



Dave Yost • Auditor of State

**AKRON CITY SCHOOL DISTRICT
SUMMIT COUNTY**

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SUMMIT COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT 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, 2015 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, 2015, 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.

Emphasis of Matter

As discussed in Note 3 to the financial statements, during the year ended June 30, 2015, the District adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and also GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. We did not modify our opinion regarding this matter.

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*, and schedules of net pension liabilities and pension contributions 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 Schedule of Federal Award Receipts and Expenditures (the Schedule) 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 also not a required part of the financial statements.

The Schedule is management's responsibility, and derives from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected the 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, the 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 25, 2016, 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 25, 2016

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Akron City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
Unaudited

The discussion and analysis of the Akron City School District's (the "School District") financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2015. 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, 2015 are as follows:

- Total net position increased \$54.3 million. This is a 76.3 percent increase from fiscal year 2014.
- Total revenues increased to \$416.5 million from \$377.6 million. This is an increase of \$38.9 million or 10.3 percent.
- Total program expenses were \$362.2 million. Total program expenses increased from \$353.5 million from fiscal year 2014. This is an increase of \$8.7 million or 2.5 percent.
- The fund balance in the general fund increased \$17.1 million. This is a 96.4 percent increase from fiscal year 2014.

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 2015?" 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
For the Fiscal Year Ended June 30, 2015
Unaudited

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 11. 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 2015 compared to fiscal year 2014 as follows:

Akron City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
Unaudited

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

	Governmental Activities		
	2015	Restated 2014	Change
Assets			
Current and Other Assets	\$315.4	\$303.1	\$12.3
Capital Assets, Net	269.9	259.1	10.8
<i>Total Assets</i>	<u>585.3</u>	<u>562.2</u>	<u>23.1</u>
Deferred Outflows of Resources			
Deferred Expense	54.0	57.0	(3.0)
Pension	28.1	24.7	3.4
<i>Total Deferred Outflows of Resources</i>	<u>82.1</u>	<u>81.7</u>	<u>0.4</u>
Liabilities			
Current and Other Liabilities	109.8	129.3	(19.5)
Long-Term Liabilities			
Due Within One Year	1.7	1.7	0.0
Due in More Than One Year:			
Net Pension Liability	378.1	449.2	(71.1)
Other Amounts	30.9	29.5	1.4
<i>Total Liabilities</i>	<u>520.5</u>	<u>609.7</u>	<u>(89.2)</u>
Deferred Inflows of Resources			
Property Taxes	95.5	103.1	(7.6)
Pension	68.4	0.0	68.4
<i>Total Deferred Inflows of Resources</i>	<u>163.9</u>	<u>103.1</u>	<u>60.8</u>
Net Position			
Net Investment in Capital Assets	269.9	259.1	10.8
Restricted:			
Capital Projects	91.2	72.3	18.9
Other Purposes	3.2	3.3	(0.1)
Unrestricted (Deficit)	<u>(381.2)</u>	<u>(405.9)</u>	<u>24.7</u>
<i>Total Net Position</i>	<u><u>(\$16.9)</u></u>	<u><u>(\$71.2)</u></u>	<u><u>\$54.3</u></u>

Akron City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
Unaudited

During fiscal year 2015, the School District adopted Governmental Accounting Standards Board ("GASB") Statement No. 68, "Accounting and Financial Reporting for Pensions-an Amendment of GASB Statement No. 27" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date-an amendment of GASB Statement No. 68", which significantly revise accounting for pension costs and liabilities. For reasons discussed below, many end users of these basic financial statements will gain a clearer understanding of the School District's actual financial condition by adding deferred inflows related to pension.

GASB standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB Statement No. 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability*. GASB Statement No. 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

Under the new standards required by GASB Statement No. 68, the net pension liability equals the School District's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service
2. Minus plan assets available to pay these benefits

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the School District is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules, or in the case of compensated absences (i.e., sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in net pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liabilities section of the statement of net position.

Akron City School District
Management's Discussion and Analysis
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In accordance with GASB Statement No. 68, the School District's statements prepared on the accrual basis of accounting include an annual pension expense for their proportionate share of each plan's *change* in net pension liability not accounted for as deferred inflows/outflows.

As a result of implementing GASB Statement No. 68, the School District is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2014 from \$355.5 million to (\$71.2) million.

Total assets increased \$23.1 million.

Intergovernmental receivable increased \$19.8 million. The increase in intergovernmental receivable was mostly attributed to the Ohio Facilities Construction Commission ("OFCC") receivable. The School District records an intergovernmental receivable in the amount that OFCC has appropriated less any funds remitted by OFCC to the School District as of the fiscal year end. The amount appropriated by OFCC and not remitted to the School District was \$26.4 million as of June 30, 2014. As of June 30, 2015, the amount appropriated by OFCC and not remitted to the School District was \$48.2 million. This is a difference of \$21.8 million.

Also, capital assets increased \$10.8 million. The increase in capital assets was due to the School District's construction in progress of 4 community learning centers related to the OFCC construction project in fiscal year 2015. The change in capital assets will be discussed in greater detail later.

The increases in intergovernmental receivable and capital assets were offset by a decrease in cash and cash equivalents and investments.

Cash and cash equivalents and investments decreased \$8.6 million. This decrease can be mostly attributed to the locally funded initiatives capital projects fund and the classroom facilities capital projects fund.

Cash and cash equivalents and investments decreased in the locally funded initiatives capital projects fund and the classroom facilities capital projects fund because of a decrease in revenues on the cash basis of accounting. In these 2 funds, the School District received nothing from the City of Akron (the "City") in connection with the OFCC construction project in fiscal year 2015 as compared to the \$30.8 million it received in fiscal year 2014 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 OFCC 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.

Total liabilities decreased \$89.2 million.

Net pension liability decreased \$71.1 million. See the previous discussion on how the accounting standards relate to net pension liability.

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Unaudited

In addition, due to City of Akron decreased \$19.3 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, 2015 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 \$251.2 million in capital expenses using these local funds received from the City as of June 30, 2015. Therefore, the balance of due to City of Akron was \$22.4 million as of June 30, 2015. As of June 30, 2014, the School District had received \$273.6 million in local funds from the City and expensed \$231.9 million in capital expenses using these local funds, resulting in a balance of \$41.7 million for due to City of Akron 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.

Deferred inflows of resources increased \$60.8 million.

Deferred inflows of resources related to pension increased \$68.4 million. See the previous discussion on how the accounting standards apply to deferred inflows of resources related to pension.

The increase in deferred inflows of resources related to pension is offset by a decrease in deferred inflows of resources related to property taxes.

Deferred inflows of resources related to property taxes decreased by \$7.6 million. Two factors attributed to this decrease. The first factor was the loss of valuation. The total assessed valuation of property taxes located in the School District is declining. The portion of taxes receivable not levied to finance current fiscal year operations is offset to deferred inflows of resources related to property taxes, and as a result, the loss of valuation caused deferred inflows of resources related to property taxes to decrease. The other factor was an increase in the amount of property taxes available as an advance at June 30, 2015 compared to June 30, 2014. 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 inflows of resources. The amount available as an advance at June 30, 2015 was \$20.8 million. The amount available as an advance at June 30, 2014, was \$14.5 million.

The net impact of the assets increase, the liabilities decrease and the deferred inflows of resources decrease was an increase of net position of \$54.3 million.

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

Table 2 shows the changes in net position for fiscal years 2015 and 2014 for governmental activities as follows:

Akron City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
Unaudited

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

	<u>2015</u>	<u>2014</u>	<u>Change</u>
Revenues			
<i>Program Revenues:</i>			
Charges for Services and Sales	\$10.5	\$11.0	(\$0.5)
Operating Grants, Contributions and Interest	49.7	55.6	(5.9)
Capital Grants and Contributions	<u>34.7</u>	<u>1.3</u>	<u>33.4</u>
<i>Total Program Revenues</i>	<u>94.9</u>	<u>67.9</u>	<u>27.0</u>
<i>General Revenues:</i>			
Property Taxes	122.6	124.8	(2.2)
Grants and Entitlements	196.5	180.7	15.8
Investment Earnings	0.3	0.1	0.2
JEDD	0.0	0.6	(0.6)
Miscellaneous	<u>2.2</u>	<u>3.5</u>	<u>(1.3)</u>
<i>Total General Revenues</i>	<u>321.6</u>	<u>309.7</u>	<u>11.9</u>
Total Revenues	<u>416.5</u>	<u>377.6</u>	<u>38.9</u>
Program Expenses			
Instruction	217.4	208.8	8.6
Support Services:			
Pupil and Instructional Staff	35.9	36.2	(0.3)
Board of Education, Administration, Fiscal and Business	29.2	29.2	0.0
Operation and Maintenance of Plant	39.1	38.1	1.0
Pupil Transportation	12.9	11.8	1.1
Central	8.8	11.2	(2.4)
Operation of Non-Instructional Services	3.7	3.4	0.3
Extracurricular Activities	3.5	3.3	0.2
Food Service Operations	<u>11.7</u>	<u>11.5</u>	<u>0.2</u>
Total Program Expenses	<u>362.2</u>	<u>353.5</u>	<u>8.7</u>
Special Item			
Loss on Disposal of Capital Assets	<u>0.0</u>	<u>(4.1)</u>	<u>4.1</u>
Increase in Net Position	<u>\$54.3</u>	<u>\$28.2</u>	<u>\$26.1</u>

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While program revenues increased for governmental activities from \$67.9 million to \$94.9 million, the vast majority of revenues supporting governmental activities are general revenues. General revenues increased from \$309.7 million in fiscal year 2014 to \$321.6 million in fiscal year 2015. General revenues comprised 77.2 percent of revenues supporting governmental activities. The primary source of the increase in general revenues was an increase in grants and entitlements not restricted to specific programs revenue in the amount of \$15.8 million.

