



Dave Yost • Auditor of State

**AKRON CITY SCHOOL DISTRICT
SUMMIT COUNTY**

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**AKRON CITY SCHOOL DISTRICT
SUMMIT COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Akron City School District, Summit County, Ohio, (the District) as of and for the year ended June 30, 2013, 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 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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Akron City School District, Summit County, Ohio, as of June 30, 2013 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, 2013, the District adopted the provisions of Governmental Accounting Standard No. 63, "*Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*", and No. 65, "*Items Previously Reported as Assets and Liabilities*". 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*, listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America consisting of inquiries of management about the methods of preparing the information, and comparing the information for consistency with management's responses to our inquiries to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Supplementary and Other Information

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

The Federal Awards Receipts and Expenditures Schedule, (the Schedule) presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is not a required part of the financial statements.

The Schedule is management's responsibility, and derives from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this Schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the Schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this Schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 25, 2014, 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, 2014

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Akron City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
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, 2013. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

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

Financial Highlights

Key financial highlights for the fiscal year ended June 30, 2013 are as follows:

- Total net position decreased \$2.6 million. This is a 0.8 percent decrease from fiscal year 2012.
- Total revenues decreased to \$350.3 million from \$383.7 million. This is a decrease of \$33.4 million or 8.7 percent.
- Total program expenses were \$352.9 million. Total program expenses decreased from \$360.3 million from fiscal year 2012. This is a decrease of \$7.4 million or 2.1 percent.
- The fund balance in the general fund decreased \$12.8 million. This is a 116.75 percent decrease from fiscal year 2012.

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.

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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 2013?” 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.

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

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

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

The analysis of the School District’s major funds begins on page 12. Fund financial reports provide detailed information about the School District’s major funds. The School District uses many funds to account for a multitude of financial transactions; however, these fund financial statements focus on the School District’s most significant funds. The School District’s major governmental funds are the general fund, the permanent improvement capital projects fund and the classroom facilities capital projects fund.

Most of the School District’s activities are reported in the governmental funds, which focus on how money flows into and out of those funds and the balances left at fiscal year end available for spending in future fiscal years. These funds are reported using a basis of accounting method called the modified accrual basis of accounting, which measures cash and all other financial assets that can be readily converted to cash. The governmental fund financial statements provide a detailed short-term view of the School District’s general government operations and the basic services it provides. Governmental fund information helps a reader determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationships (or differences) between governmental *activities* (reported in the Statement of Net Position and Statement of Activities) and governmental *funds* are reconciled in the basic financial statements.

The School District as a Whole

Recall that the Statement of Net Position provides the perspective of the School District as a whole.

Table 1 provides a summary of the School District’s net position for fiscal year 2013 compared to fiscal year 2012 as follows:

Akron City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
Unaudited

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

	<u>Governmental Activities</u>	
	<u>2013</u>	<u>Restated 2012</u>
Assets		
Current and Other Assets	\$289.4	\$298.3
Capital Assets, Net	<u>252.7</u>	<u>238.7</u>
<i>Total Assets</i>	<u>542.1</u>	<u>537.0</u>
Deferred Outflows of Resources	<u>60.0</u>	<u>63.0</u>
Liabilities		
Current and Other Liabilities	119.1	136.8
Long-Term Liabilities		
Due Within One Year	1.7	1.7
Due in More than One Year	<u>30.6</u>	<u>29.1</u>
<i>Total Liabilities</i>	<u>151.4</u>	<u>167.6</u>
Deferred Inflows of Resources	<u>115.2</u>	<u>94.3</u>
Net Position		
Net Investment in Capital Assets	252.7	238.7
Restricted:		
Capital Projects	81.2	87.0
Other Purposes	3.3	3.7
Unrestricted (Deficit)	<u>(1.7)</u>	<u>8.7</u>
<i>Total Net Position</i>	<u><u>\$335.5</u></u>	<u><u>\$338.1</u></u>

Total assets increased \$5.1 million.

Taxes receivable increased \$19.8 million. Taxes receivable includes property taxes which are measurable as of June 30, 2013 and for which there is an enforceable legal claim. This increase is attributed to the passage of a new levy in November of 2012. Collections from this new 7.9 mill levy, yielding \$19.3 million annually, began in January of 2013.

Akron City School District
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Unaudited

In addition, capital assets increased \$14.0 million. The increase in capital assets is mainly due to the School District completing the construction of 2 community learning centers related to the Ohio Schools Facilities Commission ("OSFC") construction project during the current fiscal year and the purchase of more furniture and equipment in fiscal year 2013 than was purchased in fiscal year 2012. The change in capital assets will be discussed in greater detail later.

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

Cash and cash equivalents and investments decreased \$24.7 million. This decrease can be mostly attributed to the general fund and the classroom facilities capital projects fund.

The general fund's cash and cash equivalents and investments decreased \$11.4 million between fiscal year 2012 and fiscal year 2013. This decrease is due to a reduction in revenues. Revenues decreased mostly because the State is phasing out the reimbursement for the loss of tangible personal property taxes. The School District received \$5.7 million less in fiscal year 2013 than it did in fiscal year 2012 from the State for this loss of personal property taxes.

The classroom facilities capital projects fund's cash and cash equivalents and investments decreased \$13.1 million between fiscal year 2012 and fiscal year 2013. This decrease is because of a reduction in revenues. The School District received much less revenue from the State and from the City of Akron (the "City") in connection with the OSFC construction project in fiscal year 2013 than it did in fiscal year 2012. Voters in the City passed an ordinance in May of 2003 levying a 0.25 percent additional municipal income tax for the purpose of acquiring, constructing, renovating, and adding to interests in land and the School District's school buildings. This tax will last for 30 years and will raise \$284.2 million in local funds needed to be eligible for \$409.0 million of OSFC monies. Combined, these funds will rebuild and renovate all of the School District's school buildings into community learning centers for educating students during school hours while serving as community learning centers for recreation, education, after school and summer school programs, as well as community activities at other times, open to City residents and persons employed in the City. The School District recognized \$9.3 million of revenue from the State and the City in fiscal year 2013 in the classroom facilities capital projects fund as opposed to recognizing \$38.1 million in fiscal year 2012.

Intergovernmental receivable decreased \$4.0 million. The decrease in intergovernmental receivable is mostly attributed to the OSFC receivable. The School District records an intergovernmental receivable in the amount that OSFC has appropriated less any funds remitted by OSFC to the School District as of the fiscal year end. The amount appropriated by OSFC and not remitted to the School District was \$42.5 million as of June 30, 2012. As of June 30, 2013, the amount appropriated by OSFC and not remitted to the School District was \$36.8 million. This is a difference of \$5.7 million.

Total liabilities decreased \$16.2 million.

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Due to City of Akron decreased \$9.7 million. The amount of this liability was determined by reducing the \$242.8 million received in local funds from the City as of June 30, 2013 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 \$218.3 million in capital expenses using these local funds received from the City as of June 30, 2013. Therefore, the balance of due to City of Akron was \$24.5 million as of June 30, 2013. As of June 30, 2012, the School District had received \$232.8 million in local funds from the City and expensed \$198.6 million in capital expenses using these local funds, resulting in a balance of \$34.2 million for due to City of Akron as of June 30, 2012. A liability was recorded for these monies because if the School District does not spend these local funds by the end of this project, these funds would have to be returned to the City in accordance with an agreement between the School District and the City.

Intergovernmental payable decreased \$3.3 million. In accordance with an agreement between the School District and the City, the City issued securities to assist in the School District's funding of its share of basic project costs and any locally funded initiatives for rebuilding and renovating the School District's school buildings into community learning centers. The securities were issued with a maturity life of 30 years. While the securities are outstanding, the School District will contribute \$3.0 million each year to the City for the purpose of paying debt charges on those securities and other project costs. Payments due to the City for periods beyond June 30, 2013 are recorded as intergovernmental payable. The School District contributed \$3.0 million to the City during fiscal year 2013 concerning these securities. As of June 30, 2013, the School District still owed the City \$60.0 million in accordance with this agreement. This is down from the \$63.0 million the School District owed the City as of June 30, 2012 in accordance with this agreement.

Accounts payable decreased \$3.2 million. This decrease can be mostly attributed to a reduction in accounts payable in the classroom facilities capital projects fund. This fund accounts for a large portion of the OSFC construction project. As of June 30, 2012, the School District record \$5.0 million in accounts payable related to the OSFC construction project in this fund but only recorded \$2.3 million in accounts payable concerning the OSFC construction project at June 30, 2013, resulting in a reduction of \$2.7 million.

Deferred inflows of resources increased \$20.9 million. This increase is attributed to the passage of a new levy in November of 2012. As previously discussed, collections from this new 7.9 mill levy, yielding \$19.3 million annually, began in January of 2013. The portion of taxes receivable levied to finance fiscal year 2014 operations is offset to deferred inflows of resources.

The net impact of the assets increase, the liabilities decrease and the deferred inflows of resources increase was a decrease of net position of \$2.6 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 2013 and 2012 for governmental activities as follows:

Akron City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
Unaudited

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

	2013	2012
Revenues		
<i>Program Revenues:</i>		
Charges for Services and Sales	\$11.7	\$11.3
Operating Grants, Contributions and Interest	57.4	54.3
Capital Grants and Contributions	9.9	38.7
<i>Total Program Revenues</i>	79.0	104.3
<i>General Revenues:</i>		
Property Taxes	99.2	98.7
Grants and Entitlements	168.8	177.7
Investment Earnings	0.1	0.2
JEDD	0.6	0.0
Miscellaneous	2.6	2.8
<i>Total General Revenues</i>	271.3	279.4
Total Revenues	350.3	383.7
Program Expenses		
Instruction	210.5	215.1
Support Services:		
Pupil and Instructional Staff	39.7	44.2
Board of Education, Administration, Fiscal and Business	28.7	29.2
Operation and Maintenance of Plant	33.8	31.3
Pupil Transportation	12.2	12.7
Central	9.8	9.8
Operation of Non-Instructional Services	3.7	3.6
Extracurricular Activities	3.2	3.6
Food Service Operations	11.3	10.8
Total Program Expenses	352.9	360.3
Increase (Decrease) in Net Position	(\$2.6)	\$23.4

While program revenues decreased for governmental activities from \$104.3 million to \$79.0 million, the vast majority of revenues supporting governmental activities are general revenues. General revenues decreased from \$279.4 million in fiscal year 2012 to \$271.3 million in fiscal year 2013. General revenues comprised 77.4 percent of revenues supporting governmental activities. The primary source of the decrease in general revenues was a reduction in grants and entitlements not restricted to specific programs revenue in the amount of \$8.9 million. A decrease in grants and entitlements not restricted to specific programs revenue in the general fund totaling \$8.7 million accounted for the majority of this decrease.

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The general fund grants and entitlements not restricted to specific programs revenue decrease is mostly a result of the State phasing out the reimbursement for the loss of tangible personal property taxes, as previously discussed. The School District received \$5.7 million less in fiscal year 2013 than it did in fiscal year 2012 from the State for this loss of personal property taxes. In addition, this decrease is partly due a change in the classification of preschool units and special education transportation payments from the State's foundation program. In the prior fiscal year, these payments were classified as general revenues; however, these payments were classified as program revenues in current fiscal year. These payments amounted to \$2.6 million in fiscal year 2013.

The primary source of the decrease in program revenue was a decrease in capital grants and contributions revenue amounting to \$28.8 million. As previously discussed, the School District received much less revenue from the State and from the City in connection with the OSFC construction project in fiscal year 2013 than it did in fiscal year 2012. The School District recognized \$9.3 million of revenue from the State and the City in fiscal year as opposed to recognizing \$38.1 million in fiscal year 2012.

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 36.6 percent of total general revenues for governmental activities for the School District in fiscal year 2013.

Program expenses decreased from \$360.3 million in fiscal year 2012 to \$352.9 million, a 2.1 percent decrease. Program expenses decreased partly because expenses decreased in the general fund by \$6.2 million. This decrease is mainly attributed to a reduction in salaries and wages from the prior fiscal year. Salaries and wages expenses decreased because the number of employees decreased between fiscal year 2013 and fiscal year 2012. The School District cut a number of positions in the current fiscal year because of budget constraints.

Also, program expenses decreased partly because of the loss of federal Education Jobs funds. The prior fiscal year was the last fiscal year the School District received any of these funds. The School District spent \$6.8 million in fiscal year 2012 of federal Education Jobs funds and did not spend any in the current fiscal year.

While expense decreases were consistent with budget expectations, the decrease in grants and entitlements not restricted to specific programs revenue and the decrease in capital grants and contributions revenue resulted in a decline of net position of \$2.6 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.

