



Dave Yost • Auditor of State

**AKRON CITY SCHOOL DISTRICT
SUMMIT COUNTY
FOR THE YEAR ENDED JUNE 30, 2017**

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SUMMIT COUNTY
FOR THE YEAR ENDED JUNE 30, 2017**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Akron City School District, Summit County, Ohio, (the District) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Akron City School District, Summit County, Ohio, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, and schedules of net pension liabilities and pension contributions listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Supplementary and Other Information

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

The Federal Awards Receipts and Expenditures Schedule (the Schedule) presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 21, 2018, on our consideration of the Government's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

Dave Yost
Auditor of State
Columbus, Ohio

March 21, 2018

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Akron City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
Unaudited

The discussion and analysis of the Akron City School District's (the "School District") financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2017. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for the fiscal year ended June 30, 2017 are as follows:

- Total net position increased \$13.0 million. This is a 302.3 percent increase from fiscal year 2016.
- Total revenues increased to \$412.5 million from \$391.7 million. This is an increase of \$20.8 million or 5.3 percent.
- Total program expenses were \$399.5 million. Total program expenses increased from \$370.5 million from fiscal year 2016. This is an increase of \$29.0 million or 7.8 percent.
- The fund balance in the general fund decreased \$8.9 million. This is an 18.1 percent decrease from fiscal year 2016.

Using this Annual Report

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

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

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

While the basic financial statements contain the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2017?" The Statement of Net Position and the Statement of Activities answer this question. These two statements include all assets, deferred outflows of resources, liabilities and deferred inflows of resources using the accrual basis of accounting similar to the basis of accounting used by most companies in the private sector. This basis of accounting takes into account all of the current fiscal year's revenues and expenses regardless of when cash is received or paid.

Akron City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
Unaudited

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

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

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

The analysis of the School District's major funds begins on page 13. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions; however, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the general fund, the permanent improvement capital projects fund and the classroom facilities capital projects fund.

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

The School District as a Whole

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

Table 1 provides a summary of the School District's net position for fiscal year 2017 compared to fiscal year 2016 as follows:

Akron City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
Unaudited

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

	Governmental Activities		
	2017	2016	Change
Assets			
Current and Other Assets	\$362.1	\$316.8	\$45.3
Capital Assets, Net	297.1	285.8	11.3
<i>Total Assets</i>	<u>659.2</u>	<u>602.6</u>	<u>56.6</u>
Deferred Outflows of Resources			
Deferred Expense	48.0	51.0	(3.0)
Pension	106.2	51.0	55.2
<i>Total Deferred Outflows of Resources</i>	<u>154.2</u>	<u>102.0</u>	<u>52.2</u>
Liabilities			
Current and Other Liabilities	117.2	111.3	5.9
Long-Term Liabilities			
Due Within One Year	1.7	1.8	(0.1)
Due in More Than One Year:			
Net Pension Liability	541.8	439.4	102.4
Other Amounts	29.1	28.8	0.3
<i>Total Liabilities</i>	<u>689.8</u>	<u>581.3</u>	<u>108.5</u>
Deferred Inflows of Resources			
Property Taxes	105.8	93.5	12.3
Pension	0.5	25.5	(25.0)
<i>Total Deferred Inflows of Resources</i>	<u>106.3</u>	<u>119.0</u>	<u>(12.7)</u>
Net Position			
Net Investment in Capital Assets	297.1	285.8	11.3
Restricted:			
Capital Projects	101.1	73.8	27.3
Other Purposes	1.9	2.2	(0.3)
Unrestricted (Deficit)	(382.8)	(357.5)	(25.3)
<i>Total Net Position</i>	<u>\$17.3</u>	<u>\$4.3</u>	<u>\$13.0</u>

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

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

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

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

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

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

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

As a result of implementing GASB Statement No. 68, the School District is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting.

Total assets increased \$56.6 million.

Intergovernmental receivable increased \$25.3 million. The increase in intergovernmental receivable was mostly attributed to the Ohio Facilities Construction Commission ("OFCC") receivable. The School District records an intergovernmental receivable in the amount that OFCC has appropriated less any funds remitted by OFCC to the School District as of the fiscal year end. The amount appropriated by OFCC and not remitted to the School District was \$33.4 million as of June 30, 2016. As of June 30, 2017, the amount appropriated by OFCC and not remitted to the School District was \$60.0 million. This is a difference of \$26.6 million.

Also, cash and cash equivalents and investments increased \$17.3 million. This increase can be mostly attributed to the locally funded initiatives capital projects fund, the classroom facilities capital projects fund, the self-insurance for health benefits internal service fund and the severance special revenue fund.

Cash and cash equivalents and investments increased in the locally funded initiatives capital projects fund by \$6.0 million and the classroom facilities capital projects fund by \$2.2 million because of a decrease in expenses on the cash basis of accounting. The School District expended less on the OFCC construction project in fiscal year 2017 than in fiscal year 2016 on the cash basis of accounting. As the OFCC construction project progresses and projects are completed, the School District expends less on the project as a whole. The School District spent \$27.5 million in both the locally funded initiatives capital projects fund and the classroom facilities capital projects fund in fiscal year 2017 as opposed to \$39.6 million in fiscal year 2016 on the cash basis of accounting.

The self-insurance for health benefits internal service fund's cash and cash equivalents increased \$4.2 million between fiscal year 2016 and fiscal year 2017 because of an increase in revenues. Revenues increased due to an increase in the estimate of health insurance costs in the School District as a whole. Health insurance costs were projected to increase 13.0 percent in fiscal year 2017. Revenues are receipted into this fund throughout the fiscal year based on that health insurance projection.

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Cash and cash equivalents in the severance special revenue fund increased by \$1.8 million because of a decrease in expenses between fiscal year 2016 and fiscal year 2017. Expenses decreased due to less employee retirements in fiscal year 2017 than in fiscal year 2016. The age of the School District's staff and number of service years as a whole leveled off in the current fiscal year after they peaked in recent prior fiscal years.

In addition, capital assets increased \$11.3 million. The increase in capital assets was mainly due to the School District completing the construction of a community learning center related to the OFCC construction project during the current fiscal year. The change in capital assets will be discussed in greater detail later.

Deferred outflows of resources increased \$52.2 million.

Deferred outflows of resources related to pension increased \$55.2 million. See the previous discussion on how the accounting standards relate to net pension liability.

Total liabilities increased \$108.5 million.

Net pension liability increased \$102.4 million. See the previous discussion on how the accounting standards relate to net pension liability.

Deferred inflows of resources decreased \$12.7 million.

Deferred inflows of resources related to pension decreased \$25.0 million. See the previous discussion on how the accounting standards apply to deferred inflows of resources related to pension.

The decrease in deferred inflows of resources decrease was offset by an increase deferred inflows of resources related to property taxes of \$12.3 million. This increase occurred mostly because there was a decrease in the amount of property taxes available as an advance at June 30, 2017 compared to June 30, 2016. Although total property tax collections for the next fiscal year are measurable, only the amount of property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end instead of deferred inflow of resources. The amount available as an advance at June 30, 2017 was \$11.5 million. The amount available as an advance at June 30, 2016 was \$22.3 million. Deferred inflows of resources related to property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2017, but which were levied to finance fiscal year 2018 operations. As a result, the decrease in the amount of property taxes available as an advance at fiscal year-end caused the amount of deferred inflows of resources related to property taxes to increase.

The net impact of the assets increase, the deferred outflows of resources increase, the liabilities increase and the deferred inflows of resources decrease was an increase of net position of \$13.0 million.

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

Table 2 shows the changes in net position for fiscal years 2017 and 2016 for governmental activities as follows:

Akron City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
Unaudited

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

	<u>2017</u>	<u>2016</u>	<u>Change</u>
Revenues			
<i>Program Revenues:</i>			
Charges for Services and Sales	\$11.6	\$10.9	\$0.7
Operating Grants, Contributions and Interest	51.3	51.7	(0.4)
Capital Grants and Contributions	<u>35.5</u>	<u>2.8</u>	<u>32.7</u>
<i>Total Program Revenues</i>	<u>98.4</u>	<u>65.4</u>	<u>33.0</u>
<i>General Revenues:</i>			
Property Taxes	106.4	116.1	(9.7)
Grants and Entitlements	204.0	205.6	(1.6)
Investment Earnings	0.8	0.7	0.1
JEDD/Revenue in Lieu of Taxes	0.7	0.7	0.0
Miscellaneous	<u>2.2</u>	<u>3.2</u>	<u>(1.0)</u>
<i>Total General Revenues</i>	<u>314.1</u>	<u>326.3</u>	<u>(12.2)</u>
Total Revenues	<u>412.5</u>	<u>391.7</u>	<u>20.8</u>
Program Expenses			
Instruction	244.2	219.3	24.9
Support Services:			
Pupil and Instructional Staff	44.4	39.6	4.8
Board of Education, Administration, Fiscal and Business	34.9	31.2	3.7
Operation and Maintenance of Plant	33.0	38.7	(5.7)
Pupil Transportation	12.8	12.8	0.0
Central	9.2	9.6	(0.4)
Operation of Non-Instructional Services	4.5	3.7	0.8
Extracurricular Activities	4.1	3.6	0.5
Food Service Operations	<u>12.4</u>	<u>12.0</u>	<u>0.4</u>
Total Program Expenses	<u>399.5</u>	<u>370.5</u>	<u>29.0</u>
Increase in Net Position	<u>\$13.0</u>	<u>\$21.2</u>	<u>(\$8.2)</u>

While program revenues increased for governmental activities from \$65.4 million to \$98.4 million, the vast majority of revenues supporting governmental activities are general revenues. General revenues decreased from \$326.3 million in fiscal year 2016 to \$314.1 million in fiscal year 2017. General revenues comprised 76.1 percent of revenues supporting governmental activities. The primary source of the decrease in general revenues was a decrease in property taxes revenue in the amount of \$9.7 million.

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The decrease in property taxes revenue is mainly attributed to the decrease in the amount of property taxes available as an advance at June 30, 2017 compared to June 30, 2016, as previously discussed. Although total property tax collections for the next fiscal year are measurable, only the amount of property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The amount available as an advance at June 30, 2017 was \$11.5 million. The amount available as an advance at June 30, 2016 was \$22.3 million.

The primary source of the increase in program revenue was an increase in capital grants and contributions revenue amounting to \$32.7 million. This increase was mainly due to the increase in OFCC receivable, as previously discussed.

