



**AKRON CITY SCHOOL DISTRICT
SUMMIT COUNTY**

SINGLE AUDIT

FOR THE PERIOD ENDING JUNE 30, 2000



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**AKRON CITY SCHOOL DISTRICT
SUMMIT COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Report of Independent Accountants	1
Combined Balance Sheet - All Fund Types and Account Groups	4
Combined Statement of Revenues, Expenditures and Changes in Fund Balances All Governmental Fund Types and Similar Trust Funds	8
Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual All Governmental Fund Types and Similar Trust Funds	10
Combined Statement of Revenues, Expenses and Changes in Retained Earnings/ Fund Balance All Proprietary Fund Types and Similar Trust Funds	14
Combined Statement of Revenues, Expenses and Changes in Fund Equity - Budget (Non-GAAP Basis) and Actual All Proprietary Fund Types and Similar Trust Funds	15
Combined Statement of Cash Flows All Proprietary Fund Types and Similar Trust Funds	18
Notes to the General Purpose Financial Statements	21
Schedule of Receipts and Expenditures of Federal Awards	53
Notes to the Receipts and Expenditures of Federal Awards	58
Report of Independent Accountants on Compliance and on Internal Control Required By <i>Government Auditing Standards</i>	59
Report of Independent Accountants on Compliance With Requirements Applicable to Each Major Federal Program and Internal Control Over Compliance in Accordance With OMB Circular A-133	61
Schedule of Findings	63

This page intentionally left blank.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

111 Second Street, NW
Fourth Floor
Canton, Ohio 44702
Telephone 330-438-0617
800-443-9272
Facsimile 330-471-0001
www.auditor.state.oh.us

REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Board of Education:

We have audited the accompanying general purpose financial statements of the Akron City School District, Summit County, (the School District) as of and for the year ended June 30, 2000, as listed in the Table of Contents. These general purpose financial statements are the responsibility of the School District's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Akron City School District, Summit County, as of June 30, 2000, and the results of its operations and the cash flows of its proprietary fund types and nonexpendable trust funds for the year then ended in conformity with generally accepted accounting principles.

As indicated in Note 3, the School District changed its accounting method relative to certain fixed assets.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2000 on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The accompanying Schedule of Receipts and Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Government, and Non-Profit Organizations*, and is not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

Jim Petro
Auditor of State

December 11, 2000

This page intentionally left blank.

Akron City School District
Combined Balance Sheet
All Fund Types and Account Groups
June 30, 2000

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Assets and Other Debits				
Assets				
Equity in Pooled Cash and Cash Equivalents	\$17,739,859	\$7,369,649	\$64,408	\$6,513,109
Cash and Cash Equivalents In Segregated Accounts	0	0	0	0
Receivables:				
Taxes	84,585,767	0	7,863	4,910,170
Accounts	193,136	59,098	0	0
Intergovernmental	206,966	3,380,322	0	7,942,253
Interfund Receivable	10,742,519	0	0	0
Materials and Supplies Inventory	636,499	0	0	0
Inventory Held for Resale	0	0	0	0
Restricted Assets :				
Equity in Pooled Cash and Cash Equivalents	3,367,186	0	0	0
Fixed Assets (Net, where applicable, of Accumulated Depreciation)	0	0	0	0
Other Debits				
Amount Available in Debt Service Fund for Retirement of General Obligation Bonds	0	0	0	0
Amount to be Provided from General Government Resources	0	0	0	0
Total Assets and Other Debits	\$117,471,932	\$10,809,069	\$72,271	\$19,365,532

<u>Proprietary Fund Types</u>		<u>Fiduciary Fund Types</u>	<u>Account Groups</u>		<u>Totals (Memorandum Only)</u>
<u>Enterprise</u>	<u>Internal Service</u>	<u>Trust and Agency</u>	<u>General Fixed Assets</u>	<u>General Long-Term Obligations</u>	
\$6,130,128	\$0	\$204,960	\$0	\$0	\$38,022,113
0	4,891,671	424,734	0	0	5,316,405
0	0	0	0	0	89,503,800
1,035	0	0	0	0	253,269
819,675	0	0	0	0	12,349,216
0	0	0	0	0	10,742,519
0	0	0	0	0	636,499
297,021	0	0	0	0	297,021
0	0	0	0	0	3,367,186
396,015	0	0	153,546,080	0	153,942,095
0	0	0	0	64,408	64,408
0	0	0	0	26,332,294	26,332,294
<u>\$7,643,874</u>	<u>\$4,891,671</u>	<u>\$629,694</u>	<u>\$153,546,080</u>	<u>\$26,396,702</u>	<u>\$340,826,825</u>

(continued)

Akron City School District
Combined Balance Sheet
All Fund Types and Account Groups (continued)
June 30, 2000

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<i>Liabilities, Fund Equity and Other Credits</i>				
Liabilities				
Accounts Payable	\$1,547,525	\$507,076	\$0	\$1,703,024
Compensated Absences Payable	772,955	75,742	0	4,812
Interfund Payable	0	4,295,047	0	6,447,472
Intergovernmental Payable	3,336,878	651,785	0	22,561
Deferred Revenue	82,255,324	0	7,863	4,770,121
Due to Students	0	0	0	0
Claims Payable	0	0	0	0
School Foundation Notes Payable	7,594,995	0	0	0
Capital Leases Payable	0	0	0	0
Asbestos Loan Payable	0	0	0	0
<i>Total Liabilities</i>	95,507,677	5,529,650	7,863	12,947,990
Fund Equity and Other Credits				
Investment in General Fixed Assets	0	0	0	0
Retained Earnings:				
Unreserved	0	0	0	0
Fund Balance:				
Reserved for Encumbrances	124,974	1,977,515	0	2,555,053
Reserved for Inventory	636,499	0	0	0
Reserved for Endowment	0	0	0	0
Reserved for Budget Stabilization	3,367,186	0	0	0
Reserved for Property Taxes	2,330,443	0	0	140,049
Unreserved, Undesignated	15,505,153	3,301,904	64,408	3,722,440
<i>Total Fund Equity and Other Credits</i>	21,964,255	5,279,419	64,408	6,417,542
<i>Total Liabilities, Fund Equity and Other Credits</i>	\$117,471,932	\$10,809,069	\$72,271	\$19,365,532

See accompanying notes to the general purpose financial statements

<u>Proprietary Fund Types</u>		<u>Fiduciary Fund Types</u>	<u>Account Groups</u>		<u>Totals (Memorandum Only)</u>
<u>Enterprise</u>	<u>Internal Service</u>	<u>Trust and Agency</u>	<u>General Fixed Assets</u>	<u>General Long-Term Obligations</u>	
\$38,930	\$0	\$17,193	\$0	\$0	\$3,813,748
275,010	0	0	0	21,461,241	22,589,760
0	0	0	0	0	10,742,519
224,523	0	14,995	0	2,810,326	7,061,068
203,024	0	0	0	0	87,236,332
0	0	189,965	0	0	189,965
0	2,016,671	0	0	0	2,016,671
0	0	0	0	0	7,594,995
0	0	0	0	2,066,163	2,066,163
0	0	0	0	58,972	58,972
<u>741,487</u>	<u>2,016,671</u>	<u>222,153</u>	<u>0</u>	<u>26,396,702</u>	<u>143,370,193</u>
0	0	0	153,546,080	0	153,546,080
6,902,387	2,875,000	0	0	0	9,777,387
0	0	700	0	0	4,658,242
0	0	0	0	0	636,499
0	0	143,409	0	0	143,409
0	0	0	0	0	3,367,186
0	0	0	0	0	2,470,492
0	0	263,432	0	0	22,857,337
<u>6,902,387</u>	<u>2,875,000</u>	<u>407,541</u>	<u>153,546,080</u>	<u>0</u>	<u>197,456,632</u>
<u>\$7,643,874</u>	<u>\$4,891,671</u>	<u>\$629,694</u>	<u>\$153,546,080</u>	<u>\$26,396,702</u>	<u>\$340,826,825</u>

Akron City School District
Combined Statement of Revenues, Expenditures and Changes in Fund Balances
All Governmental Fund Types and Similar Trust Funds
For the Fiscal Year Ended June 30, 2000

	Governmental Fund		
	General	Special Revenue	Debt Service
Revenues			
Property and Other Taxes	\$79,348,452	\$0	\$7,864
Intergovernmental	117,867,778	40,631,348	0
Interest	3,121,283	110,933	795
Tuition and Fees	1,087,993	163,245	0
Rentals	195,074	25,974	0
Extracurricular Activities	241,731	1,594,079	0
Gifts and Donations	9,773	385,917	0
Charges for Services	587,437	223,775	0
Miscellaneous	2,837,351	521,308	0
<i>Total Revenues</i>	<u>205,296,872</u>	<u>43,656,579</u>	<u>8,659</u>
Expenditures			
Current :			
Instruction :			
Regular	93,426,074	20,599,984	0
Special	15,140,315	4,588,566	0
Vocational	10,164,910	541,520	0
Adult/Continuing	190,877	759,207	0
Support Services :			
Pupils	11,889,623	2,315,013	0
Instructional Staff	9,168,186	7,968,968	0
Board of Education	83,779	0	0
Administration	14,615,936	769,772	0
Fiscal	2,703,975	333,743	0
Business	3,478,297	149,795	0
Operation and Maintenance of Plant	24,010,311	1,386,045	0
Pupil Transportation	5,728,053	122,054	0
Central	4,309,535	701,300	0
Operation of Non-Instructional Services	188,545	2,967,358	0
Extracurricular Activities	1,867,888	1,125,032	0
Capital Outlay	2,751,332	3,607	0
Intergovernmental	1,000	0	0
Debt Service:			
Principal Retirement	460,062	0	7,864
Interest and Fiscal Charges	707,886	0	0
<i>Total Expenditures</i>	<u>200,886,584</u>	<u>44,331,964</u>	<u>7,864</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>4,410,288</u>	<u>(675,385)</u>	<u>795</u>
Other Financing Sources (Uses)			
Proceeds From Sale of Fixed Assets	11,432	40	0
Inception of Capital Lease	2,398,000	0	0
Operating Transfers In	2,697	348,496	0
Operating Transfers Out	(341,680)	(590)	0
<i>Total Other Financing Sources (Uses)</i>	<u>2,070,449</u>	<u>347,946</u>	<u>0</u>
<i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</i>	<u>6,480,737</u>	<u>(327,439)</u>	<u>795</u>
<i>Fund Balances Beginning of Year</i>	15,410,897	5,606,858	63,613
<i>Increase in Reserve for Inventory</i>	<u>72,621</u>	<u>0</u>	<u>0</u>
<i>Fund Balances End of Year</i>	<u>\$21,964,255</u>	<u>\$5,279,419</u>	<u>\$64,408</u>

See accompanying notes to the general purpose financial statements

Types	Fiduciary Fund Type	Totals (Memorandum Only)
Capital Projects	Expendable Trust	
\$4,646,289	\$0	\$84,002,605
8,594,034	0	167,093,160
225,308	17,631	3,475,950
0	0	1,251,238
0	0	221,048
0	742	1,836,552
0	4,128	399,818
0	0	811,212
76,639	54,487	3,489,785
13,542,270	76,988	262,581,368
0	0	114,026,058
0	0	19,728,881
0	0	10,706,430
0	0	950,084
0	0	14,204,636
0	0	17,137,154
0	0	83,779
0	0	15,385,708
0	0	3,037,718
0	0	3,628,092
0	0	25,396,356
0	0	5,850,107
0	0	5,010,835
0	73,144	3,229,047
0	37	2,992,957
8,947,041	0	11,701,980
0	0	1,000
0	0	467,926
0	0	707,886
8,947,041	73,181	254,246,634
4,595,229	3,807	8,334,734
0	0	11,472
0	0	2,398,000
0	0	351,193
(2,697)	0	(344,967)
(2,697)	0	2,415,698
4,592,532	3,807	10,750,432
1,825,010	244,785	23,151,163
0	0	72,621
\$6,417,542	\$248,592	\$33,974,216