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Table 3
(In Millions)

	<u>2013</u>		<u>2012</u>	
	<u>Total Cost of Service</u>	<u>Net Cost of Service</u>	<u>Total Cost of Service</u>	<u>Net Cost of Service</u>
Program Expenses				
Instruction	\$210.5	\$179.4	\$215.1	\$190.9
Support Services:				
Pupil and Instructional Staff	39.7	28.0	44.2	30.9
Board of Education, Administration, Fiscal and Business	28.7	26.0	29.2	19.4
Operation and Maintenance of Plant	33.8	23.3	31.3	(7.5)
Pupil Transportation	12.2	10.3	12.7	12.2
Central	9.8	5.0	9.8	7.4
Operation of Non-Instructional Services	3.7	0.3	3.6	0.1
Extracurricular Activities	3.2	2.3	3.6	2.4
Food Service Operations	11.3	(0.6)	10.8	0.2
Total	<u>\$352.9</u>	<u>\$274.0</u>	<u>\$360.3</u>	<u>\$256.0</u>

The dependence upon general revenues for governmental activities is apparent. Over 77.6 percent of governmental activities are supported through taxes and other general revenues; such revenues are 77.4 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 \$353.5 million and expenditures of \$365.8 million. The net change in fund balances for the fiscal year was a decrease of \$12.3 million for all governmental funds with the most significant decrease in the general fund.

The general fund's net change in fund balance for fiscal year 2013 was a decrease of \$12.8 million. Revenues in the general fund decreased \$2.1 million or 0.7 percent from fiscal year 2012 to fiscal year 2013. This is mostly due to a decrease in intergovernmental revenue. As previously discussed, intergovernmental revenue decreased because the State is phasing out the reimbursement for the loss of tangible personal property taxes.

The classroom facilities capital projects fund's net change in fund balance for fiscal year 2013 was a decrease of \$1.8 million. Revenues in the classroom facilities capital projects fund decreased \$15.3 million or 50.6 percent. This decrease is due to a reduction in intergovernmental revenue. The decrease in intergovernmental revenue can be attributed to the School District receiving much less revenue from the State and from the City in connection with the OSFC construction project in fiscal year 2013 than it did in fiscal year 2012, as previously discussed.

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Unaudited

The permanent improvement capital projects fund's net change in fund balance for fiscal year 2013 was a decrease of \$0.5 million. Revenues in the permanent improvement capital projects fund decreased \$0.3 million or 9.8 percent from fiscal year 2012 to fiscal year 2013. This is mostly due to a decrease in intergovernmental revenue. These revenues decreased because the State is phasing out the reimbursement for the loss of tangible personal property taxes, as previously discussed.

General Fund Budgeting Highlights

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

During the course of fiscal year 2013, 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 \$290.9 million, \$9.9 million more than actual revenues.

The School District's ending unobligated cash balance was \$13.7 million above the final budgeted amount. This is attributed to the School District receiving \$7.3 million more in revenues than what was budgeted and spending \$6.4 million less in expenditures than what was budgeted. The \$7.3 million variance in revenues was mostly because the School District received \$4.2 million more in taxes revenue and \$3.1 million more in intergovernmental revenue. The \$6.4 million variance in expenditures was mostly the result of the School District spending \$4.3 million less in regular instruction expenditures and \$2.4 million less in operation and maintenance of plant support services expenditures than what was budgeted.

Capital Assets

At the end of fiscal year 2013, the School District had \$252.7 million invested in capital assets. Table 4 shows fiscal year 2013 balances compared to fiscal year 2012 as follows:

Akron City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
Unaudited

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

	Governmental Activities	
	2013	2012
Land	\$7.0	\$6.5
Construction In Progress	12.6	26.5
Land Improvements	0.1	0.1
Buildings and Improvements	215.3	193.3
Furniture and Equipment	15.6	9.8
Vehicles	2.1	2.5
Totals	\$252.7	\$238.7

Capital assets increased \$14.0 million from fiscal year 2012 to fiscal year 2013. The increase is due to buildings and improvements increasing by \$22.0 million and furniture and equipment increasing by \$5.8 million. Building and improvements increased because of the construction of 2 new community learning centers during the current fiscal year. Included in the completion of community learning centers during fiscal year 2013 was the Buchtel Community Learning Center, a seventh grade through twelfth grade school building, which incurred significant construction costs amounting to \$22.2 million. Furniture and equipment increased because the School District began to upgrade its core network and system storage during the current fiscal year so it can handle online student testing that is going to be required by the State in the near future. Because of this, the School District purchased a significantly higher number of servers, laptops, storage carts for laptops and smart boards in fiscal year 2013 than it did in fiscal year 2012.

The increases in building and improvements and furniture and equipment were offset by a decrease in construction in progress of \$13.9 million. The construction in progress decrease can be attributed to moving the 2 completed community learning centers to building and improvements from construction in progress and to the fact that the School District is constructing fewer community learning centers as of June 30, 2013 than it was as of June 30, 2012.

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

As of June 30, 2013, the School District had contractual commitments for construction projects with contractors in the amount of \$16.1 million. For further information, see Note 19 of the notes to the basic financial statements.

For the Future

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

Akron City School District
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For the Fiscal Year Ended June 30, 2013
Unaudited

Fortunately, on November 6, 2012, the School District passed an additional tax for the purpose of current expenses at a rate not exceeding 7.9 mills for each one dollar of valuation, for a continuing period of time, commencing in 2013, first due in the second half of calendar year 2013 which is fiscal year 2014. This additional general tax levy will generate \$19.3 million annually during the life of the levy for current expenses.

However, a large number of students withdrew from the School District because of open enrollment, to attend community schools and for education choice vouchers once again during fiscal year 2013. If this trend continues, the future looks bleak.

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

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

The School District is projecting a 6.25 percent or \$9.6 million increase in fiscal year 2014 and a 10.5 percent or \$16.7 million increase in fiscal year 2015 in State foundation revenue based on estimates received from the State.

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

Contacting the School District's Management

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

Akron City School District

Statement of Net Position

June 30, 2013

	Primary Government	Component Unit
	Governmental Activities	Akron Digital Academy
Assets		
Equity in Pooled Cash and Cash Equivalents	\$62,143,553	\$2,256,383
Cash and Cash Equivalents In Segregated Accounts	36,568,512	0
Investments in Segregated Accounts	5,187,122	0
Accrued Interest Receivable	4,280	0
Accounts Receivable	290,223	5,408
Intergovernmental Receivable	43,269,951	231,780
Prepaid Items	51,609	0
Inventory Held for Resale	281,587	0
Materials and Supplies Inventory	504,088	0
Taxes Receivable	141,033,678	0
Nondepreciable Capital Assets	19,666,996	0
Depreciable Capital Assets, Net	233,081,215	55,785
<i>Total Assets</i>	<u>542,082,814</u>	<u>2,549,356</u>
Deferred Outflows of Resources		
Deferred Expense	60,000,000	0
Liabilities		
Accounts Payable	3,827,617	50,795
Accrued Wages	16,897,825	305,436
Compensated Absences Payable	3,330,744	0
Unearned Revenue	49,552	0
Intergovernmental Payable	64,836,900	0
Premium Payable	349,104	0
Claims Payable	5,297,140	0
Due to City of Akron	24,464,266	0
Long-Term Liabilities:		
Due Within One Year	1,690,153	0
Due In More Than One Year	30,638,944	0
<i>Total Liabilities</i>	<u>151,382,245</u>	<u>356,231</u>
Deferred Inflows of Resources		
Property Taxes	115,190,740	0
Net Position		
Net Investment in Capital Assets	252,748,211	55,785
Restricted for:		
Capital Projects	81,226,063	0
Debt Service	13,007	0
Other Purposes	3,258,352	0
Unrestricted (Deficit)	(1,735,804)	2,137,340
<i>Total Net Position</i>	<u>\$335,509,829</u>	<u>\$2,193,125</u>

See accompanying notes to the basic financial statements

Akron City School District
Statement of Activities
For the Fiscal Year Ended June 30, 2013

	Program Revenues				Net Revenues (Expenses) and Change in Net Position	
	Expenses	Charges for Services and Sales	Operating Grants, Contributions and Interest	Capital Grants and Contributions	Primary	Component
					Governmental	Unit
					Governmental	Akron Digital Academy
Governmental Activities						
<i>Instruction:</i>						
Regular	\$147,100,339	\$4,165,441	\$12,990,163	\$0	(\$129,944,735)	\$0
Special	44,001,690	1,237,652	3,973,414	0	(38,790,624)	0
Vocational	11,740,091	13,181	3,024,751	0	(8,702,159)	0
Adult/Continuing	719,900	268,310	55,312	0	(396,278)	0
Other	6,953,516	0	5,337,739	0	(1,615,777)	0
<i>Support Services:</i>						
Pupil	20,494,998	4,736	2,894,752	0	(17,595,510)	0
Instructional Staff	19,207,689	482,101	8,307,661	0	(10,417,927)	0
Board of Education	223,220	0	0	0	(223,220)	0
Administration	20,374,756	151,416	1,772,990	0	(18,450,350)	0
Fiscal	4,794,262	12,591	487,822	0	(4,293,849)	0
Business	3,286,081	242,072	21,233	0	(3,022,776)	0
Operation and Maintenance of Plant	33,812,917	42,172	611,102	9,879,467	(23,280,176)	0
Pupil Transportation	12,222,813	167,759	1,804,288	0	(10,250,766)	0
Central	9,821,253	3,596,738	1,265,179	0	(4,959,336)	0
Operation of Non-Instructional Services	3,679,303	36,242	3,363,044	0	(280,017)	0
Extracurricular Activities	3,187,501	882,474	48,503	0	(2,256,524)	0
Food Service Operations	11,251,650	382,118	11,440,711	0	571,179	0
<i>Total - Primary Government</i>	<u>\$352,871,979</u>	<u>\$11,685,003</u>	<u>\$57,398,664</u>	<u>\$9,879,467</u>	<u>(273,908,845)</u>	<u>0</u>
Component Unit						
Akron Digital Academy	<u>\$4,876,149</u>	<u>\$3,755</u>	<u>\$1,142,466</u>	<u>\$0</u>	<u>0</u>	<u>(3,729,928)</u>
General Revenues						
<i>Property Taxes Levied for:</i>						
General Purposes					96,169,625	0
Capital Outlay					3,030,202	0
Grants and Entitlements not Restricted to Specific Programs					168,788,394	3,373,496
Investment Earnings					137,688	11,263
JEDD					598,693	0
Miscellaneous					2,572,926	0
<i>Total General Revenues</i>					271,297,528	3,384,759
<i>Change in Net Position</i>					(2,611,317)	(345,169)
<i>Net Position at Beginning of Fiscal Year</i>					<u>338,121,146</u>	<u>2,538,294</u>
<i>Net Position at End of Fiscal Year</i>					<u>\$335,509,829</u>	<u>\$2,193,125</u>

See accompanying notes to the basic financial statements

Akron City School District

Balance Sheet

Governmental Funds

June 30, 2013

	General	Permanent Improvement Capital Projects	Classroom Facilities Capital Projects	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	\$12,534,258	\$1,012,993	\$12,809,911	\$22,372,544	\$48,729,706
Cash and Cash Equivalents In Segregated Accounts	0	0	23,389,207	13,179,305	36,568,512
Investments In Segregated Accounts	10,013	0	2,964,429	2,212,680	5,187,122
Taxes Receivable	136,919,497	4,114,181	0	0	141,033,678
Accounts Receivable	126,760	0	0	157,461	284,221
Intergovernmental Receivable	32,239	0	36,847,215	5,806,507	42,685,961
Accrued Interest Receivable	23	0	2,510	1,747	4,280
Interfund Receivable	2,888,175	0	0	0	2,888,175
Prepaid Items	8,688	0	0	42,921	51,609
Materials and Supplies Inventory	118,994	0	0	42,620	161,614
Inventory Held for Resale	0	0	0	281,587	281,587
<i>Total Assets</i>	<u>152,638,647</u>	<u>5,127,174</u>	<u>76,013,272</u>	<u>44,097,372</u>	<u>277,876,465</u>
Deferred Outflows of Resources					
Deferred Expense	0	60,000,000	0	0	60,000,000
<i>Total Assets and Deferred Outflows of Resources</i>	<u>\$152,638,647</u>	<u>\$65,127,174</u>	<u>\$76,013,272</u>	<u>\$44,097,372</u>	<u>\$337,876,465</u>
Liabilities					
Accounts Payable	\$746,928	\$0	\$2,254,448	\$825,636	\$3,827,012
Accrued Wages	15,549,821	0	0	1,348,004	16,897,825
Compensated Absences Payable	3,035,134	0	0	295,610	3,330,744
Interfund Payable	0	0	0	2,888,175	2,888,175
Intergovernmental Payable	4,182,967	60,000,000	0	653,933	64,836,900
Unearned Revenue	0	0	0	49,552	49,552
Due to City of Akron	0	0	14,148,170	10,316,096	24,464,266
<i>Total Liabilities</i>	<u>23,514,850</u>	<u>60,000,000</u>	<u>16,402,618</u>	<u>16,377,006</u>	<u>116,294,474</u>
Deferred Inflows of Resources					
Property Taxes	111,809,809	3,380,931	0	0	115,190,740
Unavailable Revenue	19,149,334	555,584	36,847,215	1,556,477	58,108,610
<i>Total Deferred Inflows of Resources</i>	<u>130,959,143</u>	<u>3,936,515</u>	<u>36,847,215</u>	<u>1,556,477</u>	<u>173,299,350</u>
Fund Balances					
Nonspendable	143,627	0	0	85,541	229,168
Restricted	0	1,190,659	22,763,439	27,595,551	51,549,649
Committed	21,036	0	0	0	21,036
Assigned	1,639,217	0	0	0	1,639,217
Unassigned	<u>(3,639,226)</u>	<u>0</u>	<u>0</u>	<u>(1,517,203)</u>	<u>(5,156,429)</u>
<i>Total Fund Balances</i>	<u>(1,835,346)</u>	<u>1,190,659</u>	<u>22,763,439</u>	<u>26,163,889</u>	<u>48,282,641</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$152,638,647</u>	<u>\$65,127,174</u>	<u>\$76,013,272</u>	<u>\$44,097,372</u>	<u>\$337,876,465</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, 2013