The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. The overall revenue generated by the levy will not increase solely as a result of inflation. As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill would pay \$35.00 annually in taxes. If three years later the home was reappraised and increased to \$200,000 (and this inflationary increase in value is comparable to other property owners), the effective tax rate would become 0.5 mills and the owner would still pay \$35.00. Thus, school districts dependent upon property taxes are hampered by a lack of revenue growth and must regularly return to the voters to maintain a constant level of service. Property taxes made up 33.9 percent of total general revenues for governmental activities for the School District in fiscal year 2017.

The increase in program expenses is because of an increase in pension expense of \$28.2 million. See the previous discussion on how the accounting standards relate to pension expense.

While expense increases were consistent with budget expectations, the decrease in property taxes revenue and the increase in capital grants and contributions revenue resulted in an increase of net position of \$13.0 million.

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

Akron City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
Unaudited

Table 3
(In Millions)

	<u>2017</u>		<u>2016</u>	
	<u>Total Cost of Service</u>	<u>Net Cost of Service</u>	<u>Total Cost of Service</u>	<u>Net Cost of Service</u>
Program Expenses				
Instruction	\$244.2	\$214.6	\$219.3	\$189.7
Support Services:				
Pupil and Instructional Staff	44.4	36.2	39.6	31.5
Board of Education, Administration, Fiscal and Business	34.9	32.0	31.2	28.3
Operation and Maintenance of Plant	33.0	(2.6)	38.7	35.1
Pupil Transportation	12.8	11.1	12.8	11.1
Central	9.2	6.1	9.6	6.5
Operation of Non-Instructional Services	4.5	0.5	3.7	(0.2)
Extracurricular Activities	4.1	3.2	3.6	2.8
Food Service Operations	12.4	0.1	12.0	0.2
Total	<u>\$399.5</u>	<u>\$301.2</u>	<u>\$370.5</u>	<u>\$305.0</u>

The dependence upon general revenues for governmental activities is apparent. Over 75.4 percent of governmental activities are supported through taxes and other general revenues; such revenues are 76.1 percent of total governmental revenues. The community, as a whole, is by far the primary support for the School District students.

The School District's Funds

Information about the School District's major funds begins on page 19. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$384.3 million and expenditures of \$393.6 million. The net change in fund balances for the fiscal year was a decrease of \$9.5 million for all governmental funds with the most significant decrease in the general fund.

The general fund's net change in fund balance for fiscal year 2017 was a decrease of \$8.9 million. Revenues in the general fund decreased \$12.1 million or 3.6 percent from fiscal year 2016 to fiscal year 2017. This was mostly due to a decrease in taxes revenue. As previously discussed, the amount of property taxes available as an advance at June 30, 2017 decreased when compared to June 30, 2016. In addition, expenditures in the general fund increased \$10.6 million or 3.3 percent. Expenditures in the general fund increased because of a 1.50 percent pay raise, an increase in health insurance costs, an increase in excess costs tuition and an increase in open enrollment tuition, as previously discussed.

The classroom facilities capital projects fund's net change in fund balance for fiscal year 2017 was a decrease of \$0.1 million. Revenues in the classroom facilities capital projects fund decreased \$8.6 million or 49.9 percent. This decrease is due to a reduction in intergovernmental revenue. The decrease in intergovernmental revenue can be attributed to the School District receiving less revenue from the State in connection with the OFCC construction project in fiscal year 2017 than it did in fiscal year 2016. The School District received \$8.3 million of revenue from the State in fiscal year 2017 in the classroom facilities capital projects fund as opposed to receiving \$17.0 million in fiscal year 2016.

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Unaudited

The permanent improvement capital projects fund's net change in fund balance for fiscal year 2017 was a decrease of \$0.6 million. Revenues in the permanent improvement capital projects fund decreased \$0.2 million or 8.0 percent from fiscal year 2016 to fiscal year 2017. This is mostly due to a decrease in taxes revenue. This decrease is because the amount of property taxes available as an advance at June 30, 2017 decreased when compared to June 30, 2016.

General Fund Budgeting Highlights

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

During the course of fiscal year 2017, the School District amended its general fund budget numerous times; however, none of these amendments were significant. The School District uses a modified site-based budgeting system designed to tightly control total site budgets but provide flexibility for site management.

Total actual expenditures on the budget basis (cash outlays plus encumbrances) were \$333.6 million, \$0.6 million less than actual revenues.

The School District's ending unobligated cash balance was \$17.4 million below the final budgeted amount. This was attributed to the School District receiving \$19.0 million less in revenues than what was budgeted and spending \$2.1 million less in expenditures than what was budgeted. The \$19.0 million variance in revenues was mostly because the School District received \$6.4 million less in taxes revenue and \$12.1 million less in intergovernmental revenue. The \$2.1 million variance in expenditures was mostly the result of the School District spending \$5.1 million less in special instruction expenditures and \$2.2 million less in operation and maintenance of plant support services expenditures than what was budgeted. The spending of \$5.1 million less in special instruction expenditures and \$2.2 million less in operation and maintenance of plant support services expenditures was offset by the School District spending \$7.2 million more in regular instruction expenditures than what was budgeted.

Capital Assets

At the end of fiscal year 2017, the School District had \$297.1 million invested in capital assets. Table 4 shows fiscal year 2017 balances compared to fiscal year 2016 as follows:

Akron City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
Unaudited

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

	Governmental Activities		
	2017	2016	Change
Land	\$6.3	\$6.4	(\$0.1)
Construction In Progress	15.8	44.4	(28.6)
Buildings and Improvements	256.6	216.6	40.0
Furniture and Equipment	13.9	14.9	(1.0)
Vehicles	4.5	3.5	1.0
Totals	<u>\$297.1</u>	<u>\$285.8</u>	<u>\$11.3</u>

Capital assets increased \$11.3 million from fiscal year 2016 to fiscal year 2017. The increase is mainly due to buildings and improvements increasing by \$40.0 million. Buildings and improvements increased because the School District finished the construction of the Firestone Community Learning Center during the 2017 fiscal year. This community learning center was added to buildings and improvements in the amount of \$44.4 million.

The increase in buildings and improvements was offset by a decrease in construction in progress of \$28.6 million. The construction in progress decrease can be mostly attributed to moving the Firestone Community Learning Center to buildings and improvements from construction in progress. The moving of the Firestone Community Learning Center to buildings and improvements from construction in progress was offset by current fiscal year construction in progress costs for the Case Community Learning Center, the Harris Community Learning Center and the Ellet Community Learning Center.

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

As of June 30, 2017, the School District had contractual commitments for construction projects with contractors in the amount of \$50.4 million. For further information, see Note 18 of the notes to the basic financial statements.

For the Future

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

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

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

The School District is projecting a 3.3 percent or \$11.0 million increase in fiscal year 2018 in expenditures. The biggest contributors to this increase is a 2.25 percent salary increase and health insurance. Health insurance costs are projected to increase by 10 percent in fiscal year 2018.

Akron City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
Unaudited

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

Contacting the School District's Management

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

Akron City School District*Statement of Net Position**June 30, 2017*

	<u>Primary Government</u>
	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$33,462,833
Cash and Cash Equivalents In Segregated Accounts	166,673
Investments in Segregated Accounts	119,258,003
Accrued Interest Receivable	116,013
Accounts Receivable	677,741
Intergovernmental Receivable	65,219,642
Prepaid Items	240,742
Inventory Held for Resale	298,920
Materials and Supplies Inventory	524,855
Taxes Receivable	142,040,525
Nondepreciable Capital Assets	22,167,644
Depreciable Capital Assets, Net	<u>274,980,039</u>
<i>Total Assets</i>	<u>659,153,630</u>
Deferred Outflows of Resources	
Deferred Expense	48,000,000
Pension	<u>106,249,449</u>
<i>Total Deferred Outflows of Resources</i>	<u>154,249,449</u>
Liabilities	
Accounts Payable	4,797,843
Accrued Wages	19,344,000
Compensated Absences Payable	834,133
Unearned Revenue	35,413
Intergovernmental Payable	51,979,918
Premium Payable	93,847
Claims Payable	5,623,259
Due to City of Akron	34,461,859
Long-Term Liabilities:	
Due Within One Year	1,747,318
Due in More Than One Year:	
Net Pension Liability (See Note 11)	541,822,644
Other Amounts Due in More Than One Year	<u>29,104,103</u>
<i>Total Liabilities</i>	<u>689,844,337</u>
Deferred Inflows of Resources	
Property Taxes	105,773,625
Pension	<u>510,635</u>
<i>Total Deferred Inflows of Resources</i>	<u>106,284,260</u>
Net Position	
Net Investment in Capital Assets	297,147,683
Restricted for:	
Capital Projects	101,064,297
Debt Service	13,007
Other Purposes	1,881,021
Unrestricted	<u>(382,831,526)</u>
<i>Total Net Position</i>	<u>\$17,274,482</u>

See accompanying notes to the basic financial statements

Akron City School District
Statement of Activities
For the Fiscal Year Ended June 30, 2017

	Expenses	Program Revenues			Net Revenues (Expenses) and Change in Net Position
		Charges for Services and Sales	Operating Grants, Contributions and Interest	Capital Grants and Contributions	Primary Government
					Governmental Activities
Governmental Activities					
Instruction:					
Regular	\$159,499,233	\$4,758,453	\$5,119,158	\$0	(\$149,621,622)
Special	61,918,873	1,089,361	8,277,501	0	(52,552,011)
Vocational	12,659,044	4,347	3,988,746	0	(8,665,951)
Adult/Continuing	924,734	453,022	64,044	0	(407,668)
Other	9,180,342	0	5,835,885	0	(3,344,457)
Support Services:					
Pupil	24,659,978	6,736	1,764,352	0	(22,888,890)
Instructional Staff	19,757,961	714,270	5,754,085	0	(13,289,606)
Board of Education	227,037	0	0	0	(227,037)
Administration	26,414,885	96,000	1,931,386	0	(24,387,499)
Fiscal	5,335,436	2,094	673,628	0	(4,659,714)
Business	2,938,013	147,086	56,871	0	(2,734,056)
Operation and Maintenance of Plant	32,957,937	97,131	15,587	35,453,812	2,608,593
Pupil Transportation	12,789,719	154,348	1,549,072	0	(11,086,299)
Central	9,215,068	2,858,517	293,076	0	(6,063,475)
Operation of Non-Instructional Services	4,497,170	15,036	3,949,584	0	(532,550)
Extracurricular Activities	4,101,126	781,199	83,429	0	(3,236,498)
Food Service Operations	12,401,968	374,162	11,946,060	0	(81,746)
<i>Total - Primary Government</i>	<u>\$399,478,524</u>	<u>\$11,551,762</u>	<u>\$51,302,464</u>	<u>\$35,453,812</u>	<u>(301,170,486)</u>
General Revenues					
Property Taxes Levied for:					
					103,139,554
					3,251,910
					204,013,088
					839,934
					688,663
					2,181,217
					<u>314,114,366</u>
					Change in Net Position 12,943,880
					<u>Net Position at Beginning of Fiscal Year 4,330,602</u>
					<u>Net Position at End of Fiscal Year \$17,274,482</u>