An increase in grants and entitlements not restricted to specific programs revenue in the general fund totaling \$16.3 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. The School District received more foundation aid in the current fiscal year because of this new funding formula passed by the Ohio legislature.

The primary source of the increase in program revenue was an increase in capital grants and contributions revenue amounting to \$33.4 million. This increase was mainly due to the increase in OFCC 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 38.1 percent of total general revenues for governmental activities for the School District in fiscal year 2015.

The information necessary to restate the fiscal year 2014 beginning net position and the fiscal year 2014 pension expense amounts for the effects of the initial implementation of GASB Statement No. 68 is not available. Therefore, fiscal year 2014 functional expenses still include pension expense of \$22.6 million computed under GASB Statement No. 27. GASB Statement No. 27 required recognizing pension expense equal to the contractually-required contributions to the plan. Under GASB Statement No. 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually-required contribution is no longer a component of pension expense. Under GASB Statement No. 68, the fiscal year 2015 basic financial statements report pension expense of \$16.2 million. Consequently, in order to compare fiscal year 2015 total program expenses to fiscal year 2014, the following adjustments are needed (in millions):

Total 2015 Program Expenses under GASB 68	\$362.2
Pension Expense under GASB 68	(16.2)
2015 Contractually-Required Contribution	<u>24.9</u>
Adjusted 2015 Program Expenses	370.9
Total 2014 Program Expenses under GASB 27	<u>353.3</u>
Increase in Program Expenses not Related to Pension	<u><u>\$17.6</u></u>

Akron City School District
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The increase in program expenses not related to pension is because of the increase in expenses in the general fund by \$17.3 million or 5.9 percent. This increase in the general fund was mostly attributed to a 2.35 percent pay raise and an increase in community schools tuition payments.

While expense increases were consistent with budget expectations, the increase in grants and entitlements not restricted to specific programs revenue and the increase in capital grants and contributions revenue resulted in an increase of net position of \$52.8 million.

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

Table 3
(In Millions)

	<u>2015</u>		<u>2014</u>	
	<u>Total Cost of Service</u>	<u>Net Cost of Service</u>	<u>Total Cost of Service</u>	<u>Net Cost of Service</u>
Program Expenses				
Instruction	\$217.4	\$188.9	\$208.8	\$178.0
Support Services:				
Pupil and Instructional Staff	35.9	28.5	36.2	26.1
Board of Education, Administration, Fiscal and Business	29.2	26.6	29.2	26.7
Operation and Maintenance of Plant	39.1	4.2	38.1	36.2
Pupil Transportation	12.9	11.5	11.8	10.0
Central	8.8	6.1	11.2	6.4
Operation of Non-Instructional Services	3.7	0.1	3.4	(0.1)
Extracurricular Activities	3.5	2.6	3.3	2.3
Food Service Operations	11.7	0.3	11.5	(0.1)
Total	<u>\$362.2</u>	<u>\$268.8</u>	<u>\$353.5</u>	<u>\$285.5</u>

The dependence upon general revenues for governmental activities is apparent. Over 73.8 percent of governmental activities are supported through taxes and other general revenues; such revenues are 77.2 percent of total governmental revenues. The community, as a whole, is by far the primary support for the School District students.

The School District's Funds

Information about the School District's major funds begins on page 18. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$391.6 million and expenditures of \$378.2 million. The net change in fund balances for the fiscal year was an increase of \$13.4 million for all governmental funds with the most significant increase in the general fund.

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Unaudited

The general fund's net change in fund balance for fiscal year 2015 was an increase of \$17.1 million. Revenues in the general fund increased \$9.9 million or 3.1 percent from fiscal year 2014 to fiscal year 2015. This was mostly due to an increase in intergovernmental revenue. As previously discussed, intergovernmental revenue increased because of Ohio's new school funding model which was introduced in fiscal year 2014.

The classroom facilities capital projects fund's net change in fund balance for fiscal year 2015 was a decrease of \$3.6 million. Expenditures in the classroom facilities capital projects fund increased \$4.9 million or 43.8 percent. This increase is due to the School District spending more on the OFCC construction project in fiscal year 2015 than in fiscal year 2014. The School District was in the progress of constructing 4 community learning centers related to this construction project in fiscal year 2015; only 3 community learning centers were in the progress of construction last fiscal year.

The permanent improvement capital projects fund's net change in fund balance for fiscal year 2015 was a decrease of \$0.2 million. Revenues in the permanent improvement capital projects fund decreased \$0.6 million or 21.4 percent from fiscal year 2014 to fiscal year 2015. This is mostly due to a decrease in intergovernmental revenue. This revenue decreased because the State is phasing out the reimbursement for the loss of tangible personal property taxes. The School District received none of this revenue in fiscal year 2015 as compared to receiving \$0.5 million in fiscal year 2014.

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 2015, 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 \$315.6 million, \$7.6 million less than actual revenues.

The School District's ending unobligated cash balance was \$9.5 million below the final budgeted amount. This was attributed to the School District receiving \$10.6 million less in revenues than what was budgeted and spending \$1.1 million less in expenditures than what was budgeted. The \$10.6 million variance in revenues was mostly because the School District received \$3.6 million less in taxes revenue and \$6.7 million less in intergovernmental revenue. The \$1.1 million variance in expenditures was mostly the result of the School District spending \$13.4 million less in regular instruction expenditures. The spending of \$13.4 million less in regular instruction expenditures was offset by the School District spending \$3.4 million more in pupil transportation support services expenditures, \$3.1 million more in operation and maintenance of plant support services expenditures, \$1.9 million more in extracurricular activities expenditures, \$1.7 million more in other instruction expenditures, \$1.1 million more in special instruction expenditures, and \$1.1 million more in instructional staff support services expenditures than what was budgeted.

Akron City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
Unaudited

Capital Assets

At the end of fiscal year 2015, the School District had \$269.9 million invested in capital assets. Table 4 shows fiscal year 2015 balances compared to fiscal year 2014 as follows:

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

	Governmental Activities		
	2015	2014	Change
Land	\$6.4	\$6.4	\$0.0
Construction In Progress	22.2	7.1	15.1
Buildings and Improvements	221.9	225.2	(3.3)
Furniture and Equipment	16.5	17.7	(1.2)
Vehicles	2.9	2.7	0.2
Totals	<u><u>\$269.9</u></u>	<u><u>\$259.1</u></u>	<u><u>\$10.8</u></u>

Capital assets increased \$10.8 million from fiscal year 2014 to fiscal year 2015. The increase is due to construction in progress increasing by \$15.1. Construction in progress increased because the School District is in the middle of constructing 4 new community learning centers related to the OFCC construction project in fiscal year 2015. The cost of one of these new community learning centers, Firestone Community Learning Center, increased significantly in fiscal year 2015. The School District spent \$9.7 million on the construction of the Firestone Community Learning Center in fiscal year 2014 as compared to spending \$29.4 million in fiscal year 2015.

For further information on capital assets, see Note 10 of the notes to the basic financial statements.

As of June 30, 2015, the School District had contractual commitments for construction projects with contractors in the amount of \$53.1 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.

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 2015. If this trend continues, the future looks bleak.

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

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

Akron City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
Unaudited

The School District is projecting a 7.7 percent or \$12.0 million increase in fiscal year 2016 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.

Akron City School District*Statement of Net Position**June 30, 2015*

	<u>Primary Government</u>
	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$48,870,500
Cash and Cash Equivalents In Segregated Accounts	20,365,696
Investments in Segregated Accounts	54,448,554
Accrued Interest Receivable	50,793
Accounts Receivable	306,582
Intergovernmental Receivable	51,607,333
Prepaid Items	2,426
Inventory Held for Resale	474,487
Materials and Supplies Inventory	539,968
Taxes Receivable	138,728,383
Nondepreciable Capital Assets	28,537,652
Depreciable Capital Assets, Net	241,361,383
<i>Total Assets</i>	<u>585,293,757</u>
Deferred Outflows of Resources	
Deferred Expense	54,000,000
Pension	28,147,587
<i>Total Deferred Outflows of Resources</i>	<u>82,147,587</u>
Liabilities	
Accounts Payable	5,085,763
Accrued Wages	17,688,334
Compensated Absences Payable	505,343
Unearned Revenue	45,039
Intergovernmental Payable	58,702,453
Premium Payable	332,792
Claims Payable	5,011,760
Due to City of Akron	22,407,134
Long-Term Liabilities:	
Due Within One Year	1,738,068
Due in More Than One Year:	
Net Pension Liability (See Note 12)	378,057,253
Other Amounts Due in More Than One Year	30,883,650
<i>Total Liabilities</i>	<u>520,457,589</u>
Deferred Inflows of Resources	
Property Taxes	95,483,615
Pension	68,400,483
<i>Total Deferred Inflows of Resources</i>	<u>163,884,098</u>
Net Position	
Net Investment in Capital Assets	269,899,035
Restricted for:	
Capital Projects	91,227,104
Debt Service	13,007
Other Purposes	3,192,012
Unrestricted	(381,231,501)
<i>Total Net Position</i>	<u>(\$16,900,343)</u>

See accompanying notes to the basic financial statements

Akron City School District
Statement of Activities
For the Fiscal Year Ended June 30, 2015