Total Governmental Fund Balances	\$48,282,641
 <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.	252,748,211
Other long-term assets are not available to pay for current-period expenditures and therefore are reported as unavailable revenue in the funds:	
Grants	38,392,547
Delinquent Property Taxes	19,626,338
Tuition and Fees	34,051
Radio Station Charges for Services	11,145
Akron Digital Academy	34,818
Rentals	1,787
Other	7,925
Total	58,108,611
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.	8,699,463
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Compensated Absences	(32,329,097)
<i>Net Position of Governmental Activities</i>	\$335,509,829

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, 2013

	General	Permanent Improvement Capital Projects	Classroom Facilities Capital Projects	Other Governmental Funds	Total Governmental Funds
Revenues					
Taxes	\$93,615,953	\$1,820,551	\$0	\$1,220,294	\$96,656,798
Intergovernmental	174,932,157	927,875	14,944,470	49,492,756	240,297,258
Interest	81,457	9,515	43,703	8,830	143,505
Tuition and Fees	5,278,658	0	0	23,570	5,302,228
Extracurricular Activities	299,739	0	0	699,300	999,039
Rentals	330,378	0	0	0	330,378
Charges for Services	3,694,234	0	0	502,954	4,197,188
Sales	0	0	0	382,118	382,118
JEDD	1,197,386	0	0	0	1,197,386
Akron Digital Academy	445,231	0	0	0	445,231
Contributions and Donations	950,167	0	0	36,109	986,276
Miscellaneous	1,678,571	0	0	893,620	2,572,191
<i>Total Revenues</i>	<u>282,503,931</u>	<u>2,757,941</u>	<u>14,988,173</u>	<u>53,259,551</u>	<u>353,509,596</u>
Expenditures					
Current:					
Instruction:					
Regular	132,460,425	0	0	11,955,033	144,415,458
Special	41,197,091	0	0	2,090,461	43,287,552
Vocational	11,534,216	0	0	98,109	11,632,325
Adult/Continuing	708,541	0	0	0	708,541
Other	1,624,833	0	0	5,316,995	6,941,828
Support Services:					
Pupil	17,431,291	0	0	3,083,803	20,515,094
Instructional Staff	10,040,963	0	0	9,089,430	19,130,393
Board of Education	222,741	0	0	0	222,741
Administration	18,322,125	0	0	1,959,603	20,281,728
Fiscal	4,281,914	0	0	502,474	4,784,388
Business	3,660,295	0	0	0	3,660,295
Operation and Maintenance of Plant	29,850,912	0	0	0	29,850,912
Pupil Transportation	11,605,211	0	0	284,148	11,889,359
Central	8,888,654	0	0	745,614	9,634,268
Operation of Non-Instructional Services	14,382	0	0	3,601,767	3,616,149
Extracurricular Activities	2,553,822	0	0	637,856	3,191,678
Food Service Operations	0	0	0	11,117,562	11,117,562
Capital Outlay	849,104	3,244,426	16,811,152	0	20,904,682
<i>Total Expenditures</i>	<u>295,246,520</u>	<u>3,244,426</u>	<u>16,811,152</u>	<u>50,482,855</u>	<u>365,784,953</u>
<i>Excess (Deficiency) of Revenues Over (Under) Expenditures</i>	<u>(12,742,589)</u>	<u>(486,485)</u>	<u>(1,822,979)</u>	<u>2,776,696</u>	<u>(12,275,357)</u>
Other Financing Sources (Uses)					
Transfers In	3,551	0	0	42,000	45,551
Transfers Out	(56,854)	0	0	(3,551)	(60,405)
<i>Total Other Financing Sources (Uses)</i>	<u>(53,303)</u>	<u>0</u>	<u>0</u>	<u>38,449</u>	<u>(14,854)</u>
<i>Net Change in Fund Balances</i>	<u>(12,795,892)</u>	<u>(486,485)</u>	<u>(1,822,979)</u>	<u>2,815,145</u>	<u>(12,290,211)</u>
<i>Fund Balances at Beginning of Fiscal Year</i>	<u>10,960,546</u>	<u>1,677,144</u>	<u>24,586,418</u>	<u>23,348,744</u>	<u>60,572,852</u>
<i>Fund Balances at End of Fiscal Year</i>	<u>(\$1,835,346)</u>	<u>\$1,190,659</u>	<u>\$22,763,439</u>	<u>\$26,163,889</u>	<u>\$48,282,641</u>

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, 2013*

Net Change in Fund Balances - Total Governmental Funds (\$12,290,211)

*Amounts reported for governmental activities in the
statement of activities are different because:*

Governmental funds report capital outlays as expenditures.

However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital Asset Additions	26,216,268	
Current Fiscal Year Depreciation	(5,647,592)	
Total		20,568,676

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.

(6,564,496)

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

Delinquent Property Taxes	2,543,030	
Radio Station Charges for Services	(9,677)	
Tuition and Fees	16,803	
Akron Digital Academy	34,818	
Rentals	1,787	
Miscellaneous	772	
Total		2,587,533

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.

(5,821,519)

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		(1,498,266)
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The internal service funds used by management to charge the costs of insurance, central supplies and workers' compensation to individual funds are not reported in the district-wide statement of activities.

Governmental fund expenditures and related internal funds revenues are eliminated. The net revenue (expense) of the internal service funds are allocated among the governmental activities.

406,966

Change in Net Position of Governmental Activities

(\$2,611,317)

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, 2013

	Budgeted Amounts			Variance With Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Taxes	\$89,340,276	\$92,871,664	\$97,073,797	\$4,202,133
Intergovernmental	169,939,265	171,355,877	174,449,243	3,093,366
Interest	110,000	110,000	80,656	(29,344)
Tuition and Fees	4,908,139	4,913,802	4,881,786	(32,016)
Rentals	142,200	142,200	231,655	89,455
Charges for Services	70,876	263,788	252,789	(10,999)
JEDD	1,197,386	1,197,386	1,197,386	0
Akron Digital Academy	756,132	755,081	445,231	(309,850)
Contributions and Donations	841,441	844,280	808,673	(35,607)
Miscellaneous	1,189,232	1,207,818	1,558,069	350,251
<i>Total Revenues</i>	<u>268,494,947</u>	<u>273,661,896</u>	<u>280,979,285</u>	<u>7,317,389</u>
Expenditures				
Current:				
Instruction:				
Regular	142,876,567	136,987,590	132,664,114	4,323,476
Special	33,633,806	38,307,509	40,853,571	(2,546,062)
Vocational	11,082,486	11,364,197	11,581,145	(216,948)
Adult	170,045	169,665	176,917	(7,252)
Other	1,712,176	1,709,192	1,636,352	72,840
Support Services:				
Pupils	16,854,630	16,888,367	17,405,896	(517,529)
Instructional Staff	11,264,632	11,265,765	10,192,122	1,073,643
Board of Education	118,968	233,968	222,694	11,274
Administration	16,889,312	16,908,636	18,394,530	(1,485,894)
Fiscal	3,950,588	4,379,679	4,336,644	43,035
Business	2,886,657	3,867,180	3,414,087	453,093
Operation and Maintenance of Plant	32,728,322	32,292,714	29,931,329	2,361,385
Pupil Transportation	12,230,407	11,965,076	11,604,289	360,787
Central	7,277,051	7,259,201	5,148,808	2,110,393
Operations of Non-Instructional Services	10,065	10,380	8,112	2,268
Extracurricular Activities	2,573,038	2,770,888	2,466,991	303,897
Capital Outlay	797,022	877,622	858,885	18,737
<i>Total Expenditures</i>	<u>297,055,772</u>	<u>297,257,629</u>	<u>290,896,486</u>	<u>6,361,143</u>
<i>Excess (Deficiency) of Revenues Over (Under) Expenditures</i>	<u>(28,560,825)</u>	<u>(23,595,733)</u>	<u>(9,917,201)</u>	<u>13,678,532</u>
Other Financing Sources (Uses)				
Advances In	4,948,000	0	0	0
Transfers In	32,000	32,000	16,837	(15,163)
Transfers Out	(123,500)	(126,640)	(76,831)	49,809
<i>Total Other Financing Sources (Uses)</i>	<u>4,856,500</u>	<u>(94,640)</u>	<u>(59,994)</u>	<u>34,646</u>
<i>Net Change in Fund Balance</i>	<u>(23,704,325)</u>	<u>(23,690,373)</u>	<u>(9,977,195)</u>	<u>13,713,178</u>
<i>Fund Balance at Beginning of Fiscal Year</i>	<u>23,624,285</u>	<u>23,624,285</u>	<u>23,624,285</u>	<u>0</u>
Prior Fiscal Year Encumbrances Appropriated	77,078	77,078	77,078	0
<i>Fund Balance at End of Fiscal Year</i>	<u>(\$2,962)</u>	<u>\$10,990</u>	<u>\$13,724,168</u>	<u>\$13,713,178</u>

See accompanying notes to the basic financial statements

Akron City School District
Statement of Net Position
Proprietary Fund
June 30, 2013

	Internal Service Funds
Assets	
Equity in Pooled Cash and Cash	
Equivalents	\$13,413,846
Accounts Receivable	6,002
Intergovernmental Receivable	583,990
Materials and Supplies Inventory	342,474
<i>Total Assets</i>	14,346,312
Liabilities	
Accounts Payable	605
Premium Payable	349,104
Claims Payable	5,297,140
Total Liabilities	5,646,849
Net Position	
Unrestricted	\$8,699,463

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, 2013*

	Internal Service Funds
Operating Revenues	
Charges for Services	\$48,705,696
Operating Expenses	
Purchased Services	4,107,239
Materials and Supplies	704,156
Claims	43,502,189
Total Operating Expenses	48,313,584
<i>Operating Income</i>	392,112
Transfers In	14,854
<i>Change in Net Position</i>	406,966
<i>Net Position at Beginning of Fiscal Year</i>	8,292,497
<i>Net Position at End of Fiscal Year</i>	\$8,699,463

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, 2013

	Internal Service Funds
<i>Increase (Decrease) in Cash and Cash Equivalents</i>	
Cash Flows from Operating Activities	
Cash Received for Interfund Services	\$48,117,629
Cash Payments for Other Expenses	(4,156,184)
Cash Payments for Goods and Services	(683,900)
Cash Payments for Claims	(43,693,785)
<i>Net Cash (Used for) Operating Activities</i>	(416,240)
Cash Flows from Noncapital Financing Activities	
Transfer In	14,854
<i>Net (Decrease) in Cash and Cash Equivalents</i>	(401,386)
Cash and Cash Equivalents at Beginning of Fiscal Year	13,815,232
Cash and Cash Equivalents at End of Fiscal Year	\$13,413,846
 Reconciliation of Operating Income to Net Cash (Used for) Operating Activities	
<i>Operating Income</i>	\$392,112
Adjustments:	
<i>(Increase) Decrease in Assets:</i>	
Accounts Receivable	(4,077)
Intergovernmental Receivable	(583,990)
Materials and Supplies Inventory	20,256
<i>Increase (Decrease) in Liabilities:</i>	
Accounts Payable	605
Premium Payable	(49,550)
Claims Payable	(191,596)
<i>Total Adjustments</i>	(808,352)
<i>Net Cash (Used for) Operating Activities</i>	(\$416,240)

See accompanying notes to the basic financial statements

Akron City School District
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2013

	Private Purpose Trust	
	Scholarship	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	\$60,469	\$1,059,055
Cash and Cash Equivalents in Segregated Accounts	152,100	0
Investments in Segregated Accounts	96,782	0
Accrued Interest Receivable	31	0
<i>Total Assets</i>	309,382	\$1,059,055
Liabilities		
Undistributed Monies	\$0	\$911,820
Due to Students	0	147,235
<i>Total Liabilities</i>	0	\$1,059,055
Net Position		
Held in Trust for Scholarships	\$309,382	

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, 2013

	<u>Scholarship</u>
Additions	
Interest	\$718
Deductions	
Scholarships Awarded	<u>0</u>
<i>Change in Net Position</i>	718
<i>Net Position at Beginning of Fiscal Year</i>	<u>308,664</u>
<i>Net Position at End of Fiscal Year</i>	<u><u>\$309,382</u></u>

See accompanying notes to the basic financial statements

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Akron City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

Note 1 – Description of the School District and Reporting Entity

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

The School District was established in 1847 through the consolidation of existing land areas and school districts. The School District serves an area of approximately 54.4 square miles and is located in Summit County, and is within the City of Akron. The School District is the fourth largest in the State of Ohio (among 981 public school districts and community schools) in terms of enrollment. It is staffed by 763 full-time classified employees, 1,681 full-time certificated personnel, 152 administrative employees, and 2,120 part-time employees who provide services to 21,996 students and other community members. The School District currently operates 46 instructional buildings, seven vacant buildings, four administrative buildings, two auxiliary buildings and one garage.