See accompanying notes to the basic financial statements

Akron City School District

Balance Sheet

Governmental Funds

June 30, 2017

	General	Permanent Improvement Capital Projects	Classroom Facilities Capital Projects	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	\$4,397,728	\$12,284	\$3,584,860	\$6,796,657	\$14,791,529
Cash and Cash Equivalents In Segregated Accounts	65,691	0	12,593	88,389	166,673
Investments In Segregated Accounts	45,514,680	0	28,287,612	45,455,711	119,258,003
Taxes Receivable	137,770,063	4,270,462	0	0	142,040,525
Accounts Receivable	358,321	0	0	312,790	671,111
Intergovernmental Receivable	225,970	0	59,995,121	4,564,266	64,785,357
Accrued Interest Receivable	86,424	0	0	29,589	116,013
Interfund Receivable	2,447,938	0	0	0	2,447,938
Prepaid Items	1,365	0	0	0	1,365
Materials and Supplies Inventory	65,387	0	0	30,569	95,956
Inventory Held for Resale	0	0	0	298,920	298,920
<i>Total Assets</i>	<u>190,933,567</u>	<u>4,282,746</u>	<u>91,880,186</u>	<u>57,576,891</u>	<u>344,673,390</u>
Deferred Outflows of Resources					
Deferred Expense	0	48,000,000	0	0	48,000,000
<i>Total Assets and Deferred Outflows of Resources</i>	<u>\$190,933,567</u>	<u>\$52,282,746</u>	<u>\$91,880,186</u>	<u>\$57,576,891</u>	<u>\$392,673,390</u>
Liabilities					
Accounts Payable	\$1,248,108	\$0	\$2,227,041	\$1,312,977	\$4,788,126
Accrued Wages	18,275,836	0	0	1,068,164	19,344,000
Compensated Absences Payable	734,207	0	0	99,926	834,133
Interfund Payable	0	0	0	2,447,938	2,447,938
Intergovernmental Payable	3,457,012	48,000,000	0	522,906	51,979,918
Unearned Revenue	0	0	0	35,413	35,413
Due to City of Akron	0	0	13,283,712	21,178,147	34,461,859
<i>Total Liabilities</i>	<u>23,715,163</u>	<u>48,000,000</u>	<u>15,510,753</u>	<u>26,665,471</u>	<u>113,891,387</u>
Deferred Inflows of Resources					
Property Taxes	102,538,531	3,235,094	0	0	105,773,625
Unavailable Revenue	24,468,087	702,145	59,995,121	1,959,901	87,125,254
<i>Total Deferred Inflows of Resources</i>	<u>127,006,618</u>	<u>3,937,239</u>	<u>59,995,121</u>	<u>1,959,901</u>	<u>192,898,879</u>
Fund Balances					
Nonspendable	87,287	0	0	30,569	117,856
Restricted	0	345,507	16,374,312	30,660,785	47,380,604
Committed	2,532,153	0	0	0	2,532,153
Assigned	1,083,483	0	0	0	1,083,483
Unassigned	36,508,863	0	0	(1,739,835)	34,769,028
<i>Total Fund Balances</i>	<u>40,211,786</u>	<u>345,507</u>	<u>16,374,312</u>	<u>28,951,519</u>	<u>85,883,124</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$190,933,567</u>	<u>\$52,282,746</u>	<u>\$91,880,186</u>	<u>\$57,576,891</u>	<u>\$392,673,390</u>

Akron City School District

Reconciliation of Total Governmental Fund Balances to

Net Position of Governmental Activities

June 30, 2017

Total Governmental Fund Balances		\$85,883,124
<i>Amounts reported for governmental activities in the statement of net position are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		297,147,683
Other long-term assets are not available to pay for current-period expenditures and therefore are reported as unavailable revenue in the funds:		
Grants	61,870,366	
Delinquent Property Taxes	24,726,325	
Tuition and Fees	350,684	
Radio Station Charges for Services	84,639	
Rentals	44,301	
Other	48,922	
	<hr/>	
Total		87,125,237
Four internal service funds are used by management to charge the costs of insurance, central supplies and workers' compensation to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.		14,053,689
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
Compensated Absences		(30,851,421)
The net pension liability is not due and payable in current period; therefore, the liability and related inflows/outflows are not reported in the funds:		
Deferred Outflows - Pension	106,249,449	
Deferred Inflows - Pension	(510,635)	
Net Pension Liability	(541,822,644)	
	<hr/>	
Total		(436,083,830)
<i>Net Position of Governmental Activities</i>		<hr/> <hr/>
		\$17,274,482

See accompanying notes to the basic financial statements

Akron City School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2017

	General	Permanent Improvement Capital Projects	Classroom Facilities Capital Projects	Other Governmental Funds	Total Governmental Funds
Revenues					
Taxes	\$102,441,519	\$2,092,330	\$0	\$1,141,825	\$105,675,674
Intergovernmental	213,312,052	422,240	8,289,467	41,457,834	263,481,593
Interest	158,258	1,431	320,107	365,219	845,015
Tuition and Fees	6,253,525	0	0	29,985	6,283,510
Extracurricular Activities	197,651	0	0	676,399	874,050
Revenue In Lieu of Taxes	688,663	0	0	0	688,663
Rentals	215,408	0	0	0	215,408
Charges for Services	2,948,787	0	0	661,278	3,610,065
Sales	0	0	0	374,162	374,162
Contributions and Donations	119,036	0	0	99,181	218,217
Miscellaneous	1,134,276	0	0	882,039	2,016,315
<i>Total Revenues</i>	<u>327,469,175</u>	<u>2,516,001</u>	<u>8,609,574</u>	<u>45,687,922</u>	<u>384,282,672</u>
Expenditures					
Current:					
Instruction:					
Regular	146,000,488	0	0	5,472,472	151,472,960
Special	54,881,959	0	0	4,076,503	58,958,462
Vocational	11,541,580	0	0	353,415	11,894,995
Adult/Continuing	862,951	0	0	0	862,951
Other	2,491,431	0	0	5,960,483	8,451,914
Support Services:					
Pupil	21,304,612	0	0	1,838,213	23,142,825
Instructional Staff	10,844,294	0	0	7,081,873	17,926,167
Board of Education	219,850	0	0	0	219,850
Administration	22,894,131	0	0	1,957,981	24,852,112
Fiscal	4,551,927	0	0	693,024	5,244,951
Business	2,573,747	0	0	58,331	2,632,078
Operation and Maintenance of Plant	31,487,381	0	0	0	31,487,381
Pupil Transportation	12,962,669	0	0	157,263	13,119,932
Central	8,502,437	0	0	334,986	8,837,423
Operation of Non-Instructional Services	32,192	0	0	4,306,245	4,338,437
Extracurricular Activities	3,116,697	0	0	720,158	3,836,855
Food Service Operations	0	0	0	12,027,809	12,027,809
Capital Outlay	1,669,429	3,077,931	8,713,572	792,822	14,253,754
<i>Total Expenditures</i>	<u>335,937,775</u>	<u>3,077,931</u>	<u>8,713,572</u>	<u>45,831,578</u>	<u>393,560,856</u>
<i>Excess (Deficiency) of Revenues Over (Under) Expenditures</i>	<u>(8,468,600)</u>	<u>(561,930)</u>	<u>(103,998)</u>	<u>(143,656)</u>	<u>(9,278,184)</u>
Other Financing Sources (Uses)					
Transfers In	1,330	0	0	215,000	216,330
Transfers Out	(415,000)	0	0	(1,330)	(416,330)
<i>Total Other Financing Sources (Uses)</i>	<u>(413,670)</u>	<u>0</u>	<u>0</u>	<u>213,670</u>	<u>(200,000)</u>
<i>Net Change in Fund Balances</i>	(8,882,270)	(561,930)	(103,998)	70,014	(9,478,184)
<i>Fund Balances at Beginning of Fiscal Year</i>	<u>49,094,056</u>	<u>907,437</u>	<u>16,478,310</u>	<u>28,881,505</u>	<u>95,361,308</u>
<i>Fund Balances at End of Fiscal Year</i>	<u>\$40,211,786</u>	<u>\$345,507</u>	<u>\$16,374,312</u>	<u>\$28,951,519</u>	<u>\$85,883,124</u>

See accompanying notes to the basic financial statements

Akron City School District
*Reconciliation of the Statement of Revenues,
Expenditures and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Fiscal Year Ended June 30, 2017*

Net Change in Fund Balances - Total Governmental Funds (\$9,478,184)

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

Governmental funds report capital outlays as expenditures.

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

Capital Assets Additions	18,420,894	
Current Fiscal Year Depreciation	(6,905,405)	
Total		11,515,489

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

(154,035)

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

Delinquent Property Taxes	715,790	
Radio Station Charges for Services	29,603	
Tuition and Fees	155,224	
Rentals	16,475	
Miscellaneous	24,739	
Total		941,831

In the prior fiscal year, grant revenues were reported on the statement of activities but were excluded from the statement of revenues, expenditures and changes in fund balances because it had not met the availability criteria. For the current fiscal year, these grant revenues are included on the statement of revenues, expenditures and changes in fund balances but are not included on the statement of activities.

27,204,492

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.

Compensated Absences		(230,738)
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The internal service funds used by management to charge the costs of insurance, central supplies and workers' compensation to individual funds are not reported in the district-wide statement of activities. Governmental fund expenditures and related internal funds revenues are eliminated. The net revenue (expense) of the internal service funds are allocated among the governmental activities.