	Expenses	Program Revenues			Net Revenues (Expenses) and Change in Net Position
		Charges for Services and Sales	Operating Grants, Contributions and Interest	Capital Grants and Contributions	Primary Government
					Governmental Activities
Governmental Activities					
Instruction:					
Regular	\$146,365,690	\$4,262,926	\$6,905,510	\$0	(\$135,197,254)
Special	51,997,535	1,214,008	8,815,575	0	(41,967,951)
Vocational	11,294,591	1,983	2,953,766	0	(8,338,842)
Adult/Continuing	715,574	381,887	72,028	0	(261,659)
Other	7,056,917	0	5,087,098	0	(1,969,819)
Support Services:					
Pupil	20,136,063	1,543	1,716,662	0	(18,417,858)
Instructional Staff	15,766,347	566,429	5,373,246	0	(9,826,672)
Board of Education	120,729	0	0	0	(120,729)
Administration	22,342,769	125,784	1,803,707	0	(20,413,277)
Fiscal	3,965,972	26	434,371	0	(3,531,575)
Business	2,726,563	250,378	90,056	0	(2,386,129)
Operation and Maintenance of Plant	39,053,136	75,117	16,081	34,708,665	(4,253,273)
Pupil Transportation	12,879,215	77,352	1,346,145	0	(11,455,718)
Central	8,841,837	2,305,162	406,817	0	(6,129,857)
Operation of Non-Instructional Services	3,724,320	10,124	3,586,859	0	(127,337)
Extracurricular Activities	3,540,627	860,250	48,166	0	(2,632,210)
Food Service Operations	11,673,201	345,948	11,031,962	0	(295,291)
<i>Total - Primary Government</i>	<u>\$362,201,086</u>	<u>\$10,478,917</u>	<u>\$49,688,049</u>	<u>\$34,708,665</u>	<u>(267,325,455)</u>
General Revenues					
Property Taxes Levied for:					
					118,922,952
					3,668,588
					196,486,278
					323,279
					2,177,114
					<u>321,578,211</u>
					Change in Net Position 54,252,756
					<u>Net Position at Beginning of Fiscal Year - Restated See Note 3 (71,153,099)</u>
					<u>Net Position at End of Fiscal Year (\$16,900,343)</u>

See accompanying notes to the basic financial statements

Akron City School District

Balance Sheet

Governmental Funds

June 30, 2015

	<u>General</u>	<u>Permanent Improvement Capital Projects</u>	<u>Classroom Facilities Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets					
Equity in Pooled Cash and Cash Equivalents	\$15,650,860	\$663,220	\$9,537,680	\$10,577,264	\$36,429,024
Cash and Cash Equivalents In Segregated Accounts	20,312,935	0	18,826	33,935	20,365,696
Investments In Segregated Accounts	20,068	0	23,905,447	30,523,039	54,448,554
Taxes Receivable	134,572,378	4,156,005	0	0	138,728,383
Accounts Receivable	155,626	0	0	149,513	305,139
Intergovernmental Receivable	96,859	0	48,204,562	3,305,912	51,607,333
Accrued Interest Receivable	37	0	16,411	34,345	50,793
Interfund Receivable	896,999	0	0	0	896,999
Prepaid Items	0	0	0	2,426	2,426
Materials and Supplies Inventory	96,631	0	0	33,204	129,835
Inventory Held for Resale	0	0	0	474,487	474,487
<i>Total Assets</i>	<u>171,802,393</u>	<u>4,819,225</u>	<u>81,682,926</u>	<u>45,134,125</u>	<u>303,438,669</u>
Deferred Outflows of Resources					
Deferred Expense	<u>0</u>	<u>54,000,000</u>	<u>0</u>	<u>0</u>	<u>54,000,000</u>
<i>Total Assets and Deferred Outflows of Resources</i>	<u><u>\$171,802,393</u></u>	<u><u>\$58,819,225</u></u>	<u><u>\$81,682,926</u></u>	<u><u>\$45,134,125</u></u>	<u><u>\$357,438,669</u></u>
Liabilities					
Accounts Payable	\$1,389,461	\$0	\$2,513,618	\$1,182,684	\$5,085,763
Accrued Wages	16,680,639	0	0	1,007,695	17,688,334
Compensated Absences Payable	362,964	0	0	142,379	505,343
Interfund Payable	0	0	0	896,999	896,999
Intergovernmental Payable	4,062,456	54,000,000	0	593,317	58,655,773
Unearned Revenue	0	0	0	45,039	45,039
Due to City of Akron	<u>0</u>	<u>0</u>	<u>11,866,861</u>	<u>10,540,273</u>	<u>22,407,134</u>
<i>Total Liabilities</i>	<u>22,495,520</u>	<u>54,000,000</u>	<u>14,380,479</u>	<u>14,408,386</u>	<u>105,284,385</u>
Deferred Inflows of Resources					
Property Taxes	92,554,071	2,929,544	0	0	95,483,615
Unavailable Revenue	<u>21,958,928</u>	<u>638,315</u>	<u>48,204,562</u>	<u>1,973,061</u>	<u>72,774,866</u>
<i>Total Deferred Inflows of Resources</i>	<u>114,512,999</u>	<u>3,567,859</u>	<u>48,204,562</u>	<u>1,973,061</u>	<u>168,258,481</u>
Fund Balances					
Nonspendable	114,132	0	0	35,630	149,762
Restricted	0	1,251,366	19,097,885	30,645,733	50,994,984
Committed	365,544	0	0	0	365,544
Assigned	3,706,804	0	0	0	3,706,804
Unassigned	<u>30,607,394</u>	<u>0</u>	<u>0</u>	<u>(1,928,685)</u>	<u>28,678,709</u>
<i>Total Fund Balances</i>	<u>34,793,874</u>	<u>1,251,366</u>	<u>19,097,885</u>	<u>28,752,678</u>	<u>83,895,803</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u><u>\$171,802,393</u></u>	<u><u>\$58,819,225</u></u>	<u><u>\$81,682,926</u></u>	<u><u>\$45,134,125</u></u>	<u><u>\$357,438,669</u></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, 2015

Total Governmental Fund Balances		\$83,895,803
 <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.		269,899,035
Other long-term assets are not available to pay for current-period expenditures and therefore are reported as unavailable revenue in the funds:		
Grants	50,150,096	
Delinquent Property Taxes	22,420,521	
Tuition and Fees	135,193	
Radio Station Charges for Services	35,445	
Rentals	25,318	
Sales	3,380	
Other	<u>4,915</u>	
Total		72,774,868
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.		7,461,818
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
Compensated Absences		(32,621,718)
The net pension liability is not due and payable in current period; therefore, the liability and related inflows/outflows are not reported in the funds:		
Deferred Outflows - Pension	28,147,587	
Deferred Inflows - Pension	(68,400,483)	
Net Pension Liability	<u>(378,057,253)</u>	
Total		<u>(418,310,149)</u>
<i>Net Position of Governmental Activities</i>		<u><u>(\$16,900,343)</u></u>

See accompanying notes to the basic financial statements

Akron City School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2015

	General	Permanent Improvement Capital Projects	Classroom Facilities Capital Projects	Other Governmental Funds	Total Governmental Funds
Revenues					
Taxes	\$116,620,571	\$2,412,057	\$0	\$1,181,980	\$120,214,608
Intergovernmental	205,381,649	417,131	12,328,271	39,660,641	257,787,692
Interest	65,248	955	116,021	146,376	328,600
Tuition and Fees	5,764,798	0	0	23,994	5,788,792
Extracurricular Activities	249,893	0	0	683,461	933,354
Rentals	325,137	0	0	0	325,137
Charges for Services	2,444,971	0	0	550,137	2,995,108
Sales	0	0	0	342,568	342,568
Contributions and Donations	666,137	0	0	54,089	720,226
Miscellaneous	1,163,080	0	0	1,002,234	2,165,314
<i>Total Revenues</i>	<u>332,681,484</u>	<u>2,830,143</u>	<u>12,444,292</u>	<u>43,645,480</u>	<u>391,601,399</u>
Expenditures					
Current:					
Instruction:					
Regular	140,443,051	0	0	6,499,348	146,942,399
Special	48,741,083	0	0	3,898,410	52,639,493
Vocational	11,148,503	0	0	110,534	11,259,037
Adult/Continuing	718,647	0	0	0	718,647
Other	2,277,361	0	0	5,042,310	7,319,671
Support Services:					
Pupil	18,673,972	0	0	1,758,213	20,432,185
Instructional Staff	9,731,162	0	0	6,429,041	16,160,203
Board of Education	121,365	0	0	0	121,365
Administration	20,710,462	0	0	1,814,823	22,525,285
Fiscal	3,548,896	0	0	436,961	3,985,857
Business	2,420,521	0	0	89,776	2,510,297
Operation and Maintenance of Plant	31,153,472	0	0	15	31,153,487
Pupil Transportation	12,832,073	0	0	145,949	12,978,022
Central	8,424,846	0	0	371,006	8,795,852
Operation of Non-Instructional Services	18,083	0	0	3,770,146	3,788,229
Extracurricular Activities	2,944,331	0	0	645,266	3,589,597
Food Service Operations	0	0	0	11,456,236	11,456,236
Capital Outlay	1,626,489	3,048,215	16,070,291	1,043,676	21,788,671
<i>Total Expenditures</i>	<u>315,534,317</u>	<u>3,048,215</u>	<u>16,070,291</u>	<u>43,511,710</u>	<u>378,164,533</u>
<i>Excess (Deficiency) of Revenues Over (Under) Expenditures</i>	<u>17,147,167</u>	<u>(218,072)</u>	<u>(3,625,999)</u>	<u>133,770</u>	<u>13,436,866</u>
Other Financing Sources (Uses)					
Transfers In	3,207	0	0	72,000	75,207
Transfers Out	(72,000)	0	0	(3,207)	(75,207)
<i>Total Other Financing Sources (Uses)</i>	<u>(68,793)</u>	<u>0</u>	<u>0</u>	<u>68,793</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	17,078,374	(218,072)	(3,625,999)	202,563	13,436,866
<i>Fund Balances at Beginning 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>
<i>Fund Balances at End of Fiscal Year</i>	<u>\$34,793,874</u>	<u>\$1,251,366</u>	<u>\$19,097,885</u>	<u>\$28,752,678</u>	<u>\$83,895,803</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, 2015*