Reporting Entity

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

Non-Public Schools - Within the School District boundaries, St. Anthony of Padua School, St. Mary School, St. Matthew School, St. Paul School, St. Sebastian School, St. Vincent DePaul Elementary, North Akron Catholic, Our Lady of Elms Elementary, Our Lady of Elms High School, Archbishop Hoban High School, and St. Vincent - St. Mary High School are operated through the Cleveland Catholic Diocese. Arlington Christian, Emmanuel Christian Academy, The Lippman School, and Phoenix School are operated as private schools. Current State legislation provides funding to these non-public schools. These monies are received and disbursed on behalf of the non-public schools by the Treasurer of the School District, as directed by the non-public schools. These State transactions are reported as a governmental activity of the School District.

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes.

Akron City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

Discretely Presented Component Unit

The component unit column in the entity-wide financial statements identifies the financial data of the School District's component unit, the Akron Digital Academy (the "Academy"), which is reported separately to emphasize that it is legally separate from the School District.

Akron Digital Academy - The Academy is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 1702 and 3314 to address the needs of students in kindergarten through the twelfth grade. The Academy is nonsectarian in its programs, admission policies, employment practices, and all other operations. The Academy may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the Academy. The Academy is considered a component unit of the School District for reporting purposes, in accordance with Governmental Accounting Standards Board ("GASB") Statements No. 14, No. 39 and No. 61.

The Academy is designed for students who have a desire for, and whose education can be optimized by, a program of online instruction in an independent environment that does not include ancillary components of a more traditional education. Because the focus is on distance learning, the ability of students to learn independently in their own homes using an online educational program is an essential element of the Academy's program.

The Academy was approved for operation under contract with the School District for a period of five years commencing July 1, 2002. The Academy began operations on October 7, 2002. The School District is responsible for evaluating the performance of the Academy and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration. In addition, the Academy was approved for operation under contract with the School District for a period of two years commencing July 1, 2012.

The Academy operates under the direction of a self-appointed nine-member Board of Directors. The Board consists of a Board President, two members who hold administrative positions with the School District, a public official not employed by the School District, and five individuals representing the interest of parents and students. The Board of Directors is responsible for carrying out provisions of the contract which, include, but are not limited to, State-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers.

The Academy is staffed by 83 employees who provide services to 526 students. The services of an additional four individuals were purchased from the School District during fiscal year 2013.

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. 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.

Akron City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

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.

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

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

Permanent Improvement Capital Projects Fund The permanent improvement capital projects fund accounts for financial resources to be used for the acquisition, construction, or improvement of capital facilities other than those financed by proprietary and trust funds.

Classroom Facilities Capital Projects Fund The classroom facilities capital projects fund accounts for financial resources received and expended in connection with contracts entered into by the School District and the Ohio Schools Facilities Commission for the construction and renovation of school buildings.

Akron City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

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.

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.

Akron City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

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.

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, radio station membership contributions and underwriting, sales and fees.

Unearned Revenue Unearned revenue arises when monies are received before revenue recognition criteria have been satisfied. Radio station underwriting payments 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.

Akron City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

Deferred Outflows/Inflows of Resources In addition to assets, the statements of financial position and/or the balance sheet will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. In accordance with an agreement between the School District and the City of Akron (the “City”), the City issued securities to assist in the School District’s funding of its share of basic project costs and any locally funded initiatives for rebuilding and renovating the School District’s school buildings into community learning centers. The securities were issued with a maturity life of 30 years. While the securities are outstanding, the School District will contribute \$3,000,000 each year from the permanent improvement capital projects fund to the City for the purpose of paying debt charges on those securities and other project costs. Payments due to the City for periods beyond June 30, 2013 are recorded as deferred outflows of resources with a corresponding intergovernmental payable.

In addition to liabilities, the statements of financial position and/or the balance sheet will sometimes report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the School District, deferred inflows of resources include property taxes and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2013, but which were levied to finance fiscal year 2014 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, grants, radio station charges for services, tuition and fees, rentals and Akron Digital Academy. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

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

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.

Akron City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

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

The appropriation resolution is subject to amendment by the Board throughout the fiscal year with the restriction that appropriations may not exceed estimated revenues by fund. The amounts reported as the original budgeted amounts reflect the first appropriation resolution for the funds that covered the entire fiscal year, including amounts automatically carried forward from prior fiscal years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year.

F. Cash, Cash Equivalents and Investments

To improve cash management, all cash received by the School District is pooled. Monies for all funds, including the internal service funds, are maintained in this pool. Individual fund integrity is maintained through School District records. Interest in the pool is presented as "equity in pooled cash and cash equivalents" on the basic financial statements. The general fund provides advances to cover deficit cash balances at the end of the fiscal year. At the end of fiscal year 2013, the general fund advanced monies to several special revenue funds to cover negative cash balances. See Note 16 for additional information.

The School District has segregated bank accounts and investments for monies held separate from the School District's central bank account. These depository accounts and investments are presented on the statement of net 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 2013, the School District's investments were limited to overnight repurchase agreements, Federal Home Loan Bank Notes, Federal Home Loan Mortgage Corporation Notes, United States Treasury Bills, Federal National Mortgage Association Notes, Federal Farm Credit Bank Notes, a First American Treasury Money Market Fund, a Fifth Third United States 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 2013 amounted to \$81,457, which includes \$17,173 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.

Akron City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2013 are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the fiscal year in which the services are consumed.

H. Inventory

Inventories consist of donated and purchased food, gasoline and diesel fuel, school and office supplies held for resale in the central warehouse, and non-food supplies held for consumption in the food service program.

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

I. Capital Assets

All capital assets of the School District are classified as general capital assets. These assets generally result from expenditures in the governmental funds. They are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements.

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the fiscal year. Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of one thousand dollars for all assets except for assets capitalized in the food service nonmajor special revenue fund, which has a capitalization threshold of five hundred dollars. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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.

Akron City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

K. Compensated Absences

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

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

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

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

L. Accrued Liabilities and Long-Term Obligations

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, compensated absences that will be paid from governmental funds are reported as a liability in the governmental fund financial statements only to the extent that they are due for payment during the current fiscal year.

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, the Adult School of Practical Nursing and uniform school supplies.

The School District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net 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, unclaimed funds and prepaid amounts) or have legal or contractual requirements to maintain the balance intact.

Akron City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

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

Committed Resources that are constrained for specific purposes that are internally imposed by formal action (resolution) by the School District at its highest level of decision making authority, the Board of Education.

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

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

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

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.

Akron City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

Note 3 – Changes in Accounting Principles

For fiscal year 2013, the School District has implemented GASB Statement No. 60, “Accounting and Financial Reporting for Service Concession Arrangements”, GASB Statement No. 61, “The Financial Reporting Entity: Omnibus an Amendment of GASB Statements No. 14 and No. 34”, GASB Statement No. 62, “Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements”, GASB Statement No. 63, “Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position”, GASB Statement No. 65, “Items Previously Reported as Assets and Liabilities” and GASB Statement No. 66, “Technical Corrections-2012”.

GASB Statement No. 60 addresses issues related to service concession arrangements (a “SCA”), which are a type of public-private or public-public partnership. A SCA is an arrangement between a transferor (a government) and an operator (governmental or nongovernmental entity) in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (a facility) in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties. The implementation of this Statement did not result in any changes to net position or fund balances at June 30, 2012.

GASB Statement No. 61 modifies certain requirements for inclusion of component units in the financial reporting entity. This Statement amends the criteria for reporting component units as if they were part of the primary government in certain circumstances. Additionally, this Statement also clarifies the reporting of equity interests in legally separate organizations. The implementation of this Statement did not result in any changes to net position or fund balances at June 30, 2012.

GASB Statement No. 62 codifies accounting and financial reporting guidance contained in pre-November 30, 1989 FASB and American Institute of Certified Public Accountants (“AICPA”) pronouncements in an effort to codify all sources of GAAP for State and local governments so that they derive from a single source. The implementation of this Statement did not result in any changes to net position or fund balances at June 30, 2012.

GASB Statement No. 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources and net position in a statement of financial position and related note disclosures. This Statement has changed the presentation of the School District’s basic financial statements to incorporate the concepts of net position and deferred outflows of resources and deferred inflows of resources, which are distinct from assets and liabilities. The implementation of this Statement did not result in any changes to net position or fund balances at June 30, 2012.

GASB Statement No. 65 properly classifies certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or recognizes certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues). The implementation of this Statement did not result in any changes to net position or fund balances at June 30, 2012.

GASB Statement No. 66 enhances the usefulness of financial reports by resolving conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting. The implementation of this Statement did not result in any changes to net position or fund balances at June 30, 2012.

Akron City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

Note 4 – Accountability

The following funds had deficit unassigned fund balances on a GAAP basis at June 30, 2013:

<u>Fund</u>	<u>Amount</u>
General Fund	\$1,835,346
Nonmajor Special Revenue Funds	
Auxiliary Services	95,853
Alternative Schools	1,691
Miscellaneous State Grants	86,335
Race to the Top	183,708
Title VI-B - Special Education	168,831
Vocational Education	30,002
Title II-D – Technology	103
Title I School Improvement Stimulus A	13,926
Title I School Improvement Stimulus G	55,580
Title III - Limited English Proficiency	76,053
Title I	706,005
Pre-School Handicapped	1,484
Title II-A - Improving Teacher Quality	72,485
Miscellaneous Federal Grants	25,147

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

Akron City School District
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For the Fiscal Year Ended June 30, 2013

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	(\$12,795,892)
Net Adjustment for Revenue Accruals	3,469,592
Net Adjustment for Expenditure Accruals	(973,543)
Funds Budgeted Elsewhere **	460,916
Adjustment for Encumbrances	<u>(138,268)</u>
Budget Basis	<u><u>(\$9,977,195)</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:

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;

Akron City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

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

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

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

Deposits Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end, the carrying amount of the School District's deposits was \$59,606,103 and the bank balance was \$64,464,224. Of the bank balance, \$1,250,000 was covered by Federal Deposit Insurance Corporation, and \$63,214,224 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the School District's name.

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

Akron City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

Investments As of June 30, 2013, the School District had the following investments, which all had maturities of less than 1 year:

	<u>Carrying Value</u>	<u>% to Total</u>
Overnight Repurchase Agreements	\$35,422,734	77.58%
Federated U.S. Treasury Money Market Fund	10,238,756	22.42
 Total Investments	 \$45,661,490	 100.00%

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

The overnight repurchase agreements carry a rating of AA+ by Standard and Poor's and Aaa by Moody's Investors Service. The Federated United States Treasury Money Market Fund carries a rating of AAAM by Standard and Poor's and Aaa-mf by Moody's Investors Service. The School District has no investment policy dealing with investment credit risk beyond the requirements in state statutes.

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

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

Note 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 located in the School District. Real property tax revenue received in calendar year 2013 represents collections of calendar year 2012 taxes. Real property taxes received in calendar year 2013 were levied after April 1, 2012, on the assessed value listed as of January 1, 2012, 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.

Akron City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

Public utility property tax revenue received in calendar year 2013 represents collections of calendar year 2012 taxes. Public utility real and personal property taxes received in calendar year 2013, which became a lien December 31, 2011, were levied after April 1, 2012 and are collected in calendar year 2013 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, 2013, are available to finance fiscal year 2013 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, 2013 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, 2013 was \$6,038,934 in the general fund and \$177,666 in the permanent improvement capital projects fund. The amount available as an advance at June 30, 2012, was \$9,496,778 in the general fund and \$323,153 in the permanent improvement capital projects fund.

On a full accrual basis, collectible delinquent real property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been reported as deferred inflows of resources – unavailable revenue.

The assessed values upon which the fiscal year 2013 taxes were collected are:

	2012 Second Half Collections		2013 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$2,353,137,060	96.42%	\$2,321,083,950	96.02%
Public Utility Personal	87,451,720	3.58%	96,177,710	3.98%
Total	\$2,440,588,780	100.00%	\$2,417,261,660	100.00%
 Tax rate per \$1,000 of assessed valuation	 \$71.66		 \$79.56	

Akron City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

Note 8 – Receivables

Receivables at June 30, 2013 consisted of taxes, interest, interfund, accounts (post-secondary tuition reimbursement, student transportation fees, radio station membership contributions and underwriting, telephone reimbursement, printing reimbursement, rentals, Akron Education Association salaries/fringe benefits reimbursement, Early College High School tuition reimbursement, reimbursement for an employee attending SERS meetings, Seniors to Sophomores tuition reimbursement, Akron Digital Academy salaries/fringe benefits reimbursement, damaged books reimbursement, student teacher stipends, Fairfax baseball field water reimbursement, workshop registration fees, food service sales, postage reimbursement, COBRA insurance fees, health/life insurance fees, and local grants), and intergovernmental (workshop registration fees, motor vehicle fuel tax reimbursement, JROTC 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	\$12,121
JROTC	12,693
STEM Hub Workshop Registration Fees	7,425
Other Local Grants	137,430
Public School Preschool	18,276
High Schools That Work	44,394
Alternative Schools	21,618
Miscellaneous State Grants	30,150
Race to the Top	1,957,182
Title VI-B - Special Education	511,384
Vocational Education	97,080
Title I School Improvement Stimulus A	334,140
Title I School Improvement Stimulus G	987,923
Title III - Limited English Proficiency	69,638
Title I	1,008,523
Pre-School Handicapped	6,179
Title II-A - Improving Teacher Quality	377,625
Miscellaneous Federal Grants	6,187
Food Service	198,778
Classroom Facilities	36,847,215
Workers' Compensation	<u>583,990</u>
Total Intergovernmental Receivables	<u><u>\$43,269,951</u></u>

Akron City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

Note 9 - 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, 2013, if applicable, cannot be determined at this time.