Akron City School District
Combined Statement of Revenues, Expenditures
and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual
All Governmental Fund Types and Similar Trust Funds
For the Fiscal Year Ended June 30, 2000

	General Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Property and Other Taxes	\$72,724,764	\$79,524,098	\$6,799,334
Intergovernmental	105,046,739	114,680,121	9,633,382
Interest	2,000,000	3,121,283	1,121,283
Tuition and Fees	897,000	997,987	100,987
Rentals	160,000	196,325	36,325
Extracurricular Activities	0	218,094	218,094
Gifts and Donations	0	9,773	9,773
Charges for Services	335,000	396,216	61,216
Miscellaneous	1,919,065	2,835,239	916,174
<i>Total Revenues</i>	<u>183,082,568</u>	<u>201,979,136</u>	<u>18,896,568</u>
Expenditures			
Current:			
Instruction:			
Regular	94,962,509	94,490,551	471,958
Special	15,245,655	15,194,295	51,360
Vocational	10,290,930	10,195,719	95,211
Adult/Continuing	188,449	192,089	(3,640)
Support Services:			
Pupils	12,154,235	12,043,067	111,168
Instructional Staff	9,509,356	9,256,243	253,113
Board of Education	175,435	147,978	27,457
Administration	15,496,330	15,353,126	143,204
Fiscal	2,826,365	2,710,073	116,292
Business	3,643,043	3,530,143	112,900
Operation and Maintenance of Plant	25,359,050	24,081,857	1,277,193
Pupil Transportation	6,111,623	5,841,272	270,351
Central	4,581,853	4,459,739	122,114
Operation of Non-Instructional Services	183,396	190,798	(7,402)
Extracurricular Activities	2,146,006	1,894,893	251,113
Capital Outlay	477,800	469,136	8,664
Intergovernmental	1,000	1,000	0
Debt Service:			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
<i>Total Expenditures</i>	<u>203,353,035</u>	<u>200,051,979</u>	<u>3,301,056</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(20,270,467)</u>	<u>1,927,157</u>	<u>22,197,624</u>
Other Financing Sources (Uses)			
Advances In	0	6,205,929	6,205,929
Advances Out	0	(10,742,519)	(10,742,519)
Proceeds From Sale of Fixed Assets	15,000	11,432	(3,568)
Operating Transfers In	0	2,697	2,697
Operating Transfers Out	(341,800)	(341,680)	120
<i>Total Other Financing Sources (Uses)</i>	<u>(326,800)</u>	<u>(4,864,141)</u>	<u>(4,537,341)</u>
<i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</i>	<u>(20,597,267)</u>	<u>(2,936,984)</u>	<u>17,660,283</u>
<i>Fund Balances Beginning of Year</i>	17,529,016	17,529,016	0
<i>Prior Year Encumbrances Appropriated</i>	<u>945,991</u>	<u>945,991</u>	<u>0</u>
<i>Fund Balances (Deficit) End of Year</i>	<u>(\$2,122,260)</u>	<u>\$15,538,023</u>	<u>\$17,660,283</u>

Special Revenue Funds			Debt Service Fund		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$0	\$0	\$0	\$7,864	\$7,864	\$0
46,650,898	38,150,411	(8,500,487)	3,212,869	3,212,869	0
107,188	110,933	3,745	0	795	795
169,629	165,009	(4,620)	0	0	0
177,057	25,974	(151,083)	0	0	0
630,000	1,594,079	964,079	0	0	0
322,805	385,917	63,112	0	0	0
176,222	164,677	(11,545)	0	0	0
1,995,455	521,308	(1,474,147)	0	0	0
50,229,254	41,118,308	(9,110,946)	3,220,733	3,221,528	795
22,701,235	21,110,185	1,591,050	0	0	0
5,347,764	4,670,501	677,263	0	0	0
725,003	624,177	100,826	0	0	0
931,548	764,086	167,462	0	0	0
3,547,858	3,099,719	448,139	0	0	0
11,185,662	8,197,620	2,988,042	0	0	0
0	0	0	0	0	0
1,577,523	812,446	765,077	0	0	0
450,231	334,750	115,481	0	0	0
332,732	149,868	182,864	0	0	0
1,542,869	1,424,967	117,902	0	0	0
415,503	130,095	285,408	0	0	0
1,784,152	1,387,873	396,279	0	0	0
3,499,050	3,157,792	341,258	0	0	0
1,682,075	1,210,283	471,792	0	0	0
51,383	8,053	43,330	0	0	0
100	0	100	0	0	0
0	0	0	2,562,863	2,669,453	(106,590)
0	0	0	657,870	551,280	106,590
55,774,688	47,082,415	8,692,273	3,220,733	3,220,733	0
(5,545,434)	(5,964,107)	(418,673)	0	795	795
0	4,295,047	4,295,047	0	0	0
(3,475)	(1,611,519)	(1,608,044)	0	0	0
0	40	40	0	0	0
213,301	348,496	135,195	0	0	0
(590)	(590)	0	0	0	0
209,236	3,031,474	2,822,238	0	0	0
(5,336,198)	(2,932,633)	2,403,565	0	795	795
5,596,851	5,596,851	0	63,613	63,613	0
1,431,018	1,431,018	0	0	0	0
\$1,691,671	\$4,095,236	\$2,403,565	\$63,613	\$64,408	\$795

(continued)

Akron City School District
*Combined Statement of Revenues, Expenditures
and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual
All Governmental Fund Types and Similar Trust Funds (continued)
For the Fiscal Year Ended June 30, 2000*

	Capital Projects Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Property and Other Taxes	\$4,721,095	\$4,652,337	(\$68,758)
Intergovernmental	10,676,578	887,760	(9,788,818)
Interest	235,250	225,308	(9,942)
Tuition and Fees	0	0	0
Rentals	0	0	0
Extracurricular Activities	0	0	0
Gifts and Donations	0	0	0
Charges for Services	0	0	0
Miscellaneous	76,639	76,639	0
<i>Total Revenues</i>	<u>15,709,562</u>	<u>5,842,044</u>	<u>(9,867,518)</u>
Expenditures			
Current:			
Instruction:			
Regular	76,915	62,467	14,448
Special	0	0	0
Vocational	48,860	47,972	888
Adult/Continuing	0	0	0
Support Services:			
Pupils	0	0	0
Instructional Staff	468,548	307,597	160,951
Board of Education	0	13,688	(13,688)
Administration	0	0	0
Fiscal	0	0	0
Business	0	0	0
Operation and Maintenance of Plant	6,011	6,011	0
Pupil Transportation	0	0	0
Central	193,761	51,251	142,510
Operation of Non-Instructional Services	0	0	0
Extracurricular Activities	0	0	0
Capital Outlay	18,170,310	13,377,771	4,792,539
Intergovernmental	0	0	0
Debt Service:			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
<i>Total Expenditures</i>	<u>18,964,405</u>	<u>13,866,757</u>	<u>5,097,648</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(3,254,843)</u>	<u>(8,024,713)</u>	<u>(4,769,870)</u>
Other Financing Sources (Uses)			
Advances In	0	6,447,472	6,447,472
Advances Out	0	(4,568,596)	(4,568,596)
Proceeds From Sale of Fixed Assets	0	0	0
Operating Transfers In	0	0	0
Operating Transfers Out	(2,697)	(2,697)	0
<i>Total Other Financing Sources (Uses)</i>	<u>(2,697)</u>	<u>1,876,179</u>	<u>1,878,876</u>
<i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</i>	<u>(3,257,540)</u>	<u>(6,148,534)</u>	<u>(2,890,994)</u>
<i>Fund Balances Beginning of Year</i>	2,240,779	2,240,779	0
<i>Prior Year Encumbrances Appropriated</i>	<u>6,132,739</u>	<u>6,132,739</u>	<u>0</u>
<i>Fund Balances (Deficit) End of Year</i>	<u>\$5,115,978</u>	<u>\$2,224,984</u>	<u>(\$2,890,994)</u>

See accompanying notes to the general purpose financial statements.

Expendable Trust Fund			Totals (Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$0	\$0	\$0	\$77,453,723	\$84,184,299	\$6,730,576
0	0	0	165,587,084	156,931,161	(8,655,923)
0	17,631	17,631	2,342,438	3,475,950	1,133,512
0	0	0	1,066,629	1,162,996	96,367
0	0	0	337,057	222,299	(114,758)
0	742	742	630,000	1,812,915	1,182,915
600	4,128	3,528	323,405	399,818	76,413
0	0	0	511,222	560,893	49,671
40,029	54,487	14,458	4,031,188	3,487,673	(543,515)
40,629	76,988	36,359	252,282,746	252,238,004	(44,742)
0	0	0	117,740,659	115,663,203	2,077,456
0	0	0	20,593,419	19,864,796	728,623
0	0	0	11,064,793	10,867,868	196,925
0	0	0	1,119,997	956,175	163,822
0	0	0	15,702,093	15,142,786	559,307
0	0	0	21,163,566	17,761,460	3,402,106
0	0	0	175,435	161,666	13,769
0	0	0	17,073,853	16,165,572	908,281
0	0	0	3,276,596	3,044,823	231,773
0	0	0	3,975,775	3,680,011	295,764
0	0	0	26,907,930	25,512,835	1,395,095
0	0	0	6,527,126	5,971,367	555,759
0	0	0	6,559,766	5,898,863	660,903
124,434	62,765	61,669	3,806,880	3,411,355	395,525
1,066	37	1,029	3,829,147	3,105,213	723,934
0	0	0	18,699,493	13,854,960	4,844,533
0	0	0	1,100	1,000	100
0	0	0	2,562,863	2,669,453	(106,590)
0	0	0	657,870	551,280	106,590
125,500	62,802	62,698	281,438,361	264,284,686	17,153,675
(84,871)	14,186	99,057	(29,155,615)	(12,046,682)	17,108,933
0	0	0	0	16,948,448	16,948,448
0	0	0	(3,475)	(16,922,634)	(16,919,159)
0	0	0	15,000	11,472	(3,528)
0	0	0	213,301	351,193	137,892
0	0	0	(345,087)	(344,967)	120
0	0	0	(120,261)	43,512	163,773
(84,871)	14,186	99,057	(29,275,876)	(12,003,170)	17,272,706
250,899	250,899	0	25,681,158	25,681,158	0
0	0	0	8,509,748	8,509,748	0
\$166,028	\$265,085	\$99,057	\$4,915,030	\$22,187,736	\$17,272,706

Akron City School District
Combined Statement of Revenues, Expenses and Changes in Retained Earnings/Fund Balance
All Proprietary Fund Types and Similar Trust Funds
For the Fiscal Year Ended June 30, 2000