Net Change in Fund Balances - Total Governmental Funds \$13,436,866

*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 Assets Additions	17,796,343	
Current Fiscal Year Depreciation	(6,895,461)	
Total		10,900,882

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. (62,014)

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

Delinquent Property Taxes	2,376,932	
Radio Station Charges for Services	3,081	
Tuition and Fees	62,222	
Sales	3,380	
Rentals	16,178	
Miscellaneous	4,915	
Total		2,466,708

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. 22,379,753

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 (1,442,699)

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. (1,794,601)

Contractually-required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows. 24,583,756

Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities. (16,215,895)

Change in Net Position of Governmental Activities \$54,252,756

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, 2015

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$114,114,297	\$114,114,297	\$110,488,921	(\$3,625,376)
Intergovernmental	212,017,453	212,017,453	205,281,725	(6,735,728)
Interest	66,796	66,796	64,674	(2,122)
Tuition and Fees	5,426,618	5,426,618	5,251,896	(174,722)
Rentals	243,586	243,586	235,847	(7,739)
Charges for Services	260,815	260,815	211,056	(49,759)
Contributions and Donations	581,868	581,868	563,006	(18,862)
Miscellaneous	1,076,407	1,076,407	1,046,975	(29,432)
<i>Total Revenues</i>	333,787,840	333,787,840	323,144,100	(10,643,740)
Expenditures				
Current:				
Instruction:				
Regular	152,925,385	155,925,719	142,530,586	13,395,133
Special	47,530,769	47,547,828	48,611,652	(1,063,824)
Vocational	10,846,992	10,843,972	11,181,347	(337,375)
Adult	69,907	69,907	209,757	(139,850)
Other	565,517	553,278	2,302,913	(1,749,635)
Support Services:				
Pupils	18,374,693	18,316,561	18,755,570	(439,009)
Instructional Staff	7,782,682	8,674,074	9,726,428	(1,052,354)
Board of Education	80,700	86,500	121,001	(34,501)
Administration	20,352,888	20,338,962	20,456,464	(117,502)
Fiscal	4,501,843	4,558,056	3,591,181	966,875
Business	2,614,937	2,545,897	2,447,299	98,598
Operation and Maintenance of Plant	27,723,421	27,777,411	30,890,348	(3,112,937)
Pupil Transportation	9,559,618	9,556,586	12,955,149	(3,398,563)
Central	6,331,963	6,757,265	6,602,810	154,455
Operations of Non-Instructional Services	10,462	11,012	7,815	3,197
Extracurricular Activities	798,284	899,209	2,832,578	(1,933,369)
Capital Outlay	1,867,645	2,185,466	2,338,426	(152,960)
<i>Total Expenditures</i>	311,937,706	316,647,703	315,561,324	1,086,379
<i>Excess (Deficiency) of Revenues Over (Under) Expenditures</i>	21,850,134	17,140,137	7,582,776	(9,557,361)
Other Financing Sources (Uses)				
Transfers In	32,000	32,000	21,884	(10,116)
Transfers Out	(72,000)	(311,818)	(311,818)	0
<i>Total Other Financing Sources (Uses)</i>	(40,000)	(279,818)	(289,934)	(10,116)
<i>Net Change in Fund Balance</i>	21,810,134	16,860,319	7,292,842	(9,567,477)
<i>Fund Balance at Beginning of Fiscal Year</i>	23,326,059	23,326,059	23,326,059	0
Prior Fiscal Year Encumbrances Appropriated	161,140	161,140	161,140	0
<i>Fund Balance at End of Fiscal Year</i>	\$45,297,333	\$40,347,518	\$30,780,041	(\$9,567,477)

See accompanying notes to the basic financial statements

Akron City School District
Statement of Net Position
Proprietary Fund
June 30, 2015

	<u>Internal Service Funds</u>
Assets	
Equity in Pooled Cash and Cash	
Equivalents	\$12,441,474
Accounts Receivable	1,443
Materials and Supplies Inventory	<u>410,133</u>
<i>Total Assets</i>	<u>12,853,050</u>
Liabilities	
Intergovernmental Payable	46,680
Premium Payable	332,792
Claims Payable	<u>5,011,760</u>
Total Liabilities	<u>5,391,232</u>
Net Position	
Unrestricted	<u><u>\$7,461,818</u></u>

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, 2015*

	Internal Service Funds
Operating Revenues	
Charges for Services	\$43,219,209
Operating Expenses	
Purchased Services	4,221,590
Materials and Supplies	687,942
Claims	40,104,278
Total Operating Expenses	45,013,810
<i>Operating (Loss)/Change in Net Position</i>	<i>(1,794,601)</i>
<i>Net Position at Beginning of Fiscal Year</i>	<i>9,256,419</i>
<i>Net Position at End of Fiscal Year</i>	<i>\$7,461,818</i>

See accompanying notes to the basic financial statements

Akron City School District
Statement of Cash Flows
Proprietary Fund
For the Fiscal Year Ended June 30, 2015

	Internal Service Funds
<i>Increase (Decrease) in Cash and Cash Equivalents</i>	
Cash Flows from Operating Activities	
Cash Received for Interfund Services	\$43,221,806
Cash Payments for Other Expenses	(4,165,744)
Cash Payments for Goods and Services	(727,983)
Cash Payments for Claims	(39,699,618)
<i>Net Cash (Used for) Operating Activities</i>	(1,371,539)
<i>Net (Decrease) in Cash and Cash Equivalents</i>	(1,371,539)
Cash and Cash Equivalents at Beginning of Fiscal Year	13,813,013
Cash and Cash Equivalents at End of Fiscal Year	\$12,441,474
 Reconciliation of Operating (Loss) to Net Cash (Used for) Operating Activities	
<i>Operating (Loss)</i>	(\$1,794,601)
Adjustments:	
<i>(Increase) Decrease in Assets:</i>	
Accounts Receivable	2,254
Materials and Supplies Inventory	(20,855)
<i>Increase (Decrease) in Liabilities:</i>	
Accounts Payable	(20,360)
Intergovernmental Payable	41,276
Premium Payable	16,087
Claims Payable	404,660
<i>Total Adjustments</i>	423,062
<i>Net Cash (Used for) Operating Activities</i>	(\$1,371,539)

See accompanying notes to the basic financial statements

Akron City School District
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2015

	Private Purpose Trust	
	Scholarship	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	\$60,116	\$685,565
Cash and Cash Equivalents in Segregated Accounts	151,805	0
Investments in Segregated Accounts	96,782	0
Accrued Interest Receivable	30	0
<i>Total Assets</i>	<u>308,733</u>	<u>\$685,565</u>
Liabilities		
Undistributed Monies	\$0	\$547,969
Due to Students	0	137,596
<i>Total Liabilities</i>	<u>0</u>	<u>\$685,565</u>
Net Position		
Held in Trust for Scholarships	<u>\$308,733</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, 2015

	<u>Scholarship</u>
Additions	
Interest	\$619
Deductions	
Scholarships Awarded	0
<i>Change in Net Position</i>	619
<i>Net Position at Beginning of Fiscal Year</i>	308,114
<i>Net Position at End of Fiscal Year</i>	\$308,733

See accompanying notes to the basic financial statements

Akron City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Note 1 – Description of the School District and Reporting Entity

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

The School District was established in 1847 through the consolidation of existing land areas and school districts. The School District serves an area of approximately 54.4 square miles and is located in Summit County, and is within the City of Akron. The School District is the fifth largest in the State of Ohio (among 992 public school districts and community schools) in terms of enrollment. It is staffed by 741 full-time classified employees, 1,827 full-time certificated personnel, 186 administrative employees, and 1,842 part-time employees who provide services to 21,060 students and other community members. The School District currently operates 51 instructional buildings, five vacant buildings, four administrative buildings, one auxiliary building 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, 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 and The Lippman 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, 2015

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, 2015

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 Facilities Construction 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, 2015

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, 2015

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

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. For the School District, deferred outflows of resources include the deferred expense of payments to the City of Akron (the "City") for the construction and renovation of school buildings and pension. 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 \$3,000,000 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, 2015 are recorded as deferred outflows of resources with a corresponding intergovernmental payable on both the government-wide statement of net position and the governmental fund financial statements. Deferred outflows of resources related to pension are reported on the government-wide statement of net position (See Note 12).

Akron City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

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, pension and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2015, but which were levied to finance fiscal year 2016 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, sales, rentals and miscellaneous revenues. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. Deferred inflows of resources related to pension are reported on the government-wide statement of net position (See Note 12).

Pensions For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

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

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

E. Budgetary Data

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

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

Akron City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

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 2015, 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.

During fiscal year 2015, the School District's investments were limited to overnight repurchase agreements, commercial paper, Federal Home Loan Bank Notes, Federal Home Loan Mortgage Corporation Notes, Federal National Mortgage Association Notes, Federal Farm Credit Bank Notes, a First American Treasury Money Market Fund, 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 2015 amounted to \$65,248, which includes \$20,865 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, 2015 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.

Akron City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

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.

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

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

J. Interfund Balances

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

Akron City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

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.

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.

Akron City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

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.

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. 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 – Change in Accounting Principle and Restatement of Net Position

For fiscal year 2015, the School District implemented GASB Statement No. 68, "Accounting and Financial Reporting for Pensions" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date-an amendment of GASB Statement No. 68". GASB Statement No. 68 established standards for measuring and recognizing pension liabilities, deferred outflows of resources, deferred inflows of resources and expenses. The implementation of this pronouncement had the following effect on net position as reported at June 30, 2014:

Akron City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Net Position at June 30, 2014	\$355,524,911
Adjustments:	
Net Pension Liability	(449,240,639)
Deferred Outflow - Payments Subsequent to Measurement Date	<u>22,562,629</u>
Restated Net Position at June 30, 2014	<u><u>(\$71,153,099)</u></u>

Other than employer contributions subsequent to the measurement date, the School District made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available.