B. Litigation

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

Note 10 – Capital Assets

Capital asset activity for the fiscal year ended June 30, 2013, was as follows:

	Balance 6/30/2012	Additions	Deletions	Balance 6/30/2013
Governmental Activities				
<i>Capital Assets, not being depreciated:</i>				
Land	\$6,566,150	\$450,398	\$0	\$7,016,548
Construction In Progress	26,505,531	9,283,332	(23,138,415)	12,650,448
<i>Total Capital Assets, not being depreciated</i>	<u>33,071,681</u>	<u>9,733,730</u>	<u>(23,138,415)</u>	<u>19,666,996</u>
<i>Capital Assets, being depreciated:</i>				
Land Improvements	102,896	0	0	102,896
Buildings and Improvements	245,089,247	31,689,129	(10,692,635)	266,085,741
Furniture and Equipment	37,741,521	7,927,272	(1,030,755)	44,638,038
Vehicles	8,345,557	4,552	0	8,350,109
<i>Total Capital Assets, being depreciated</i>	<u>291,279,221</u>	<u>39,620,953</u>	<u>(11,723,390)</u>	<u>319,176,784</u>
Less Accumulated Depreciation:				
Land Improvements	(46,734)	(5,145)	0	(51,879)
Buildings and Improvements	(51,797,185)	(3,413,825)	4,435,210	(50,775,800)
Furniture and Equipment	(27,897,288)	(1,841,757)	723,684	(29,015,361)
Vehicles	(5,865,664)	(386,865)	0	(6,252,529)
Total Accumulated Depreciation	<u>(85,606,871)</u>	<u>(5,647,592) *</u>	<u>5,158,894</u>	<u>(86,095,569)</u>
Total Capital Assets, being depreciated, net	<u>205,672,350</u>	<u>33,973,361</u>	<u>(6,564,496)</u>	<u>233,081,215</u>
Governmental Activities Capital Assets, Net	<u>\$238,744,031</u>	<u>\$43,707,091</u>	<u>(\$29,702,911)</u>	<u>\$252,748,211</u>

Akron City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$913,290
Special	41,416
Vocational	231,080
Adult/Continuing	2,098
Other	22,611
Support Services:	
Pupil	30,102
Instructional Staff	107,095
Board of Education	23
Administration	15,200
Fiscal	19,435
Business	214,868
Operation and Maintenance of Plant	3,320,776
Pupil Transportation	278,693
Central	161,998
Operation of Non-Instructional Services	16,550
Extracurricular Activities	13,222
Food Service Operations	259,135
	<hr/>
Total Depreciation Expense	<u>\$5,647,592</u>

As of June 30, 2013, the District's capital assets included seven vacant buildings mainly used for storage or have no immediate usage plans with a carrying value of \$2,352,676.

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 2013, the School District contracted for property, inland marine, crime, general liability, educators legal liability, employment practices liability and automobile coverage. Coverage provided is as follows:

Akron City School District
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Type of Coverage	Coverage Amount
Commercial Property (\$50,000 deductible)	
Building and Contents	\$766,023,243
Earthquake	5,000,000
Flood	5,000,000
Commercial Inland Marine (\$5,000 deductible)	750,000
Commercial Crime (\$5,000 deductible)	200,000
Commercial General Liability (\$25,000 deductible)	
General Aggregate Limit	3,000,000
Each Occurrence Limit	2,000,000
Employers Liability	1,000,000
Educators Legal Liability (\$25,000 deductible)	
Annual Aggregate	3,000,000
Each Wrongful Act	2,000,000
Employment Practices Liability (\$25,000 deductible)	
Annual Aggregate	3,000,000
Each Wrongful Act	2,000,000
Automobile (\$25,000 deductible)	
Liability	2,000,000
Uninsured 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
2012	\$952,820	\$1,520,860	\$1,269,490	\$1,204,190
2013	1,204,190	1,016,876	1,093,322	1,127,744

Akron City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

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 \$4,518,500 reported in the self-insurance internal service fund at June 30, 2013 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
2012	\$4,639,700	\$43,862,456	\$43,818,956	\$4,683,200
2013	4,683,200	43,529,085	43,693,785	4,518,500

Note 12 – Defined Benefit Pension Plans

A. School Employees Retirement System

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

Funding Policy Plan members are required to contribute 10 percent of their annual covered salary, and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District’s contribution is used to fund pension and death benefits with the remainder being used to fund health care benefits and Medicare Part B benefits; for fiscal year 2013, 13.10 percent of annual covered salary was the portion used to fund pension and death benefits. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension and death benefits to SERS for the fiscal years ended June 30, 2013, 2012 and 2011 were \$4,940,648, \$5,071,187 and \$4,892,631, respectively; 78.84 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

Akron City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

B. State Teachers Retirement System

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

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

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

Funding Policy For the fiscal year ended June 30, 2013, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations with the remainder being used to fund health care benefits. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District’s required contributions for pension obligations to STRS Ohio for the DB Plan for the fiscal years ended June 30, 2013, 2012, and 2011 were \$17,493,610, \$18,571,947, and \$19,746,365, respectively; 87.10 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011. Contributions to the DC and Combined Plans for fiscal year 2013 were \$528,045 made by the School District and \$377,175 made by the plan members.

Akron City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by SERS or STRS Ohio have an option to choose Social Security or SERS. As of June 30, 2013, none of the members of the Board of Education have elected Social Security.

Note 13 - Postemployment Benefits Other Than Pension

A. State Teachers Retirement System

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

Funding Policy Ohio law authorizes STRS Ohio to offer the Health Plan and gives the STRS Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for postemployment health care may be deducted from employer contributions. For fiscal year 2013, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2013, 2012 and 2011 were \$1,345,662, \$1,428,611 and \$1,518,951, respectively; 87.10 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

B. School Employees Retirement System

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

Akron City School District
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Funding Policy State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation of statutorily required benefits, the SERS Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established under, and is administered in accordance with, Internal Revenue Code Section 105(e). For fiscal year 2013, 0.16 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for fiscal year 2013, this amount was \$20,525.

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

The School District's contributions for health care for the fiscal years ended June 30, 2013, 2012 and 2011 were \$636,619, \$840,860 and \$1,210,610, respectively; 78.84 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

The SERS Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2013, the actuarially required allocation was 0.74 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal year ended June 30, 2013, 2012 and 2011 were \$279,090, \$299,480 and \$314,852, respectively; 78.84 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

Note 14 - Other Employee Benefits

A. Compensated Absences

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

B. Insurance Benefits

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

Akron City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

Note 15 - Long-Term Obligations

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

Governmental Activities:	Outstanding 6/30/2012	Additions	Reductions	Outstanding 6/30/2013	Amount Due in One Year
Compensated Absences	\$30,830,831	\$4,167,926	(\$2,669,660)	\$32,329,097	\$1,690,153

Compensated absences will be paid from the fund from which the employee is paid, which includes the following: general, public school support, other local grants, auxiliary services, public school preschool, alternative schools, miscellaneous state grants, race to the top, title VI-B special education, vocational education, title I school improvement stimulus A, title I school improvement stimulus G, title III limited english proficiency, title I, pre-school handicapped, title II-A improving teacher quality, miscellaneous federal grants, food service and the adult School of Practical Nursing.

Note 16 – 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 \$42,000 was made to the district-managed activities special revenue fund in order move unrestricted monies to support athletics. Also, a transfer from the general fund totaling \$14,854 was made to the self-insurance liability reserve internal service fund to replenish the School District's deductible share of this insurance.

In addition, the district-managed activities special revenue fund transferred the unexpended balances of the following activities to the general fund due to the termination of the activities: the Class of 2012 at Kenmore High School amounting to \$3,199, the Library Club at Rimer Elementary School totaling \$126, Waters KSU at Glover Elementary School equaling \$75, Project Love at North High School amounting to \$80 and Return to Sender at Case Elementary School totaling \$71.

Transfers made during the fiscal year ended June 30, 2013 were as follows:

Transfers To	Transfers From		
	General Fund	Nonmajor Funds	Total
General Fund	\$0	\$3,551	\$3,551
Nonmajor Funds	42,000	0	42,000
Internal Service Funds	14,854	0	14,854
Total	\$56,854	\$3,551	\$60,405

Akron City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

B. Balances

The general fund advanced funds to various special revenue funds to cover negative cash balances at the end of fiscal year 2013 as follows:

Advanced To	Nonmajor Funds
High Schools That Work	\$43,469
Alternative Schools	5,756
Miscellaneous State Grants	14,430
Race to the Top	1,682,654
Title VI-B - Special Education	170,496
Vocational Education	59,045
Title II-D - Technology	26
Title I School Improvement Stimulus A	337,578
Title I School Improvement Stimulus G	464,732
Title III - Limited English Proficiency	57,583
Preschool Handicapped	4,202
Title II-A - Improving Teacher Quality	46,001
Miscellaneous Federal Grants	2,203
Total	\$2,888,175

Note 17 – Set Asides

The School District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the 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, 2012	\$0
Current Fiscal Year Set-aside Requirements	3,792,774
Qualifying Disbursements	(4,552,580)
Totals	(\$759,806)
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, 2013

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 18 – Fund Balances

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

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

Fund Balances	General	Permanent Improvement Capital Projects	Classroom Facilities Capital Projects	Other Governmental Funds	Total
<u>Nonspendable:</u>					
Inventory	\$118,994	\$0	\$0	\$42,620	\$161,614
Prepaid Items	8,688	0	0	42,921	51,609
Unclaimed Funds	15,945	0	0	0	15,945
<i>Total Nonspendable</i>	<u>143,627</u>	<u>0</u>	<u>0</u>	<u>85,541</u>	<u>229,168</u>
<u>Restricted for:</u>					
Permanent Improvements	0	1,190,659	0	0	1,190,659
Scholarships	0	0	0	290,069	290,069
Unemployment Compensation	0	0	0	40,516	40,516
Employer Contributions to SERS	0	0	0	143,491	143,491
General Operations of WAPS-FM	0	0	0	799,542	799,542
Other Local Grants	0	0	0	943,293	943,293
District Managed Activities	0	0	0	386,473	386,473
Auxiliary Services	0	0	0	88,967	88,967
Public School Preschool Grant	0	0	0	4,434	4,434
Miscellaneous State Grants	0	0	0	15	15
Race to the Top Federal Grant	0	0	0	140,800	140,800
Title VI-B Special Education Federal Grant	0	0	0	49,429	49,429
Vocational Education Federal Grant	0	0	0	11,512	11,512
Title I School Improvement Sub G Federal Grant	0	0	0	42,432	42,432
Title I Federal Grant	0	0	0	39,147	39,147
Title II-A Improving Teacher Quality Federal Grant	0	0	0	16,268	16,268
Inventory Held for Resale	0	0	0	281,587	281,587
Food Service	0	0	0	4,437,033	4,437,033
Debt Service	0	0	0	13,007	13,007
Classroom Facilities Construction	0	0	22,763,439	4,701,985	27,465,424
Classroom Facilities Maintenance	0	0	0	15,165,551	15,165,551
<i>Total Restricted</i>	<u>0</u>	<u>1,190,659</u>	<u>22,763,439</u>	<u>27,595,551</u>	<u>51,549,649</u>
<u>Committed to:</u>					
Underground Storage Tanks	11,000	0	0	0	11,000
Superintendent	10,036	0	0	0	10,036
<i>Total Committed</i>	<u>21,036</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>21,036</u>
<u>Assigned to:</u>					
Encumbrances	128,130	0	0	0	128,130
Unemployment Compensation	269,468	0	0	0	269,468
Employer Contributions to SERS	807,452	0	0	0	807,452
Uniform School Supplies	19,334	0	0	0	19,334
Consumer Services from Vocational Education Classes	218,851	0	0	0	218,851
Adult School of Practical Nursing	188,915	0	0	0	188,915
Public School Support	6,229	0	0	0	6,229
BCI/FBI Background Checks	838	0	0	0	838
<i>Total Assigned</i>	<u>1,639,217</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,639,217</u>

Akron City School District
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Fund Balances	General	Permanent Improvement Capital Projects	Classroom Facilities Capital Projects	Other Governmental Funds	Total
Unassigned (Deficits)	(3,639,226)	0	0	(1,517,203)	(5,156,429)
Total Fund Balances	<u>(\$1,835,346)</u>	<u>\$1,190,659</u>	<u>\$22,763,439</u>	<u>\$26,163,889</u>	<u>\$48,282,641</u>

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

The School District's Treasurer authorized the assignment of fund balances to encumbrances, public school support, SERS employer contributions, and unemployment compensation. The School District's Board of Education authorized the assignment of fund balances to uniform school supplies, consumer services from vocational education classes, the adult School of Practical Nursing and the Ohio Bureau of Criminal Investigation/Federal Bureau of Investigation background checks. The School District's Board of Education has established policies to collect tuition and fees for uniform school supplies and the adult School of Practical Nursing.