	Proprietary Fund Types		Fiduciary Fund Type	Totals
	Enterprise	Internal Service	Nonexpendable Trust	(Memorandum Only)
Operating Revenues				
Charges for Services	\$0	\$20,158,717	\$0	\$20,158,717
Sales	2,692,903	0	0	2,692,903
Tuition and Fees	616,278	0	0	616,278
Interest	0	0	5,056	5,056
Miscellaneous	24,378	0	0	24,378
<i>Total Operating Revenues</i>	<u>3,333,559</u>	<u>20,158,717</u>	<u>5,056</u>	<u>23,497,332</u>
Operating Expenses				
Salaries and Wages	2,953,496	0	0	2,953,496
Fringe Benefits	1,404,099	0	0	1,404,099
Purchased Services	369,966	1,391,066	0	1,761,032
Materials and Supplies	546,054	0	0	546,054
Cost of Sales	4,584,250	0	0	4,584,250
Depreciation	93,338	0	0	93,338
Claims	0	20,296,619	0	20,296,619
Other	226,391	0	1,760	228,151
<i>Total Operating Expenses</i>	<u>10,177,594</u>	<u>21,687,685</u>	<u>1,760</u>	<u>31,867,039</u>
<i>Operating Income (Loss)</i>	<u>(6,844,035)</u>	<u>(1,528,968)</u>	<u>3,296</u>	<u>(8,369,707)</u>
Non-Operating Revenues (Expenses)				
Federal Donated Commodities	589,579	0	0	589,579
Interest	327,742	0	0	327,742
Grants	6,760,693	0	0	6,760,693
Loss on Disposal of Fixed Assets	(1,509)	0	0	(1,509)
<i>Total Non-Operating Revenues (Expenses)</i>	<u>7,676,505</u>	<u>0</u>	<u>0</u>	<u>7,676,505</u>
<i>Income (Loss) Before Operating Transfers</i>	<u>832,470</u>	<u>(1,528,968)</u>	<u>3,296</u>	<u>(693,202)</u>
Operating Transfers In	<u>10,554</u>	<u>0</u>	<u>0</u>	<u>10,554</u>
<i>Net Income (Loss)</i>	<u>843,024</u>	<u>(1,528,968)</u>	<u>3,296</u>	<u>(682,648)</u>
<i>Retained Earnings / Fund Balance</i>				
<i>Beginning of Year - Restated (See note 3)</i>	<u>6,059,363</u>	<u>4,403,968</u>	<u>155,653</u>	<u>10,618,984</u>
<i>Retained Earnings / Fund Balance End of Year</i>	<u>\$6,902,387</u>	<u>\$2,875,000</u>	<u>\$158,949</u>	<u>\$9,936,336</u>

See accompanying notes to the general purpose financial statements.

Akron City School District
Combined Statement of Revenues, Expenses
and Changes in Fund Equity - Budget (Non-GAAP Basis) and Actual
All Proprietary Fund Types and Similar Trust Funds
For the Fiscal Year Ended June 30, 2000

	Enterprise Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Charges for Services	\$0	\$0	\$0
Sales	2,487,990	2,691,868	203,878
Tuition and Fees	654,280	647,334	(6,946)
Operating Grants	7,468,787	6,684,459	(784,328)
Interest	215,000	327,742	112,742
Miscellaneous	26,921	24,378	(2,543)
<i>Total Revenues</i>	10,852,978	10,375,781	(477,197)
Expenses			
Salaries and Wages	2,966,224	2,940,739	25,485
Fringe Benefits	1,709,577	1,472,367	237,210
Purchased Services	546,348	374,883	171,465
Materials and Supplies	5,318,333	4,526,882	791,451
Claims	0	0	0
Capital Outlay	1,172,582	45,517	1,127,065
Other	314,995	241,627	73,368
<i>Total Expenses</i>	12,028,059	9,602,015	2,426,044
<i>Excess of Revenues Over (Under) Expenses</i>	(1,175,081)	773,766	1,948,847
Advances Out	0	(25,814)	(25,814)
Operating Transfers In	0	10,554	10,554
<i>Excess of Revenues, Advances and Transfers Over (Under) Expenses</i>	(1,175,081)	758,506	1,933,587
<i>Fund Equity Beginning of Year</i>	5,085,579	5,085,579	0
<i>Prior Year Encumbrances Appropriated</i>	143,847	143,847	0
<i>Fund Equity (Deficit) End of Year</i>	\$4,054,345	\$5,987,932	\$1,933,587

(continued)

Akron City School District
Combined Statement of Revenues, Expenses
and Changes in Fund Equity - Budget (Non-GAAP Basis) and Actual
All Proprietary Fund Types and Similar Trust Funds (continued)
For the Fiscal Year Ended June 30, 2000

	Internal Service Fund		
	Revised		Variance
Revenues	Budget	Actual	Favorable (Unfavorable)
Charges for Services	\$14,856,032	\$20,158,717	\$5,302,685
Sales	0	0	0
Tuition and Fees	0	0	0
Operating Grants	0	0	0
Interest	0	0	0
Miscellaneous	0	0	0
<i>Total Revenues</i>	14,856,032	20,158,717	5,302,685
Expenses			
Salaries and Wages	0	0	0
Fringe Benefits	0	0	0
Purchased Services	1,391,066	1,391,066	0
Materials and Supplies	0	0	0
Claims	19,608,934	20,009,948	(401,014)
Capital Outlay	0	0	0
Other	0	0	0
<i>Total Expenses</i>	21,000,000	21,401,014	(401,014)
<i>Excess of Revenues Over (Under)</i>			
<i>Expenses</i>	(6,143,968)	(1,242,297)	4,901,671
Advances Out	0	0	0
Operating Transfers In	0	0	0
<i>Excess of Revenues, Advances and Transfers Over (Under) Expenses</i>	(6,143,968)	(1,242,297)	4,901,671
<i>Fund Equity Beginning of Year</i>	6,133,968	6,133,968	0
<i>Prior Year Encumbrances Appropriated</i>	0	0	0
<i>Fund Equity (Deficit) End of Year</i>	(\$10,000)	\$4,891,671	\$4,901,671

See accompanying notes to the general purpose financial statements.

Nonexpendable Trust Fund			Totals (Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$0	\$0	\$0	\$14,856,032	\$20,158,717	\$5,302,685
0	0	0	2,487,990	2,691,868	203,878
0	0	0	654,280	647,334	(6,946)
0	0	0	7,468,787	6,684,459	(784,328)
7,637	5,056	(2,581)	222,637	332,798	110,161
0	0	0	26,921	24,378	(2,543)
<u>7,637</u>	<u>5,056</u>	<u>(2,581)</u>	<u>25,716,647</u>	<u>30,539,554</u>	<u>4,822,907</u>
0	0	0	2,966,224	2,940,739	25,485
0	0	0	1,709,577	1,472,367	237,210
0	0	0	1,937,414	1,765,949	171,465
0	0	0	5,318,333	4,526,882	791,451
0	0	0	19,608,934	20,009,948	(401,014)
0	0	0	1,172,582	45,517	1,127,065
18,000	1,760	16,240	332,995	243,387	89,608
<u>18,000</u>	<u>1,760</u>	<u>16,240</u>	<u>33,046,059</u>	<u>31,004,789</u>	<u>2,041,270</u>
(10,363)	3,296	13,659	(7,329,412)	(465,235)	6,864,177
0	0	0	0	(25,814)	(25,814)
0	0	0	0	10,554	10,554
(10,363)	3,296	13,659	(7,329,412)	(480,495)	6,848,917
153,653	153,653	0	11,373,200	11,373,200	0
2,000	2,000	0	145,847	145,847	0
<u>\$145,290</u>	<u>\$158,949</u>	<u>\$13,659</u>	<u>\$4,189,635</u>	<u>\$11,038,552</u>	<u>\$6,848,917</u>

Akron City School District
Combined Statement of Cash Flows
All Proprietary Fund Types and Similar Trust Funds
For the Fiscal Year Ended June 30, 2000

	Proprietary Fund Types		Fiduciary	Totals (Memorandum Only)
	Enterprise	Internal Service	Nonexpendable Trust	
<i>Increase (Decrease) in Cash and Cash Equivalents</i>				
Cash Flows from Operating Activities				
Cash Received from Customers	\$3,339,202	\$0	\$0	\$3,339,202
Cash Received from Quasi-External Operating Transactions with Other Funds	0	20,158,717	0	20,158,717
Cash Received from Other Operating Sources	24,378	0	0	24,378
Cash Payments for Goods and Services	(4,861,722)	(1,391,066)	0	(6,252,788)
Cash Payments to Employees for Services	(2,940,739)	0	0	(2,940,739)
Cash Payments for Employee Services and Benefits	(1,472,367)	0	0	(1,472,367)
Cash Payments for Claims	0	(20,009,948)	0	(20,009,948)
Cash Payments for Other Operating Expenses	(227,637)	0	(1,760)	(229,397)
<i>Net Cash Used for Operating Activities</i>	<u>(6,138,885)</u>	<u>(1,242,297)</u>	<u>(1,760)</u>	<u>(7,382,942)</u>
Cash Flows from Noncapital Financing Activities				
Operating Grants Received	6,684,459	0	0	6,684,459
Operating Transfers In	10,554	0	0	10,554
Advance Out	(25,814)	0	0	(25,814)
<i>Net Cash Provided by Noncapital Financing Activities</i>	<u>6,669,199</u>	<u>0</u>	<u>0</u>	<u>6,669,199</u>
Cash Flows from Capital and Related Financing Activities				
Payments for Capital Acquisitions	(45,200)	0	0	(45,200)
Cash Flows from Investing Activities				
Interest on Investments	327,742	0	5,056	332,798
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	812,856	(1,242,297)	3,296	(426,145)
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>5,317,272</u>	<u>6,133,968</u>	<u>155,653</u>	<u>11,606,893</u>
<i>Cash and Cash Equivalents End of Year</i>	<u>\$6,130,128</u>	<u>\$4,891,671</u>	<u>\$158,949</u>	<u>\$11,180,748</u>

(continued)

Akron City School District
Combined Statement of Cash Flows
All Proprietary Fund Types and Similar Trust Funds (continued)
For the Fiscal Year Ended June 30, 2000

	Proprietary Fund Types		Fiduciary Fund Type	Totals
	Enterprise	Internal Service	Nonexpendable Trust	(Memorandum Only)
Reconciliation of Operating Income (Loss) to Net Cash Used for Operating Activities				
Operating Income (Loss)	(\$6,844,035)	(\$1,528,968)	\$3,296	(\$8,369,707)
Adjustments				
Depreciation	93,338	0	0	93,338
Donated Commodities Used During Year	589,579	0	0	589,579
Interest Received by Nonexpendable Trust Fund	0	0	(5,056)	(5,056)
(Increase)/Decrease in Assets:				
Accounts Receivable	30,021	0	0	30,021
Inventory Held for Resale	(4,886)	0	0	(4,886)
Increase/(Decrease) in Liabilities:				
Accounts Payable	16,516	0	0	16,516
Compensated Absences Payable	18,204	0	0	18,204
Intergovernmental Payable	(37,622)	0	0	(37,622)
Claims Payable	0	286,671	0	286,671
Total Adjustments	705,150	286,671	(5,056)	986,765
Net Cash Used for Operating Activities	(\$6,138,885)	(\$1,242,297)	(\$1,760)	(\$7,382,942)
Reconciliation of Cash and Cash Equivalents to the Balance Sheet				
Trust and Agency	\$629,694			
Less: Agency Funds and Expendable Trust	(470,745)			
Nonexpendable Trust Fund	\$158,949			

See accompanying notes to the general purpose financial statements.

This page intentionally left blank.