5,364,805

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

26,129,661

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

(48,349,441)

Change in Net Position of Governmental Activities \$12,943,880

See accompanying notes to the basic financial statements

Akron City School District
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2017

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$118,872,041	\$119,286,050	\$112,867,862	(\$6,418,188)
Intergovernmental	224,538,170	225,320,194	213,196,837	(12,123,357)
Interest	454,779	456,267	405,666	(50,601)
Tuition and Fees	6,024,497	6,045,441	5,725,798	(319,643)
Rentals	142,866	143,364	135,650	(7,714)
Charges for Services	108,762	108,763	158,407	49,644
Revenue in Lieu of Taxes	725,297	727,824	688,663	(39,161)
Contributions and Donations	847	847	1,234	387
Miscellaneous	1,133,585	1,137,448	1,082,873	(54,575)
<i>Total Revenues</i>	<u>352,000,844</u>	<u>353,226,198</u>	<u>334,262,990</u>	<u>(18,963,208)</u>
Expenditures				
Current:				
Instruction:				
Regular	149,900,938	152,728,545	145,547,864	7,180,681
Special	49,551,085	49,551,406	54,658,158	(5,106,752)
Vocational	11,207,990	11,203,349	11,557,945	(354,596)
Adult	167,240	167,240	202,047	(34,807)
Other	2,353,307	2,340,114	2,485,719	(145,605)
Support Services:				
Pupils	20,903,044	20,906,408	21,270,910	(364,502)
Instructional Staff	10,797,455	10,486,563	10,743,536	(256,973)
Board of Education	152,550	192,550	223,258	(30,708)
Administration	22,847,070	23,063,640	22,702,763	360,877
Fiscal	4,484,429	2,338,014	4,561,665	(2,223,651)
Business	3,387,005	3,654,468	2,845,694	808,774
Operation and Maintenance of Plant	32,099,659	32,182,685	31,664,836	517,849
Pupil Transportation	13,874,997	14,080,031	13,014,469	1,065,562
Central	7,789,277	7,684,930	7,181,266	503,664
Operations of Non-Instructional Services	10,664	15,324	10,500	4,824
Extracurricular Activities	2,600,257	2,621,795	2,909,827	(288,032)
Capital Outlay	2,459,975	2,469,922	2,055,288	414,634
<i>Total Expenditures</i>	<u>334,586,942</u>	<u>335,686,984</u>	<u>333,635,745</u>	<u>2,051,239</u>
<i>Excess (Deficiency) of Revenues Over (Under) Expenditures</i>	<u>17,413,902</u>	<u>17,539,214</u>	<u>627,245</u>	<u>(16,911,969)</u>
Other Financing Sources (Uses)				
Transfers In	35,000	35,000	13,148	(21,852)
Transfers Out	(500,000)	(300,080)	(776,274)	(476,194)
<i>Total Other Financing Sources (Uses)</i>	<u>(465,000)</u>	<u>(265,080)</u>	<u>(763,126)</u>	<u>(498,046)</u>
<i>Net Change in Fund Balance</i>	16,948,902	17,274,134	(135,881)	(17,410,015)
<i>Fund Balance at Beginning of Fiscal Year</i>	47,242,773	47,242,773	47,242,773	0
Prior Fiscal Year Encumbrances Appropriated	842,063	842,063	842,063	0
<i>Fund Balance at End of Fiscal Year</i>	<u>\$65,033,738</u>	<u>\$65,358,970</u>	<u>\$47,948,955</u>	<u>(\$17,410,015)</u>

See accompanying notes to the basic financial statements

Akron City School District
Statement of Net Position
Proprietary Fund
June 30, 2017

	Internal Service Funds
Assets	
Equity in Pooled Cash and Cash	
Equivalents	\$18,671,321
Accounts Receivable	6,630
Intergovernmental Receivable	434,285
Prepaid Items	239,377
Materials and Supplies Inventory	428,899
<i>Total Assets</i>	<i>19,780,512</i>
Liabilities	
Accounts Payable	9,717
Premium Payable	93,847
Claims Payable	5,623,259
Total Liabilities	5,726,823
Net Position	
Unrestricted	\$14,053,689

See accompanying notes to the basic financial statements

Akron City School District
*Statement of Revenues,
Expenses and Changes in Net Position
Proprietary Fund
For the Fiscal Year Ended June 30, 2017*

	Internal Service Funds
Operating Revenues	
Charges for Services	\$53,507,605
Operating Expenses	
Purchased Services	3,175,949
Materials and Supplies	749,296
Claims	44,417,555
Total Operating Expenses	48,342,800
<i>Operating Income</i>	5,164,805
Transfers In	200,000
<i>Change in Net Position</i>	5,364,805
<i>Net Position at Beginning of Fiscal Year</i>	8,688,884
<i>Net Position at End of Fiscal Year</i>	\$14,053,689

See accompanying notes to the basic financial statements

Akron City School District
Statement of Cash Flows
Proprietary Fund
For the Fiscal Year Ended June 30, 2017

	Internal Service Funds
<i>Increase (Decrease) in Cash and Cash Equivalents</i>	
Cash Flows from Operating Activities	
Cash Received for Interfund Services	\$53,068,979
Cash Payments for Other Expenses	(3,593,085)
Cash Payments for Goods and Services	(752,791)
Cash Payments for Claims	(44,121,544)
	4,601,559
Cash Flows from Noncapital Financing Activities	
Transfer In	200,000
	4,801,559
<i>Net Increase in Cash and Cash Equivalents</i>	4,801,559
Cash and Cash Equivalents at Beginning of Fiscal Year	13,869,762
Cash and Cash Equivalents at End of Fiscal Year	\$18,671,321
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
<i>Operating Income</i>	\$5,164,805
Adjustments:	
<i>(Increase) Decrease in Assets:</i>	
Accounts Receivable	(4,341)
Intergovernmental Receivable	(434,285)
Prepaid Items	(239,377)
Materials and Supplies Inventory	(3,495)
<i>Increase (Decrease) in Liabilities:</i>	
Accounts Payable	7,557
Premium Payable	(185,316)
Claims Payable	296,011
	(563,246)
<i>Total Adjustments</i>	(563,246)
<i>Net Cash Provided by Operating Activities</i>	\$4,601,559

See accompanying notes to the basic financial statements

Akron City School District
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2017

	Private Purpose Trust	
	Scholarship	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	\$60,298	\$653,598
Cash and Cash Equivalents in Segregated Accounts	150,221	0
Investments in Segregated Accounts	97,388	0
Accrued Interest Receivable	45	0
<i>Total Assets</i>	<u>307,952</u>	<u>\$653,598</u>
Liabilities		
Undistributed Monies	\$0	\$491,050
Due to Students	0	162,548
<i>Total Liabilities</i>	<u>0</u>	<u>\$653,598</u>
Net Position		
Held in Trust for Scholarships	<u>\$307,952</u>	

See accompanying notes to the basic financial statements

Akron City School District
Statement of Changes in Fiduciary Net Position
Private Purpose Trust Fund
For the Fiscal Year Ended June 30, 2017

	Scholarship
Additions	
Interest	\$692
Deductions	
Scholarships Awarded	2,000
<i>Change in Net Position</i>	(1,308)
<i>Net Position at Beginning of Fiscal Year</i>	309,260
<i>Net Position at End of Fiscal Year</i>	\$307,952

See accompanying notes to the basic financial statements

Akron City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Note 1 – Description of the School District and Reporting Entity

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

The School District was established in 1847 through the consolidation of existing land areas and school districts. The School District serves an area of approximately 54.4 square miles and is located in Summit County, and is within the City of Akron. The School District is the sixth largest in the State of Ohio (among 980 public school districts and community schools) in terms of enrollment. It is staffed by 720 full-time classified employees, 1,844 full-time certificated personnel, 188 administrative employees, and 1,700 part-time employees who provide services to 20,561 students and other community members. The School District currently operates 47 instructional buildings, nine vacant buildings, four administrative buildings and one garage.

Reporting Entity

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

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

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

Akron City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Note 2 – Summary of Significant Accounting Policies

The basic financial statements of the Akron City School District have been prepared in conformity with generally accepted accounting principles (“GAAP”) as applied to governmental units. The Governmental Accounting Standards Board (“GASB”) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the School District's accounting policies are described below.

A. Basis of Presentation

The School District's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities and fund financial statements which provide a more detailed level of financial information.

Government-wide Financial Statements The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service funds is eliminated to avoid “doubling up” revenues and expenses.

The statement of net position presents the financial condition of the governmental activities of the School District at fiscal year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department, and therefore, are clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental activity is self-financing or draws from the general revenues of the School District.

Fund Financial Statements During the fiscal year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The internal service funds are presented in a single column on the face of the proprietary fund statements. Fiduciary funds are reported by type.

B. Fund Accounting

The School District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the School District are divided into three categories: governmental, proprietary and fiduciary.

Akron City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

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

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

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

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

The other governmental funds of the School District account for grants and other resources whose use is restricted to a particular purpose.

Proprietary Fund Type Proprietary funds focus on the determination of operating income, changes in net position, financial position and cash flows and are classified as either enterprise or internal service. The School District only has internal service funds.

Internal Service Funds The internal service funds account for the financing of services provided by one department or agency to other departments or agencies of the School District on a cost-reimbursement basis. The School District's internal service funds account for the operation of the School District's central warehouse that provides goods to other departments and schools in the School District, the operation of the School District's self-insurance program for employee health benefits, a reserve established to pay for liability insurance claims over the School District's self-insured retention, and the operation of the School District's Workers' Compensation Retrospective Rating Plan.

Fiduciary Fund Types Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. The School District has a private purpose trust fund to account for scholarships for further education after graduation. Agency funds are purely custodial in nature (assets equal liabilities) and are used to hold resources for individuals, organizations or other governments. Agency funds do not involve measurement of results of operations. The School District's agency funds account for student-managed activities, payroll liabilities and deductions, Ohio High School Athletic Association events, a set aside for tax increment financing payments, and the Adult School of Practical Nursing's Federal Pell grant and Federal Family Education Loan program.

Akron City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

C. Measurement Focus

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

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

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

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

D. Basis of Accounting

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

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

Akron City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

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

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

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

Deferred Outflows/Inflows of Resources In addition to assets, the statements of financial position and/or the balance sheet will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School District, deferred outflows of resources include the deferred expense of payments to the City of Akron (the “City”) for the construction and renovation of school buildings and pension. In accordance with an agreement between the School District and the City, the City issued securities to assist in the School District’s funding of its share of basic project costs and any locally funded initiatives for rebuilding and renovating the School District’s school buildings into community learning centers. The securities were issued with a maturity life of 30 years. While the securities are outstanding, the School District will contribute \$3,000,000 each year from the permanent improvement capital projects fund to the City for the purpose of paying debt charges on those securities and other project costs. Payments due to the City for periods beyond June 30, 2017 are recorded as deferred outflows of resources with a corresponding intergovernmental payable on both the government-wide statement of net position and the governmental fund financial statements. Deferred outflows of resources related to pension are reported on the government-wide statement of net position (See Note 11).

Akron City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

In addition to liabilities, the statements of financial position and/or the balance sheet will sometimes report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the School District, deferred inflows of resources include property taxes, pension and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2017, but which were levied to finance fiscal year 2018 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet and represents receivables which will not be collected within the available period. For the School District, unavailable revenue includes delinquent property taxes, intergovernmental grants, charges for services, tuition and fees, rentals and miscellaneous revenues. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. Deferred inflows of resources related to pension are reported on the government-wide statement of net position (See Note 11).