Note 19 – Construction Commitments

The School District has active construction projects as of June 30, 2013. At fiscal year end, the School District's commitments with contractors are as follows:

Project	Spent-to-Date	Remaining Commitment
Old Crosby Elementary School Demolition	\$449,787	\$24,813
Guinther Building Demolition	167,485	19,295
Harris Community Learning Center Construction	90,877	998,606
Old Harris Elementary School Demolition	21,251	274,628
Hatton Community Learning Center Construction	13,642,549	1,193,807
Old Heminger Elementary School Demolition	15,484	132,236
Old Jackson Elementary School Demolition	349,157	12,468
King Community Learning Center Construction	9,802,287	3,605,138
Old King Elementary School Demolition	885,672	57,313
Old Leggett Elementary School Demolition	578,628	16,112
Old Lincoln Elementary School Demolition	1,102,840	144,137
Old Mason Elementary School Demolition	553,367	57,875
Summit Lake Family Opportunity Center Construction	11,484	513,415
Schumacher Community Learning Center Construction	11,505,014	17,121
Seiberling Community Learning Center Construction	11,291,110	4,225,293
Old Voris Elementary School Demolition	455,121	48,355
Hyre Community Learning Center Construction	20,287,073	41,804
Old Hyre Middle School Demolition	18,852	251,529
Old Litchfield Middle School Demolition	413,558	66,210
Buchtel Community Learning Center Construction	38,700,644	1,132,778
Old Buchtel High School Demolition	2,102,818	86,308

Akron City School District
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Project	Spent-to-Date	Remaining Commitment
East Community Learning Center Construction	32,515,405	10,541
Firestone Community Learning Center Construction	2,375,776	2,954,155
Old Firestone High School Demolition	24,872	67,212
Science, Technology, Engineering & Mathematics High School Construction	1,884,827	139,196
Administration Building Vestibule Security Door Installation	464	12,500
	<u>\$149,246,402</u>	<u>\$16,102,845</u>

The commitments involving the construction and demolition of school buildings are being financed entirely with Ohio School Facilities Commission monies and proceeds from a municipal income tax levied by the City. The Administration Building vestibule security door installation is being financed entirely with property taxes, interest, and homestead/rollback taxes.

Note 20 – Ohio Schools Facilities Commission Construction Project

Voters in the City passed an ordinance in May of 2003 levying a 0.25 percent additional municipal income tax for the purpose of acquiring, constructing, renovating, and adding to interests in land and the School District’s school buildings. This tax will last for 30 years and will raise \$284,208,394 in local funds needed to be eligible for \$408,982,810 of OSFC monies. Also, this tax will raise \$80,706,348 in additional local funds for locally funded initiatives that are not eligible to be paid for with OSFC monies. Combined, these funds will rebuild and renovate the School District’s school buildings into community learning centers for educating students during school hours while serving as community learning centers for recreation, education, after school and summer school programs, as well as community activities at other times, open to City residents and persons employed in the City.

The tax took effect January 1, 2004. As of June 30, 2013, the School District has received \$242,782,046 in local funds from the City by way of this tax to date. A liability, “due to City of Akron”, was recorded in the amount of \$24,464,266 as of June 30, 2013. The amount of this liability was determined by reducing the \$242,782,046 received as of June 30, 2013 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 \$218,317,780 in capital expenditures using these local funds received from the City as of June 30, 2013. A liability was recorded for these monies because if the School District does not spend these local funds by the end of this project, these funds would have to be returned to the City in accordance with an agreement between the School District and the City.

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 \$595,357 and as buildings capital assets in the amount of \$188,796,653 to date as of June 30, 2013. 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 \$12,650,448 as of June 30, 2013.

Akron City School District
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OSFC has determined that \$36,847,215 is owed to the School District as of June 30, 2013. This represents the amount that OSFC has appropriated but not remitted to the School District as of June 30, 2013 over the entire life of this project. As a result, that amount was recorded as an intergovernmental receivable as of June 30, 2013. 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.

Note 21 – Akron Digital Academy

A. Summary of Significant Accounting Policies

The basic financial statements of Academy have been prepared in conformity with GAAP as applied to governmental nonprofit organizations. GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Academy is considered a component unit of the School District. See Note 1 for further information.

The more significant of the Academy's accounting policies are described below.

Basis of Presentation

The Academy's basic financial statements included in this report consist of a statement of net position and a statement of revenues, expenses and changes in net position.

The Academy uses enterprise accounting to maintain its financial records. Enterprise fund reporting focuses on the determination of the change in net position, financial position and cash flows.

Measurement Focus

Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included on the statement of net position. The statement of revenues, expenses and changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net total position.

Basis of Accounting

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

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

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

Akron City School District
Notes to the Basic Financial Statements
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Expenses are recognized at the time they are incurred.

Budgetary Process

Unlike traditional public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in the Ohio Revised Code Chapter 5705, unless specifically provided in the contract between the Academy and its sponsor, except for Ohio Revised Code Section 5705.391 as it relates to five-year forecasts. The Academy must prepare a five-year funding plan and submit it to the Ohio Superintendent of Public Instruction. The contract between the Academy and the School District does not prescribe formal budgetary provisions; however, it does prescribe that the Academy's administrator compares income and expenses to actual figures on a regular basis and also prescribes that the Board of Directors will review and compare expenses and income from reports prepared by the Academy's treasurer on a monthly basis. Therefore, no budgetary information is presented in the basic financial statements.

Cash and Cash Equivalents

During fiscal year 2013, the Academy invested in a life insurance annuity from Genworth Life and Annuity Insurance Company.

Capital Assets

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the fiscal year. Donated capital assets are recorded at their fair market values as of the date received. The Academy maintains a capitalization threshold of one thousand dollars. The Academy does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

Net Position

Net position represents the difference between assets and liabilities. 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 Academy or through external restrictions imposed by creditors, grantors or laws and regulations of other governments. The Academy applies restricted resources first when an expense is incurred for which both restricted and unrestricted net position are available.

Intergovernmental Revenues

The Academy currently participates in the State Foundation Program. Revenues received from this program are recognized as general revenue in the accounting period in which all eligibility requirements have been met.

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The Academy also participated in the following federal grant programs which are passed through the Ohio Department of Education's Comprehensive Continuous Improvement Plan ("CCIP"): Part B-IDEA Special Education, Title I, Title I School Improvement Subsidy A, Title II-A Improving Teacher Quality, Race to the Top and Education Jobs. In addition, the Academy participated in the Race to the Top Ohio My Voice Initiative which was awarded outside of the Ohio Department of Education's CCIP. The Academy was awarded a total of \$1,142,466 during the fiscal year ended June 30, 2013 for these programs. Revenues received from these programs are recognized as program revenue in the accounting period in which all eligibility requirements have been met.

Amounts received under these programs for the 2013 fiscal year totaled \$4,486,071.

Estimates

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

B. Changes in Accounting Principles

For fiscal year 2013, the Academy has implemented GASB Statement No. 60, "Accounting and Financial Reporting for Service Concession Arrangements", GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an Amendment of GASB Statements No. 14 and No. 34", GASB Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements", GASB Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position", GASB Statement No. 65, "Items Previously Reported as Assets and Liabilities" and GASB Statement No. 66, "Technical Corrections-2012".

GASB Statement No. 60 addresses issues related to service concession arrangements (a "SCA"), which are a type of public-private or public-public partnership. A SCA is an arrangement between a transferor (a government) and an operator (governmental or nongovernmental entity) in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (a facility) in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties. The implementation of this Statement did not result in any changes to net position at June 30, 2012.

GASB Statement No. 61 modifies certain requirements for inclusion of component units in the financial reporting entity. This Statement amends the criteria for reporting component units as if they were part of the primary government in certain circumstances. Additionally, this Statement also clarifies the reporting of equity interests in legally separate organizations. The implementation of this Statement did not result in any changes to net position at June 30, 2012.

GASB Statement No. 62 codifies accounting and financial reporting guidance contained in pre-November 30, 1989 FASB and American Institute of Certified Public Accountants ("AICPA") pronouncements in an effort to codify all sources of GAAP for State and local governments so that they derive from a single source. The implementation of this Statement did not result in any changes to net position at June 30, 2012.

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GASB Statement No. 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources and net position in a statement of financial position and related note disclosures. This Statement has changed the presentation of the Academy's basic financial statements to incorporate the concepts of net position and deferred outflows of resources and deferred inflows of resources, which are distinct from assets and liabilities. The implementation of this Statement did not result in any changes to net position at June 30, 2012.

GASB Statement No. 65 properly classifies certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or recognizes certain items that were previously reported as assets and liabilities as outflows of resources (expenses) or inflows of resources (revenues). The implementation of this Statement did not result in any changes to net position at June 30, 2012.

GASB Statement No. 66 enhances the usefulness of financial reports by resolving conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting. The implementation of this Statement did not result in any changes to net position at June 30, 2012.

C. Deposits and Investments

Deposits Custodial credit risk for deposits is the risk that in the event of bank failure, the Academy will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end, the carrying amount of the Academy's deposits was \$1,845,784 and the bank balance was \$1,859,400. Of the bank balance, \$384,121 was covered by the Federal Deposit Insurance Corporation and \$1,475,279 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Academy's name.

The Academy has no deposit policy for custodial risk.

Investments Investments are reported at fair value. As of June 30, 2013, the Academy had the following investment:

Investment Type	Fair Value	Weighted Average Maturity (Years)
Life Insurance Annuity	\$410,599	4.07

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Academy will not directly invest in securities maturing more than five years from the date of purchase. The Academy does not have an investment policy to address this risk.

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The investment in the life insurance annuity is not rated. The Academy does not have a policy to address credit risk for investments.

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Academy has invested 100 percent in the life insurance annuity. The Academy does not have an investment policy to address this risk.

Akron City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

Custodial credit risk is the risk that in the event of the failure of the counterparty, the Academy 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 Academy's investments are either insured and registered in the name of the Academy or at least registered in the name of the Academy. The Academy does not have a policy to address custodial credit risk.

D. Capital Assets

Capital asset activity for the fiscal year June 30, 2013, was as follows:

	Balance 6/30/2012	Additions	Deletions	Balance 6/30/2013
Capital Assets, being depreciated:				
Furniture and Equipment	\$179,925	\$25,419	\$0	\$205,344
Less Accumulated Depreciation:				
Furniture and Equipment	(116,672)	(32,887)	0	(149,559)
Total Capital Assets, being depreciated, net	<u>\$63,253</u>	<u>(\$7,468)</u>	<u>\$0</u>	<u>\$55,785</u>

E. Risk Management

The Academy is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2013, the Academy contracted with Agronaut Insurance Company for property, inland marine, crime, general liability, educators legal liability, employment practices liability, automobile coverage and excess liability. Coverage provided is as follows:

Type of Coverage	Coverage Amount
Commercial Property (\$1,000 deductible)	
Building and Contents	\$185,400
Commercial Inland Marine (\$1,000 deductible)	400,000
Commercial Crime (\$500 deductible)	50,000
Commercial General Liability (No deductible)	
General Aggregate Limit	3,000,000
Each Occurrence Limit	1,000,000
Employers Liability	1,000,000
Educators Legal Liability (\$2,500 deductible)	
Annual Aggregate	3,000,000
Each Wrongful Act	1,000,000
Employment Practices Liability (\$2,500 deductible)	
Annual Aggregate	3,000,000
Each Wrongful Act	1,000,000
Automobile Liability (No deductible)	1,000,000
Commercial Excess Liability (No deductible)	1,000,000

Akron City School District
Notes to the Basic Financial Statements
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Settled claims did not exceed commercial coverage in fiscal years 2013 and 2012. The Academy was covered under the School District's insurance for commercial coverage in fiscal year 2011. Settled claims of the School District did not exceed commercial coverage in fiscal year 2011, and there has not been a significant reduction in coverage from the prior fiscal year.

F. Purchased Services

The Academy purchased the following from the School District: personnel to administer and oversee the instruction and governance of the Academy, printing of supplies and materials for the Academy and postage for the Academy. The Academy is responsible for reimbursement of 100 percent of all costs incurred by the School District related to these services. The Academy reimbursed the School District \$386,826 during fiscal year 2013 for these services.

In addition, in accordance with the sponsorship contract between the School District and the Academy and in accordance with Ohio Revised Code Section 3314.03, the Academy will pay a sponsorship fee to the School District of an amount not to exceed two percent of the total State Foundation Program payments during the fiscal year for oversight and monitoring. The Academy paid \$66,872 to the School District during fiscal year 2013 for these services.

All personnel providing services to the Academy on behalf of the School District are considered employees of the School District. The services of four individuals were purchased from the School District during fiscal year 2013.