Note 4 – Accountability

The following funds had deficit unassigned fund balances on a GAAP basis at June 30, 2015:

Fund	Amount
Nonmajor Special Revenue Funds	
Auxiliary Services	\$79,781
Alternative Schools	17,153
Race to the Top	5,424
Title VI-B - Special Education	380,910
Vocational Education	58,879
Title I School Improvement Stimulus A	53,329
Title I School Improvement Stimulus G	3,192
Title III - Limited English Proficiency	4,081
Title I	1,096,029
Title II-A - Improving Teacher Quality	219,282
Miscellaneous Federal Grants	10,625

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 5 - Budgetary Basis of Accounting

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).

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2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as an assignment of fund balances (GAAP basis).
4. Some funds have separate legally adopted budgets (budget basis) but are included in the general fund (GAAP basis).

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

<u>Net Change In Fund Balance</u>	
GAAP Basis	\$17,078,374
Net Adjustment for Revenue Accruals	(5,886,985)
Net Adjustment for Expenditure Accruals	846,256
Funds Budgeted Elsewhere **	(527,958)
Adjustment for Encumbrances	<u>(4,216,845)</u>
Budget Basis	<u><u>\$7,292,842</u></u>

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

Note 6 - Deposits and Investments

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

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

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:

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

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

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

Deposits Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end, the carrying amount of the School District's deposits was \$34,012,284 and the bank balance was \$38,731,592. Of the bank balance, \$1,250,000 was covered by Federal Deposit Insurance Corporation, and \$37,481,592 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.

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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, 2015, the School District had the following investments:

	Carrying Value	Maturities In Years		% to
		Less than 1	1-3	Total
Overnight Repurchase Agreements	\$42,384,080	\$42,384,080	\$0	46.74%
Federal Home Loan Bank Notes	14,130,838	3,199,782	10,931,056	15.59
Federal Home Loan Mortgage Corporation Notes	10,112,308	0	10,112,308	11.15
Federal Farm Credit Bank Notes	4,699,353	2,699,806	1,999,547	5.18
Federal National Mortgage Association Notes	2,815,711	0	2,815,711	3.11
Commercial Paper	16,479,925	16,479,925	0	18.18
Federated U.S. Treasury Money Market Fund	12,470	12,470	0	0.01
First American Treasury Money Market Fund	32,049	32,049	0	0.04
Total Investments	\$90,666,734	\$64,808,112	\$25,858,622	100.00%

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

The overnight repurchase agreements, Federal Home Loan Bank Notes, Federal Home Loan Mortgage Corporation Notes, Federal National Mortgage Association Notes, and Federal Farm Credit Bank Notes carry a rating of AA+ by Standard and Poor's and Aaa by Moody's Investors Service. The First American Treasury Money Market Fund and the Federated United States Treasury Money Market Fund carry a rating of AAAM by Standard and Poor's and Aaa-mf by Moody's Investors Service. The commercial paper carries a rating of A-1 by Standard and Poor's and P-1 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."

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

Note 7 - Property Taxes

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenue received in calendar year 2015 represents collections of calendar year 2014 taxes. Real property taxes received in calendar year 2015 were levied after April 1, 2014, on the assessed value listed as of January 1, 2014, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable semi-annually with payments due in February and July. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2015 represents collections of calendar year 2014 taxes. Public utility real and personal property taxes received in calendar year 2015, which became a lien December 31, 2013, were levied after April 1, 2014 and are collected in calendar year 2015 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, 2015, are available to finance fiscal year 2015 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, 2015 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, 2015 was \$20,236,101 in the general fund and \$588,146 in the permanent improvement capital projects fund. 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.

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.

Akron City School District
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The assessed values upon which the fiscal year 2015 taxes were collected are:

	2014 Second Half Collections		2015 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$2,257,504,970	95.50%	\$2,199,473,000	95.14%
Public Utility Personal	106,455,570	4.50%	112,432,910	4.86%
Total	\$2,363,960,540	100.00%	\$2,311,905,910	100.00%
 Tax rate per \$1,000 of assessed valuation	 \$79.56		 \$79.56	

Note 8 - Contingencies

A. Grants

The School District received financial assistance from federal and State agencies in the form of grants. The disbursements of funds received under these programs generally require compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, the effect of any disallowed claims on the overall financial position of the School District at June 30, 2015, if applicable, cannot be determined at this time.

B. Foundation Funding

School District foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2014-2015 school year, traditional school districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (“ODE”) is legislatively required to follow will continue to adjust as enrollment information is updated by the School District, which can extend past the fiscal year end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2015 foundation funding for the school district; therefore, the financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or a liability of the School District.

C. 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.

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Note 9 – Receivables

Receivables at June 30, 2015 consisted of taxes, interest, interfund, accounts (student transportation fees, radio station charges for services, printing reimbursement, building rentals, Akron Education Association salaries/fringe benefits reimbursement, substitute teacher cost reimbursement, Adult School of Practical Nursing tuition and fees, Early College High School tuition reimbursement, Seniors to Sophomores tuition reimbursement, post-secondary enrollment options tuition reimbursement, STEM Hub workshop registration fees, food service sales, health/life insurance fees, juvenile detention center tuition, and local grants), and intergovernmental (motor vehicle fuel tax reimbursement, JROTC, building rentals, student transportation fees, juvenile detention center tuition, printing reimbursement, STEM Hub workshop registration 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.

A summary of the items of intergovernmental receivables follows:

<u>Governmental Activities</u>	<u>Amounts</u>
Motor Vehicle Tax Fuel Reimbursement	\$11,296
JROTC	11,476
STEM Hub Workshop Registration Fees	8,365
Juvenile Detention Center Tuition	63,832
Building Rentals	1,552
Printing Reimbursement	34
Student Transportation Fees	304
Other Local Grants	41,449
Public School Preschool	475,592
Alternative Schools	60,501
Miscellaneous State Grants	57,379
Race to the Top	17,229
Title VI-B - Special Education	479,451
Vocational Education	154,066
Title I School Improvement Stimulus A	115,728
Title III - Limited English Proficiency	29,585
Title I	1,288,572
Pre-School Handicapped	9,201
Title II-A - Improving Teacher Quality	291,631
Miscellaneous Federal Grants	76,222
Food Service	209,306
Classroom Facilities	<u>48,204,562</u>
Total Intergovernmental Receivables	<u><u>\$51,607,333</u></u>

Akron City School District
Notes to the Basic Financial Statements
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Note 10 – Capital Assets

Capital asset activity for the fiscal year ended June 30, 2015, was as follows:

	Balance 6/30/2014	Additions	Deletions	Balance 6/30/2015
Governmental Activities				
<i>Capital Assets, not being depreciated:</i>				
Land	\$6,350,539	\$0	\$0	\$6,350,539
Construction In Progress	7,078,700	15,334,025	(225,612)	22,187,113
<i>Total Capital Assets, not being depreciated</i>	<u>13,429,239</u>	<u>15,334,025</u>	<u>(225,612)</u>	<u>28,537,652</u>
<i>Capital Assets, being depreciated:</i>				
Land Improvements	102,896	0	0	102,896
Buildings and Improvements	275,683,728	547,144	0	276,230,872
Furniture and Equipment	48,670,971	1,514,753	(1,632,483)	48,553,241
Vehicles	8,777,339	626,033	(447,743)	8,955,629
<i>Total Capital Assets, being depreciated</i>	<u>333,234,934</u>	<u>2,687,930</u>	<u>(2,080,226)</u>	<u>333,842,638</u>
Less Accumulated Depreciation:				
Land Improvements	(57,024)	(5,145)	0	(62,169)
Buildings and Improvements	(50,463,975)	(3,880,096)	0	(54,344,071)
Furniture and Equipment	(30,969,474)	(2,630,465)	1,571,862	(32,028,077)
Vehicles	(6,113,533)	(379,755)	446,350	(6,046,938)
Total Accumulated Depreciation	<u>(87,604,006)</u>	<u>(6,895,461)</u>	<u>2,018,212</u>	<u>(92,481,255)</u>
Total Capital Assets, being depreciated, net	<u>245,630,928</u>	<u>(4,207,531)</u>	<u>(62,014)</u>	<u>241,361,383</u>
Governmental Activities Capital Assets, Net	<u>\$259,060,167</u>	<u>\$11,126,494</u>	<u>(\$287,626)</u>	<u>\$269,899,035</u>

* Depreciation expense was charged to governmental functions as follows:

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Instruction:	
Regular	\$1,076,451
Special	64,680
Vocational	217,946
Adult/Continuing	1,253
Other	24,042
Support Services:	
Pupil	25,508
Instructional Staff	685,914
Administration	11,236
Fiscal	19,836
Business	358,881
Operation and Maintenance of Plant	3,816,523
Pupil Transportation	300,376
Central	77,942
Operation of Non-Instructional Services	14,242
Extracurricular Activities	13,051
Food Service Operations	<u>187,580</u>
Total Depreciation Expense	<u><u>\$6,895,461</u></u>

As of June 30, 2015, the District's capital assets included four vacant buildings with no immediate usage plans that have a carrying value of \$1,723,860.

Note 11 - Risk Management

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2015, 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:

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Type of Coverage	Coverage Amount
Commercial Property (\$50,000 deductible)	
Building and Contents	\$761,044,630
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.

