilities capital projects fund as opposed to receiving \$14.9 million in fiscal year 2013.

The permanent improvement capital projects fund's net change in fund balance for fiscal year 2014 was an increase of \$0.3 million. Revenues in the permanent improvement capital projects fund increased \$0.6 million or 22.8 percent from fiscal year 2013 to fiscal year 2014. This is mostly due to an increase in taxes revenue. These revenues increased because of two reasons. One reason is that the School District received more delinquent property tax payments in fiscal year 2014 than in fiscal year 2013. The other reason was an increase in the amount of property taxes available as an advance at June 30, 2014 compared to June 30, 2013, 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 2014, 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 \$300.2 million, \$9.7 million less than actual revenues.

The School District's ending unobligated cash balance was \$13.8 million above the final budgeted amount. This was attributed to the School District receiving \$11.3 million more in revenues than what was budgeted and spending \$2.5 million less in expenditures than what was budgeted. The \$11.3 million variance in revenues was mostly because the School District received \$4.1 million more in taxes revenue and \$6.9 million more in intergovernmental revenue. The \$2.5 million variance in expenditures was mostly the result of the School District spending \$0.5 million less in pupil transportation support services expenditures, \$0.4 million less in operation and maintenance of plant support services expenditures, \$0.3 million less in regular instruction expenditures, \$0.3 million less in extracurricular activities expenditures, \$0.2 million less in central support services expenditures, \$0.2 million less in special instruction expenditures, \$0.2 million less in instructional staff support services expenditures and \$0.2 million less in business support services expenditures than what was budgeted.

**Capital Assets**

At the end of fiscal year 2014, the School District had \$259.1 million invested in capital assets. Table 4 shows fiscal year 2014 balances compared to fiscal year 2013 as follows:

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

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

	Governmental Activities	
	2014	2013
Land	\$6.4	\$7.0
Construction In Progress	7.1	12.6
Land Improvements	0.0	0.1
Buildings and Improvements	225.2	215.3
Furniture and Equipment	17.7	15.6
Vehicles	2.7	2.1
Totals	\$259.1	\$252.7

Capital assets increased \$6.4 million from fiscal year 2013 to fiscal year 2014. The increase is due to buildings and improvements increasing by \$9.9 and furniture and equipment increasing by \$2.1 million. Buildings and improvements increased because of the completion of construction of the Seiberling Community Learning Center and the King Community Learning Center during the current fiscal year. The construction costs of these two community learning centers amounted to \$17.1 million. This \$17.1 million increase in buildings and improvements was offset by a \$4.1 loss in the disposal of a building and land to the University of Akron, as previously discussed.

Furniture and equipment increased because the School District continued to upgrade its core network and system storage during the current fiscal year so it can handle online student testing that is going to be required by the State in the near future. Because of this, the School District purchased more servers, network equipment, access points, switches, laptops, storage carts for laptops and smart boards in fiscal year 2014 than it did in fiscal year 2013.

The increases in building and improvements and furniture and equipment were offset by a decrease in construction in progress of \$5.5 million. The construction in progress decrease can be attributed to moving the two completed community learning centers to building and improvements from construction in progress and to the fact that the School District is constructing fewer community learning centers as of June 30, 2014 than it was as of June 30, 2013.

For further information on capital assets, see Note 9 of the notes to the basic financial statements.

As of June 30, 2014, the School District had contractual commitments for construction projects with contractors in the amount of \$67.5 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.

**Akron City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2014*  
*Unaudited*

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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 2014. If this trend continues, the future looks bleak.

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

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

The School District is projecting a 10.0 percent or \$16.3 million increase in fiscal year 2015 in State foundation revenue based on estimates received from the State.

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 Ryan Pendleton, Treasurer/CFO, at Akron City School District, 70 North Broadway, Akron, Ohio 44308-1999 or email at [rpendlet@akron.k12.oh.us](mailto:rpendlet@akron.k12.oh.us).

**Akron City School District**  
*Statement of Net Position*  
June 30, 2014

	Primary Government
	Governmental Activities
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$53,895,295
Cash and Cash Equivalents In Segregated Accounts	63,497,809
Investments in Segregated Accounts	14,925,683
Accrued Interest Receivable	9,808
Accounts Receivable	222,617
Intergovernmental Receivable	31,804,201
Prepaid Items	90,808
Inventory Held for Resale	448,356
Materials and Supplies Inventory	529,757
Taxes Receivable	137,675,887
Nondepreciable Capital Assets	13,429,239
Depreciable Capital Assets, Net	245,630,928
<i>Total Assets</i>	562,160,388
<b>Deferred Outflows of Resources</b>	
Deferred Expense	57,000,000
<b>Liabilities</b>	
Accounts Payable	2,557,842
Accrued Wages	17,525,282
Compensated Absences Payable	887,274
Unearned Revenue	38,228
Intergovernmental Payable	61,690,468
Premium Payable	316,705
Claims Payable	4,607,100
Due to City of Akron	41,716,331
Long-Term Liabilities:	
Due Within One Year	1,703,153
Due In More Than One Year	29,475,866
<i>Total Liabilities</i>	160,518,249
<b>Deferred Inflows of Resources</b>	
Property Taxes	103,117,228
<b>Net Position</b>	
Net Investment in Capital Assets	259,060,167
Restricted for:	
Capital Projects	72,314,643
Debt Service	13,007
Other Purposes	3,343,841
Unrestricted	20,793,253
<i>Total Net Position</i>	\$355,524,911

See accompanying notes to the basic financial statements

**Akron City School District**  
*Statement of Activities*  
For the Fiscal Year Ended June 30, 2014

	Program Revenues				Net Revenues (Expenses) and Change in Net Position
	Expenses	Charges for Services and Sales	Operating Grants, Contributions and Interest	Capital Grants and Contributions	Primary Government
					Governmental Activities
<b>Governmental Activities</b>					
Instruction:					
Regular	\$139,416,687	\$3,738,584	\$9,888,465	\$0	(\$125,789,638)
Special	50,268,121	1,261,682	7,762,709	0	(41,243,730)
Vocational	11,678,786	406	2,954,051	0	(8,724,329)
Adult/Continuing	647,862	251,988	70,937	0	(324,937)
Other	6,763,725	0	4,829,044	0	(1,934,681)
Support Services:					
Pupil	20,794,035	11,008	2,900,421	0	(17,882,606)
Instructional Staff	15,369,529	583,379	6,611,468	0	(8,174,682)
Board of Education	112,976	0	0	0	(112,976)
Administration	21,922,782	63,548	1,706,169	0	(20,153,065)
Fiscal	5,078,785	4,089	505,743	0	(4,568,953)
Business	2,102,853	216,912	5,635	0	(1,880,306)
Operation and Maintenance of Pla	38,108,632	48,150	627,546	1,278,870	(36,154,066)
Pupil Transportation	11,768,343	84,808	1,691,876	0	(9,991,659)
Central	11,147,161	3,466,864	1,266,077	0	(6,414,220)
Operation of Non-Instructional Ser	3,420,265	8,651	3,458,956	0	47,342
Extracurricular Activities	3,281,616	927,337	40,958	0	(2,313,321)
Food Service Operations	11,513,454	312,650	11,269,627	0	68,823
<i>Total</i>	<u>\$353,395,612</u>	<u>\$10,980,056</u>	<u>\$55,589,682</u>	<u>\$1,278,870</u>	<u>(285,547,004)</u>
		<b>General Revenues</b>			
		Property Taxes Levied for:			
		General Purposes			121,123,353
		Capital Outlay			3,671,598
		Grants and Entitlements not Restricted to Specific P			180,681,074
		Investment Earnings			122,034
		JEDD			610,677
		Miscellaneous			3,479,854
		<i>Total General Revenues</i>			309,688,590
		Special Item - Loss on Disposal of Capital Assets			(4,126,504)
		Change in Net Position			20,015,082
		<i>Net Position at Beginning of Fiscal Year</i>			335,509,829
		<i>Net Position at End of Fiscal Year</i>			\$355,524,911