Akron City School District
Summit County

Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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/or 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 square miles. It is located in Summit County, and is within the City of Akron. The School District is the fifth largest in the State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by 1,299 classified employees, 2,286 certificated full-time teaching personnel and 187 administrative employees who provide services to 31,663 students and other community members. The School District currently operates 61 instructional buildings, two 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 insure that the 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 School, St. Mary School, St. Martha Elementary, St. Matthew School, St. Paul School, St. Sebastian School, St. Vincent Elementary, Annunciation - St. John, Christ the King, Our Lady of Elms - Elementary, Immaculate Conception, 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, Emanuel Christian Academy, Interfaith Elementary, Shatto Academy, Summit Christian School, Color Our Rainbow Academy, Lippman Day School, Zion Lutheran 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. The activity of these State monies by the School District is reflected in a special revenue fund for financial reporting purposes.

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. The School District does not have any component units.

The School District is associated with the Ohio Schools Council, a jointly governed organization. See Note 19.

Akron City School District
Summit County

Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its proprietary activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the School District's accounting policies are described below.

A. Basis Of Presentation - Fund Accounting

The School District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain School District functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities not recorded in the funds because they do not directly affect net available expendable resources.

For financial statement presentation purposes, the various funds of the School District are grouped into the following generic fund types under the broad fund categories governmental, proprietary, and fiduciary.

Governmental Fund Types

Governmental funds are those through which most functions of the School District are financed. The acquisition, use, and balances of the School District's expendable financial resources and the related current liabilities (except those accounted for in proprietary funds and trust funds) are accounted for through governmental funds.

The following are the School District's governmental fund types:

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. The general fund balance is available to the School District for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Funds – Special revenue funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditure for specified purposes.

Debt Service Fund – The debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term obligation principal, interest, and related costs.

Capital Projects Funds - Capital project funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds or trust funds).

Akron City School District
Summit County

Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis Of Presentation - Fund Accounting (Continued)

Proprietary Fund Types

Proprietary funds are used to account for the School District's ongoing activities, which are similar to those found in the private sector. The following are the School District's proprietary fund types:

Enterprise Funds - Enterprise funds are used to account for School District activities that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Internal Service Fund - The internal service fund accounts 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.

Fiduciary Fund Types

Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The School District's fiduciary funds include expendable trust, nonexpendable trust, and agency funds. The expendable trust fund is accounted for in essentially the same manner as governmental funds. The nonexpendable trust fund is accounted for in essentially the same manner as proprietary funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Account Groups

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of a general nature, the following account groups are used:

General Fixed Assets Account Group - This account group is established to account for all fixed assets of the School District, other than those accounted for in the proprietary or nonexpendable trust funds.

General Long-Term Obligations Account Group - This account group is established to account for all long-term obligations of the School District except those accounted for in the proprietary or nonexpendable trust funds.

Akron City School District
Summit County

Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types and the expendable trust fund are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the combined balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary funds and the nonexpendable trust fund are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the combined balance sheet. Fund equity (i.e., net total assets) is segregated into retained earnings components. Proprietary and nonexpendable trust fund operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The modified accrual basis of accounting is followed for the governmental, expendable trust, and agency funds. Under this basis, revenues are recognized in the accounting period when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period for the School District is sixty days after fiscal year end.

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: interest, tuition, grants, and student fees.

The School District reports deferred revenues on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 2000, and delinquent property taxes, whose availability is indeterminable and which are intended to finance fiscal year 2001 operations, have been recorded as deferred revenue.

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 the governmental funds.

The accrual basis of accounting is utilized for reporting purposes by the proprietary fund types and the nonexpendable trust fund. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported on the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

**Akron City School District
Summit County**

*Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000*

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the Tax Budget, the Certificate of Estimated Resources, and the Appropriation Resolution, all of which are prepared on the budgetary basis of accounting. The Certificate of Estimated Resources and the Appropriation Resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified.

All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control has been established by the Board of Education at the object level within each function. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

Advances in and advances out are not required to be budgeted since they represent a temporary cash flow resource and are intended to be repaid.

Tax Budget

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates.

By no later than January 20, the Board-adopted budget is filed with the Summit County Budget Commission for rate determination.

Estimated Resources

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the commission's Certificate of Estimated Resources, which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2000.

**Akron City School District
Summit County**

*Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000*

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Budgetary Process (Continued)

Appropriations

Upon receipt from the County Auditor of an amended Certificate of Estimated Resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution must be legally enacted by the Board of Education. Prior to the passage of the annual appropriation measure, the Board of Education may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The Appropriation Resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriation, or alter total function appropriations within a fund, or alter object appropriations within functions, must be approved by the Board of Education.

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent Certificate of Estimated Resources. During the fiscal year, several supplemental appropriations were legally enacted; however, none of these amendments were significant.

The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds other than agency funds, consistent with statutory provisions.

Encumbrances

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds and reported in the notes to the general purpose financial statements for proprietary funds.

Lapsing of Appropriations

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not re-appropriated.

D. Cash and Cash Equivalents

To improve cash management, all cash received by the School District Treasurer is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through School District records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the combined balance sheet.

**Akron City School District
Summit County**

*Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000*

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Cash and Cash Equivalents (Continued)

During fiscal year 2000, investments were limited to repurchase agreements and certificates of deposit, which are nonparticipating investment contracts and are reported at cost.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2000 amounted to \$3,121,283, which includes \$1,710,726 assigned from other School District funds.

The School District has segregated banks accounts for monies held separate from the School District's central bank account. These interest bearing depository accounts are presented in the combined balance sheet as "Cash and Cash Equivalents in Segregated Accounts" since they are not required to be deposited into the School District treasury.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, 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 considered to be cash equivalents.

E. Inventory

Inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined weighted average basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased. Reported material and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available expendable resources even though it is a component of net current assets. Inventories of proprietary funds consist of donated food, purchased food, and school supplies held for resale and are expensed when used.

F. Fixed Assets and Depreciation

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary funds are capitalized in the respective fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the dates received. The School District maintains a capitalization threshold of \$1,000 for all assets except computer equipment, which is capitalized regardless of cost. Also, the food service enterprise fund uses a \$300 threshold, which matches the requirements set by the Federal Child Nutrition Act. The School District does not possess any infrastructure.

**Akron City School District
Summit County**

*Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000*

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Fixed Assets and Depreciation (Continued)

Improvements, which add square footage to the facilities, are capitalized. The costs of normal maintenance and repairs that do not add to the value and/or square footage of the asset or materially extend an asset's life are not capitalized. Interest incurred during the construction of general fixed assets is also not capitalized.

Assets in the general fixed assets account group are not depreciated. Depreciation of furniture and equipment in the proprietary funds is computed using the straight-line method over an estimated useful life of twelve years. Improvements to fund fixed assets are depreciated over the remaining useful lives of the related fixed assets.

G. Intergovernmental Revenues

For governmental funds, intergovernmental revenues, such as entitlements and grants awarded on a non-reimbursement basis, are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Other than commodities, grants and entitlements for proprietary fund operations are recognized as non-operating revenues in the accounting period in which they are earned and become measurable. The School District currently participates in several State and Federal programs, categorized as follows:

Entitlements

General Fund

State Foundation Program
State Property Tax Relief
School Bus Purchase Reimbursement

Special Revenue Fund

Disadvantaged Pupil Impact Aid

**Akron City School District
Summit County**

*Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000*

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Intergovernmental Revenues (Continued)

Non-Reimbursable Grants

Special Revenue Funds

- Venture Capital
- Auxiliary Services
- Reading Recovery
- Consumer Education Projects
- Career Development
- Post-Secondary Vocational Education
- Local Professional Development
- Educational Mobility
- Training Ohio's Parents
- Education Management Information Systems
- Head Start
- Public School Preschool
- School Net
- Ohio Reads
- Alternative School
- Data Communications
- SchoolNet Professional Development
- Technology Equity
- Parent Involvement
- Adult Basic Education
- Job Training Partnership Act
- Eisenhower Math and Science
- Carl Perkins Vocational Education
- Title I
- Title VI
- Title VI-B
- Drug-Free Schools
- Goals 2000 Intervention
- E-Rate
- Handicapped Preschool

Capital Projects Funds

- School Net Plus
- Technology Equity
- Power Up

Reimbursable Grants

General Fund

- Drivers Education

Proprietary Funds

- National School Lunch Program
- National School Breakfast Program
- Government Donated Commodities

Grants and entitlements amounted to approximately 63 percent of the School District's governmental funds revenue during the 2000 fiscal year.

Akron City School District
Summit County

Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Interfund Assets/Liabilities

Short-term interfund loans are classified as "Interfund Receivable" and "Interfund Payable".

I. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include amounts required by statute to be set-aside by the School District for the acquisition or construction of capital assets, the purchase of textbooks and other instructional material and the creation of a reserve for budget stabilization. See Note 22 for additional information regarding set-asides.

J. 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 School District will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the termination method. An accrual for earned sick leave is made to the extent 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.

For governmental funds, the current portion of unpaid compensated absences is the amount currently funded. These amounts are recorded in the account "Compensated Absences Payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

**Akron City School District
Summit County**

*Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000*

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Accrued Liabilities and Long-Term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, claims and judgments, compensated absences, contractually required pension contributions, and special termination benefits that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they are not funded. Capital leases and long-term loans are reported as a liability of the general long-term obligations account group until due.

Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate proprietary funds.

Under Ohio law, a debt service fund may be created and used for the payment of tax and revenue anticipation notes. Generally accepted accounting principles requires the reporting of the liability in the funds that received the proceeds. To comply with GAAP reporting requirements, the School District's debt service fund has been split among the appropriate funds. Debt service fund resources used to pay both principal and interest have also been allocated accordingly.

L. Interfund Transactions

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

The Interfund transfers do not reconcile for fiscal year 2000 due to a \$36,358 transfer out from an Agency Fund (200) to the Public School Support Fund (018).

M. Fund Balance Reserves

The School District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, inventories of supplies and materials, endowment, budget stabilization, and property taxes.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. The reserve for budget stabilization represents money required to be set-aside by statute to protect against cyclical changes in revenues and expenditures. The reserve for endowment signifies the legal restrictions on the use of principal.