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

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

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

E. Budgetary Data

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

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

Akron City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

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

F. Cash, Cash Equivalents and Investments

To improve cash management, all cash received by the School District is pooled. Monies for all funds, including the internal service funds, are maintained in this pool. Individual fund integrity is maintained through School District records. Interest in the pool is presented as "equity in pooled cash and cash equivalents" on the basic financial statements. The general fund provides advances to cover deficit cash balances at the end of the fiscal year. At the end of fiscal year 2017, the general fund advanced monies to several special revenue funds to cover negative cash balances. See Note 15 for additional information.

The School District has segregated bank accounts and investments for monies held separate from the School District's central bank account. These depository accounts and investments are presented on the statement of net position and the balance sheet as "cash and cash equivalents in segregated accounts" and "investments in segregated accounts" since they are not required to be deposited into the School District's treasury.

During fiscal year 2017, the School District's investments were limited to overnight repurchase agreements, commercial paper, the State Treasury Asset Reserve of Ohio ("STAR Ohio"), Federal Home Loan Bank Notes, Federal Home Loan Mortgage Corporation Notes, Federal National Mortgage Association Notes, Federal Farm Credit Bank Notes, a First American Treasury Money Market Fund, and certificates of deposit. Except for investment contracts and money market investments that had a remaining maturity of one year or less at the time of purchase, investments are reported at fair value which is based on quoted market prices. Investment contracts and money market investments that had a remaining maturity of one year or less at the time of purchase are reported at cost or amortized cost.

Following Ohio statutes, the Board of Education has, by resolution, identified the funds to receive an allocation of interest. Interest revenue credited to the general fund during fiscal year 2017 amounted to \$158,258, which includes \$16,675 assigned from other School District funds.

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are presented on the basic financial statements as cash equivalents. Investments with an initial maturity of more than three months that are not purchased from the pool are presented on the basic financial statements as investments.

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2017 are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the fiscal year in which the services are consumed.

Akron City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

H. Inventory

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

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

I. Capital Assets

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

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

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

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

J. Interfund Balances

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

K. Compensated Absences

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

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

Akron City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

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

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

L. Accrued Liabilities and Long-Term Obligations

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

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

M. Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net investment in capital assets, consists of capital assets, net of accumulated depreciation. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws and regulations of other governments. Net position restricted for other purposes include special trust for scholarships, other local grants, State and Federal programs, uniform school supplies and adult school of practical nursing.

The School District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

N. Fund Balances

In accordance with GASB Statement No, 54, “*Fund Balance Reporting and Governmental Fund Type Definitions*”, the School District classifies its fund balances based on the purpose for which the resources were received and the level of constraint placed on the resources. The following categories can be used:

Nonspendable Resources that are not in spendable form (inventories, prepaid amounts and unclaimed funds) or have legal or contractual requirements to maintain the balance intact.

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

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

Akron City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

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

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

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

O. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the School District, these revenues are charges for services for self-insurance, workers' compensation and central supplies programs. Operating expenses are necessary costs incurred to provide the goods or services that are the primary activity of the funds. All revenues and expenses not meeting these definitions are reported as non-operating.

P. Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayment from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the basic financial statements.

Q. Estimates

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

Akron City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Note 3 – Accountability

The following funds had deficit unassigned fund balances on a GAAP basis at June 30, 2017:

Fund	Amount
Nonmajor Special Revenue Funds	
Auxiliary Services	\$53,242
Public School Preschool	68,363
High Schools That Work	265
Alternative Schools	22,101
Miscellaneous State Grants	12,509
Title VI-B - Special Education	366,531
Vocational Education	86,441
Title I School Improvement	125,859
Title III - Limited English Proficiency	13,878
Title I	840,285
Preschool Handicapped	397
Title II-A - Improving Teacher Quality	140,720
Miscellaneous Federal Grants	9,262

The unassigned fund deficits resulted from requesting cash from the grantors after monies are expended for reimbursable grants. The general fund is liable for any deficit in the funds and provides transfers when cash is required, not when accruals occur.

Note 4 - Budgetary Basis of Accounting

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

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

Akron City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

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

	<u>Net Change In Fund Balance</u>
GAAP Basis	(\$8,882,270)
Net Adjustment for Revenue Accruals	11,027,921
Net Adjustment for Expenditure Accruals	914,560
Funds Budgeted Elsewhere **	(1,747,165)
Adjustment for Encumbrances	<u>(1,448,927)</u>
Budget Basis	<u>(\$135,881)</u>

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

Note 5 - Deposits and Investments

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

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

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

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

Interim monies may be invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

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

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

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

Deposits Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end, the carrying amount of the School District's deposits was \$4,394,007 and the bank balance was \$8,795,288. Of the bank balance, \$777,684 was covered by Federal Deposit Insurance Corporation, and \$8,017,604 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the School District's name.

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

Investments As of June 30, 2017, the School District had the following investments:

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	Carrying Value	Maturities In Years		% to
		Less than 1	1-5	Total
Overnight Repurchase Agreements	\$30,060,491	\$30,060,491	\$0	20.11%
Federal Home Loan Bank Notes	8,000,322	4,455,066	3,545,256	5.35
Federal Home Loan Mortgage Corporation Notes	12,722,989	0	12,722,989	8.51
Federal Farm Credit Bank Notes	4,601,872	1,198,398	3,403,474	3.08
Federal National Mortgage Association Notes	13,293,206	3,298,864	9,994,342	8.89
Federal Home Loan Bank Discount Notes	1,983,502	1,983,502	0	1.33
Federal Farm Credit Bank Discount Notes	919,219	919,219	0	0.62
Commercial Paper	67,679,017	67,679,017	0	45.29
STAR Ohio	10,027,716	10,027,716	0	6.71
First American Treasury Money Market Fund	166,673	166,673	0	0.11
Total Investments	\$149,455,007	\$119,788,946	\$29,666,061	100.00%

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

The overnight repurchase agreements, Federal Home Loan Bank Notes, Federal Home Loan Mortgage Corporation Notes, Federal National Mortgage Association Notes, and Federal Farm Credit Bank Notes carry a rating of AA+ by Standard and Poor's and Aaa by Moody's Investors Service. The Federal Home Loan Bank Discount Notes, Federal Farm Credit Bank Discount Notes and commercial paper with TD USA, Toyota Motor Credit and General Electric Capital Corporation with carry a rating of A-1+ by Standard and Poor's and P-1 by Moody's Investors Service. The commercial paper with JP Morgan, BNP Paribas, Bank of Montreal, Abbey National Treasury, Bank of Tokyo, Natixis NY and Canadian Imp Holdings carry a rating of A-1 by Standard and Poor's and P-1 by Moody's Investors Service. STAR Ohio carries a rating of AAAM by Standard and Poor's. The First American Treasury Money Market Fund carries a rating of AAAM by Standard and Poor's and Aaa-mf by Moody's Investors Service. The School District has no investment policy dealing with investment credit risk beyond the requirements in state statutes.

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

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

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Note 6 - Property Taxes

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenue received in calendar year 2017 represents collections of calendar year 2016 taxes. Real property taxes received in calendar year 2017 were levied after April 1, 2016, on the assessed value listed as of January 1, 2016, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable semi-annually with payments due in February and July. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2017 represents collections of calendar year 2016 taxes. Public utility real and personal property taxes received in calendar year 2017, which became a lien December 31, 2015, were levied after April 1, 2016 and are collected in calendar year 2017 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility personal property currently is assessed at varying percentages of true value.

The School District receives property taxes from Summit County. The County Fiscal Officer periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2017, are available to finance fiscal year 2017 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property and public utility property taxes which are measurable as of June 30, 2017 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset to deferred inflows of resources – property taxes.

The amount available as an advance at June 30, 2017 was \$11,207,352 in the general fund and \$333,223 in the permanent improvement capital projects fund. The amount available as an advance at June 30, 2016, was \$21,633,695 in the general fund and \$633,732 in the permanent improvement capital projects fund.

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

The assessed values upon which the fiscal year 2017 taxes were collected are:

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	2016 Second Half Collections		2017 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$2,167,873,750	94.93%	\$2,181,215,200	94.37%
Public Utility Personal	115,775,600	5.07%	130,151,350	5.63%
Total	\$2,283,649,350	100.00%	\$2,311,366,550	100.00%
 Tax rate per \$1,000 of assessed valuation	 \$79.56		 \$79.56	

Note 7 – Receivables

Receivables at June 30, 2017 consisted of taxes, interest, interfund, accounts (student transportation fees, radio station charges for services, printing reimbursements, building rentals, Akron Education Association salaries/fringe benefits reimbursement, substitute teacher cost reimbursements, Adult School of Practical Nursing tuition, Early College High School tuition reimbursements, post-secondary tuition reimbursements, STEM Hub workshop registration fees, food service rebate, health/life insurance fees, juvenile detention center tuition, royalties, transcript fees, technology service reimbursements, tax abatement, refunds, deposit slip reimbursements, maintenance labor costs, vending machine sales and local grants), and intergovernmental (motor vehicle fuel tax reimbursement, JROTC, restitution, student transportation fees, juvenile detention center tuition, excess costs tuition reimbursements, STEM Hub workshop registration fees, building rentals, printing reimbursements, senior dues, Ohio Bureau of Workers' Compensation premium rebate and grants). All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. All receivables are expected to be collected within one fiscal year except for taxes and classroom facilities.

A summary of the items of intergovernmental receivables follows:

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Governmental Activities	Amounts
Motor Vehicle Tax Fuel Reimbursement	\$10,799
Lead Removal Grant	31,807
JROTC	8,182
Juvenile Detention Center Tuition	17,471
Excess Costs Tuition	94,536
Senior Dues	137
Student Transportation Fees	38,058
Printing Reimbursements	645
Restitution	29
Building Rentals	6,131
STEM Hub Workshop Registration Fees	18,175
Other Local Grants	367,178
Public School Preschool	442,206
Alternative Schools	43,194
Miscellaneous State Grants	61,529
Title VI-B - Special Education	993,398
Vocational Education	147,315
Title I School Improvement	278,715
Title III - Limited English Proficiency	34,782
Title I	1,699,776
Pre-School Handicapped	21,616
Title II-A - Improving Teacher Quality	394,144
Miscellaneous Federal Grants	51,985
Food Service	28,428
Classroom Facilities	59,995,121
Workers' Compensation Rebate	434,285
Total Intergovernmental Receivables	<u>\$65,219,642</u>

Note 8 - Contingencies

A. Grants

The School District received financial assistance from federal and State agencies in the form of grants. The disbursements of funds received under these programs generally require compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, the effect of any disallowed claims on the overall financial position of the School District at June 30, 2017, if applicable, cannot be determined at this time.