See accompanying notes to the basic financial statements

**Akron City School District**  
*Balance Sheet*  
*Governmental Funds*  
*June 30, 2014*

	General	Permanent Improvement Capital Projects	Classroom Facilities Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Equity in Pooled Cash and Cash Equivalents	\$3,444,050	\$1,059,403	\$11,808,699	\$23,770,128	\$40,082,280
Cash and Cash Equivalents In Segregated Accounts	20,306,097	0	25,474,259	17,717,453	63,497,809
Investments In Segregated Accounts	15,038	0	8,740,956	6,169,689	14,925,683
Taxes Receivable	133,605,405	4,070,482	0	0	137,675,887
Accounts Receivable	83,718	0	0	135,202	218,920
Intergovernmental Receivable	77,195	0	26,407,560	5,319,446	31,804,201
Accrued Interest Receivable	28	0	5,787	3,993	9,808
Interfund Receivable	1,128,561	0	0	0	1,128,561
Prepaid Items	6,275	0	0	84,533	90,808
Materials and Supplies Inventory	121,786	0	0	18,693	140,479
Inventory Held for Resale	0	0	0	448,356	448,356
<i>Total Assets</i>	<u>158,788,153</u>	<u>5,129,885</u>	<u>72,437,261</u>	<u>53,667,493</u>	<u>290,022,792</u>
<b>Deferred Outflows of Resources</b>					
Deferred Expense	0	57,000,000	0	0	57,000,000
<i>Total Assets and Deferred Outflows of Resources</i>	<u>\$158,788,153</u>	<u>\$62,129,885</u>	<u>\$72,437,261</u>	<u>\$53,667,493</u>	<u>\$347,022,792</u>
<b>Liabilities</b>					
Accounts Payable	\$668,314	\$584	\$1,191,218	\$677,366	\$2,537,482
Accrued Wages	16,148,910	0	0	1,376,372	17,525,282
Compensated Absences Payable	723,591	0	0	163,683	887,274
Interfund Payable	0	0	0	1,128,561	1,128,561
Intergovernmental Payable	3,937,810	57,000,000	0	747,254	61,685,064
Unearned Revenue	0	0	0	38,228	38,228
Due to City of Akron	0	0	22,114,599	19,601,732	41,716,331
<i>Total Liabilities</i>	<u>21,478,625</u>	<u>57,000,584</u>	<u>23,305,817</u>	<u>23,733,196</u>	<u>125,518,222</u>
<b>Deferred Inflows of Resources</b>					
Property Taxes	100,021,129	3,096,099	0	0	103,117,228
Unavailable Revenue	19,572,899	563,764	26,407,560	1,384,182	47,928,405
<i>Total Deferred Inflows of Resources</i>	<u>119,594,028</u>	<u>3,659,863</u>	<u>26,407,560</u>	<u>1,384,182</u>	<u>151,045,633</u>
<b>Fund Balances</b>					
Nonspendable	144,687	0	0	103,226	247,913
Restricted	0	1,469,438	22,723,884	29,747,843	53,941,165
Committed	26,066	0	0	0	26,066
Assigned	1,170,400	0	0	0	1,170,400
Unassigned	16,374,347	0	0	(1,300,954)	15,073,393
<i>Total Fund Balances</i>	<u>17,715,500</u>	<u>1,469,438</u>	<u>22,723,884</u>	<u>28,550,115</u>	<u>70,458,937</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$158,788,153</u>	<u>\$62,129,885</u>	<u>\$72,437,261</u>	<u>\$53,667,493</u>	<u>\$347,022,792</u>

See accompanying notes to the basic financial statements

**Akron City School District**  
*Reconciliation of Total Governmental Fund Balances to  
 Net Position of Governmental Activities  
 June 30, 2014*

<b>Total Governmental Fund Balances</b>	<b>\$70,458,937</b>
 <i>Amounts reported for governmental activities in the statement of net position are different because:</i>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	259,060,167
Other long-term assets are not available to pay for current-period expenditures and therefore are reported as unavailable revenue in the funds:	
Grants	27,770,343
Delinquent Property Taxes	20,043,589
Tuition and Fees	72,971
Radio Station Charges for Services	32,364
Rentals	9,140
Total	47,928,407
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 position.	9,256,419
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Compensated Absences	(31,179,019)
<i>Net Position of Governmental Activities</i>	<b>\$355,524,911</b>

See accompanying notes to the basic financial statements

**Akron City School District**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Fiscal Year Ended June 30, 2014*

	General	Permanent Improvement Capital Projects	Classroom Facilities Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
Taxes	\$120,714,282	\$2,454,787	\$0	\$1,208,631	\$124,377,700
Intergovernmental	188,277,126	928,909	11,135,133	46,217,728	246,558,896
Interest	61,425	1,472	35,205	28,860	126,962
Tuition and Fees	5,121,993	0	0	18,306	5,140,299
Extracurricular Activities	243,558	0	0	733,373	976,931
Rentals	296,153	0	0	0	296,153
Charges for Services	3,655,094	0	0	531,961	4,187,055
Sales	0	0	0	312,650	312,650
JEDD	1,221,353	0	0	0	1,221,353
Akron Digital Academy	34,818	0	0	0	34,818
Contributions and Donations	861,304	0	0	36,028	897,332
Miscellaneous	2,306,089	750	0	1,280,902	3,587,741
<i>Total Revenues</i>	<u>322,793,195</u>	<u>3,385,918</u>	<u>11,170,338</u>	<u>50,368,439</u>	<u>387,717,890</u>
<b>Expenditures</b>					
Current:					
Instruction:					
Regular	132,619,578	0	0	9,457,630	142,077,208
Special	46,050,801	0	0	4,291,078	50,341,879
Vocational	11,341,352	0	0	120,447	11,461,799
Adult/Continuing	635,041	0	0	0	635,041
Other	1,804,368	0	0	4,924,293	6,728,661
Support Services:					
Pupil	17,904,958	0	0	2,817,180	20,722,138
Instructional Staff	9,561,892	0	0	7,286,925	16,848,817
Board of Education	112,357	0	0	0	112,357
Administration	19,723,150	0	0	1,780,451	21,503,601
Fiscal	4,509,665	0	0	506,714	5,016,379
Business	2,361,363	0	0	5,753	2,367,116
Operation and Maintenance of Plant	30,528,539	0	0	910	30,529,449
Pupil Transportation	12,214,414	0	0	165,188	12,379,602
Central	10,044,704	0	0	916,707	10,961,411
Operation of Non-Instructional Services	16,927	0	0	3,314,929	3,331,856
Extracurricular Activities	2,613,186	0	0	641,187	3,254,373
Food Service Operations	0	0	0	11,268,752	11,268,752
Capital Outlay	1,047,541	3,107,139	11,209,893	533,969	15,898,542
<i>Total Expenditures</i>	<u>303,089,836</u>	<u>3,107,139</u>	<u>11,209,893</u>	<u>48,032,113</u>	<u>365,438,981</u>
<i>Excess (Deficiency) of Revenues Over (Under) Expenditures</i>	<u>19,703,359</u>	<u>278,779</u>	<u>(39,555)</u>	<u>2,336,326</u>	<u>22,278,909</u>
<b>Other Financing Sources (Uses)</b>					
Transfers In	10,170	0	0	60,070	70,240
Transfers Out	(162,683)	0	0	(10,170)	(172,853)
<i>Total Other Financing Sources (Uses)</i>	<u>(152,513)</u>	<u>0</u>	<u>0</u>	<u>49,900</u>	<u>(102,613)</u>
<i>Net Change in Fund Balances</i>	19,550,846	278,779	(39,555)	2,386,226	22,176,296
<i>Fund Balances at Beginning of Fiscal Year</i>	<u>(1,835,346)</u>	<u>1,190,659</u>	<u>22,763,439</u>	<u>26,163,889</u>	<u>48,282,641</u>
<i>Fund Balances at End of Fiscal Year</i>	<u>\$17,715,500</u>	<u>\$1,469,438</u>	<u>\$22,723,884</u>	<u>\$28,550,115</u>	<u>\$70,458,937</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, 2014*