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
2014	\$1,127,744	\$938,498	\$1,001,537	\$1,064,705
2015	1,064,705	1,272,906	1,079,559	1,258,052

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Medical/surgical insurance is offered to employees on a self-insured basis. The School District has various third-party administrators for the self-insurance activity. The claims liability of \$4,086,500 reported in the self-insurance internal service fund at June 30, 2015 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
2014	\$4,518,500	\$39,912,953	\$40,572,353	\$3,859,100
2015	3,859,100	39,927,018	39,699,618	4,086,500

Note 12 – Defined Benefit Pension Plans

A. Net Pension Liability

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions between an employer and its employees of salaries and benefits for employee services. Pensions are provided to an employee on a deferred-payment basis as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the School District's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost-of-living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

The Ohio Revised Code limits the School District's obligation for this liability to annually required payments. The School District cannot control benefit terms or the manner in which pensions are financed; however, the School District does receive the benefit of employees' services in exchange for compensation including pension.

GASB Statement No. 68 assumes the liability is solely the obligation of the employer because they benefit from employee services and State statute requires all funding to come from these employers. All contributions to date have come solely from these employers, which also includes costs paid in the form of withholdings from employees. State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

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The proportionate share of each plan’s unfunded benefits is presented as a long-term net pension liability on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the fiscal year is included in intergovernmental payable on both the accrued and modified accrual bases of accounting.

B. Plan Description – School Employees Retirement System (“SERS”)

Plan Description School District non-teaching employees participate in SERS, a cost-sharing, multiple-employer defined benefit pension plan administered by SERS. 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, required supplementary information and detailed information about SERS’ fiduciary net position. That report may be obtained by visiting the SERS website at www.ohsers.org, under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

* Members with 25 years of service credit as of August 1, 2017 will be included in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30 years. Final average salary is the average of the highest three years of salary.

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (“COLA”). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

Funding Policy Plan members are required to contribute 10 percent of their annual covered salary, and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System’s funds (Pension Trust Fund, Death Benefit Fund, Medicare Part B Fund and Health Care Fund). For the fiscal year ended June 30, 2015, the allocation to pension, death benefits and Medicare Part B was 13.18 percent. The remaining 0.82 percent of the 14 percent employer contribution rate was allocated to the Health Care Fund.

The School District's contractually-required contribution to SERS was \$5,572,761. Of this amount, \$472,434 is reported as an intergovernmental payable.

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C. Plan Description - State Teachers Retirement System of Ohio (“STRS”)

Plan Description School District licensed teachers and other faculty members participate in STRS, a cost-sharing, multiple-employer defined benefit pension plan administered by STRS. STRS 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 issues a publicly-available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS’ fiduciary net position. That report may be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling toll free (888) 227-7877, or by visiting the STRS website at www.strsoh.org.

New members have a choice of three retirement plans; a Defined Benefit (“DB”) Plan, a Defined Contribution (“DC”) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013 or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015 and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. 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 DB Plan and the DC Plan. In the Combined Plan, member contributions are allocated among investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

A DB or Combined Plan member with five or more years credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability 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.

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Funding Policy The statutory maximum employee contribution rate was increased by one percent July 1, 2014 and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2015, plan members were required to contribute 12 percent of their annual covered salary. The School District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2015 contribution rates were equal to the statutory maximum rates.

The School District's contractually-required contribution to STRS was \$19,337,400 for fiscal year 2015. Of this amount \$3,433,566 is reported as an intergovernmental payable.

D. Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability was measured as of June 30, 2014 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is the information related to the proportionate share and pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability	\$67,906,419	\$310,150,834	\$378,057,253
Proportion of the Net Pension Liability	1.341774%	1.27510981%	
Pension Expense	\$2,487,398	\$13,728,497	\$16,215,895

At June 30, 2015, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$577,956	\$2,985,875	\$3,563,831
School District contributions subsequent to the measurement date	<u>5,246,356</u>	<u>19,337,400</u>	<u>24,583,756</u>
Total Deferred Outflows of Resources	<u>\$5,824,312</u>	<u>\$22,323,275</u>	<u>\$28,147,587</u>
Deferred Inflows of Resources			
Net difference between projected and actual earnings on pension plan investments	<u>\$11,021,403</u>	<u>\$57,379,080</u>	<u>\$68,400,483</u>

\$24,583,756 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Akron City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2016	(\$2,609,402)	(\$13,598,301)	(\$16,207,703)
2017	(2,609,402)	(13,598,301)	(16,207,703)
2018	(2,609,402)	(13,598,301)	(16,207,703)
2019	(2,615,240)	(13,598,302)	(16,213,542)
Total	(\$10,443,447)	(\$54,393,205)	(\$64,836,652)

E. Actuarial Assumptions – SERS

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (i.e., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (i.e., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases, actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2014, are presented below:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	4.00 percent to 22 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.75 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed June 30, 2010.

Akron City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	1.00%	0.00%
US Stocks	22.50%	5.00%
Non-US Stocks	22.50%	5.50%
Fixed Income	19.00%	1.50%
Private Equity	10.00%	10.00%
Real Assets	10.00%	5.00%
Multi-Asset Strategies	15.00%	7.50%
Total	100.00%	

Discount Rate The total pension liability was calculated using the discount rate of 7.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.75 percent). Based on these assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate that is one percentage point lower (6.75 percent), or one percentage point higher (8.75 percent) than the current rate:

	1% Decrease 6.75%	Current Discount Rate 7.75%	1% Increase 8.75%
School District's proportionate share of the net pension liability	\$96,882,278	\$67,906,419	\$43,535,215

Akron City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

F. Actuarial Assumptions – STRS

The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Projected Salary Increases	2.75 percent at age 70 to 12.25 percent at age 20
Investment Rate of Return	7.75 percent, net of investment expenses
COLA	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA paid on fifth anniversary of retirement date

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022-Scale AA) for Males and Females. Males' ages are set back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from 90 and above.

Actuarial assumptions used in the June 30, 2014 valuation are based on the results of an actuarial experience study, effective July 1, 2012.

The 10-year expected real rate of return on pension plan investments was determined by STRS' investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	31.00%	8.00%
International Equity	26.00%	7.85%
Alternatives	14.00%	8.00%
Fixed Income	18.00%	3.75%
Real Estate	10.00%	6.75%
Liquidity Reserves	1.00%	3.00%
Total	100.00%	

Discount Rate The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2014. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2014. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2014.

Akron City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the School District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent) or one percentage point higher (8.75 percent) than the current rate:

	1% Decrease 6.75%	Current Discount Rate 7.75%	1% Increase 8.75%
School District's proportionate share of the net pension liability	\$444,014,736	\$310,150,834	\$196,947,018

G. Social Security System

Effective July 1, 1991, all employees not otherwise covered by SERS or STRS have an option to choose Social Security or SERS. As of June 30, 2015, none of the members of the Board of Education have elected Social Security.

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.

Akron City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Note 14 - Long-Term Obligations

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

<u>Governmental Activities:</u>	<u>Outstanding 6/30/2014</u>	<u>Additions</u>	<u>Reductions</u>	<u>Outstanding 6/30/2015</u>	<u>Amount Due in One Year</u>
Net Pension Liability:					
STRS	\$369,449,645	\$0	(\$59,298,811)	\$310,150,834	\$0
SERS	79,790,994		(11,884,575)	67,906,419	0
Total Pension Liability	<u>449,240,639</u>	<u>0</u>	<u>(71,183,386)</u>	<u>378,057,253</u>	<u>0</u>
Compensated Absences	<u>31,179,019</u>	<u>3,573,126</u>	<u>(2,130,427)</u>	<u>32,621,718</u>	<u>1,738,068</u>
Total Long-Term Obligations	<u>\$929,660,297</u>	<u>\$3,573,126</u>	<u>(\$144,497,199)</u>	<u>\$788,736,224</u>	<u>\$1,738,068</u>

The School District pays obligations related to employee compensation from the fund from which the employee is paid.

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 \$72,000 was made to the district-managed activities special revenue fund in order move unrestricted monies to support athletics.

In addition, the special trust special revenue fund transferred the unexpended balances of scholarship funds from the closed Central-Hower High School to the general fund due to the termination of the activity in the amount of \$3,207.

Transfers made during the fiscal year ended June 30, 2015 were as follows:

<u>Transfers To</u>	<u>Transfers From</u>		
	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
General Fund	\$0	\$3,207	\$3,207
Nonmajor Governmental Funds	<u>72,000</u>	<u>0</u>	<u>72,000</u>
Total	<u>\$72,000</u>	<u>\$3,207</u>	<u>\$75,207</u>

Akron City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

B. Balances

The general fund advanced funds to various special revenue funds to cover negative cash balances at the end of fiscal year 2015 as follows:

Advanced To	Nonmajor Funds
Public School Preschool	\$287,218
Alternative Schools	12,758
Race to the Top	16,909
Title VI-B - Special Education	171,805
Vocational Education	93,025
Title I School Improvement Stimulus A	56,631
Title III - Limited English Proficiency	28,055
Title I	176,631
Preschool Handicapped	8,767
Title II-A - Improving Teacher Quality	10,556
Miscellaneous Federal Grants	34,644
Total	\$896,999

Note 16 – Set Asides

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

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

	Capital Improvements Reserve
Set-aside Reserve Balance as of June 30, 2014	\$0
Current Fiscal Year Set-aside Requirements	3,655,886
Qualifying Disbursements	(4,832,646)
Totals	(\$1,176,760)
Set-aside Balance Carried Forward to Future Fiscal Years	\$0