For the fiscal year ended June 30, 2013, purchased services expenses were comprised of the following:

Purchased Services	Amounts
Professional and Technical Services	\$697,954
Property Services	368,090
Travel and Meeting	30,971
Communications	223,829
Utilities Services	2,499
Contracted craft or trade services	6,423
Fees	3,650
Pupil Transportation Services	63,805
Total Purchased Services	<u><u>\$1,397,221</u></u>

G. Defined Benefit Pension Plans

School Employees Retirement System

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

Akron City School District
Notes to the Basic Financial Statements
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Funding Policy Plan members are required to contribute 10 percent of their annual covered salary, and the Academy is required to contribute at an actuarially determined rate. The current Academy rate is 14 percent of annual covered payroll. A portion of the Academy's contributions is used to fund pension and death benefits with the remainder being used to fund health care benefits and Medicare Part B benefits; for fiscal year 2013, 13.10 percent of annual covered salary was the portion used to fund pension and death benefits. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The Academy's required contributions for pension and death benefits to SERS for the fiscal years ended June 30, 2013 and 2012 were \$94,121 and \$107,205, respectively; 100 percent has been contributed for fiscal years 2013 and 2012. The School District's required contributions for pension and death benefits to SERS for the personnel provided to the Academy for the fiscal years ended June 30, 2013, 2012 and 2011 were \$9,874, \$11,458 and \$117,464, respectively; 100 percent has been contributed for fiscal years 2013, 2012 and 2011.

State Teachers Retirement System

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

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

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

Akron City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

Funding Policy For the fiscal year ended June 30, 2013, plan members were required to contribute 10 percent of their annual covered salaries. The Academy was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations with the remainder being used to fund health care benefits. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The Academy's required contributions for pension obligations to STRS Ohio for the DB Plan for the fiscal years ended June 30, 2013 and 2012 were \$199,892 and \$180,087, respectively; 100 percent has been contributed for fiscal years 2013 and 2012. The School District's required contributions for pension obligations to STRS Ohio for the DB Plan for the personnel provided to the Academy for the fiscal years ended June 30, 2013, 2012, and 2011 were \$23,881, \$43,914, and \$264,313, respectively; 100 percent has been contributed for fiscal years 2013, 2012 and 2011.

H. Postemployment Benefits Other Than Pension

State Teachers Retirement System

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

Funding Policy Ohio law authorizes STRS Ohio to offer the Health Plan and gives the STRS Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for postemployment health care may be deducted from employer contributions. For fiscal year 2013, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The Academy's contributions for health care for the fiscal years ended June 30, 2013 and 2012 were \$15,376 and \$13,853, respectively; 100 percent has been contributed for fiscal years 2013 and 2012. The School District's contributions for health care for the personnel provided to the Academy for the fiscal years ended June 30, 2013, 2012 and 2011 were \$1,837, \$3,378 and \$20,332, respectively; 100 percent has been contributed for fiscal years 2013, 2012 and 2011.

Akron City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

School Employees Retirement System

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

Funding Policy State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation of statutorily required benefits, the SERS Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established under, and is administered in accordance with, Internal Revenue Code Section 105(e). For fiscal year 2013, 0.16 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for fiscal year 2013, this amount was \$20,525.

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

The Academy's contributions for health care for the fiscal years ended June 30, 2013 and 2012 were \$11,975 and \$15,468, respectively; 100 percent has been contributed for fiscal years 2013 and 2012. The School District's contributions for health care for the personnel provided to the Academy for the fiscal years ended June 30, 2013, 2012 and 2011 were \$121, \$23,037 and \$35,386 respectively; 100 percent has been contributed for fiscal years 2013, 2012 and 2011.

The SERS Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2013, the actuarially required allocation was 0.74 percent of covered payroll. The Academy's contributions for Medicare Part B for the fiscal years ended June 30, 2013 and 2012 were \$5,317 and \$6,331, respectively; 100 percent has been contributed for fiscal years 2013 and 2012. The School District's contributions for Medicare Part B for the personnel provided to the Academy for the fiscal year ended June 30, 2013, 2012 and 2011 were \$558, \$677 and \$7,559, respectively; 100 percent has been contributed for fiscal years 2013, 2012 and 2011.

Akron City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

I. Operating Leases

The Academy leases facilities space, copiers and a postage meter under non-cancelable operating leases. Total costs for such leases were \$309,501 for the fiscal year ended June 30, 2013. The future minimum lease payments for these leases are as follows:

Fiscal Year Ending June 30,	Amount
2014	\$73,767
2015	69,120
Total	<u>\$142,887</u>

J. Contingencies

Grants

The Academy received financial assistance from federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the Academy. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Academy at June 30, 2013.

Litigation

The Academy is involved in no material litigation as either plaintiff or defendant.

K. Enrollment FTE

The Ohio Department of Education reviews enrollment and full-time equivalency (FTE) calculations made by all schools in Ohio. These reviews ensure the schools are reporting accurate student enrollment data to the State, upon which State foundation funding is calculated. The results of the review could result in State funding being adjusted. The Ohio Department of Education has not completed its review of the Academy's enrollment data for fiscal year 2013, so this amount has not been included on the accompanying basic financial statements.

L. Federal Tax-Exempt Status

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

M. Subsequent Events

In fiscal year 2014, Shaun Bevan took over as fiscal officer. Also, in fiscal year 2014, the Academy is now sponsored by Warren County Educational Service Center.

Akron City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

N. Contacting the Academy's Management

A copy of the Academy's basic financial statements can be obtained by contacting Shaun Bevan, Fiscal Officer, at Warren County Educational Service Center, 1879 Deerfield Road, Lebanon, Ohio 45036 or email at Shaun.Bevan@warrencountyesc.com.

Note 22 – Subsequent Event

Effective July 1, 2013, the Akron Digital Academy no longer meets the requirements of a discretely presented component unit in accordance with GASB Statements No. 14, No.39 and No. 61. Therefore, the Akron Digital Academy will no longer be reported as a discretely presented component unit after June 30, 2013.

AKRON CITY SCHOOL DISTRICT
SUMMIT COUNTY

FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2013

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	GRANT YEAR	PASS-THROUGH GRANTOR'S NUMBER	RECEIPTS	EXPENDITURES
U.S. DEPARTMENT OF EDUCATION					
(Direct)					
Impact Aid - Maintenance/Operations	84.041	2013	45-OH-96-1807	\$ 36,316	\$ 36,316
Financial Assistance Cluster:					
Federal Pell Grant Program	84.063	2013	EP063P54977	143,575	143,575
Federal Direct Student Loans (Stafford)	84.268	2013	N/A	255,923	260,717
Total Financial Assistance Cluster				399,498	404,292
U.S. DEPARTMENT OF EDUCATION					
(Pass-through Ohio Department of Education)					
Education Jobs	84.410	2012	043489-3ET0-2012	730,915	-
ARRA - Race-to-the-Top Incentive Grants	84.395A	2013	043489-3FD0-2013	2,469,754	4,149,683
ARRA - Race-to-the-Top Incentive Grants	84.395A	2012	043489-3FD0-2012	187,414	192,768
Total ARRA - Race-to-the-Top Incentive Grants				2,657,168	4,342,451
Special Education Cluster:					
Special Education - Grants to State	84.027	2013	043489-3M20-2013	5,286,168	5,479,685
Special Education - Grants to State	84.027	2012	043489-3M20-2012	576,759	383,316
Total Special Education-Grants to State				5,862,927	5,863,001
Special Education - Preschool Grants	84.173	2013	043489-3C50-2013	144,547	150,726
Special Education - Preschool Grants	84.173	2012	043489-3C50-2012	768	200
Total Special Education - Preschool Grants				145,315	150,926
Total Special Education Cluster				6,008,242	6,013,927
Education Technology State Grants	84.318	2012	043489-3S20-2012	105,440	22,208
Career and Technical Education-Basic Grants to States	84.048	2013	043489-3L90-2013	544,448	604,384
Career and Technical Education-Basic Grants to States	84.048	2012	043489-3L90-2012	89,562	26,335
Total Career and Technical Education-Basic Grants to State				634,010	630,719
School Improvement Cluster:					
School Improvement Competitive	84.377A	2013	043489-3AN0-2013	1,974,583	2,314,971
ARRA School Improvement Grant , Recovery Act	84.388	2013	043489-3DP0-2013	126,336	250,692
ARRA School Improvement Competitive	84.388	2012	043489-3DP0-2012	84,334	172,300
Total ARRA School Improvement Grants, Recovery Act				210,670	422,992
Total School Improvement Cluster				2,185,253	2,737,963
Title I Cluster:					
Title I -Grants to Local Educational Agencies	84.010	2013	043489-3M00-2013	14,058,071	13,810,104
Title I -Grants to Local Educational Agencies Delinquent	84.010	2013	043489-3M00-2013	214,094	217,194
Title I -Grants to Local Educational Agencies	84.010	2012	043489-3M00-2012	987,748	1,638,734
Title I -Grants to Local Educational Agencies Delinquent	84.010	2012	043489-3M00-2012	22,823	24,885
Total Title I-Grants to Local Educational Agencies				15,282,736	15,690,917

AKRON CITY SCHOOL DISTRICT
SUMMIT COUNTY

FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2013

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	GRANT YEAR	PASS-THROUGH GRANTOR'S NUMBER	RECEIPTS	EXPENDITURES
School Improvement Title I	84.010	2013	043489-3M00-2013	215,860	550,000
School Improvement Title I	84.010	2012	043489-3M00-2012	54,705	51,481
Total School Improvement Title I				270,565	601,481
Total Title I Cluster				15,553,301	16,292,398
Education for Homeless Children and Youth-	84.196	2013	043489-3EJ0-2013	157,955	168,507
Education for Homeless Children and Youth-	84.196	2012	043489-3EJ0-2012	11,412	7,937
Total Education for Homeless Children and Youth				169,367	176,444
Twenty-First Century Community Learning	84.287	2013	043489-3Y20-2013	1,200,000	1,200,000
Twenty-First Century Community Learning	84.287	2012	043489-3Y20-2012	227,505	5,530
Total Twenty-First Century Community Learning				1,427,505	1,205,530
English Language Acquisition Cluster:					
Title III LEP - English Language Acquisition	84.365	2013	043489-3Y70-2013	177,069	232,819
Title III LEP - English Language Acquisition	84.365	2012	043489-3Y70-2012	-	9,068
Total Title III LEP - English Language Acquisition				177,069	241,887
Title III Immigrant - English Language Acquisition	84.365	2013	043489-3Y70-2013	28,577	31,918
Title III Immigrant - English Language Acquisition	84.365	2012	043489-3Y70-2012	3	-
Total Title III Immigrant - English Language Acquisition				28,580	31,918
Total English Language Acquisition Cluster				205,649	273,805
Improving Teacher Quality State Grants	84.367	2013	043489-3Y60-2013	1,953,624	1,989,719
Improving Teacher Quality State Grants	84.367	2012	043489-3Y60-2012	215,187	283,294
Total Improving Teacher Quality State Grants				2,168,811	2,273,013
TOTAL U.S. DEPARTMENT OF EDUCATION				32,281,475	34,409,066
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>					
(Passed through Summit County Department of Job and Family Services)					
Refugee and Entrant Assistance-Discretionary Grants	93.576	2013	G-1213-17-0661	14,190	20,377
Refugee and Entrant Assistance-Discretionary Grants	93.576	2012	G-1213-17-0226	35,348	425
Total Refugee and Entrant Assistance-Discretionary Grants				49,538	20,802
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				49,538	20,802
<u>U.S. DEPARTMENT OF AGRICULTURE</u>					
(Passed through the Ohio Department of Education)					
Child Nutrition Cluster					
Non-Cash Assistance (Food Distribution):					
National School Lunch Program/Commodities	10.555	2013	N/A	620,295	674,358
School Breakfast Program/Commodities	10.553	2013	N/A	36,484	42,195
Total Non Cash Assistance (Food Distribution)				656,779	716,553

AKRON CITY SCHOOL DISTRICT
SUMMIT COUNTY

FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2013

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	GRANT YEAR	PASS-THROUGH GRANTOR'S NUMBER	RECEIPTS	EXPENDITURES
School Breakfast Program	10.553	2013	043489-3L70-2013	2,942,211	2,327,446
National School Lunch Program	10.555	2013	043489-3L60-2013	8,663,240	8,105,753
Summer Food Program	10.559	2013	043489-3L60-2013	40,253	36,645
Total Child Nutrition Cluster				12,302,483	11,186,397
Fresh Fruit & Vegetable Program	10.582	2013	043489-3GG0-2013	48,467	48,467
TOTAL U.S. DEPARTMENT OF AGRICULTURE				12,350,950	11,234,864
<u>U.S. DEPARTMENT OF DEFENSE</u>					
(Direct)					
Air Force R.O.T.C. Grant	12.xxx	n/a	n/a	58,344	58,344
Army R.O.T.C. Grant	12.xxx	n/a	n/a	54,727	54,727
Marines R.O.T.C. Grant	12.xxx	n/a	n/a	66,751	66,751
Navy R.O.T.C. Grant	12.xxx	n/a	n/a	68,144	68,144
Total R.O.T.C. Grants				247,966	247,966
TOTAL U.S. DEPARTMENT OF DEFENSE				247,966	247,966
TOTAL FEDERAL ASSISTANCE				\$ 44,929,929	\$ 45,912,698

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, 2013**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - FOOD DONATION PROGRAM

Program regulations do not require the District to maintain separate inventory records for purchased food versus food commodities it receives from U.S. Department of Agriculture. The District reports commodities consumed on the Schedule at the entitlement value.