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**Net Change in Fund Balances - Total Governmental Funds** \$22,176,296

*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	17,772,335	
Current Fiscal Year Depreciation	(6,958,940)	
Total		10,813,395

Governmental funds only report the disposal of capital assets to the  
extent proceeds are received from the sale. In the statement of  
activities, a gain or loss is reported for each disposal. (4,501,439)

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

Delinquent Property Taxes	417,251	
Radio Station Charges for Services	21,219	
Tuition and Fees	38,920	
Akron Digital Academy	(34,818)	
Rentals	7,353	
Miscellaneous	(7,924)	
Total		442,001

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. (10,622,205)

Some expenses reported in the statement of activities do not  
require the use of current financial resources and therefore  
are not reported as expenditures in the governmental funds.  
Compensated Absences 1,150,078

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. 556,956

*Change in Net Position of Governmental Activities* \$20,015,082

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, 2014*

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Taxes	\$108,966,439	\$108,505,926	\$112,648,765	\$4,142,839
Intergovernmental	181,631,072	180,863,463	187,768,969	6,905,506
Interest	67,908	56,370	60,945	4,575
Tuition and Fees	4,601,072	4,582,393	4,756,068	173,675
Rentals	204,435	203,571	211,343	7,772
Charges for Services	235,456	243,931	237,359	(6,572)
JEDD	1,181,429	1,176,436	1,221,353	44,917
Akron Digital Academy	0	67,313	34,818	(32,495)
Contributions and Donations	723,881	720,923	748,278	27,355
Miscellaneous	2,108,035	2,099,961	2,183,780	83,819
<i>Total Revenues</i>	299,719,725	298,520,286	309,871,678	11,351,392
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	137,442,486	134,371,786	134,047,561	324,225
Special	45,340,775	46,462,191	46,292,419	169,772
Vocational	11,138,875	11,474,646	11,429,179	45,467
Adult	167,100	185,029	186,582	(1,553)
Other	1,544,935	1,809,328	1,799,340	9,988
Support Services:				
Pupils	17,689,562	18,026,604	17,925,359	101,245
Instructional Staff	9,954,751	9,630,978	9,463,273	167,705
Board of Education	112,450	124,465	113,686	10,779
Administration	19,007,680	19,746,703	19,598,742	147,961
Fiscal	4,682,546	4,510,745	4,483,200	27,545
Business	2,787,966	2,826,039	2,673,641	152,398
Operation and Maintenance of Plant	31,871,128	30,780,433	30,393,503	386,930
Pupil Transportation	11,987,844	12,781,337	12,313,712	467,625
Central	5,489,655	5,988,596	5,816,836	171,760
Operations of Non-Instructional Services	10,615	10,185	8,131	2,054
Extracurricular Activities	2,511,549	2,811,733	2,539,280	272,453
Capital Outlay	1,015,487	1,088,485	1,083,723	4,762
<i>Total Expenditures</i>	302,755,404	302,629,283	300,168,167	2,461,116
<i>Excess (Deficiency) of Revenues Over (Under) Expenditures</i>	(3,035,679)	(4,108,997)	9,703,511	13,812,508
<b>Other Financing Sources (Uses)</b>				
Transfers In	32,000	32,000	53,091	21,091
Transfers Out	(123,500)	(294,437)	(292,979)	1,458
<i>Total Other Financing Sources (Uses)</i>	(91,500)	(262,437)	(239,888)	22,549
<i>Net Change in Fund Balance</i>	(3,127,179)	(4,371,434)	9,463,623	13,835,057
<i>Fund Balance at Beginning of Fiscal Year</i>	13,724,168	13,724,168	13,724,168	0
Prior Fiscal Year Encumbrances Appropriated	138,268	138,268	138,268	0
<i>Fund Balance at End of Fiscal Year</i>	\$10,735,257	\$9,491,002	\$23,326,059	\$13,835,057

See accompanying notes to the basic financial statements

**Akron City School District**  
*Statement of Net Position*  
*Proprietary Fund*  
*June 30, 2014*

	Internal Service Funds
<b>Assets</b>	
Equity in Pooled Cash and Cash	
Equivalents	\$13,813,013
Accounts Receivable	3,697
Materials and Supplies Inventory	389,278
<i>Total Assets</i>	14,205,988
<b>Liabilities</b>	
Accounts Payable	20,360
Intergovernmental Payable	5,404
Premium Payable	316,705
Claims Payable	4,607,100
Total Liabilities	4,949,569
<b>Net Position</b>	
Unrestricted	\$9,256,419

See accompanying notes to the basic financial statements

**Akron City School District**  
*Statement of Revenues,  
Expenses and Changes in Net Position  
Proprietary Fund  
For the Fiscal Year Ended June 30, 2014*

	Internal Service Funds
<b>Operating Revenues</b>	
Charges for Services	\$45,096,386
<b>Operating Expenses</b>	
Purchased Services	4,056,315
Materials and Supplies	703,415
Claims	39,882,313
Total Operating Expenses	44,642,043
<i>Operating Income</i>	454,343
Transfers In	102,613
<i>Change in Net Position</i>	556,956
<i>Net Position at Beginning of Fiscal Year</i>	8,699,463
<i>Net Position at End of Fiscal Year</i>	\$9,256,419