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B. Foundation Funding

School District foundation funding is based on the annualized full-time equivalent (“FTE”) enrollment of each student. The Ohio Department of Education (“ODE”) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. ODE has finalized the impact of enrollment adjustments to the June 30, 2017 Foundation funding for the School District. These adjustments were insignificant for the School District for fiscal year 2017.

C. Litigation

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

Note 9 – Capital Assets

Capital asset activity for the fiscal year ended June 30, 2017, was as follows:

	Balance 6/30/2016	Additions	Deletions	Balance 6/30/2017
Governmental Activities				
<i>Capital Assets, not being depreciated:</i>				
Land	\$6,350,539	\$7,246	(\$37,697)	\$6,320,088
Construction In Progress	44,429,336	8,563,658	(37,145,438)	15,847,556
<i>Total Capital Assets, not being depreciated</i>	<u>50,779,875</u>	<u>8,570,904</u>	<u>(37,183,135)</u>	<u>22,167,644</u>
<i>Capital Assets, being depreciated:</i>				
Land Improvements	102,896	0	0	102,896
Buildings and Improvements	269,967,539	43,958,859	0	313,926,398
Furniture and Equipment	47,565,753	1,602,499	(381,639)	48,786,613
Vehicles	9,301,712	1,434,070	(36,569)	10,699,213
<i>Total Capital Assets, being depreciated</i>	<u>326,937,900</u>	<u>46,995,428</u>	<u>(418,208)</u>	<u>373,515,120</u>
Less Accumulated Depreciation:				
Land Improvements	(67,314)	(5,145)	0	(72,459)
Buildings and Improvements	(53,450,031)	(3,857,124)	0	(57,307,155)
Furniture and Equipment	(32,628,891)	(2,541,764)	262,239	(34,908,416)
Vehicles	(5,785,310)	(498,310)	36,569	(6,247,051)
Total Accumulated Depreciation	<u>(91,931,546)</u>	<u>(6,902,343)</u> *	<u>298,808</u>	<u>(98,535,081)</u>
Total Capital Assets, being depreciated, net	<u>235,006,354</u>	<u>40,093,085</u>	<u>(119,400)</u>	<u>274,980,039</u>
Governmental Activities Capital Assets, Net	<u>\$285,786,229</u>	<u>\$48,663,989</u>	<u>(\$37,302,535)</u>	<u>\$297,147,683</u>

* Depreciation expense was charged to governmental functions as follows:

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Instruction:	
Regular	\$1,013,735
Special	64,357
Vocational	176,172
Adult/Continuing	1,253
Other	18,504
Support Services:	
Pupil	23,629
Instructional Staff	668,748
Board of Education	1,710
Administration	11,581
Fiscal	16,437
Business	363,024
Operation and Maintenance of Plant	3,883,385
Pupil Transportation	373,217
Central	88,583
Operation of Non-Instructional Services	2,667
Extracurricular Activities	12,986
Food Service Operations	<u>182,355</u>
Total Depreciation Expense	<u><u>\$6,902,343</u></u>

As of June 30, 2017, the District's capital assets included six vacant buildings with no immediate usage plans that have a carrying value of \$2,138,429.

Note 10 - Risk Management

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2017, the School District contracted for property, inland marine, crime, general liability, excess liability, educators legal liability, employment practices liability and automobile coverage. Coverage provided is as follows:

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Type of Coverage	Coverage Amount
Commercial Property (\$50,000 deductible)	
Building and Contents	\$733,079,924
Earthquake	5,000,000
Flood	5,000,000
Commercial Inland Marine (\$5,000 deductible)	2,750,000
Commercial Crime (\$5,000 deductible)	300,000
Commercial General Liability (\$25,000 deductible)	
General Aggregate Limit	3,000,000
Each Occurrence Limit	1,000,000
Employers Liability	1,000,000
Commercial Excess Liability (No deductible)	
General Aggregate Limit	2,000,000
Each Occurrence Limit	2,000,000
Educators Legal Liability (\$25,000 deductible)	
Annual Aggregate	2,000,000
Each Wrongful Act	1,000,000
Employment Practices Liability (\$25,000 deductible)	
Annual Aggregate	3,000,000
Each Wrongful Act	1,000,000
Automobile (\$25,000 deductible)	
Liability	1,000,000
Uninsured/Underinsured Motorists	1,000,000

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

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

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

Fiscal Year	Beginning Balance	Current Fiscal Year Premium/ Claims	Premium/ Claims Payments	Ending Balance
2016	\$1,258,052	1,213,092	1,019,433	\$1,451,711
2017	1,451,711	236,123	483,428	1,204,406

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Medical/surgical insurance is offered to employees on a self-insured basis. The School District has various third-party administrators for the self-insurance activity. The claims liability of \$4,512,700 reported in the self-insurance internal service fund at June 30, 2017 is based on an estimate provided by the third party administrator and the requirements of GASB Statement No. 30, which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. Changes in the fund's claims liability amount follow for the last two fiscal years:

	Balance at Beginning of Fiscal Year	Current Fiscal Year Claims	Claims Payments	Balance at End of Fiscal Year
2016	\$4,086,500	41,267,067	41,198,867	\$4,154,700
2017	4,154,700	44,479,544	44,121,544	4,512,700

Note 11 – Defined Benefit Pension Plans

A. Net Pension Liability

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

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

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

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

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

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

Plan Description School District non-teaching employees participate in SERS, a cost-sharing, multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability, and survivor benefits; annual cost-of-living adjustments; and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly-available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS’ fiduciary net position. That report may be obtained by visiting the SERS website at www.ohsers.org, under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

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

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

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

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

Funding Policy Plan members are required to contribute 10 percent of their annual covered salary, and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System’s funds (Pension Trust Fund, Death Benefit Fund, Medicare Part B Fund and Health Care Fund). For the fiscal year ended June 30, 2017, the entire 14 percent was allocated to pension, death benefits, and Medicare Part B and no portion of the employer contribution rate was allocated to the Health Care Fund.

The School District's contractually-required contribution to SERS was \$5,924,717 for fiscal year 2017. None of this amount is reported as intergovernmental payable.

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

Plan Description School District licensed teachers and other faculty members participate in STRS, a cost-sharing, multiple-employer defined benefit pension plan administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. Authority to establish and amend benefits is provided by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly-available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS’ fiduciary net position. That report may be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling toll free (888) 227-7877, or by visiting the STRS website at www.strsoh.org.

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

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, member contributions are allocated among investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

A DB or Combined Plan member with five or more years credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member’s designated beneficiary is entitled to receive the member’s account balance.

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Funding Policy For the fiscal year ended June 30, 2017, plan members were required to contribute 14 percent of their annual covered salary. The School District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2017 contribution rates were equal to the statutory maximum rates.

The School District's contractually-required contribution to STRS was \$20,204,944 for fiscal year 2017. Of this amount, \$3,186,469 is reported as intergovernmental payable.

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

The net pension liability was measured as of June 30, 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is the information related to the proportionate share and pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the net pension liability prior measurement date	1.32221040%	1.31703707%	
Proportion of the net pension liability current measurement date	<u>1.34492600%</u>	<u>1.32460873%</u>	
Change in proportionate share	<u>0.02271560%</u>	<u>0.00757166%</u>	
Proportionate share of the net pension liability	\$98,436,174	\$443,386,470	\$541,822,644
Pension expense	\$10,125,346	\$38,224,095	\$48,349,441

At June 30, 2017, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	\$1,327,677	\$17,914,944	\$19,242,621
Net difference between projected and actual earnings on pension plan investments	8,119,554	36,812,991	44,932,545
Changes of assumptions	6,571,154	0	6,571,154
Difference between School District contributions and proportionate share of contributions/change in proportionate share	713,451	8,660,017	9,373,468
School District contributions subsequent to the measurement date	<u>5,924,717</u>	<u>20,204,944</u>	<u>26,129,661</u>
Total Deferred Outflows of Resources	<u><u>\$22,656,553</u></u>	<u><u>\$83,592,896</u></u>	<u><u>\$106,249,449</u></u>
Deferred Inflows of Resources			
Difference between School District contributions and proportionate share of contributions/change in proportionate share	<u>\$510,635</u>	<u>\$0</u>	<u>\$510,635</u>
Total Deferred Inflows of Resources	<u><u>\$510,635</u></u>	<u><u>\$0</u></u>	<u><u>\$510,635</u></u>

\$26,129,661 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2018	\$4,030,944	\$11,434,415	\$15,465,359
2019	\$4,025,094	\$11,434,417	15,459,511
2020	\$5,831,123	\$25,560,593	31,391,716
2021	<u>2,334,040</u>	<u>14,958,527</u>	<u>17,292,567</u>
Total	<u><u>\$16,221,201</u></u>	<u><u>\$63,387,952</u></u>	<u><u>\$79,609,153</u></u>

E. Actuarial Assumptions – SERS

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

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2016, are presented below:

Wage Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal (level percent of payroll)

For post-retirement mortality, the table used in evaluating allowances to be paid is the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, with 120 percent of male rates and 110 percent of females rates used. The RP-2000 Disabled Mortality Table with 90 percent for male rates and 100 percent for female rates set back five years is used for the period after disability retirement. Special mortality tables are used for the period after disability retirement.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an experience study that was completed June 30, 2015. As a result of the actuarial experience study, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the assumed rate of inflation was reduced from 3.25 percent to 3.00 percent, (b) payroll growth assumption was reduced from 4.00 percent to 3.50 percent, (c) assumed real wage growth was reduced from 0.75 percent to 0.50 percent, (d) rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality among active members was updated to the RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age set-back for both males and females, (f) mortality among service retired members and beneficiaries was updated to the following RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120 percent of male rates and 110 percent of female rates and (g) mortality among disabled members was updated to the RP-2000 Disabled Mortality Table, 90 percent for male rates and 100 percent for female rates, set back five years is used for the period after disability retirement.