**Akron City School District
Summit County**

*Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000*

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. Estimates

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

O. Total Columns on the General Purpose Financial Statements

Total columns on the general purpose financial statements are captioned "Totals - (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTE 3 – CHANGE IN ACCOUNTING POLICIES AND RESTATEMENT OF FUND BALANCES

During fiscal year 2000, the School District changed its capitalization threshold for fixed assets from \$200 for all assets to \$1,000 for all assets except computer equipment, which is capitalized regardless of cost. This new policy applies to all funds except the food service enterprise fund, which will continue to capitalize assets at \$300 and above to comply with the requirements set by the United States Department of Agriculture – Food and Nutrition Service. In addition to the policy change, the School District re-evaluated their fixed asset accounting procedures to prepare for GASB Statement No. 34, the new reporting model. This process resulted in adding certain assets and deleting other assets, which had been previously overlooked. This included adding the full amount of a capital lease to the General Fixed Assets Account Group, \$193,427 from fiscal year 1998. The net effect of these adjustments and change in accounting policy is shown below:

	<u>Enterprise Funds</u>	<u>General Fixed Asset Group</u>
Fixed Assets as Previously Stated as of June 30, 1999	\$ 477,677	\$169,217,861
Net Adjustments	<u>(32,015)</u>	<u>(19,850,412)</u>
Restated Fixed Asset Balance as of July 1, 1999	<u>\$ 445,662</u>	<u>\$ 149,367,449</u>

The change in accounting policy and other adjustments had the following effect on Retained Earnings:

	<u>Enterprise Funds</u>
Retained Earnings, beginning balance as reported June 30, 1999	\$ 6,091,378
Net Adjustments	<u>(32,015)</u>
Restated Retained Earnings, beginning balance July 1, 1999	<u>\$ 6,059,363</u>

**Akron City School District
Summit County**

*Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000*

**NOTE 3 – CHANGE IN ACCOUNTING POLICIES AND RESTATEMENT OF FUND BALANCES
(Continued)**

The change in accounting policy and other adjustments had the following effect on Net Income for fiscal year 1999:

	Enterprise
	<u>Funds</u>
Net Income for fiscal year 1999	\$ 665,784
Net Adjustments	<u>(2,777)</u>
Restated Net Income for fiscal year 1999	<u>\$ 663,007</u>

NOTE 4 - ACCOUNTABILITY AND COMPLIANCE

A. Fund Deficits

The following funds had deficit balances at June 30, 2000:

	<u>Deficit Fund Balances</u>
<i>Special Revenue Funds</i>	
Title VIB	324,910
Title VI	310,067
Miscellaneous Federal Grants	298,551
Forging Partnerships	37,956
Adult Basic Education	37,991
Job Training Partnership Act	29,050
Handicapped Preschool	23,073
Career Development Education	2,664
Economic Education	2,333

The deficit fund balances in the special revenue funds resulted from the recognition of liabilities in accordance with generally accepted accounting principles. The general fund is liable for any deficit in these funds and provides operating transfers when cash is required, not when accruals occur.

B. Legal Compliance

Contrary to Section 5705.39, Ohio Revised Code, the following funds had appropriations in excess of revenues plus carryover balances:

<u>Fund</u>	<u>Revenue Plus Carryover Balances</u>	<u>Appropriations</u>	<u>Excess</u>
General Fund	\$201,572,575	\$203,694,835	\$2,122,260
Internal Service	20,990,000	21,000,000	10,000

**Akron City School District
Summit County**

*Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000*

NOTE 4 - ACCOUNTABILITY AND COMPLIANCE (Continued)

B. Legal Compliance (Continued)

Contrary to Section 5705.41(B), Ohio Revised Code, the following accounts had expenditures plus encumbrances in excess of appropriations:

Fund/ Function/ Object/	<u>Appropriations</u>	<u>Expenditures Plus Encumbrances</u>	<u>Excess</u>
General Fund:			
Current:			
Instruction:			
Regular:			
Fringe Benefits	\$18,316,796	\$18,407,327	(\$90,531)
Support Services:			
Pupils:			
Fringe Benefits	2,243,072	2,366,495	(123,423)
Business:			
Purchased Services	1,263,963	1,329,797	(65,834)
Pupil Transportation:			
Fringe Benefits	484,967	558,773	(73,806)
Non-Instructional Services:			
Fringe Benefits	23,066	41,174	(18,108)

**Akron City School District
Summit County**

*Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000*

NOTE 4 - ACCOUNTABILITY AND COMPLIANCE (Continued)

B. Legal Compliance (Continued)

Fund/ Function/ Object/	Appropriations	Expenditures Plus Encumbrances	Excess
Special Revenue Funds:			
DPIA:			
Support Services:			
Operation and Maintenance of Plant:			
Purchased Services	239,543	253,336	(13,793)
Title VI B:			
Instruction:			
Special:			
Salaries	329,891	345,036	(15,145)
Miscellaneous Federal Grants:			
Support Services:			
Instructional Staff:			
Materials and Supplies	128,757	154,307	(25,550)
Debt Service Fund			
Debt Service:			
Principal Retirement	2,562,863	2,669,453	(106,590)

**Akron City School District
Summit County**

*Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000*

NOTE 4 - ACCOUNTABILITY AND COMPLIANCE (Continued)

B. Legal Compliance (Continued)

Fund/ Function/ Object/	Appropriations	Expenditures Plus Encumbrances	Excess
Capital Project Fund			
Permanent Improvement Fund			
<i>Board of Education</i>			
Capital Outlay	0	13,688	(13,688)
Enterprise Fund			
Food Service:			
Operating Expenses:			
Salaries:	1,767,742	1,865,177	(97,435)
Internal Service Fund			
Claims	19,608,934	20,009,949	(401,015)

Contrary to Section 5705.41(D), Ohio Revised Code, the School District made commitments prior to obtaining the School Treasurer's Certification of Availability of Funds.

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations, and changes in fund balances/retained earnings 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 Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual - All Governmental Fund Types and Similar Trust Fund and the Combined Statement of Revenues, Expenses and Changes in Fund Equity - Budget (Non-GAAP Basis) and Actual - All Proprietary Fund Types and Similar Trust Fund are 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/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosure in the proprietary fund types (GAAP basis).

Akron City School District
Summit County

Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING (Continued)

4. For proprietary funds, the acquisition and construction of capital assets are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).
5. Proceeds from and principal payments on bond and revenue anticipation notes are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).
6. The School District repays short-term note debt from the debt service fund (budget basis) as opposed to the fund that received the proceeds (GAAP basis). Debt service fund resources used to pay both principal and interest have been allocated accordingly.

The following tables summarize the adjustments necessary to reconcile the GAAP and budgetary basis statements by fund type.

Excess of Revenues and Other Financing Sources
Over (Under) Expenditures and Other Financing Uses
All Governmental Fund Types and Similar Trust Fund

	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust
GAAP Basis	\$6,480,737	(\$327,439)	\$795	\$4,592,532	\$3,807
Net Adjustment for Revenue Accruals	(2,502,867)	(2,585,620)	0	(7,700,226)	0
Tax Revenue for Debt Repayment	(3,212,869)	0	3,212,869	0	0
Advance In	6,205,929	4,295,047	0	6,447,472	0
Net Adjustments for Expenditure Accruals	1,360,802	(348,003)	7,864	(668,171)	11,079
Cash Adjustment	129,870	47,349	0	5,225	0
Debt Service:					
Principal	0	0	(2,669,453)	0	0
Interest	551,280	0	(551,280)	0	0
Advance Out	(10,742,519)	(1,611,519)	0	(4,568,596)	0
Adjustment for Encumbrances	(1,207,347)	(2,402,448)	0	(4,256,770)	(700)
Budget Basis	<u>(\$2,936,984)</u>	<u>(\$2,932,633)</u>	<u>\$795</u>	<u>(\$6,148,534)</u>	<u>\$14,186</u>

**Akron City School District
Summit County**

*Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000*

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING (Continued)

Net Income (Loss)/Excess of Revenues Over (Under) Expenses
All Proprietary Fund Types and Similar Trust Fund

	Enterprise	Internal Service	Nonexpendable Trust
GAAP Basis	\$844,310	(\$1,528,968)	\$3,296
Net Adjustment for Revenue			
Accruals	(47,499)	0	0
Net Adjustment for Expense			
Accruals	(72,590)	286,671	2,000
Cash Adjustment	33,430	0	0
Capital Outlay	(45,517)	0	0
Advance Out	(25,814)	0	0
Depreciation Expense	93,338	0	0
Adjustment for Encumbrances	(21,152)	0	(2,000)
	\$758,506	(\$1,242,297)	\$3,296

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 two 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 pass book accounts.

Protection of School District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Interim monies may be deposited or invested in the following securities:

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

Akron City School District
Summit County

Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

NOTE 6 - DEPOSITS AND INVESTMENTS (Continued)

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAROhio);
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 moneys 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. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

The following information classifies deposits and investments by categories of custodial credit risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements."

Deposits At fiscal year end, the carrying amount of the School District's deposits was (\$4,437,296) and the bank balance was \$2,402,997. Of the bank balance:

1. \$266,807 of the bank balance was covered by federal depository insurance.
2. \$2,136,190 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging institution in the pledging institution's name and all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

**Akron City School District
Summit County**

*Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000*

NOTE 6 - DEPOSITS AND INVESTMENTS (Continued)

Investments The School District's investments are required to be categorized below to give an indication of the level of custodial credit risk assumed by the School District at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name.

	Category 3	Carrying Value	Fair Value
Repurchase Agreement	\$51,143,000	\$51,143,000	\$51,143,000

The classification of cash and cash equivalents and investments on the combined balance sheet is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting." A reconciliation between the classifications of cash and investments on the combined balance sheet and the classification per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement No. 9	\$46,705,704	\$0
Investments of the Cash Management Pool:		
Repurchase Agreement	(51,143,000)	51,143,000
GASB Statement No. 3	(\$4,437,296)	\$51,143,000

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. Real property tax collections by the county are remitted to the School District a year after they are assessed by the county.

Property taxes include amounts levied against all real, public utility and tangible personal property located in the School District. Property tax revenue received during calendar 2000 for real and public utility property taxes represents collections of calendar 1999 taxes. Property tax payments received during calendar 2000 for tangible personal property (other than public utility property) is for calendar 2000 taxes.

The 2000 real property taxes are levied after April 1, 2000, on assessed value as of January 1, 2000, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at thirty-five percent of true value. The 2000 public utility property taxes became a lien December 31, 1999, are levied after April 1, 2000 and are collected in 2001 with real property taxes.

The 2000 tangible personal property taxes are levied after April 1, 2000, on the value as of December 31, 1999. Collections are made in 2000. Tangible personal property assessments are twenty-five percent of true value.

**Akron City School District
Summit County**

*Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000*

NOTE 7 - PROPERTY TAXES (Continued)

The assessed values upon which fiscal year 2000 taxes were collected by the School District are:

	First Half Collections		Second Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and other Real Estate	\$1,954,617,440	79.68 %	\$2,134,842,870	80.81 %
Public Utility	161,279,920	6.58	160,689,830	6.08
Tangible Personal Property	337,097,830	13.74	346,170,751	13.11
Total Assessed Value	\$2,452,995,190	100.00 %	\$2,641,703,451	100.00 %
Tax rate per \$1,000 of assessed valuation	\$54.86		\$54.86	

Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The School District receives property taxes from Summit County. The County Auditor 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, 2000, are available to finance fiscal year 2000 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes which became measurable as of June 30, 2000. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2000, was \$2,330,443 in the general fund and \$140,049 in the permanent improvement capital projects fund.

NOTE 8 - RECEIVABLES

Receivables at June 30, 2000, consisted of property taxes, accrued interest, accounts (rent, billings for user charged services, and student fees), interfund, and intergovernmental 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.

**Akron City School District
Summit County**

*Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000*

NOTE 8 – RECEIVABLES (Continued)

A summary of the principal items of intergovernmental receivables follows:

General Fund	
Tuition Reimbursements	\$174,524
ROTC Reimbursement	21,722
Miscellaneous	10,720
Total General Fund	206,966
Special Revenue Funds	
Title I	2,793,373
Head Start	479,737
Miscellaneous State Grants	38,000
Miscellaneous Federal Grants	28,432
Handicapped Pre-School	28,413
Forging Partnerships	10,704
Summer School Tuition	1,663
Total Special Revenue Funds	3,380,322
Capital Project Fund	
Ohio School Facilities Commission	7,942,253
Enterprise Fund	
Child Nutrition	819,675
Total Intergovernmental Receivables	\$12,349,216

NOTE 9 - FIXED ASSETS

As previously reported in Note 3, the School District has changed its capitalization threshold to \$1,000 for all assets except computer equipment, which is capitalized regardless of cost. This new policy applies to all funds except the food service enterprise fund, which will continue to capitalize assets at \$300 and above to comply with the requirements set by the United States Department of Agriculture – Food and Nutrition Service.