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, 2014*

	Internal Service Funds
<i><b>Increase (Decrease) in Cash and Cash Equivalents</b></i>	
<b>Cash Flows from Operating Activities</b>	
Cash Received for Interfund Services	\$45,682,681
Cash Payments for Other Expenses	(4,082,398)
Cash Payments for Goods and Services	(731,376)
Cash Payments for Claims	(40,572,353)
	<u>296,554</u>
<i>Net Cash Provided by Operating Activities</i>	<u>296,554</u>
<b>Cash Flows from Noncapital Financing Activities</b>	
Transfer In	102,613
	<u>102,613</u>
<i>Net Increase in Cash and Cash Equivalents</i>	399,167
Cash and Cash Equivalents at Beginning of Fiscal Year	13,413,846
	<u>13,413,846</u>
Cash and Cash Equivalents at End of Fiscal Year	<u>\$13,813,013</u>
 <b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>	
<i>Operating Income</i>	\$454,343
Adjustments:	
<i>(Increase) Decrease in Assets:</i>	
Accounts Receivable	2,305
Intergovernmental Receivable	583,990
Materials and Supplies Inventory	(46,804)
<i>Increase (Decrease) in Liabilities:</i>	
Accounts Payable	19,755
Intergovernmental Payable	5,404
Premium Payable	(32,399)
Claims Payable	(690,040)
	<u>(157,789)</u>
<i>Total Adjustments</i>	<u>(157,789)</u>
<i>Net Cash Provided by Operating Activities</i>	<u>\$296,554</u>

See accompanying notes to the basic financial statements

**Akron City School District**  
*Statement of Fiduciary Net Position*  
*Fiduciary Funds*  
*June 30, 2014*

	Private Purpose Trust	
	Scholarship	Agency
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$59,841	\$746,030
Cash and Cash Equivalents in Segregated Accounts	151,460	0
Investments in Segregated Accounts	96,782	0
Accrued Interest Receivable	31	0
<i>Total Assets</i>	<u>308,114</u>	<u>\$746,030</u>
<b>Liabilities</b>		
Undistributed Monies	\$0	\$606,444
Due to Students	0	139,586
<i>Total Liabilities</i>	<u>0</u>	<u>\$746,030</u>
<b>Net Position</b>		
Held in Trust for Scholarships	<u>\$308,114</u>	

See accompanying notes to the basic financial statements

**Akron City School District**  
*Statement of Changes in Fiduciary Net Position*  
*Private Purpose Trust Fund*  
*For the Fiscal Year Ended June 30, 2014*

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	<u>Scholarship</u>
<b>Additions</b>	
Interest	\$632
<b>Deductions</b>	
Scholarships Awarded	<u>1,900</u>
<i>Change in Net Position</i>	(1,268)
<i>Net Position at Beginning of Fiscal Year</i>	<u>309,382</u>
<i>Net Position at End of Fiscal Year</i>	<u><u>\$308,114</u></u>

See accompanying notes to the basic financial statements

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**Akron City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

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

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

The School District was established in 1847 through the consolidation of existing land areas and school districts. The School District serves an area of approximately 54.4 square miles and is located in Summit County, and is within the City of Akron. The School District is the fourth largest in the State of Ohio (among 1,001 public school districts and community schools) in terms of enrollment. It is staffed by 736 full-time classified employees, 1,791 full-time certificated personnel, 181 administrative employees, and 1,918 part-time employees who provide services to 21,277 students and other community members. The School District currently operates 49 instructional buildings, five 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. The School District does not have any component units.

**Akron City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

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**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 more significant of the School District's accounting policies are described below.

***A. Basis of Presentation***

The School District's basic financial statements consist of government-wide statements, including a statement of net position 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 position 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 position 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.

**Akron City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

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**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 deferred outflows of resources and liabilities and deferred inflows of resources 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.

**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 position, 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 position and changes in net position. 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, Ohio High School Athletic Association events, a set aside for tax increment financing payments, and the Adult School of Practical Nursing's Federal Pell grant and Federal Family Education Loan program.

**Akron City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

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***C. Measurement Focus***

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

***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, deferred outflows of resources, current liabilities and deferred inflows of resources 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, deferred outflows of resources, all liabilities and deferred inflows of resources associated with the operation of these funds are included on the statement of net position. The statement of revenues, expenses and changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net total position. 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 inflows of resources 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.

**Akron City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

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

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

***Unearned Revenue*** Unearned revenue arises when monies are received before revenue recognition criteria have been satisfied. Radio station charges for services received in the current fiscal year for underwriting spots that will occur in future fiscal years are recorded as unearned revenue. Revenue is recognized when the underwriting spot takes place.

***Deferred Outflows/Inflows of Resources*** In addition to assets, the statements of financial position and/or the balance sheet will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. 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, 2014 are recorded as deferred outflows of resources with a corresponding intergovernmental payable.

In addition to liabilities, the statements of financial position and/or the balance sheet will sometimes report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the School District, deferred inflows of resources include property taxes and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2014, but which were levied to finance fiscal year 2015 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet and represents receivables which will not be collected within the available period. For the School District, unavailable revenue includes delinquent property taxes, intergovernmental grants, charges for services, tuition and fees and rentals. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

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

**Akron City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

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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.

***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 2014, 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 position 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.

**Akron City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

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During fiscal year 2014, the School District's investments were limited to overnight repurchase agreements, a Federated 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 2014 amounted to \$61,425, which includes \$22,735 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, 2014 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.

***I. Capital Assets***

All capital assets of the School District are classified as general capital assets. These assets generally result from expenditures in the governmental funds. They are reported in the governmental activities column of the government-wide statement of net position 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.

**Akron City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

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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:

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

***J. Interfund Balances***

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

***K. Compensated Absences***

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

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

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

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

***L. Accrued Liabilities and Long-Term Obligations***

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, 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.



**Akron City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

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***M. Net Position***

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net investment in capital assets, consists of capital assets, net of accumulated depreciation. Net position is 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 position restricted for other purposes include special trust for scholarships, other local grants, State and Federal programs 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 position are available.

***N. 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, prepaid amounts and unclaimed funds) 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.

***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.

**Akron City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

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***O. 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.

***P. 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.

***Q. Special Item***

Special items are transactions or events that are within the control of School District management and that are either unusual in nature or infrequent in occurrence. During fiscal year 2014, the School District disposed of a building and land to the University of Akron in exchange for the University of Akron providing \$13,500,000 in future scholarships to students who graduate from the School District and who meet specific requirements as determined by the School District. The University of Akron will provide the scholarships to the students directly and provide reports to the School District regarding the number of students and the amounts of scholarships awarded at least twice a year. The carrying value of the building and land was \$4,126,504 at the time of disposal.

***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.

**Note 3 – Accountability**

The following funds had deficit unassigned fund balances on a GAAP basis at June 30, 2014:

**Akron City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

<b>Fund</b>	<b>Amount</b>
<b>Nonmajor Special Revenue Funds</b>	
Public School Preschool	\$61,641
High Schools That Work	130
Alternative Schools	14,075
Race to the Top	135,165
Title VI-B - Special Education	232,353
Vocational Education	31,574
Title I School Improvement Stimulus A	11,962
Title I School Improvement Stimulus G	143,055
Title III - Limited English Proficiency	5,957
Title I	569,709
Preschool Handicapped	529
Title II-A - Improving Teacher Quality	85,808
Miscellaneous Federal Grants	8,996

The unassigned 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.

**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).
4. Some funds have separate legally adopted budgets (budget basis) but are included in the general fund (GAAP basis).

**Akron City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

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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	\$19,550,846
Net Adjustment for Revenue Accruals	(7,932,594)
Net Adjustment for Expenditure Accruals	(2,602,588)
Funds Budgeted Elsewhere **	609,099
Adjustment for Encumbrances	<u>(161,140)</u>
Budget Basis	<u>\$9,463,623</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;
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;

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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 \$86,268,520 and the bank balance was \$90,636,982. Of the bank balance, \$1,250,000 was covered by Federal Deposit Insurance Corporation, and \$89,386,982 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the School District's name.