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

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The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	1.00%	0.50%
US Equity	22.50%	4.75%
International Equity	22.50%	7.00%
Fixed Income	19.00%	1.50%
Private Equity	10.00%	8.00%
Real Assets	15.00%	5.00%
Multi-Asset Strategies	10.00%	3.00%
Total	100.00%	

Discount Rate The total pension liability was calculated using the discount rate of 7.50 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.50 percent). Based on these assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability. A discount rate of 7.75 percent was used in the prior measurement period.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.50 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50 percent), or one percentage point higher (8.50 percent) than the current rate:

	1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
School District's proportionate share of the net pension liability	\$130,323,359	\$98,436,174	\$71,745,273

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F. Actuarial Assumptions – STRS

The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

Actuarial assumptions used in the June 30, 2016 valuation are based on the results of an actuarial experience study, effective July 1, 2012.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return *</u>
Domestic Equity	31.00%	8.00%
International Equity	26.00%	7.85%
Alternatives	14.00%	8.00%
Fixed Income	18.00%	3.75%
Real Estate	10.00%	6.75%
Liquidity Reserves	1.00%	3.00%
Total	<u>100.00%</u>	<u>7.61%</u>

* 10-Year annualized geometric nominal returns, which include the real rate of return and inflation of 2.50 percent and does not include investment expenses. The total fund long-term expected return reflects diversification among the asset classes and therefore is not a weighted average return of the individual asset classes.

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Discount Rate The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2016. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2016. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2016.

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

	1% Decrease 6.75%	Current Discount Rate 7.75%	1% Increase 8.75%
School District's proportionate share of the net pension liability	\$589,224,590	\$443,386,470	\$320,363,419

Changes Between Measurement Date and Report Date In March, 2017, the STRS Board adopted certain assumption changes which will impact their annual actuarial valuation prepared as of June 30, 2017. The most significant change is a reduction in the discount rate from 7.75 percent to 7.45 percent. In April, 2017, the STRS Board voted to suspend cost of living adjustments granted on or after July 1, 2017. Although the exact amount of these changes is unknown, the overall decrease to School District's net pension liability is expected to be significant.

G. Social Security System

Effective July 1, 1991, all employees not otherwise covered by SERS or STRS have an option to choose Social Security or SERS. As of June 30, 2017, none of the members of the Board of Education have elected Social Security.

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Note 12 – Postemployment Benefits

A. School Employees Retirement System (“SERS”)

Health Care Plan Description The School District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer defined benefit other postemployment benefit plan. The Health Care Plan includes hospitalization and physicians’ fees through several types of plans including HMO’s, PPO’s, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS’ website at www.ohsers.org under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS’ Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS’ participation in Medicare programs. Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, number of qualified years of service, Medicare eligibility and retirement status.

Funding Policy State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2017, none of the employer contribution was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially-determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2017, this amount was \$23,500. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer’s SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2017, the School District’s surcharge obligation was \$706,756.

The School District’s contributions for health care for the fiscal years ended June 30, 2017, 2016, and 2015 were \$706,756, \$683,293, and \$692,760, respectively. The fiscal year 2017 amount has been reported as intergovernmental payable. The full amount has been contributed for fiscal years 2016 and 2015.

B. State Teachers Retirement System of Ohio (“STRS”)

Plan Description The School District participates in the cost-sharing, multiple-employer defined benefit Health Plan administered by STRS for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians’ fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

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Funding Policy Ohio law authorizes STRS to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for postemployment health care may be deducted from employer contributions. For 2017, STRS did not allocate any employer contributions to the Health Care Stabilization Fund. The School District did not make any contributions for health care for the fiscal years ended June 30, 2017, 2016 and 2015.

Note 13 - Other Employee Benefits

A. Compensated Absences

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

B. Insurance Benefits

The School District provides life insurance and accidental death and dismemberment insurance to most employees through The Hartford.

Note 14 - Long-Term Obligations

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

<u>Governmental Activities:</u>	Outstanding 6/30/2016	Additions	Reductions	Outstanding 6/30/2017	Amount Due in One Year
Net Pension Liability:					
STRS	\$363,990,523	\$79,395,947	\$0	\$443,386,470	\$0
SERS	75,446,607	22,989,567	0	98,436,174	0
Total Pension Liability	<u>439,437,130</u>	<u>102,385,514</u>	<u>0</u>	<u>541,822,644</u>	<u>0</u>
Compensated Absences	30,620,683	2,446,663	(2,215,925)	30,851,421	1,747,318
Total Long-Term Obligations	<u>\$470,057,813</u>	<u>\$104,832,177</u>	<u>(\$2,215,925)</u>	<u>\$572,674,065</u>	<u>\$1,747,318</u>

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

Akron City School District
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Note 15 – Interfund Transfers and Balances

A. Transfers

Transfers are primarily from the general fund to various funds within the School District. Transfers from the general fund totaling \$215,000 were made to the district-managed activities special revenue fund in order to move unrestricted monies to support athletics. Also, a transfer from the general fund totaling \$200,000 was made to the self-insurance liability reserve internal service fund to replenish the School District's deductible share of this insurance.

The district managed activities special revenue fund transferred the unexpended balances of the following activities to the general fund due to the termination of the activities: Key Club at Kenmore High School amounting to \$357, Innovations at Innes Community Learning Center totaling \$321, Math at Innes Community Learning Center equaling \$47, Transportation on Two Wheels at Innes Community Learning Center amounting to \$1, Panda at Innes Community Learning Center totaling \$68, Why Attendance Matters at Innes Community Learning Center equaling \$36 and Girls on the Run at the National Inventors Hall of Fame School for Science, Technology, Engineering and Math Middle School amounting to \$500.

Transfers made during the fiscal year ended June 30, 2017 were as follows:

Transfers To	Transfers From		
	General Fund	Nonmajor Governmental Funds	Total
General Fund	\$0	\$1,330	\$1,330
Nonmajor Governmental Funds	215,000	0	215,000
Internal Service Funds	200,000	0	200,000
Total	\$415,000	\$1,330	\$416,330

B. Balances

The general fund advanced funds to various special revenue funds to cover negative cash balances at the end of fiscal year 2017 as follows:

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Advanced To	Nonmajor Funds
Public School Preschool	\$288,713
High Schools That Work	34
Alternative Schools	13,278
Miscellaneous State Grants	54,764
Title VI-B - Special Education	664,609
Vocational Education	55,768
Title I School Improvement	142,863
Title III - Limited English Proficiency	32,490
Title I	888,967
Preschool Handicapped	21,144
Title II-A - Improving Teacher Quality	232,242
Miscellaneous Federal Grants	53,066
Total	\$2,447,938

Note 16 – Set Asides

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

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

	Capital Improvements Reserve
Set-aside Reserve Balance as of June 30, 2016	\$0
Current Fiscal Year Set-aside Requirements	3,653,496
Qualifying Disbursements	(5,868,748)
Totals	(\$2,215,252)
Set-aside Balance Carried Forward to Future Fiscal Years	\$0

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

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Note 17 – Fund Balances

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

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

Fund Balances	General	Permanent Improvement Capital Projects	Classroom Facilities Capital Projects	Other Governmental Funds	Total
<u>Nonspendable:</u>					
Inventory	\$65,387	\$0	\$0	\$30,569	\$95,956
Prepaid Items	1,365	0	0	0	1,365
Unclaimed Funds	20,535	0	0	0	20,535
<i>Total Nonspendable</i>	<u>87,287</u>	<u>0</u>	<u>0</u>	<u>30,569</u>	<u>117,856</u>
<u>Restricted for:</u>					
Permanent Improvements	0	345,507	0	0	345,507
Scholarships	0	0	0	97,080	97,080
Unemployment Compensation	0	0	0	15,361	15,361
Employer Contributions to SERS	0	0	0	1,249	1,249
General Operations of WAPS-FM	0	0	0	612,766	612,766
Other Local Grants	0	0	0	700,778	700,778
District Managed Activities	0	0	0	302,661	302,661
Auxiliary Services	0	0	0	67,589	67,589
Public School Preschool Grant	0	0	0	24,331	24,331
Alternative Schools State Grant	0	0	0	9,500	9,500
Miscellaneous State Grants	0	0	0	135	135
Title VI-B Special Education Federal Grant	0	0	0	95,530	95,530
Vocational Education Federal Grant	0	0	0	329	329
Title III Limited English Proficiency Federal Grant	0	0	0	6,500	6,500
Title I Federal Grant	0	0	0	4,278	4,278
Title II-A Improving Teacher Quality Federal Grant	0	0	0	4,128	4,128
Inventory Held for Resale	0	0	0	298,920	298,920
Food Service	0	0	0	4,759,431	4,759,431
Debt Service	0	0	0	13,007	13,007
Classroom Facilities Construction	0	0	16,374,312	4,599,818	20,974,130
Classroom Facilities Maintenance	0	0	0	19,047,394	19,047,394
<i>Total Restricted</i>	<u>0</u>	<u>345,507</u>	<u>16,374,312</u>	<u>30,660,785</u>	<u>47,380,604</u>
<u>Committed to:</u>					
Underground Storage Tanks	11,000	0	0	0	11,000
Superintendent	30,298	0	0	0	30,298
Severance Payments	2,490,855	0	0	0	2,490,855
<i>Total Committed</i>	<u>2,532,153</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,532,153</u>
<u>Assigned to:</u>					
Encumbrances	769,823	0	0	0	769,823
Unemployment Compensation	124,405	0	0	0	124,405
Employer Contributions to SERS	7,304	0	0	0	7,304
Uniform School Supplies	15,137	0	0	0	15,137
Consumer Services from Vocational Education Classes	147,457	0	0	0	147,457
Adult School of Practical Nursing	358	0	0	0	358
Public School Support	14,035	0	0	0	14,035
Summer School	4,964	0	0	0	4,964
<i>Total Assigned</i>	<u>1,083,483</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,083,483</u>
Unassigned (Deficits)	<u>36,508,863</u>	<u>0</u>	<u>0</u>	<u>(1,739,835)</u>	<u>34,769,028</u>
Total Fund Balances	<u>\$40,211,786</u>	<u>\$345,507</u>	<u>\$16,374,312</u>	<u>\$28,951,519</u>	<u>\$85,883,124</u>

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

The School District's Treasurer authorized the assignment of fund balances to encumbrances, public school support, SERS employer contributions and unemployment compensation. The School District's Board of Education authorized the assignment of fund balances to uniform school supplies, summer school, consumer services from vocational education classes and the adult school of practical nursing. The School District's Board of Education has established policies to collect tuition and fees for uniform school supplies, the adult school of practical nursing and summer school.