A summary of the enterprise funds' fixed assets at June 30, 2000, follows:

	Balance at
	<u>June 30, 2000</u>
Furniture and Equipment	\$2,013,424
Less Accumulated Depreciation	(1,617,409)
Net Fixed Assets	\$396,015

**Akron City School District
Summit County**

*Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000*

NOTE 9 - FIXED ASSETS (Continued)

A summary of the changes in general fixed assets during fiscal year 2000 follows:

Asset Category	Restated Balance at July 1, 1999	Additions	Deletions	Balance at June 30, 2000
Land	\$5,263,636	\$0	\$0	\$5,263,636
Buildings	91,143,943	0	0	91,143,943
Equipment	47,959,313	4,934,366	1,462,942	51,430,737
Vehicles	5,000,557	981,232	274,025	5,707,764
Totals	<u>\$149,367,449</u>	<u>\$5,915,598</u>	<u>\$1,736,967</u>	<u>\$153,546,080</u>

NOTE 10 - RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2000, the School District contracted with Nationwide Insurance for property and fleet insurance, liability insurance, and inland marine coverage. Coverages provided by Nationwide Insurance are as follows:

Building and Contents-replacement cost (\$100,000 deductible)	\$523,201,658
Boiler and Machinery (\$2,500 deductible)	No limit
Automobile Liability (no deductible)	1,000,000
General Liability	
Per occurrence	1,000,000
Total per year	3,000,000

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

The School District pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

Medical/surgical insurance is offered to employees through a self insurance internal service fund. The School District has a third party administrator, Blue Cross Blue Shield Mutual Health, for the self insurance activity. The claims liability of \$2,016,671 reported in the internal service fund at June 30, 2000 is based on an estimate provided by the third party administrator and the requirements of GASB Statement No. 10 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 unallocated claim adjustment expenses. Changes in claims activity for the past three fiscal years are as follows:

	Balance at Beginning of Fiscal Year	Current Year Claims	Claims Payments	Balance at End of Fiscal Year
1998	\$1,842,000	\$16,398,136	\$16,505,136	\$1,735,000
1999	1,735,000	17,458,865	17,463,865	1,730,000
2000	1,730,000	20,296,618	20,009,948	2,016,671

**Akron City School District
Summit County**

*Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000*

NOTE 11 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

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 and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State Statute per 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 the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 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 obligations with the remainder being used to fund health care benefits; for fiscal year 2000, 5.55 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 1999, 7.70 percent was used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2000, 1999, and 1998 were \$1,722,855, \$2,247,842, and \$2,671,499, respectively; 45.1 percent has been contributed for fiscal year 2000 and 100 percent for the fiscal years 1999 and 1998. \$946,523 representing the unpaid contribution for fiscal year 2000, is recorded as a liability within the respective funds and the general long-term obligations account group.

B. State Teachers Retirement System

The School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system. STRS provides retirement and disability benefits, annual cost of living adjustments, and death and survivor benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information for STRS. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

For fiscal year ended June 30, 2000, plan members are required to contribute 9.3 percent of their annual covered salary and the School District is required to contribute 14 percent; 6.0 percent was the portion used to fund pension obligations. For fiscal year 1999, the portion used to fund pension obligations was also 6.0 percent. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2000, 1999, and 1998 were \$7,533,115, \$7,137,179, and \$11,268,573, respectively; 82.9 percent has been contributed for fiscal year 2000 and 100 percent for the fiscal years 1999 and 1998. \$1,287,357 represents the unpaid contribution for fiscal year 2000, and is recorded as a liability within the respective funds.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2000, three members of the Board of Education have elected social security. The Board's liability is 6.2 percent of wages paid.

Akron City School District
Summit County

Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

NOTE 12 - POSTEMPLOYMENT BENEFITS

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are on a pay-as-you-go basis.

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefits recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2000, the STRS Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund. For the School District this amount equaled \$10,044,153 for fiscal year 2000.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 1999, (the latest information available) the balance in the Fund was \$2,783 million. For the year ended June 30, 1999, net health care costs paid by STRS were \$249,929,000 and STRS had 95,796 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

After the allocation of basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2000, employer contributions to fund health care benefits were 8.50 percent of covered payroll, an increase from 6.30 percent for fiscal year 1999. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2000, the minimum pay was established at \$12,400. For the School District, the amount contributed to fund health care benefits, including surcharge, during the 2000 fiscal year equaled \$2,623,086.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the annual health care expenses. Expense for health care at June 30, 1999 (the latest information available), were \$126,380,984 and the target level was \$189.6 million. At June 30, 1999, SERS had net assets available for payment of health care benefits of \$188 million. SERS has approximately 51,000 participants currently receiving health care benefits.

**Akron City School District
Summit County**

*Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000*

NOTE 13 - EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State Laws. Certified and classified employees working fifty-two weeks per year earn ten to twenty-five days of vacation per year, depending upon length of service. Accumulated, unused vacation time is paid upon termination of employment. Certified and classified staff working less than fifty weeks per year do not earn vacation. Certified and classified 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 375 days for all staff. Upon retirement, payment is made for one-fourth of the total sick leave accumulation. Teachers and administrators 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. Life Insurance

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

NOTE 14 - CAPITAL LEASES - LESSEE DISCLOSURE

In the current year and in the prior years, the School District entered into capitalized leases for copiers. The leases meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the General Purpose financial statements. These expenditures are reflected as program/function expenditures on a budgetary basis.

General fixed assets consisting of copiers have been capitalized in the general fixed assets account group in the amount of \$2,398,000. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded in the general long-term obligations account group. Principal payments during fiscal year 2000 totaled \$460,062 in the governmental funds.

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2000.

Fiscal Year Ending June 30,	GLTOAG
2001	\$616,668
2002	608,824
2003	569,604
2004	569,604
Total	2,364,700
Less: Amount Representing Interest	(298,537)
Present Value of Net Minimum Lease Payments	\$2,066,163

**Akron City School District
Summit County**

*Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000*

NOTE 15 - NOTES PAYABLE

The changes in the School District's note activity follows:

	Outstanding 6/30/99	Additions	Deductions	Outstanding 6/30/00
General Fund:				
School Foundation Notes	\$10,256,584	\$0	\$2,661,589	\$7,594,995

The school foundation notes will be repaid with State foundation revenue. The notes are backed by the full faith and credit of the School District. The note liability is reflected in the general fund which received the proceeds. Principal and interest requirements to retire the school foundation note outstanding at June 30, 2000, are as follows:

Fiscal Year Ending June 30,	Amount
2001	\$2,802,170
2002	2,802,170
2003	2,802,170
2004	166,081
Total	\$8,572,591

NOTE 16 - LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2000 were as follows:

	Outstanding 6/30/99	Additions	Deductions	Outstanding 6/30/00
Compensated Absences	\$21,818,707	\$1,696,889	\$2,054,355	\$21,461,241
Pension Obligation	2,897,628	2,810,326	2,897,628	2,810,326
Capital Leases	128,225	2,398,000	460,062	2,066,163
Asbestos Loan 1988 0%	66,835	0	7,863	58,972
Total General Long-Term Obligations Account Group:	\$24,911,395	\$6,905,215	\$5,419,908	\$26,396,702

Asbestos Loan - On March 1, 1988, the School District obtained a loan in the amount of \$141,533 for the purpose of providing asbestos removal for the School District. The loan was issued for a twenty fiscal year period with final maturity during fiscal year 2008. The loan is being retired from the debt service fund.

**Akron City School District
Summit County**

*Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000*

NOTE 16 - LONG-TERM OBLIGATIONS (Continued)

Principal requirements to retire the asbestos loan outstanding at June 30, 2000, is as follows:

Fiscal Year Ending June 30,	Principal
2001	\$7,863
2002	7,863
2003	7,863
2004	7,863
2005	7,863
2006 – 2008	<u>19,657</u>
Total	<u><u>\$58,972</u></u>

Capital leases will be paid from the general fund. Compensated absences will be paid from the fund from which the employees' salaries are paid. The intergovernmental payable represents contractually required pension contributions paid outside the available period and will be paid from the fund from which the pension is paid. The School District's overall legal debt margin was \$237,753,311 with an unvoted debt margin of \$2,641,703 at June 30, 2000.

NOTE 17 - INTERFUND ACTIVITY

As of June 30, 2000, receivables and payables that resulted from various interfund transactions were as follows:

Fund Type/Fund	Receivables	Payables
General Fund	<u>\$10,742,519</u>	<u>\$0</u>
Special Revenue Funds		
Other Local Grants	0	50,145
Economic Education	0	2,400
Career Developments	0	4,657
State Head Start	0	57,361
Ohio Reads	0	9,815
Miscellaneous State Grants	0	41,339
Adult Basic Education	0	32,529
Job Training Partnership Act	0	57,218

**Akron City School District
Summit County**

*Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000*

NOTE 17 - INTERFUND ACTIVITY (Continued)

Fund Type/Fund	Receivables	Payables
Title VI-B	0	361,964
Vocational Education	0	105,414
Head Start	0	510,877
Title I	0	2,038,780
Title VI	0	318,401
Drug Free Schools	0	27,478
Handicapped Preschool	0	61,151
Other Federal	0	615,518
Total Special Revenue Funds	<u>0</u>	<u>4,295,047</u>
Capital Project Funds:		
Ohio School Facilities Commission	0	6,447,472
All Funds	<u>\$10,742,519</u>	<u>\$10,742,519</u>

NOTE 18 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The School District maintains three enterprise funds to account for the operations of food service, adult vocational education and uniform school supplies. The table below reflects the more significant financial data relating to the enterprise funds of the School District as of and for the fiscal year ended June 30, 2000.

	Food <u>Service</u>	Uniform School <u>Supplies</u>	Adult Vocational <u>Education</u>	Total Enterprise <u>Funds</u>
Operating Revenues	\$2,612,513	\$18,058	\$702,988	\$3,333,559
Depreciation Expense	87,207	0	6,131	93,338
Operating Income (Loss)	(6,045,524)	2,325	(800,836)	(6,844,035)
Donated Commodities	589,579	0	0	589,579
Operating Grants	5,876,869	0	885,110	6,761,979
Transfers In	10,554	0	0	10,554
Net Income (Loss)	758,949	2,325	83,036	844,310
Fixed Assets Additions	18,645	0	26,555	45,200
Fixed Assets Deletions	271	0	1,238	1,509
Long-Term Compensated Absences	184,537	0	90,473	275,010
Net Working Capital	6,355,615	11,011	416,042	6,782,668
Total Assets	7,095,372	13,307	536,481	7,645,160
Total Equity	6,490,566	11,011	402,096	6,903,673
Encumbrances Outstanding at June 30, 2000	3,862	2,178	15,112	21,152

**Akron City School District
Summit County**

*Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000*

NOTE 19 - JOINTLY GOVERNED ORGANIZATION

The Ohio Schools Council (Council) is a jointly governed organization among eighty-three school districts. The jointly governed organization was formed to purchase quality products and services at the lowest possible cost to member districts. Each district supports the Council by paying an annual participation fee. The Council's Board consists of seven superintendents of the participating districts whose term rotates every year. The degree of control exercised by any school district is limited to its representation on the Board. In fiscal year 2000, the School District paid \$500 to the Council. Financial information can be obtained by contacting Albert G. Vasek, the Executive Secretary of the Ohio Schools Council at 155 Center Road, Bedford Ohio 44146.