Akron City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

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>					
Inventory	\$96,631	\$0	\$0	\$33,204	\$129,835
Prepaid Items	0	0	0	2,426	2,426
Unclaimed Funds	17,501	0	0	0	17,501
<i>Total Nonspendable</i>	<u>114,132</u>	<u>0</u>	<u>0</u>	<u>35,630</u>	<u>149,762</u>
<u>Restricted for:</u>					
Permanent Improvements	0	1,251,366	0	0	1,251,366
Scholarships	0	0	0	281,792	281,792
Unemployment Compensation	0	0	0	24,223	24,223
Employer Contributions to SERS	0	0	0	24,874	24,874
Employer Contributions to STRS	0	0	0	3,781	3,781
General Operations of WAPS-FM	0	0	0	726,758	726,758
Other Local Grants	0	0	0	1,529,662	1,529,662
District Managed Activities	0	0	0	367,066	367,066
Auxiliary Services	0	0	0	94,651	94,651
Public School Preschool Grant	0	0	0	51,591	51,591
Alternative Schools State Grant	0	0	0	16,827	16,827
Miscellaneous State Grants	0	0	0	190,892	190,892
Title VI-B Special Education Federal Grant	0	0	0	130,975	130,975
Vocational Education Federal Grant	0	0	0	24,538	24,538
Title I Federal Grant	0	0	0	107,398	107,398
Pre-School Handicapped Federal Grant	0	0	0	54	54
Title II-A Improving Teacher Quality Federal Grant	0	0	0	14,057	14,057
Miscellaneous Federal Grants	0	0	0	800	800
Inventory Held for Resale	0	0	0	474,487	474,487
Food Service	0	0	0	4,533,353	4,533,353
Debt Service	0	0	0	13,007	13,007
Classroom Facilities Construction	0	0	19,097,885	4,354,699	23,452,584
Classroom Facilities Maintenance	0	0	0	17,680,248	17,680,248
<i>Total Restricted</i>	<u>0</u>	<u>1,251,366</u>	<u>19,097,885</u>	<u>30,645,733</u>	<u>50,994,984</u>
<u>Committed to:</u>					
Underground Storage Tanks	11,000	0	0	0	11,000
Superintendent	20,105	0	0	0	20,105
Severance Payments	334,439	0	0	0	334,439
<i>Total Committed</i>	<u>365,544</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>365,544</u>

Akron City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Fund Balances	General	Permanent Improvement Capital Projects	Classroom Facilities Capital Projects	Other Governmental Funds	Total
<i>Assigned to:</i>					
Encumbrances	3,111,622	0	0	0	3,111,622
Unemployment Compensation	188,136	0	0	0	188,136
Employer Contributions to SERS	143,536	0	0	0	143,536
Employer Contributions to STRS	32,300	0	0	0	32,300
Uniform School Supplies	14,651	0	0	0	14,651
Consumer Services from Vocational Education Classes	176,825	0	0	0	176,825
Public School Support	10,162	0	0	0	10,162
Summer School	29,572	0	0	0	29,572
<i>Total Assigned</i>	<u>3,706,804</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>3,706,804</u>
Unassigned (Deficits)	<u>30,607,394</u>	<u>0</u>	<u>0</u>	<u>(1,928,685)</u>	<u>28,678,709</u>
Total Fund Balances	<u>\$34,793,874</u>	<u>\$1,251,366</u>	<u>\$19,097,885</u>	<u>\$28,752,678</u>	<u>\$83,895,803</u>

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

The School District's Treasurer authorized the assignment of fund balances to encumbrances, public school support, SERS employer contributions, STRS employer contributions and unemployment compensation. The School District's Board of Education authorized the assignment of fund balances to 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, 2015. At fiscal year end, the School District's commitments with contractors are as follows:

Project	Spent-to-Date	Remaining Commitment
Case Community Learning Center Construction	\$68,172	\$778,829
Guinther Building Demolition	184,230	11,388
Harris Community Learning Center Construction	1,715,467	12,776,324
Old Harris Elementary School Demolition	595,861	45,512
Hatton Community Learning Center Construction	14,792,851	10,550
King Community Learning Center Construction	17,981,925	370,468
Old King Elementary School Demolition	886,207	25,425
Old Margaret Park Elementary School Demolition	11,796	27,852
Seiberling Community Learning Center Construction	15,709,850	13,721
Old Voris Elementary School Demolition	521,277	15,452
Hyre Community School Learning Center Construction	21,305,717	52,616
Old Hyre Middle School Demolition	567,240	10,158
Old Litchfield Middle School Demolition	445,914	22,470
Buchtel Community Learning Center Construction	39,841,122	27,086

Akron City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Project	Spent-to-Date	Remaining Commitment
Ellet Community Learning Center Construction	173,798	3,039,295
Old Ellet High School Demolition	0	49,940
Firestone Community Learning Construction	41,479,204	34,778,032
Old Firestone High School Demolition	26,257	106,239
David Hill Community Learning Center Security Doors	6,058	19,576
Resnik Community Learning Center Vestibule Security Doors	3,672	53,602
Old Barrett Elementary School Renovations	37,597	366,693
Garfield High School Roof Repairs	0	36,504
North High School Roof Renovations	12,464	202,471
Old Stewart Elementary School Roof Renovations	9,186	165,959
Transportation Building Boiler Replacement	5,413	45,871
	<u>156,381,278</u>	<u>53,052,033</u>

The commitments involving the construction and demolition of school buildings are being financed entirely with Ohio Facilities Construction Commission monies and proceeds from a municipal income tax levied by the City. The old Barrett Elementary School renovations project, the Garfield High School roofing project, the North High School roofing project, the old Stewart Elementary School roofing project and the Transportation building boiler project are being financed mainly with property taxes, State monies and interest.

Note 19 – Ohio Facilities Construction Commission Project

Voters in the City passed an ordinance in May of 2003 levying a 0.25 percent additional municipal income tax for the purpose of acquiring, constructing, renovating, and adding to interests in land and the School District’s school buildings. This tax will last for 30 years and will raise \$284,208,394 in local funds needed to be eligible for \$408,982,810 of Ohio Facilities Construction Commission (“OFCC”) 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 OFCC 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, 2015, 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 \$22,407,134 as of June 30, 2015. The amount of this liability was determined by reducing the \$273,591,352 received as of June 30, 2015 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 \$251,184,218 in capital expenditures using these local funds received from the City as of June 30, 2015. A liability was recorded for these monies because if the School District does not spend these local funds by the end of this project, these funds would have to be returned to the City in accordance with an agreement between the School District and the City.

Akron City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

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, 2015. 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 \$22,187,113 as of June 30, 2015.

OFCC has determined that \$48,204,562 is owed to the School District as of June 30, 2015. This represents the amount that OFCC has appropriated but not remitted to the School District as of June 30, 2015 over the entire life of this project. As a result, that amount was recorded as an intergovernmental receivable as of June 30, 2015. 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.

Akron City School District
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net Pension Liability
School Employees Retirement System of Ohio
Last Two Fiscal Years (1)

	2014	2013
School District's Proportion of the Net Pension Liability	1.341774%	1.341774%
School District's Proportionate Share of the Net Pension Liability	\$67,906,419	\$79,790,994
School District's Covered-Employee Payroll	\$38,332,280	\$37,714,870
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	177.15%	211.56%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	71.70%	65.52%

(1) Information prior to fiscal year 2013 is not available

Akron City School District
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net Pension Liability
State Teachers Retirement System of Ohio
Last Two Fiscal Years (1)

	<u>2014</u>	<u>2013</u>
School District's Proportion of the Net Pension Liability	1.2751098%	1.2751098%
School District's Proportionate Share of the Net Pension Liability	\$310,150,834	\$369,449,645
School District's Covered-Employee Payroll	\$131,786,215	\$134,566,231
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	235.34%	274.55%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	74.70%	69.30%

(1) Information prior to fiscal year 2013 is not available

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Akron City School District
Required Supplementary Information
Schedule of School District Contributions
School Employees Retirement System of Ohio
Last Ten Fiscal Years

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Contractually Required Contribution	\$5,246,356	\$5,312,854	\$5,219,738	\$5,370,667
Contributions in Relation to the Contractually Required Contribution	<u>(5,246,356)</u>	<u>(5,312,854)</u>	<u>(5,219,738)</u>	<u>(5,370,667)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered-Employee Payroll	\$39,805,432	\$38,332,280	\$37,714,870	\$39,930,610
Contributions as a Percentage of Covered-Employee Payroll	13.18%	13.86%	13.84%	13.45%

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$5,207,483	\$5,472,577	\$4,017,674	\$3,913,913	\$3,989,002	\$4,035,872
<u>(5,207,483)</u>	<u>(5,472,577)</u>	<u>(4,017,674)</u>	<u>(3,913,913)</u>	<u>(3,989,002)</u>	<u>(4,035,872)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$41,427,868	\$40,417,851	\$40,830,020	\$39,856,548	\$37,350,206	\$38,146,238
12.57%	13.54%	9.84%	9.82%	10.68%	10.58%

Akron City School District
Required Supplementary Information
Schedule of School District Contributions
State Teachers Retirement System of Ohio
Last Ten Fiscal Years

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Contractually Required Contribution	\$19,337,400	\$17,132,208	\$17,493,610	\$18,571,947
Contributions in Relation to the Contractually Required Contribution	<u>(19,337,400)</u>	<u>(17,132,208)</u>	<u>(17,493,610)</u>	<u>(18,571,947)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered-Employee Payroll	\$138,124,286	\$131,786,215	\$134,566,231	\$142,861,131
Contributions as a Percentage of Covered-Employee Payroll	14.00%	13.00%	13.00%	13.00%

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$19,746,365	\$19,717,141	\$19,589,620	\$19,459,784	\$16,327,260	\$19,360,383
<u>(19,746,365)</u>	<u>(19,717,141)</u>	<u>(19,589,620)</u>	<u>(19,459,784)</u>	<u>(16,327,260)</u>	<u>(19,360,383)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$151,895,115	\$151,670,315	\$150,689,385	\$149,690,646	\$125,594,308	\$148,926,023
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

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AKRON CITY SCHOOL DISTRICT
SUMMIT COUNTY

FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2015

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	GRANT YEAR	PASS-THROUGH GRANTOR'S NUMBER	RECEIPTS	EXPENDITURES
<u>U.S. DEPARTMENT OF EDUCATION</u>					
(Direct)					
Impact Aid - Maintenance/Operations	84.041	2015	45-OH-96-1807	\$47,461	\$47,461
Student Financial Assistance Cluster:					
Federal Pell Grant Program	84.063	2015	EP063P54977	155,904	155,904
Federal Family Education Loan (Stafford)	84.268	2015	N/A	279,390	279,390
Total Student Financial Assistance Cluster				435,294	435,294
<u>U.S. DEPARTMENT OF EDUCATION</u>					
(Pass-through Ohio Department of Education)					
ARRA - Race to the Top	84.395A	2015	043489-3FD0-2015	108,995	126,224
ARRA - Race to the Top - Cultural Competency	84.395A	2014	043489-3FD0-2014	6,621	786
ARRA - Race to the Top - Resident Educator	84.395A	2014	043489-3FD0-2014	30,450	-
ARRA - Race to the Top	84.395A	2014	043489-3FD0-2014	381,751	232,276
Total Race to the Top				527,817	359,286
Special Education Cluster:					
Special Education - Grants to State	84.027	2015	043489-3M20-2015	4,964,219	5,144,819
Special Education - Grants to State	84.027	2014	043489-3M20-2014	550,401	285,035
Total Special Education-Grants to State				5,514,620	5,429,854
Special Education - Preschool Grants	84.173	2015	043489-3C50-2015	120,816	129,966
Special Education - Preschool Grants	84.173	2014	043489-3C50-2014	9,679	-
Total Special Education - Preschool Grants				130,495	129,966
Total Special Education Cluster				5,645,115	5,559,820
Career and Technical Education-Basic Grants to State	84.048	2015	043489-3L90-2015	476,980	570,952
Career and Technical Education-Basic Grants to State	84.048	2014	043489-3L90-2014	88,323	27,316
Total Career and Technical Education-Basic Grants to State				565,303	598,268
School Improvement Cluster:					
Buchtel School Improvement Competitive	84.377A	2014	043489-3AN0-2014	265,819	183,229
AOC School Improvement Competitive	84.377A	2014	043489-3AN0-2014	128,758	83,214
Bridges School Improvement Competitive	84.377A	2014	043489-3AN0-2014	126,810	88,366
Total School Improvement Competitive				521,387	354,809

AKRON CITY SCHOOL DISTRICT
SUMMIT COUNTY

FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2015

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	GRANT YEAR	PASS-THROUGH GRANTOR'S NUMBER	RECEIPTS	EXPENDITURES
Title I Cluster:					
Title I -Grants to Local Educational Agencies	84.010	2015	043489-3M00-2015	12,020,614	12,193,451
Title I -Grants to Local Educational Agencies (Delinquent)	84.010	2015	043489-3M00-2015	119,102	131,264
Title I -Grants to Local Educational Agencies	84.010	2014	043489-3M00-2014	1,168,007	1,077,702
Title I -Grants to Local Educational Agencies (Delinquent)	84.010	2014	043489-3M00-2014	26,594	21,590
Total Title I-Grants to Local Educational Agencies				13,334,317	13,424,007
School Improvement Title I	84.010	2015	043489-3M00-2015	554,272	611,580
School Improvement Title I	84.010	2014	043489-3M00-2014	43,447	6,220
Total School Improvement Title I				597,719	617,800
Total Title I Cluster				13,932,036	14,041,807
Education for Homeless Children and Youth	84.196	2015	043489-3EJ0-2015	172,586	179,710
Education for Homeless Children and Youth	84.196	2014	043489-3EJ0-2014	10,400	-
Total Education for Homeless Children and Youth				182,986	179,710
Twenty-First Century Community Learning	84.287	2015	043489-3Y20-2015	199,750	200,000
Twenty-First Century Community Learning	84.287	2015	043489-3Y20-2015	99,875	100,000
Twenty-First Century Community Learning	84.287	2015	043489-3Y20-2015	99,875	100,000
Twenty-First Century Community Learning	84.287	2015	043489-3Y20-2015	199,750	200,000
Twenty-First Century Community Learning	84.287	2014	043489-3Y20-2014	632	-
Twenty-First Century Community Learning	84.287	2014	043489-3Y20-2014	676	-
Twenty-First Century Community Learning	84.287	2014	043489-3Y20-2014	560	-
Twenty-First Century Community Learning	84.287	2014	043489-3Y20-2014	230	-
Twenty-First Century Community Learning	84.287	2014	043489-3Y20-2014	1,259	-
Total Twenty-First Century Community Learning				602,607	600,000
English Language Acquisition Cluster:					
Title III LEP - English Language Acquisition	84.365	2015	043489-3Y70-2015	212,533	241,562
Title III LEP - English Language Acquisition	84.365	2014	043489-3Y70-2014	26,313	2,020
Total Title III LEP - English Language Acquisition				238,846	243,582
Title III Immigrant - English Language Acquisition	84.365	2015	043489-3Y70-2015	50,954	50,954
Title III Immigrant - English Language Acquisition	84.365	2014	043489-3Y70-2014	4,441	-
Total Title III Immigrant - English Language Acquisition				55,395	50,954
Total English Language Acquisition Cluster				294,241	294,536
Improving Teacher Quality State Grants	84.367	2015	043489-3Y60-2015	1,819,241	1,831,931
Improving Teacher Quality State Grants	84.367	2014	043489-3Y60-2014	312,968	294,248
Total Improving Teacher Quality State Grants				2,132,209	2,126,179
TOTAL U.S. DEPARTMENT OF EDUCATION				24,886,456	24,597,170

AKRON CITY SCHOOL DISTRICT
SUMMIT COUNTY

FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2015

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	GRANT YEAR	PASS-THROUGH GRANTOR'S NUMBER	RECEIPTS	EXPENDITURES
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>					
(Pass through Ohio Department of Job and Family Services)					
Refugee and Entrant Assistance-Discretionary Grants	93.576	2015	G-1415-17-0445	31,056	56,737
Refugee and Entrant Assistance-Discretionary Grants	93.576	2014	G-1415-17-0148	25,327	5,817
Total Refugee and Entrant Assistance-Discretionary Grants				56,383	62,554
Summer Youth Employment Program (TANF)	93.558	2015	N/A	-	9,724
Summer Youth Employment Program (TANF)	93.558	2014	N/A	10,957	939
Total Summer Youth Employment Program (TANF)				10,957	10,663
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				67,340	73,217
<u>U.S. DEPARTMENT OF AGRICULTURE</u>					
(Direct)					
Farm to School Program	10.575	2015	N/A	4,932	4,932
<u>U.S. DEPARTMENT OF AGRICULTURE</u>					
(Passed through the Ohio Department of Education)					
Non-Cash Assistance (Food Distribution):					
National School Lunch Program/Commodities	10.555	2015	N/A	602,890 #	561,657
School Breakfast Program/Commodities	10.553	2015	N/A	14,624 #	19,692
				617,514	581,349
Child Nutrition Cluster:					
School Breakfast Program	10.553	2015	043489-3L70-2015	2,827,116	2,575,604
School Lunch Program	10.555	2015	043489-3L60-2015	8,461,166	7,706,475
Summer Food Program	10.559	2015	043489-3L60-2015	13,750	12,526
Total Child Nutrition Cluster				11,302,032	10,294,605
Fresh Fruit & Vegetable Program:					
Fresh Fruit & Vegetable Program - Crouse	10.582	2015	043489-3GG0-2015	23,522	23,522
Fresh Fruit & Vegetable Program - Findley	10.582	2015	043489-3GG0-2015	26,385	26,385
Fresh Fruit & Vegetable Program - Leggett	10.582	2015	043489-3GG0-2015	23,326	23,326
Fresh Fruit & Vegetable Program - Seiberling	10.582	2015	043489-3GG0-2015	21,264	21,264
Total Fresh Fruit & Vegetable Program				94,497	94,497
TOTAL U.S. DEPARTMENT OF AGRICULTURE				12,018,975	10,975,383

AKRON CITY SCHOOL DISTRICT
SUMMIT COUNTY

FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2015

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	GRANT YEAR	PASS-THROUGH GRANTOR'S NUMBER	RECEIPTS	EXPENDITURES
<u>U.S. DEPARTMENT OF DEFENSE</u>					
OTHER FEDERAL ASSISTANCE:					
(Direct)					
Air Force R.O.T.C. Grant	12.xxx	n/a	n/a	57,639	57,639
Army R.O.T.C. Grant	12.xxx	n/a	n/a	57,060	57,060
Marines R.O.T.C. Grant	12.xxx	n/a	n/a	48,642	48,642
Navy R.O.T.C. Grant	12.xxx	n/a	n/a	46,616	46,616
TOTAL U.S. DEPARTMENT OF DEFENSE				209,957	209,957
TOTAL FEDERAL ASSISTANCE				<u>\$ 37,182,728</u>	<u>\$ 35,855,727</u>

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

**AKRON CITY SCHOOL DISTRICT
SUMMIT COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2015**

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.

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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, 2015 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 25, 2016, wherein we noted the District adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27 and also GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date*.

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 opinion 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 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 "D" and "Y".

Dave Yost
Auditor of State
Columbus, Ohio

March 25, 2016



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) 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, 2015. 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, 2015.

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 over 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 25, 2016

**AKRON CITY SCHOOL DISTRICT
SUMMIT COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2015**

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):	Title I Cluster: Title I - Grants to Local Educational Agencies - CFDA #84.010 School Improvement Title I - CFDA #84.010 Child Nutrition Cluster: School Breakfast Program - CFDA #10.553 School Lunch Program - CFDA #10.555 Summer Food Program – CFDA #10.559
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 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



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AKRON CITY SCHOOL DISTRICT

SUMMIT COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
APRIL 19, 2016**