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

**Investments** As of June 30, 2014, the School District had the following investments, which all had maturities of less than 1 year:

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	Carrying Value	% to Total
Overnight Repurchase Agreements	\$46,580,805	98.89%
Federated U.S. Treasury Money Market Fund	523,575	1.11
Total Investments	\$47,104,380	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 carry a rating of AA+ by Standard and Poor's and Aaa by Moody's Investors Service. The Federated United States Treasury Money Market Fund carries 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.

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenue received in calendar year 2014 represents collections of calendar year 2013 taxes. Real property taxes received in calendar year 2014 were levied after April 1, 2013, on the assessed value listed as of January 1, 2013, 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.

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Public utility property tax revenue received in calendar year 2014 represents collections of calendar year 2013 taxes. Public utility real and personal property taxes received in calendar year 2014, which became a lien December 31, 2012, were levied after April 1, 2013 and are collected in calendar year 2014 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.

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, 2014, are available to finance fiscal year 2014 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 and public utility property taxes which are measurable as of June 30, 2014 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 to deferred inflows of resources – property taxes.

The amount available as an advance at June 30, 2014 was \$14,104,451 in the general fund and \$410,619 in the permanent improvement capital projects fund. The amount available as an advance at June 30, 2013, was \$6,038,934 in the general fund and \$177,666 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 reported as deferred inflows of resources – unavailable revenue.

The assessed values upon which the fiscal year 2014 taxes were collected are:

	2013 Second Half Collections		2014 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$2,321,083,950	96.02%	\$2,257,504,970	95.50%
Public Utility Personal	96,177,710	3.98%	106,455,570	4.50%
Total	\$2,417,261,660	100.00%	\$2,363,960,540	100.00%
 Tax rate per \$1,000 of assessed valuation	 \$79.56		 \$79.56	

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**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, 2014, 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, 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 School District.

**Note 8 – Receivables**

Receivables at June 30, 2014 consisted of taxes, interest, interfund, accounts (student transportation fees, radio station charges for services, printing reimbursement, rentals, Akron Education Association salaries/fringe benefits reimbursement, Early College High School tuition reimbursement, Seniors to Sophomores tuition reimbursement, food service sales, postage reimbursement, health/life insurance fees, juvenile detention center tuition, job fair expenses reimbursement and local grants), and intergovernmental (motor vehicle fuel tax reimbursement, JROTC, juvenile detention center tuition, teachers training fees 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.



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A summary of the items of intergovernmental receivables follows:

<u>Governmental Activities</u>	<u>Amounts</u>
Motor Vehicle Tax Fuel Reimbursement	\$10,963
JROTC	10,502
Juvenile Detention Center Tuition	55,130
Teachers Training Fees	600
Other Local Grants	101,644
Public School Preschool	437,971
High Schools That Work	13,000
Alternative Schools	41,078
Miscellaneous State Grants	19,282
Race to the Top	418,822
Title VI-B - Special Education	550,400
Vocational Education	88,323
Title I School Improvement Stimulus A	43,447
Title I School Improvement Stimulus G	574,732
Title III - Limited English Proficiency	30,754
Title I	1,205,001
Pre-School Handicapped	9,679
Title II-A - Improving Teacher Quality	312,968
Miscellaneous Federal Grants	38,453
Food Service	1,433,892
Classroom Facilities	<u>26,407,560</u>
Total Intergovernmental Receivables	<u><u>\$31,804,201</u></u>

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**Note 9 – Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2014, was as follows:

	Balance 6/30/2013	Additions	Deletions	Balance 6/30/2014
<b>Governmental Activities</b>				
<i>Capital Assets, not being depreciated:</i>				
Land	\$7,016,548	\$20,300	(\$686,309)	\$6,350,539
Construction In Progress	12,650,448	5,693,137	(11,264,885)	7,078,700
<i>Total Capital Assets, not being depreciated</i>	<u>19,666,996</u>	<u>5,713,437</u>	<u>(11,951,194)</u>	<u>13,429,239</u>
<i>Capital Assets, being depreciated:</i>				
Land Improvements	102,896	0	0	102,896
Buildings and Improvements	266,085,741	17,148,944	(7,550,957)	275,683,728
Furniture and Equipment	44,638,038	5,213,523	(1,180,590)	48,670,971
Vehicles	8,350,109	961,316	(534,086)	8,777,339
<i>Total Capital Assets, being depreciated</i>	<u>319,176,784</u>	<u>23,323,783</u>	<u>(9,265,633)</u>	<u>333,234,934</u>
Less Accumulated Depreciation:				
Land Improvements	(51,879)	(5,145)	0	(57,024)
Buildings and Improvements	(50,775,800)	(3,798,937)	4,110,762	(50,463,975)
Furniture and Equipment	(29,015,361)	(2,772,808)	818,695	(30,969,474)
Vehicles	(6,252,529)	(382,050)	521,046	(6,113,533)
<i>Total Accumulated Depreciation</i>	<u>(86,095,569)</u>	<u>(6,958,940) *</u>	<u>5,450,503</u>	<u>(87,604,006)</u>
Total Capital Assets, being depreciated, net	<u>233,081,215</u>	<u>16,364,843</u>	<u>(3,815,130)</u>	<u>245,630,928</u>
Governmental Activities Capital Assets, Net	<u>\$252,748,211</u>	<u>\$22,078,280</u>	<u>(\$15,766,324)</u>	<u>\$259,060,167</u>

\* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$1,153,961
Special	46,858
Vocational	220,514
Adult/Continuing	1,636
Other	27,775
Support Services:	
Pupil	27,799
Instructional Staff	586,230
Administration	11,395
Fiscal	19,813
Business	456,886
Operation and Maintenance of Plant	3,754,992
Pupil Transportation	275,332
Central	145,108
Operation of Non-Instructional Services	14,503
Extracurricular Activities	13,994
Food Service Operations	202,144
Total Depreciation Expense	<u>\$6,958,940</u>

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As of June 30, 2014, the District's capital assets included five vacant buildings with no immediate usage plans that have a carrying value of \$1,987,296.

**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 2014, the School District contracted for property, inland marine, crime, general liability, excess liability, educators legal liability, employment practices liability and automobile coverage. Coverage provided is as follows:

Type of Coverage	Coverage Amount
Commercial Property (\$50,000 deductible)	
Building and Contents	\$766,023,243
Earthquake	5,000,000
Flood	5,000,000
Commercial Inland Marine (\$5,000 deductible)	750,000
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
Commercial Excess Liability (No deductible)	
General Aggregate Limit	1,000,000
Each Occurrence Limit	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/Underinsured Motorists	1,000,000

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

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

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

Fiscal Year	Beginning Balance	Current Fiscal Year Premium/ Claims	Premium/ Claims Payments	Ending Balance
2013	\$1,204,190	\$1,016,876	\$1,093,322	\$1,127,744
2014	1,127,744	938,498	1,001,537	1,064,705

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 \$3,859,100 reported in the self-insurance internal service fund at June 30, 2014 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
2013	\$4,683,200	\$43,529,085	\$43,693,785	\$4,518,500
2014	4,518,500	39,912,953	40,572,353	3,859,100

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

***Funding Policy*** Plan members are required to contribute 10 percent of their annual covered salary, and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District’s contribution is used to fund pension and death benefits with the remainder being used to fund health care benefits and Medicare Part B benefits; for fiscal year 2014, 13.10 percent of annual covered salary was the portion used to fund pension and death benefits. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions.