The School District also participates in the Council's prepaid natural gas program, which was implemented during fiscal year 1999. This program allows school districts to purchase natural gas at reduced rates, if the school districts will commit to participating for a twelve year period. The participants make monthly payments based on estimated usage. Each month these estimated payments are compared to their actual usage and any necessary adjustments are made. The City of Hamilton, a municipal corporation a political subdivision duly organized and existing under the laws of the State of Ohio, issued \$89,450,000 in debt to purchase twelve years of natural gas from CMS Energy Corporation for the participants. The participating school districts are not obligated in any manner for this debt. If a participating school district terminates its agreement, the district is entitled to recover that amount, if any, of its contributions to the operating fund, which are not encumbered for its share of program administrative costs.

NOTE 20 - STATE SCHOOL FUNDING DECISION

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in that system. Declared unconstitutional was the State's "school foundation program" which provides significant amounts of monetary support to the School District. During the fiscal year ended June 30, 2000, the School District received \$102,161,596 of school foundation support for its general fund.

The Court also declared the emergency school loan assistance program unconstitutional. The emergency school loan program allowed the School District to borrow money from a commercial financial institution with repayment going directly to the lender from the State through withholding a portion of the School District's future school foundation payments. As of June 30, 2000, the School District has an outstanding balance of \$7,594,995 borrowed under this program; the final payment of this note will be made in fiscal year 2004. The terms of the debt are further described in Note 15 to these financial statements.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State General Assembly in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State has appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. On May 11, 2000, the Ohio Supreme Court rendered an opinion on this issue. The Court concluded, "...the mandate of the [Ohio] Constitution has not been fulfilled." The Court's majority recognized efforts by the Ohio General Assembly taken in response to the Court's March 24, 1997, decision, however, it found seven "...major areas warrant further attention, study and development by the General Assembly...", including the State's reliance on local property tax funding, the State's basic aid formula, the school foundation program, as discussed above, the mechanism for, and adequacy of, funding for school facilities, and the existence of the State's School Solvency Assistance Fund, which the Court found took the place of the unconstitutional emergency school loan assistance program.

**Akron City School District
Summit County**

*Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000*

NOTE 20 - STATE SCHOOL FUNDING DECISION (Continued)

The Court decided to maintain jurisdiction over these issues and continued the case at least until June 15, 2001.

As of the date of these financial statements, the School District is unable to determine what effect, if any, this ongoing litigation will have on its future State funding under these programs and on its financial operations.

NOTE 21 - CONTINGENCIES

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure 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 general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2000.

B. Litigation

The School District is party to various legal proceedings. The School District is of the opinion that ultimate disposition of claims will not have a material effect, if any, on the financial condition of the School District.

NOTE 22 - SET ASIDE CALCULATIONS AND FUND RESERVES

The School District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end, and carried forward to be used for the same purposes in future years. The School District is also required to set aside money for budget stabilization.

The following cash basis information describes the change in the year-end set-aside amounts for textbooks, capital acquisition, and budget stabilization. Disclosure of this information is required by State statute.

**Akron City School District
Summit County**

*Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000*

NOTE 22 - SET ASIDE CALCULATIONS AND FUND RESERVES (Continued)

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>
Set-aside Reserve Balance as of June 30, 1999	\$0	\$0	\$3,367,186
Current Year Set-aside Requirement	4,383,314	4,383,314	0
Current Year Offsets	0	(5,175,000)	0
Qualifying Disbursements	<u>(5,198,285)</u>	<u>(4,136,341)</u>	<u>0</u>
Totals	<u>(\$814,971)</u>	<u>(\$4,928,027)</u>	<u>\$3,367,186</u>
Set-aside Balance Carried Forward to future fiscal years	<u>(\$814,971)</u>	<u>\$0</u>	<u>\$3,367,186</u>
Set-aside Reserve Balance as of June 30, 2000	<u>\$0</u>	<u>\$0</u>	<u>\$3,367,186</u>

The School District had offsets and qualifying disbursements during the fiscal year that reduced the textbook and the capital improvement set-aside amounts below zero. These extra amounts may be used to reduce the set-aside requirements of future fiscal years. The total reserve balance for the set-asides at the end of the fiscal year was \$3,367,186.

**AKRON CITY SCHOOL DISTRICT
SUMMIT COUNTY**

**SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2000
(Cash Basis)**

FEDERAL GRANTOR/ Pass-Through Grantor/ Program Title	FEDERAL CFDA NUMBER	PASS-THROUGH GRANTOR'S NUMBER	RECEIPTS	NON-CASH RECEIPTS	DISBURSEMENTS	NON-CASH DISBURSEMENTS
U.S. DEPARTMENT OF EDUCATION						
<i>(Direct)</i>						
Impact Aid - Maintenance/Operations	84.041	45-OH-96-1807	\$ 19,258		\$ 19,258	
Goals 2000 State and Local Educational Systemic Improvement	84.276	043489-G2-SP-99	0		5,000	
PELL - Administrative Allowance	93.021	N/A	270		270	
Federal Pell Grant Program	84.063	N/A	125,018		125,018	
		EP063P54977	88,896		88,896	
		N/A	133,369		133,369	
		N/A	12,967		12,967	
Total Federal Pell Grant Program			360,250		360,250	
Education and Human Resources	47.076	5300009936	552,388		875,705	
		HRD-9702012	0		81,450	
Total National Science Foundation			552,388		957,155	
Total Direct			932,166		1,341,933	
U.S. DEPARTMENT OF EDUCATION						
<i>(Pass-through State Department) of Education)</i>						
Job Opportunities/Basic Skills Training	93.561	N/A	377,077		377,077	
Adult Education - State Grant Program	84.002	043489-AB-S1-00	226,500		532,563	
		043489-AB-S1-99C	13,727		13,727	
		043489-AB-S1-99	72,079		74,796	
		043489-AB-S1-98C	0		21,395	
Total Adult Education-Basic Grant			312,306		642,481	
Eisenhower Professional Development State Grants □	84.281	043489-MS-S1-00	143,908		50,560	
		043489-MS-S1-99C	41,648		54,624	
		043489-MS-S1-99	0		119,262	
		043489-MS-S1-98C	55,300		165,463	
Total Eisenhower Professional Development State Grants			240,857		389,909	
Special Education Cluster: Special Education Grants to States	84.027	043489-6B-SF-00P	1,507,469		1,568,599	
		043489-6B-SX-00P	7,500		3,147	
		043489-6B-SF-99P	0		370,861	
Total Special Education Grants to States			1,514,969		1,942,607	

(Continued)

**AKRON CITY SCHOOL DISTRICT
SUMMIT COUNTY**

**SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2000
(Cash Basis)**

FEDERAL GRANTOR/ Pass-Through Grantor/ Program Title	FEDERAL CFDA NUMBER	PASS-THROUGH GRANTOR'S NUMBER	RECEIPTS	NON-CASH RECEIPTS	DISBURSEMENTS	NON-CASH DISBURSEMENTS
Special Education Preschool Grants	84.173	043489-PG-S1-00P 043489-PG-S1-99P	93,385 0		105,569 73,752	
Total Special Education Preschool Grants			93,385		179,321	
Total Special Education Cluster			1,608,353		2,121,928	
Vocational Education-Basic Grants to State	84.048	CPIIL-S00-095 CPIII-A00 043489-CPII-S99 VECPPII-A99-095	751,958 77,957 111,322 14,825		703,839 84,245 168,856 14,826	
Total Vocational Education-Basic Grants to State			956,062		971,766	
Vocational Education - Consumer and Homemaking	84.049	AWEFSC-00-01 VESP-00-CG-043489 VEAFSC99-01 VESP-CG99-043489	17,000 8,500 3,000 14,292		20,000 10,000 3,000 19,462	
Total Vocational Education - Consumer and Homemaking			42,792		52,462	
JAVITS Gifted & Talented Student Education Grants	84.206	N/A	0		7,500	
Fund for the Improvement of Education	84.215	043489-CJ-S1-00	34,074		28,289	
Ohio Partners in Education	84.215V	PBS-1	50,000		11,598	
Technology Literacy Challenge Fund Grants	84.318	TF-14 1999P TF-15 1999P TF32,33,34 1999P N/A N/A	37,500 25,000 225,000 0 0		37,500 900 329,479 36,788 53	
Total Technology Literacy Challenge Funds			287,500		404,720	
Title I Grants to Local Educational Agencies	84.010	043489-C1-S1-00 N/A 043489-C1-S1-99C N/A 043489-C1-S1-99 N/A 043489-C1-S1-98C 043489-CX-S1-98	7,212,813 10,415 740,725 8,465 122,508 12,345 0 0		9,141,466 0 598,057 0 456,871 0 378,130 5,683	
Total Title I Grants to Local Educational Agencies			8,107,270		10,580,207	
Education for Homeless Children and Youth	84.196	043489-HC-S1-99 043489-HC-S1-99P 043489-HC-S1-00	6,102 23,131 44,213		6,472 23,131 53,017	
Total Homeless Child Education			73,446		82,620	

(Continued)

**AKRON CITY SCHOOL DISTRICT
SUMMIT COUNTY**

**SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2000
(Cash Basis)**

FEDERAL GRANTOR/ Pass-Through Grantor/ Program Title	FEDERAL CFDA NUMBER	PASS-THROUGH GRANTOR'S NUMBER	RECEIPTS	NON-CASH RECEIPTS	DISBURSEMENTS	NON-CASH DISBURSEMENTS
Capital Expenses	84.216	043489-CX-S1-99 043489-CX-S1-98	30,000 0		10,391 5,683	
Total Capital Expenses			30,000		16,074	
Innovative Educational Program Strategies	84.298	043489-C2-S1-00	0		173,977	
Alliance and Technology Innovation Grant	84.340	043489-CR-S1-00 043489-C2-S1-99C 043489-C2-S1-98 043489-C2-S1-98 043489-C2-S1-98C	1,016,652 0 73,190 28,699 0		1,097,699 53,230 73,191 29,079 114,923	
Total Alliance and Technology Innovation Grant			1,118,542		1,368,122	
Immigrant Education	84.162	N/A	0		9,916	
Safe and Drug-Free Schools and Communities State Grants	84.186	043489-DR-S1-00 043489-DR-S1-99C 043489-DR-S1-99 043489-DR-S1-98C	173,648 127,420 63,874 37,764		196,938 101,966 86,408 46,398	
Total Safe and Drug-Free Schools			402,706		431,710	
Goals 2000 State and Local Educational Systemic Improvement Programs NSI/Kenmore	84.276	043489-G2-S2-99	49,589		66,496	
NSI/Ellet		043489-G2-S2-99	33,750		78,642	
NSI/Kenmore Carryover		043489-G2-S2-98C	11,444		24,568	
NSI/Ellet Carryover		043489-G2-SP-98C			67,878	
Total NSI			94,783		237,584	
King School & Family Partnership	84.276	043489-G2-S4-00	3,000		2,656	
Partnership 2000/Parent Involvement		043489-G2-S4-00	3,000		2,998	
Litchfield Partnership Initiative		043489-G2-S4-00	3,000		2,839	
Partnership 2000/Barrett		043489-G2-S4-98	0		260	
Partnership 2000/Parent Involvement		043489-G2-S4-98	0		468	
Partnership 2000/Parent Involvement		043489-G2-S4-98	0		654	
Partnership 2000		043489-G2-S4-99P	0		77	
Partnership 2000		043489-G2-S4-99P	420		420	
Total GOALS 2000 Parent Involvement			9,420		10,372	
Goals 2000 Ohio Consortium for Concept. Learn.	84.276	043489-G2-ST-99	0		40,026	
Performance Incentive Grant	84.276	043489-G2-S1-00 043489-G2-S1-98P	139,853 90,860		50,297 90,861	
Total Performance Incentive			230,713		141,158	