NOTE C - CHILD NUTRITION CLUSTER

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

NOTE D - MATCHING REQUIREMENTS

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

NOTE E – TRANSFERS BETWEEN PROGRAM YEARS

The District generally must spend Federal assistance within 15 months of receipt (funds must be obligated by June 30th and spent by September 30th). However, with Ohio Department of Education's ("ODE") approval, a district can transfer unspent Federal assistance to the succeeding year, thus allowing the district to have a total of 27 months to spend the assistance. During fiscal year 2013, the ODE authorized the following transfers:

CFDA Number	Program Title	Grant Year	Transfer Out	Transfer In
84.010	Title I Grants to Local Education Agencies	2013	\$2,100,969	
84.010	Title I Grants to Local Education Agencies	2014		\$2,100,969
84.010	Title I Grants to Local Education Agencies - Delinquent	2013	\$241,736	
84.010	Title I Delinquent	2014		\$241,736
84.367	Improving Teacher Quality State Grants, Title II-A	2013	\$206,911	
84.367	Improving Teacher Quality State Grants, Title II-A	2014		\$206,911
84.365	Title III LEP – English Language Acquisition	2013	\$39,660	
84.365	Title III LEP – English Language Acquisition	2014		\$39,660
84.365	Title III Immigrant – English Language Acquisition	2013	\$22,200	
84.365	Title III Immigrant – English Language Acquisition	2014		\$22,200
84.027	Special Education Grants to States, IDEA-B	2013	\$478,976	
84.027	Special Education Grants to States, IDEA-B	2014		\$478,976
84.395A	ARRA - Race to the Top Incentive Grants	2013	\$372,873	
84.395A	ARRA - Race to the Top Incentive Grants	2014		\$372,873



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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Akron City School District, Summit County, Ohio, (the District) as of and for the year ended June 30, 2013 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, 2014 wherein we noted the District adopted the provisions of Governmental Accounting Standard No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position", and No. 65, "Items Previously Reported as Assets and Liabilities".

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

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

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

Dave Yost
Auditor of State
Columbus, Ohio

March 25, 2014



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

To the Board of Education:

Report on Compliance for Each Major Federal Program

We have audited the Akron City School District's, (the District's) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the District's major federal programs for the year ended June 30, 2013. The *Summary of Audit Results* in the accompanying schedule of findings and questioned costs 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.

The District's basic financial statements include the operations of the Akron Digital Academy, which disbursed \$1,214,098 in federal expenditures which is not included in the District's Federal Awards Receipts and Expenditure Schedule for the year ended June 30, 2013. Our audit of Federal awards, described below, did not include the operations of the Akron Digital Academy because the component unit was audited separately in accordance with OMB Circular A-133.

Basis for Qualified Opinion on the Financial Assistance Cluster and Title I Cluster Programs

As described in Findings 2013-001 through 2013-003 in the accompanying schedule of findings and questioned costs, the District did not comply with requirements regarding the following:

Finding #	CFDA #	Program (or Cluster) Name	Compliance Requirement
2013-001	84.010	Title I Cluster	Activities Allowed/ Unallowed and Allowable Costs/ Cost Principles
2013-002	84.268	Financial Assistance Cluster: (Federal Direct Student Loans)	Special Tests and Provisions: Enrollment Reporting (Loan Programs)
2013-003	84.268	Financial Assistance Cluster: (Federal Direct Student Loans)	Special Tests and Provisions: Borrower Data Transmission and Reconciliation (Direct Loan)

Compliance with these requirements is necessary, in our opinion, for the District to comply with the requirements applicable to these programs.

Qualified Opinion on the Financial Assistance Cluster and Title I Cluster Programs

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinions on the Financial Assistance Cluster and Title I Cluster Programs* paragraph, the Akron City School District complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2013.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the Akron City School District complied in all material aspects with the requirements referred to above that could directly and materially affect each of its other major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2013.

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

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.

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program'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's compliance requirement will not be prevented, or timely detected and corrected. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2013-001 through 2013-003 to be material weaknesses.

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

This report only describes the scope of our tests of internal control over compliance 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, 2014

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**AKRON CITY SCHOOL DISTRICT
SUMMIT COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
JUNE 30, 2013**

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?	Yes
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Qualified for Financial Assistance Cluster – Special Tests and Provisions Qualified for Title I Cluster – Activities Allowed and Allowable Costs
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	Yes

(d)(1)(vii)	Major Programs (list):	Financial Assistance Cluster: Federal Pell Grant Program - CFDA #84.063 Federal Direct Student Loans - CFDA #84.268 ARRA – Race to the Top Incentive Grants – CFDA #84.395A Career and Technical Education – Basic Grants to States – CFDA #84.048 School Improvement Cluster: School Improvement Competitive – CFDA #84.377A ARRA School Improvement Competitive – CFDA #84.388 Title I Cluster: Title I – Grants to Local Educational Agencies – CFDA #84.010 School Improvement Title I – CFDA #84.010 Twenty-First Century Community Learning – CFDA #84.287 Child Nutrition Cluster: School Breakfast Program – CFDA #10.553 National School Lunch Program – CFDA #10.555 Summer Food Program – CFDA #10.559
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 1,377,381 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

1. Activities Allowed or Unallowed and Allowable Costs / Cost Principles

Finding Number	2013-001
CFDA Title and Number	Title I – Grants to Local Educational Agencies – CFDA #84.010
Federal Award Number / Year	3MOO – 2013
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

QUESTIONED COST, NONCOMPLIANCE AND MATERIAL WEAKNESS

34 C.F.R. 80.22 sets limitations on the use of grant funds and **2 C.F.R. 225, Appendix A, Section C. (1.)(a)** requires for a cost to be allowable under Federal awards, the cost must be necessary and reasonable for proper and efficient performance and administration of Federal awards.

The District has elected to use Title I funding to operate schoolwide programs under **34 CFR section 200.25 - .28** but does not consolidate all its Federal funds into a single schoolwide pool. If a schoolwide program school does not consolidate its Federal funds, the school must use Title I, Part A funds to support activities that address specific educational needs of the school identified by the needs assessment and articulated in the schoolwide plan.

During fiscal year 2013 the District used Title I funds for after school enrichment programs which do not appear to meet the overall intent and purpose of the Title I program, address specific educational needs of the schools and were not articulated in the schoolwide plans. Of the transactions selected for testing, we question the following items: \$1,815 for cheerleading instruction, \$30,750 for video production classes, \$33,000 for tennis instruction, \$9,139 for healthy dating classes, \$25,883 for hip hop dance, gardening, playwriting, art & yoga classes, and \$45,725 for mad science program.

We are therefore questioning \$146,312 of our sample test of \$419,841 non-payroll disbursements during fiscal year 2013 for the Title I program. Total Title I non-payroll disbursements for fiscal year 2013 were \$2,772,734.

In order to help ensure compliance with Federal grant requirements and avoid potential questioned costs in the future, the District should charge only those disbursements which meet the overall intent and purpose of the Title I program, address specific educational needs of the schools and are articulated in the schoolwide plans.

Official's Response: When the 20% set-aside waiver was put in place after the Supplemental Educational Services were discontinued, money was allocated to different in-house programs. One of the District programs was Akron After School. This was based on “partnering with extended learning opportunities with the 21st Century Grant partner”, which was included in the waiver PowerPoint presentation shared in May, 2012 by the Ohio Department of Education.

**Finding Number 2013 – 001
 (Continued)**

Akron After School is a 50/50 intervention and enrichment program. The enrichment portion, which provides motivational activities to students who attend the reading and math intervention programs, tie the concepts learned through reading and math intervention with their activities. Students are not permitted to attend the enrichment portion unless they also attend the intervention portion. Data reflects that students who have enrichment activities available are more likely to attend the Akron After School Program.

These Title I funds were used for enrichment activities for the four Focus and School Improvement middle schools that participate in the Akron After School Program.

AOS Conclusion: The use of the Title I funds for after school enrichment programs as indicated in the Official's Response does not appear to meet the overall intent and purpose of the Title I program, address specific educational needs of the schools and were not articulated in the school-wide plans.

2. Special Tests and Provisions: Enrollment Reporting (Loan Programs)

Finding Number	2013-002
CFDA Title and Number	Federal Direct Student Loans – CFDA #84.268
Federal Award Number / Year	2013
Federal Agency	U.S. Department of Education
Pass-Through Agency	N/A

NONCOMPLIANCE AND MATERIAL WEAKNESS

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

We reviewed the District's enrollment reporting history for the Akron School of Practical Nursing in the NSLDS system, noting the District received student status confirmation reports from ED every two months. The District is required to confirm status report information within 30 days of receiving the report from ED. During fiscal year 2013, the District was late in confirming enrollment status report information to the NSLDS system on four of six occasions and late filing e-mail notifications were sent to the Financial Aid Administrator's SAIG mailbox. The four late filing occurrences ranged from 35 days to 104 days overdue.

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

**Finding Number 2013 – 002
 (Continued)**

Official's Response: The Akron School of Practical Nursing (APN) has contracted with a third party servicer, Deborah John & Associates (DJA), for their financial aid disbursements through COD and drawdowns through the ED's system called G5 since July, 2013. As part of this contract, DJA sends ASPN the enrollment status update from NSLDS to complete the enrollment status of students every 60 days. ASPN updates the information on the enrollment status report and electronically sends it back to DJA through a secure system called SchoolDocs. APN is only required to report to NSLDS if a student withdraws and is not listed on the enrollment status report. Barbara Dawson, the on-site financial aid administrator at APN has access to NSLDS to make those necessary updates.

3. Special Tests and Provisions – Borrower Data Transmission and Reconciliation (Direct Loan)

Finding Number	2013-003
CFDA Title and Number	Federal Direct Student Loans – CFDA #84.268
Federal Award Number / Year	2013
Federal Agency	U.S. Department of Education
Pass-Through Agency	N/A

NONCOMPLIANCE AND MATERIAL WEAKNESS

34 C.F.R. 685.301 and .303 requires institutions to report all loan disbursements and submit required records to the Direct Loan Servicing System (DLSS) via the Common Origination and Disbursement System (COD) within 30 days of disbursement. Each month, the COD provides institutions with a School Account Statement (SAS) file which consists of a Cash Summary, Cash Detail, and (optional at the request of the school) Loan Detail records. The School is required to reconcile these records to the institutions financial records.

The Akron School of Practical Nursing (APN) personnel did not obtain the SAS files from COD for any month during fiscal year 2013, nor did they appear aware of the requirement to obtain the SAS files each month and to reconcile them to their own financial records, and they did not know how to access the SAS files from the COD system.

The District should ensure SAS files are obtained from the COD system each month and reconciled to the District's financial records. In addition, the District should provide training to APN personnel over requirements of the program.

Official's Response: The Akron School of Practical Nursing (APN) has contracted with DJA to handle all disbursements, reconciliations and monthly updates through COD. With APN's contract with DJA, COD sends monthly SAS files to DJA for reconciliation. DJA requests the bank statements from APN monthly to assure the records are balanced. DJA then sends a Pell and Direct Loans monthly summary to APN for review. Barbara Dawson has SAIG mailbox access but only has mail in it if a report or document is requested from COD.

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**AKRON CITY SCHOOL DISTRICT
SUMMIT COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 2013**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2012-01	Ohio Rev. Code Section 5705.41(D) – certifying fund availability prior to incurring obligations.	No	Partially Corrected, repeated in the Management Letter.
2012-02	2 C.F.R. Part 225, Appendix B (8)(h) – certain employees did not maintain personal activity reports or equivalent documentation to support time charged to multiple federal programs.	No	Partially Corrected, repeated in the Management Letter.
2012-03	34 C.F.R. 685.309 (b) – School of Practical Nursing management did not update enrollment information to the National Student Loan Data System timely.	No	Not Corrected, repeated as Finding 2013 – 002.
2012-04	34 C.F.R. 685.301 and .303 - School of Practical Nursing management did not monitor and reconcile Common Origination and Disbursement System School Account Statement reports to District accounting records.	No	Not Corrected, repeated as Finding 2013 – 003.

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**AKRON CITY SCHOOL DISTRICT
SUMMIT COUNTY**

**CORRECTIVE ACTION PLAN
OMB CIRCULAR A -133 § .315 (c)
JUNE 30, 2013**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2013-001	The District will ensure to not spend any Title I funds on after school enrichment programs which do not appear to meet the overall intent and purpose of the Title I program, address specific educational needs of the schools and were not articulated in the schoolwide plans.	July, 2013	Director of School Improvement
2013-002	The District will ensure that NSLDS reports are done within the required timeframe.	July, 2013	On-Site Financial Aid Administrator of APN
2013-003	The District will ensure that all financial records are reconciled each month.	July, 2013	On-Site Financial Aid Administrator of APN

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Dave Yost • Auditor of State

Independent Accountants' Report on Applying Agreed-Upon Procedure

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

To the Board of Education:

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

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

We noted the Board amended its anti-harassment policy at its meeting on July 9, 2012 to include prohibiting harassment, intimidation, or bullying of any student "on a school bus" or by an "electronic act".

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

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

March 25, 2014

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Dave Yost • Auditor of State

AKRON CITY SCHOOL DISTRICT

SUMMIT COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MAY 8, 2014**