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The School District's required contributions for pension and death benefits to SERS for the fiscal years ended June 30, 2014, 2013 and 2012 were \$5,021,529, \$4,940,648 and \$5,071,187, respectively; 85.03 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 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](http://www.strsoh.org).

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

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

***Funding Policy*** For the fiscal year ended June 30, 2014, plan members were required to contribute 11 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, 2014, 2013, and 2012 were \$17,132,208, \$17,493,610, and \$18,571,947, respectively; 85.90 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012. Contributions to the DC and Combined Plans for fiscal year 2014 were \$649,368 made by the School District and \$510,218 made by the plan members.

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***C. Social Security System***

Effective July 1, 1991, all employees not otherwise covered by SERS or STRS Ohio have an option to choose Social Security or SERS. As of June 30, 2014, 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](http://www.strsoh.org) or by requesting a copy by calling toll-free 1-888-227-7877.

***Funding Policy*** Ohio law authorizes STRS Ohio to offer the Health Plan and gives the STRS Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for postemployment health care may be deducted from employer contributions. For fiscal year 2014, 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, 2014, 2013 and 2012 were \$1,317,862, \$1,345,662 and \$1,428,611, respectively; 85.90 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

***B. School Employees Retirement System***

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

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**Funding Policy** State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation of statutorily required benefits, the SERS Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established under, and is administered in accordance with, Internal Revenue Code Section 105(e). For fiscal year 2014, 0.14 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 2014, this amount was \$20,250.

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, 2014, 2013 and 2012 were \$728,727, \$636,619 and \$840,860, respectively; 85.03 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

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 2014, the actuarially required allocation was 0.76 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal year ended June 30, 2014, 2013 and 2012 were \$291,325, \$279,090 and \$299,480, respectively; 85.03 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

### **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 Ohio Schools Council and American United Life Insurance Company.

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**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 6/30/2013	Additions	Reductions	Outstanding 6/30/2014	Amount Due in One Year
Compensated Absences	\$32,329,097	\$879,397	(\$2,029,475)	\$31,179,019	\$1,703,153

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 \$54,000 was made to the district-managed activities special revenue fund in order move unrestricted monies to support athletics. Also, a transfer from the general fund totaling \$102,613 was made to the self-insurance liability reserve internal service fund to replenish the School District's deductible share of this insurance. In addition, a transfer from the general fund totaling \$6,070 was made to the title III –limited english proficiency special revenue fund because actual expenses exceeded budgeted expenses by more than 10 percent for employees' retirement and insurance benefits expenses.

In addition, the district-managed activities special revenue fund transferred the unexpended balances of the following activities to the general fund due to the termination of the activities: Destination Imagination at Early College High School amounting to \$235, Student Government at Schumacher Elementary School totaling \$67, Bookstore at Jennings Middle School equaling \$4,544, Real Flow at Voris Elementary School amounting to \$787, JOGS at North High School totaling \$162, Science Club at Litchfield Middle School equaling \$1,096, Science Club at East Community Learning (CLC) amounting to \$708, Students 4 Students at East CLC totaling \$75, Washington D.C. Trip at East CLC equaling \$185, Yearbook at East CLC amounting to \$980, 425 Temporary Science at East CLC totaling \$1, Foreign Language at East CLC equaling \$6, NOW at East CLC amounting to \$72, Respect Ambassadors at East CLC totaling \$61, Skills USA at East CLC equaling \$12, Berlin Special Education at David Hill Elementary School amounting to \$4, Art Jolly at Firestone High School totaling \$5, Debate Team at Firestone High School equaling \$103, Emotionally Handicapped at Firestone High School amounting to \$134, Madrigal at Firestone High School totaling \$332, Mock Trial at Firestone High School equaling \$323, Orchestra at Firestone High School amounting to \$266 and Ski Club at Firestone High School totaling \$12.



**Akron City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

Transfers made during the fiscal year ended June 30, 2014 were as follows:

Transfers To	Transfers From		
	General Fund	Nonmajor Governmental Funds	Total
General Fund	\$0	\$10,170	\$10,170
Nonmajor Governmental Funds	60,070	0	60,070
Internal Service Funds	102,613	0	102,613
Total	\$162,683	\$10,170	\$172,853

**B. Balances**

The general fund advanced funds to various special revenue funds to cover negative cash balances at the end of fiscal year 2014 as follows:

Advanced To	Nonmajor Funds
High Schools That Work	\$203,214
Alternative Schools	12,849
Miscellaneous State Grants	20,890
Race to the Top	185,311
Title VI-B - Special Education	243,476
Vocational Education	59,229
Title I School Improvement Stimulus A	38,056
Title I School Improvement Stimulus G	163,878
Title III - Limited English Proficiency	26,206
Title I	117,325
Preschool Handicapped	8,299
Title II-A - Improving Teacher Quality	21,083
Miscellaneous Federal Grants	28,745
Total	\$1,128,561

**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.

**Akron City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

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 Balance as of June 30, 2013	\$0
Current Fiscal Year Set-aside Requirements	3,740,402
Qualifying Disbursements	(5,091,847)
Totals	(\$1,351,445)
Set-aside Balance 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.

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>					
	\$121,78				
Inventory	6	\$0	\$0	\$18,693	\$140,479
Prepaid Items	6,275	0	0	84,533	90,808
Unclaimed Funds	16,626	0	0	0	16,626
<i>Total Nonspendable</i>	<u>144,687</u>	<u>0</u>	<u>0</u>	<u>103,226</u>	<u>247,913</u>

**Akron City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

Fund Balances	General	Permanent Improvement Capital Projects	Classroom Facilities Capital Projects	Other Governmental Funds	Total
<u>Restricted for:</u>					
Permanent Improvements	0	1,469,438	0	0	1,469,438
Scholarships	0	0	0	291,447	291,447
Unemployment Compensation	0	0	0	31,636	31,636
Employer Contributions to SERS	0	0	0	106,691	106,691
General Operations of WAPS-FM	0	0	0	750,703	750,703
Other Local Grants	0	0	0	1,328,476	1,328,476
District Managed Activities	0	0	0	380,241	380,241
Auxiliary Services	0	0	0	140,039	140,039
Public School Preschool Grant	0	0	0	99,656	99,656
High Schools That Work Grant	0	0	0	130	130
Alternative Schools State Grant	0	0	0	1,700	1,700
Miscellaneous State Grants	0	0	0	34,755	34,755
Race to the Top Federal Grant	0	0	0	68,962	68,962
Title VI-B Special Education Federal Grant	0	0	0	138,666	138,666
Vocational Education Federal Grant	0	0	0	12,012	12,012
Title I School Improvement Sub G Federal Grant	0	0	0	99,052	99,052
Title III Limited English Proficiency Federal Grant	0	0	0	1,517	1,517
Title I Federal Grant	0	0	0	6,583	6,583
Title II-A Improving Teacher Quality Federal Grant	0	0	0	22,566	22,566
Inventory Held for Resale	0	0	0	448,356	448,356
Food Service	0	0	0	4,621,775	4,621,775
Debt Service	0	0	0	13,007	13,007
Classroom Facilities Construction	0	0	22,723,884	4,717,934	27,441,818
Classroom Facilities Maintenance	0	0	0	16,431,939	16,431,939
<i>Total Restricted</i>	<u>0</u>	<u>1,469,438</u>	<u>22,723,884</u>	<u>29,747,843</u>	<u>53,941,165</u>
<u>Committed to:</u>					
Underground Storage Tanks	11,000	0	0	0	11,000
Superintendent	15,066	0	0	0	15,066
<i>Total Committed</i>	<u>26,066</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>26,066</u>
<u>Assigned to:</u>					
Encumbrances	122,765	0	0	0	122,765
Unemployment Compensation	209,648	0	0	0	209,648
Employer Contributions to SERS	601,101	0	0	0	601,101
Uniform School Supplies	18,074	0	0	0	18,074
Consumer Services from Vocational Education Classes	188,789	0	0	0	188,789
Public School Support	13,268	0	0	0	13,268
Summer School	16,755	0	0	0	16,755
<i>Total Assigned</i>	<u>1,170,400</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,170,400</u>
Unassigned (Deficits)	16,374,347	0	0	(1,300,954)	15,073,393
Total Fund Balances	<u>\$17,715,500</u>	<u>\$1,469,438</u>	<u>\$22,723,884</u>	<u>\$28,550,115</u>	<u>\$70,458,937</u>