(Continued)

**AKRON CITY SCHOOL DISTRICT
SUMMIT COUNTY**

**SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2000
(Cash Basis)**

FEDERAL GRANTOR/ Pass-Through Grantor/ Program Title	FEDERAL CFDA NUMBER	PASS-THROUGH GRANTOR'S NUMBER	RECEIPTS	NON-CASH RECEIPTS	DISBURSEMENTS	NON-CASH DISBURSEMENTS
East High Schools That Work	84.276	043489-G2-S6-00P	0		46,451	
Total GOALS 2000			334,916		475,591	
Total U.S. Department of Education			14,908,068		19,487,880	
U.S. DEPARTMENT OF LABOR <i>(Pass-through City of Akron)</i>						
Job Training Partnership Act	17.250	N/A 99-335	0 410,079		28,616 439,038	
Total Job Training Partnership Act			410,079		467,654	
Total U.S. Department of Labor			410,079		467,654	
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT <i>(Pass-through City of Akron)</i>						
Empowerment Zones Program	14.244	N/A	0 145,475		153,719 153,946	
Total Empowerment Zones Program			145,475		307,665	
<i>(Passed through the University of Akron)</i>						
Vocational Education Basic Grants to States	84.048 84.048	N/A N/A	9,185 6,182		8,797 5,196	
Total Vocational Education Basic Grants to States			15,367		13,993	
Total U.S. Department of Housing and Urban Development			160,842		321,658	
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES <i>(Pass-through Akron Summit Community Action Agency)</i>						
Head Start	93.600	PA-22-99-00 PA-22-99-00 PA-22-98-99 PA-22-98-99	801,349 7,065 1,260,879 12,117		1,281,094 10,827 1,340,968 22,465	
Total Head Start			2,081,409		2,655,354	
<i>(Pass-through the County of Summit)</i>						
Technology Innovation Challenge Grant	84.303	N/A N/A N/A	0 37,218 118,879		0 37,218 107,665	
Total Technology Innovation Challenge Grant			156,097		144,883	
Adult Basic JOBS	94.001	N/A	1,620		6,948	
School Readiness	N/A	N/A N/A	22,000 34,565		209,535 120,348	
Total School Readiness			56,565		329,883	
Total U.S. Department of Health and Human Services			2,295,691		3,137,068	

(Continued)

**AKRON CITY SCHOOL DISTRICT
SUMMIT COUNTY**

**SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2000
(Cash Basis)**

FEDERAL GRANTOR/ Pass-Through Grantor/ Program Title	FEDERAL CFDA NUMBER	PASS-THROUGH GRANTOR'S NUMBER	RECEIPTS	NON-CASH RECEIPTS	DISBURSEMENTS	NON-CASH DISBURSEMENTS
U.S. DEPARTMENT OF AGRICULTURE						
<i>(Passed through the State Department of Education)</i>						
Child Nutrition Cluster:						
Food Distribution	10.550	N/A		590,121		590,121
School Breakfast Program	10.553	N/A	838,346		838,346	
National School Lunch Program	10.555	N/A	4,517,521		4,517,521	
Summer Food Service Program For Children	10.559	N/A	12,660		12,660	
Total Child Nutrition Cluster			<u>5,368,527</u>	<u>590,121</u>	<u>5,368,527</u>	<u>590,121</u>
Total U.S. Department of Agriculture			<u>5,368,527</u>	<u>590,121</u>	<u>5,368,527</u>	<u>590,121</u>
U.S. DEPARTMENT OF DEFENSE						
<i>(Direct)</i>						
Air Force R.O.T.C. Grant	12.XXX		32,167		32,167	
Army R.O.T.C. Grant	12.XXX		48,780		48,780	
Marines R.O.T.C. Grant	12.XXX		36,526		36,526	
Navy R.O.T.C. Grant	12.XXX		41,658		41,658	
Total U.S. Department of Defense			<u>159,131</u>		<u>159,131</u>	
U.S. DEPARTMENT OF JUSTICE						
<i>(Passed through the State Department of Education)</i>						
Juvenile Justice and Delinquency Prevention Special	16.541	N/A N/A	30,175 2,977		38,585 3,301	
Total Juvenile Justice and Delinquency Prevention Special			<u>33,151</u>		<u>41,886</u>	
Total U.S. Department of Justice			<u>33,151</u>		<u>41,886</u>	
TOTALS			<u>\$ 23,335,490</u>	<u>\$ 590,121</u>	<u>\$ 28,983,804</u>	<u>\$ 590,121</u>

**AKRON CITY SCHOOL DISTRICT
SUMMIT COUNTY**

**NOTES TO THE SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2000**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The Schedule of Receipts and Expenditures of Federal Awards (Schedule) is a summary of the activity of the School District's federal award programs. The Schedule has been prepared on the cash basis of accounting.

NOTE B - FOOD DISTRIBUTION

Nonmonetary assistance is reported in the Schedule at the fair market value of the commodities received and disbursed. Monies are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2000, the School District had \$292,558 of food commodities in inventory.

NOTE C - EPA ASBESTOS LOAN

On March 1, 1988, the School District obtained a loan from the Environmental Protection Agency in the amount of \$141,533 for the purpose of providing asbestos removal in District buildings. The loan will be completely repaid during fiscal year 2008. The loan has no continuing compliance requirements and is not reflected on the Schedule of Receipts and Expenditures of Federal Awards.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

111 Second Street, NW
Fourth Floor
Canton, Ohio 44702
Telephone 330-438-0617
800-443-9272
Facsimile 330-471-0001
www.auditor.state.oh.us

**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL CONTROL
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

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

To the Board of Education:

We have audited the general purpose financial statements of the Akron City School District, Summit County, (the School District) as of and for the year ended June 30, 2000, and have issued our report thereon dated December 11, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as item 2000-10977-001 and 2000-10977-002.

We also noted certain immaterial instances of noncompliance that we have reported to management of the School District in a separate letter dated December 11, 2000.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the School District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings as items 2000-10977-003 and 2000-10977-004.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe neither of the reportable conditions described above is a material weakness.

We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the School District in a separate letter dated December 11, 2000.

This report is intended for the information and use of management, the Board of Education, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

December 11, 2000



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

111 Second Street, NW
Fourth Floor
Canton, Ohio 44702
Telephone 330-438-0617
800-443-9272
Facsimile 330-471-0001
www.auditor.state.oh.us

**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

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

To the Board of Education:

Compliance

We have audited the compliance of Akron City School District, Summit County, (the School District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2000. The School District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the School District's management. Our responsibility is to express an opinion on the School District's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the School District's compliance with those requirements.

In our opinion, the School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2000.

Internal Control Over Compliance

The management of the School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information and use of management, the Board of Education, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

December 11, 2000

**AKRON CITY SCHOOL DISTRICT
SUMMIT COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505**

June 30, 2000

1. SUMMARY OF AUDITOR'S RESULTS
--

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	Yes
(d)(1)(iii)	Was there any reported non-compliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	CFDA #84.063, Pell Grant; CFDA # 84.010, Title I; CFDA # 84.186, Safe and Drug Free Schools; and CFDA # 17.250, Job Training and Partnership Act.
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$894,418 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

FINDING NUMBER 2000-10977-001

Noncompliance Citation

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

This section also provides for two exceptions to the above requirements:

1. Then and Now Certificates- If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the Board of Education may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate.
2. If the amount involved is less than \$1,000 dollars, the Treasurer may authorize payment through a Then and Now Certificate without affirmation of the Board of Education, if such expenditure is otherwise valid.

Of the non-payroll expenditures tested, 25 of the 86 transactions did not have the required Treasurer's certification prior to commitment. Failure to certify the availability of funds prior to entering into the commitment could result in making commitments in excess of available funds. The School District should establish procedures to ensure that all expenditures are certified prior to their obligation. These procedures could include the implementation of the use of the so called Then and Now certificates and Blanket Certificates as further permitted by Ohio Rev. Code Section 5705.41. However, such certifications should only be used for recurring and reasonably predictable matters or emergency matters which may arise from time to time.

FINDING NUMBER 2000-10977-002

Noncompliance Citation

Ohio Rev. Code Section 5705.41(B) requires that no subdivision or taxing unit is to expend money unless it has been appropriated.

At June 30, 2000, the object level expenditures plus outstanding encumbrances exceeded appropriations within the General Fund, Special Revenue Fund types, Debt Service Fund, Capital Project Fund, Enterprise Fund and Internal Service fund types by \$317,702, \$54,488, \$106,590, \$13,688, \$97,435, and \$401,015, respectively.

The Treasurer should frequently compare actual expenditures plus outstanding encumbrances to appropriations at the object level to avoid potential overspending. In addition, the Treasurer should periodically review the School District's Appropriations Reports to help ensure appropriation amounts are posted accurately and timely.

FINDING NUMBER 2000-10977-003

Reportable Condition

During the last 3 years, the School District made renovations to school buildings which were to be reimbursed at 50% of direct labor and materials under grants from the Ohio Schools Facilities Commission (OSFC). Although the renovations have been completed, the 50% reimbursement from OSFC has never been billed to them. This reimbursement receivable totaled \$7.9 million at June 30, 2000.

We recommend the School District implement procedures to help assure that all reimbursement billings of this nature are in fact billed to the appropriate party. These procedures could include, but not be limited to, reviews of current grant reimbursement programs to assure grant and program requirements have been addressed and the correct reimbursement forms have been submitted in a timely fashion. Lack of billing controls in this area could deprive the School District of necessary or available funding.

FINDING NUMBER 2000-10977-004

Reportable Condition

The School District has established in its Student Activity Handbook certain control procedures over extracurricular activities such as the completion of Budget and Purpose Statements on or before November 15th, Fund Raiser Request Forms completed and approved prior to any sales or purchases for a fund raiser, a Profit and Loss Statement completed to summarize the profit or loss of the fund raiser, and that all monies collected be deposited with the School Treasurer within 24 hours of collection. These policies are distributed to all buildings. They are further stressed through internal audits conducted randomly throughout the fiscal year; however, the following discrepancies were noted during our monitoring control testing:

1. Purpose and Budget Statements were not completed prior to the November 15th deadline. For example, the Hotchkiss Elementary School did not complete this form for fund raisers held.
2. Fund Raising Request Forms were not completed prior to the sale or purchase for a fund raiser. For example, the Kenmore High School Drama Club did not prepare this form for a production sponsored by the club.
3. Profit (loss) statements were not completed to summarize the profit and loss of the fund raiser. For example, these statements were not prepared by the Kenmore High School Boys or Girls Basketball Coaches for concession stand sales. Also, the Kenmore High School Drama Club, Ellet High School Animal Management Technology Club, and the Hyre Middle School Work and Family Club did not complete this document.
4. Monies collected for fund raisers and athletic events were not deposited with the Treasurer within the specified time frame. For example, pre sale gate receipts for athletic events are maintained on site and deposited with total gate receipts the following Monday.

Not completing these forms or depositing monies to the School Treasurer could cause the School District to lose revenue without detection by management.

The School District should ensure that all student activity advisors and Athletic Directors complete and file the required forms for each fund raising project. The completion of the required forms will help ensure accountability over student activity project sale items and revenues.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
--

None



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

AKRON CITY SCHOOL DISTRICT

SUMMIT COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 1, 2001**