Regarding the committed fund balances, the School District's Board of Education approves transfers to and from the underground storage tanks fund and approves the Superintendent's contract.

**Akron City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

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, summer school and consumer services from vocational education classes. The School District's Board of Education has established policies to collect tuition and fees for uniform school supplies and summer school.

**Note 18 – Construction Commitments**

The School District has active construction projects as of June 30, 2014. At fiscal year end, the School District's commitments with contractors are as follows:

Project	Spent-to-Date	Remaining Commitment
Guinther Building Demolition	\$184,230	\$11,388
Harris Community Learning Center Construction	817,017	493,331
Old Harris Elementary School Demolition	573,222	80,651
Hatton Community Learning Center Construction	14,713,577	82,895
King Community Learning Center Construction	15,416,042	1,696,844
Old King Elementary School Demolition	885,672	25,960
Summit Lake Family Opportunity Center Construction	451,224	88,595
Seiberling Community Learning Center Construction	15,590,634	172,633
Old Voris Elementary School Demolition	521,277	15,452
Hyre Community Learning Center Construction	20,846,270	482,609
Old Hyre Middle School Demolition	552,871	36,798
Old Litchfield Middle School Demolition	445,914	22,470
Buchtel Community Learning Center Construction	39,820,998	46,556
Firestone Community Learning Center Construction	12,042,812	64,173,339
Old Firestone High School Demolition	26,257	60,199
Kenmore High School Roofing Project	797	15,783
North High School Roofing Project	10,573	14,424
	<u>\$122,899,387</u>	<u>\$67,519,927</u>

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 Kenmore High School roofing project and North High School roofing project are being financed mainly with property taxes, State monies, interest and homestead/rollback taxes.

**Akron City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

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**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, 2014, the School District has received \$273,591,352 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 \$41,716,331 as of June 30, 2014. The amount of this liability was determined by reducing the \$273,591,352 received as of June 30, 2014 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 \$231,875,021 in capital expenditures using these local funds received from the City as of June 30, 2014. 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 \$615,657 and as buildings capital assets in the amount of \$205,945,597 to date as of June 30, 2014. 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 \$7,078,700 as of June 30, 2014.

OSFC has determined that \$26,407,560 is owed to the School District as of June 30, 2014. This represents the amount that OSFC has appropriated but not remitted to the School District as of June 30, 2014 over the entire life of this project. As a result, that amount was recorded as an intergovernmental receivable as of June 30, 2014. 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 reported as deferred inflows of resources – unavailable revenue because it was not expected to be available.

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**AKRON CITY SCHOOL DISTRICT  
SUMMIT COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2014**

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	GRANT YEAR	PASS-THROUGH GRANTOR'S NUMBER	RECEIPTS	EXPENDITURES
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>					
<b>(Direct)</b>					
Impact Aid - Maintenance/Operations	84.041	2014	45-OH-96-1807	\$34,888	\$34,888
<b>Student Financial Assistance Cluster:</b>					
Federal Pell Grant Program	84.063	2014	EP063P54977	92,369	92,369
Federal Direct Student Loans (Student Loans)	84.268	2014	N/A	177,354	178,960
<b>Total Student Financial Assistance Cluster</b>				269,723	271,329
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>					
<b>(Pass-through Ohio Department of Education)</b>					
ARRA - Race to the Top	84.395A	2014	043489-3FD0-2014	2,763,989	2,949,749
ARRA - Race to the Top	84.395A	2013	043489-3FD0-2013	1,957,182	277,253
<b>Total ARRA Race to the Top</b>				4,721,171	3,227,002
<b>Special Education Cluster:</b>					
Special Education - Grants to State	84.027	2014	043489-3M20-2014	4,843,551	5,108,916
Special Education - Grants to State	84.027	2013	043489-3M20-2013	511,384	317,867
<b>Total Special Education-Grants to State</b>				5,354,935	5,426,783
Special Education - Preschool Grants	84.173	2014	043489-3C50-2014	134,784	144,463
Special Education - Preschool Grants	84.173	2013	043489-3C50-2013	6,179	-
<b>Total Special Education - Preschool Grants</b>				140,963	144,463
<b>Total Special Education Cluster</b>				5,495,898	5,571,246
Career and Technical Education-Basic Grants to State	84.048	2014	043489-3L90-2014	555,562	616,569
Career and Technical Education-Basic Grants to State	84.048	2013	043489-3L90-2013	97,079	37,143
<b>Total Career and Technical Education-Basic Grants to State</b>				652,641	653,712
<b>School Improvement Cluster:</b>					
School Improvement Competitive	84.377A	2014	043489-3AN0-2014	1,429,030	1,595,608
School Improvement Competitive	84.377	2013	043489-3DP0-2013	754,259	413,871
<b>Total School Improvement Competitive</b>				2,183,289	2,009,479
ARRA School Improvement Competitive	84.388	2013	043489-3DP0-2013	233,664	109,308
<b>Total School Improvement Cluster</b>				2,416,953	2,118,787

**AKRON CITY SCHOOL DISTRICT  
SUMMIT COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2014**

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	GRANT YEAR	PASS-THROUGH GRANTOR'S NUMBER	RECEIPTS	EXPENDITURES
<b>Title I Cluster:</b>					
Title I -Grants to Local Educational Agencies	84.010	2014	043489-3M00-2014	13,072,283	13,162,588
Title I -Grants to Local Educational Agencies - Delinquent	84.010	2014	043489-3M00-2014	139,310	144,314
Title I -Grants to Local Educational Agencies	84.010	2013	043489-3M00-2013	958,171	1,206,138
Title I -Grants to Local Educational Agencies - Delinquent	84.010	2013	043489-3M00-2013	23,696	20,596
<b>Total Title I-Grants to Local Educational Agencies</b>				14,193,460	14,533,636
School Improvement Title I	84.010	2014	043489-3M00-2014	506,553	543,780
School Improvement Title I	84.010	2013	043489-3M00-2013	334,140	-
<b>Total School Improvement Title I</b>				840,693	543,780
<b>Total Title I Cluster</b>				15,034,153	15,077,416
Education for Homeless Children and Youth	84.196	2014	043489-3EJ0-2014	167,913	178,313
Education for Homeless Children and Youth	84.196	2013	043489-3EJ0-2013	26,655	16,103
<b>Total Education for Homeless Children and Youth</b>				194,568	194,416
Twenty-First Century Community Learning	84.287	2014	043489-3Y20-2014	896,643	900,000
<b>English Language Acquisition Cluster:</b>					
Title III LEP - English Language Acquisition	84.365	2014	043489-3Y70-2014	147,364	171,657
Title III LEP - English Language Acquisition	84.365	2013	043489-3Y70-2013	66,299	10,549
<b>Total Title III LEP - English Language Acquisition</b>				213,663	182,206
Title III Immigrant - English Language Acquisition	84.365	2014	043489-3Y70-2014	61,666	66,107
Title III Immigrant - English Language Acquisition	84.365	2013	043489-3Y70-2013	3,341	-
<b>Total Title III Immigrant - English Language Acquisition</b>				65,007	66,107
<b>Total English Language Acquisition Cluster</b>				278,670	248,313
Improving Teacher Quality State Grants	84.367	2014	043489-3Y60-2014	1,779,577	1,798,298
Improving Teacher Quality State Grants	84.367	2013	043489-3Y60-2012	377,625	341,530
<b>Total Improving Teacher Quality State Grants</b>				2,157,202	2,139,828
<b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>				32,152,510	30,436,937



**AKRON CITY SCHOOL DISTRICT  
SUMMIT COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2014**

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	GRANT YEAR	PASS-THROUGH GRANTOR'S NUMBER	RECEIPTS	EXPENDITURES
<b><u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u></b>					
<b>(Pass through Ohio Department of Job and Family Services)</b>					
Refugee and Entrant Assistance-Discretionary Grants	93.576	2014	G-1415-17-0445	23,005	42,516
Refugee and Entrant Assistance-Discretionary Grants	93.576	2014	G-1415-17-0148	24,355	24,355
Refugee and Entrant Assistance-Discretionary Grants	93.576	2013	G-1213-17-0661	6,187	-
<b>Total Refugee and Entrant Assistance-Discretionary Grants</b>				53,547	66,871
Summer Youth Employment Program (TANF)	93.558	2014	N/A	-	10,018
<b>TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>				53,547	76,889
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>					
<b>(Passed through the Ohio Department of Education)</b>					
<b>Non-cash Assistance (Food Distribution):</b>					
National School Lunch Program/Commodities	10.555	2014	N/A	829,882	730,235
School Breakfast Program/Commodities	10.553	2014	N/A	24,395	8,434
				854,277	738,669
<b>Child Nutrition Cluster:</b>					
School Breakfast Program	10.553	2014	043489-3L70-2013	2,168,583	2,408,866
National School Lunch Program	10.555	2014	043489-3L60-2013	6,620,285	7,353,825
Summer Food Service Program for Children	10.559	2014	043489-3L60-2013	59,651	66,260
<b>Total Child Nutrition Cluster</b>				8,848,519	9,828,951
Smarter Lunchroom Team Nutrition	10.574	2014	043489-3GF0-TN2012	6,694	6,694
Fresh Fruit & Vegetable Program	10.582	2014	043489-3GG0-2014	75,306	75,306
<b>TOTAL U.S. DEPARTMENT OF AGRICULTURE</b>				9,784,796	10,649,620
<b><u>U.S. DEPARTMENT OF DEFENSE</u></b>					
<b>(Direct)</b>					
Air Force R.O.T.C. Grant	12.xxx	n/a	n/a	60,403	60,403
Army R.O.T.C. Grant	12.xxx	n/a	n/a	56,533	56,533
Marines R.O.T.C. Grant	12.xxx	n/a	n/a	31,043	31,043
Navy R.O.T.C. Grant	12.xxx	n/a	n/a	42,537	42,537
<b>Total R.O.T.C. Grants</b>				190,516	190,516
<b>TOTAL U.S. DEPARTMENT OF DEFENSE</b>				190,516	190,516
<b>TOTAL FEDERAL ASSISTANCE</b>				<b>\$42,181,369</b>	<b>\$41,353,962</b>

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, 2014**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Federal Awards Receipts and Expenditures Schedule (the Schedule) reports the Akron City School District's (the District) federal award programs' receipts and expenditures. The schedule has been prepared on the cash basis of accounting.

**NOTE B - 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.

Program expenditures are reported in proportion to Nutrition Cluster program receipts to total Food Service Fund receipts.

**NOTE C - FOOD DONATION PROGRAM**

The District reports commodities consumed on the Schedule at the entitlement value. The District allocated donated food commodities to the respective program that benefitted from the use of those donated food commodities.

**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 AUDITOR'S 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, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, 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, 2014 and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 18, 2015.

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the District's internal control. Accordingly, we have not opined on it.

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 a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

***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, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

**Dave Yost**  
Auditor of State  
Columbus, Ohio

March 18, 2015



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S 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:

### ***Report on Compliance for Each Major Federal Program***

We have audited the Akron City School District's, (the District's) compliance with the applicable 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 the District's major federal programs for the year ended June 30, 2014. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal programs.

### ***Management's Responsibility***

The District's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

### ***Auditor's Responsibility***

Our responsibility is to opine on the District's compliance for each of the District's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for 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 us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the District's major programs. However, our audit does not provide a legal determination of the District's compliance.

***Opinion on Each Major Federal Program***

In our opinion, the Akron City School District (the District) complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2014.

***Report on Internal Control Over Compliance***

The District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

March 18, 2015

**AKRON CITY SCHOOL DISTRICT  
SUMMIT COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2014**

**1. SUMMARY OF AUDITOR'S RESULTS**

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<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)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	<p><b>Special Education Cluster:</b>  Special Education - Grants to State - CFDA #84.027  Special Education - Preschool Grants - CFDA #84.173</p> <p><b>Title I Cluster:</b>  Title I - Grants to Local Educational Agencies - CFDA #84.010  School Improvement Title I –CFDA # 84.010</p> <p><b>Improving Teacher Quality State Grants</b>  CFDA # 84.367</p> <p><b>Student Financial Assistance Cluster:</b>  Federal Pell Grant Program – CFDA #84.063  Federal Direct Student Loans – CFDA #84.268</p>

**1. SUMMARY OF AUDITOR'S RESULTS**

(Continued)

<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$1,240,619 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

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

None

**3. FINDINGS FOR FEDERAL AWARDS**

None



**AKRON CITY SCHOOL DISTRICT  
SUMMIT COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A -133 § .315 (b)  
JUNE 30, 2014**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2013-001	<b>Activities Allowed or Unallowed and Allowable Costs / Cost Principles - Title I – Grants to Local Educational Agencies – CFDA #84.010</b>	yes	Finding No Longer Valid
2013-002	<b>Special Tests and Provisions: Enrollment Reporting (Loan Programs) - Federal Direct Student Loans – CFDA #84.268</b>	yes	Finding No Longer Valid
2013-003	<b>Special Tests and Provisions – Borrower Data Transmission and Reconciliation (Direct Loan) - Federal Direct Student Loans – CFDA #84.268</b>	yes	Finding No Longer Valid

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# Dave Yost • Auditor of State

**AKRON CITY SCHOOL DISTRICT**

**SUMMIT COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MARCH 31, 2015**