Note 18 – Construction Commitments

The School District has active construction projects as of June 30, 2017. At fiscal year end, the School District's commitments with contractors are as follows:

Project	Spent-to-Date	Remaining Commitment
Case Community Learning Center Construction	\$6,161,658	\$7,512,259
Old Case Elementary School Demolition	366,253	10,492
Harris Community Learning Center Construction	7,552,056	875,026
Old Harris Elementary School Demolition	595,861	32,190
Hyre Community School Learning Center Construction	21,357,874	18,041
Ellet Community Learning Center Construction	8,793,532	39,990,655
Old Ellet High School Demolition	3,940	46,000
Firestone Community School Learning Center Construction	81,379,549	1,137,106
Old Firestone High School Demolition	1,378,684	66,893
Glover Community Learning Center Playground Fencing	0	15,314
Kenmore High School Interior Alteration	9,499	13,301
Miller South School of Performing Arts Paving Repair	8,047	96,556
Pfeiffer Elementary School Parking Lot Seal	0	34,886
Pfeiffer Elementary School Playground Fencing	0	15,790
Buchtel Community Learning Center Cosmetology Lab	20,347	11,453
Ellet High School Roof Remediation	0	194,901
Kenmore High School Roof Remediation	0	203,681
Kenmore High School Concrete Replacement	0	68,120
North High School Fire Door	0	40,233
	<u>\$127,627,300</u>	<u>\$50,382,897</u>

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The commitments involving the construction and demolition of school buildings are being financed entirely with Ohio Facilities Construction Commission monies and proceeds from a municipal income tax levied by the City. The Glover Community Learning Center Playground Fencing, the Kenmore High School Interior Alteration, the Miller South School of Performing Arts Paving Repair, the Pfeiffer Elementary School Parking Lot Seal, the Pfeiffer Elementary School Playground Fencing, the Buchtel Community Learning Center Cosmetology Lab, the Ellet High School Roof Remediation, the Kenmore High School Roof Remediation, the Kenmore High School Concrete Replacement and the North High School Fire Door projects are being financed mainly with property taxes, State monies and interest.

Note 19 – Ohio Facilities Construction Commission Project

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

The tax took effect January 1, 2004. As of June 30, 2017, the School District has received \$323,926,140 in local funds from the City by way of this tax to date. A liability, “due to City of Akron”, was recorded in the amount of \$34,461,859 as of June 30, 2017. The amount of this liability was determined by reducing the \$323,926,140 received as of June 30, 2017 by the amount of capital expenditures made by the School District using these local funds received from the City since the inception of this project. The School District has made a total of \$289,464,281 in capital expenditures using these local funds received from the City as of June 30, 2017. A liability was recorded for these monies because if the School District does not spend these local funds by the end of this project, these funds would have to be returned to the City in accordance with an agreement between the School District and the City.

The School District and the City share ownership of the new community learning centers equally. For completed community learning centers, the School District has recorded 50 percent of the capital expenditures as land capital assets in the amount of \$622,903 and as buildings capital assets in the amount of \$250,378,860 to date as of June 30, 2017. For community learning centers still under construction, the School District has recorded 50 percent of the capital expenditures as construction in progress capital assets. Construction in progress capital assets totaled \$15,847,556 as of June 30, 2017.

OFCC has determined that \$59,995,121 is owed to the School District as of June 30, 2017. This represents the amount that OFCC has appropriated but not remitted to the School District as of June 30, 2017 over the entire life of this project. As a result, that amount was recorded as an intergovernmental receivable as of June 30, 2017. On the accrual basis, the entire amount was recorded as revenue because all of the eligibility requirements were satisfied for this nonexchange transaction. On the modified accrual basis, the entire amount was reported as deferred inflows of resources – unavailable revenue because it was not expected to be available.

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
School District's Proportion of the Net Pension Liability	1.344926%	1.322210%	1.341774%	1.341774%
School District's Proportionate Share of the Net Pension Liability	\$98,436,174	\$75,446,607	\$67,906,419	\$79,790,994
School District's Covered-Employee Payroll	\$39,321,964	\$39,805,432	\$39,321,964	\$39,805,432
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	250.33%	189.54%	172.69%	200.45%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	62.98%	69.16%	71.70%	65.52%

(1) Information prior to fiscal year 2014 is not available

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
School District's Proportion of the Net Pension Liability	1.324609%	1.317037%	1.2751098%	1.2751098%
School District's Proportionate Share of the Net Pension Liability	\$443,386,470	\$363,990,523	\$310,150,834	\$369,449,645
School District's Covered-Employee Payroll	\$136,605,736	\$138,124,286	\$136,605,736	\$138,124,286
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	324.57%	263.52%	227.04%	267.48%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	66.80%	72.10%	74.70%	69.30%

(1) Information prior to fiscal year 2014 is not available

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$5,924,717	\$5,505,075	\$5,246,356	\$5,312,854
Contributions in Relation to the Contractually Required Contribution	<u>(5,924,717)</u>	<u>(5,505,075)</u>	<u>(5,246,356)</u>	<u>(5,312,854)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered-Employee Payroll	\$42,319,407	\$39,321,964	\$39,805,432	\$38,332,280
Contributions as a Percentage of Covered-Employee Payroll	14.00%	14.00%	13.18%	13.86%

2013	2012	2011	2010	2009	2008
\$5,219,738	\$5,370,667	\$5,207,483	\$5,472,577	\$4,017,674	\$3,913,913
<u>(5,219,738)</u>	<u>(5,370,667)</u>	<u>(5,207,483)</u>	<u>(5,472,577)</u>	<u>(4,017,674)</u>	<u>(3,913,913)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$37,714,870	\$39,930,610	\$41,427,868	\$40,417,851	\$40,830,020	\$39,856,548
13.84%	13.45%	12.57%	13.54%	9.84%	9.82%

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$20,204,944	\$19,124,803	\$19,337,400	\$17,132,208
Contributions in Relation to the Contractually Required Contribution	<u>(20,204,944)</u>	<u>(19,124,803)</u>	<u>(19,337,400)</u>	<u>(17,132,208)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered-Employee Payroll	\$144,321,029	\$136,605,736	\$138,124,286	\$131,786,215
Contributions as a Percentage of Covered-Employee Payroll	14.00%	14.00%	14.00%	13.00%

2013	2012	2011	2010	2009	2008
\$17,493,610	\$18,571,947	\$19,746,365	\$19,717,141	\$19,589,620	\$19,459,784
<u>(17,493,610)</u>	<u>(18,571,947)</u>	<u>(19,746,365)</u>	<u>(19,717,141)</u>	<u>(19,589,620)</u>	<u>(19,459,784)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$134,566,231	\$142,861,131	\$151,895,115	\$151,670,315	\$150,689,385	\$149,690,646
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

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**AKRON CITY SCHOOL DISTRICT
SUMMIT COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2017**

FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title	Federal CFDA Number	Pass Through Entity Identifying Number	Total Federal Receipts	Total Federal Expenditures
U.S. DEPARTMENT OF EDUCATION				
<i>Direct</i>				
Impact Aid - Maintenance/Operations	84.041	45-OH-96-1807	\$ 76,537	\$ 76,537
Student Financial Assistance Cluster:				
Federal Pell Grant Program	84.063	EP063P54977	115,241	115,241
Federal Family Education Loan (Stafford)	84.268	N/A	<u>278,953</u>	<u>278,953</u>
Total Student Financial Assistance Cluster			394,194	394,194
U.S. DEPARTMENT OF EDUCATION				
<i>Passed Through Ohio Department of Education</i>				
Special Education Cluster:				
Special Education - Grants to State	84.027	043489-3M20-2017	4,653,037	5,314,811
Special Education - Grants to State	84.027	043489-3M20-2016	<u>1,102,979</u>	<u>412,598</u>
Total Special Education-Grants to State			5,756,016	5,727,409
Special Education - Preschool Grants	84.173	043489-3C50-2017	133,523	154,739
Special Education - Preschool Grants	84.173	043489-3C50-2016	<u>9,543</u>	<u>-</u>
Total Special Education - Preschool Grants			<u>143,066</u>	<u>154,739</u>
Total Special Education Cluster			5,899,082	5,882,148
Career and Technical Education-Basic Grants to State	84.048	043489-3L90-2017	473,946	529,315
Career and Technical Education-Basic Grants to State	84.048	043489-3L90-2016	<u>176,348</u>	<u>41,502</u>
Total Career and Technical Education-Basic			650,294	570,817
Grants to State				
Title I -Grants to Local Educational Agencies	84.010	043489-3M00-2017	10,723,874	11,532,856
Title I -Grants to Local Educational Agencies	Delinquent	043489-3M00-2017	162,552	198,657
Title I -Grants to Local Educational Agencies	84.010	043489-3M00-2016	2,872,908	839,434
Title I -Grants to Local Educational Agencies	Delinquent	043489-3M00-2016	<u>231,639</u>	<u>108,707</u>
Total Title I -Grants to Local Education Agencies			13,990,973	12,679,654
School Improvement Title I	84.010	043489-3M00-2017	786,285	926,726
School Improvement Title I	84.010	043489-3M00-2016	<u>222,033</u>	<u>145,592</u>
Total School Improvement Title I			1,008,318	1,072,318
Education for Homeless Children and Youth	84.196	043489-3EJ0-2017	269,842	286,010
Education for Homeless Children and Youth	84.196	043489-3EJ0-2016	<u>63,179</u>	<u>18,150</u>
Total Education for Homeless Children and Youth			333,021	304,160

U.S. DEPARTMENT OF EDUCATION (Continued)
Passed Through Ohio Department of Education (Continued)

Twenty-First Century Community Learning	84.287	043489-3Y20-2017	450,741	500,000
Twenty-First Century Community Learning	84.287	043489-3Y20-2016	106,493	17,179
Total Twenty-First Century Community Learning			557,234	517,179
Title III LEP - English Language Acquisition	84.365	043489-3Y70-2017	252,410	284,959
Title III LEP - English Language Acquisition	84.365	043489-3Y70-2016	43,759	2,825
Total Title III LEP - English Language Acquisition			296,169	287,784
Supporting Effective Instruction State Grants	84.367	043489-3Y60-2017	1,817,542	2,045,332
Supporting Effective Instruction State Grants	84.367	043489-3Y60-2016	517,308	311,662
Total Supporting Effective Instruction State Grants			2,334,850	2,356,994
TOTAL U.S. DEPARTMENT OF EDUCATION			25,540,672	24,141,785
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Passed Through Ohio Department of Job and Family Services				
Refugee and Entrant Assistance-Discretionary Grants	93.576	G-1617-17-0068	19,706	19,706
Refugee and Entrant Assistance-Discretionary Grants	93.576	G-1415-17-0888	59,501	60,727
Total Refugee and Entrant Assistance-Discretionary Grants			79,207	80,433
Summer Youth Employment Program (TANF)	93.558	N/A	9,600	
Total Summer Youth Employment Program (TANF)			9,600	-
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			88,807	80,433
U.S. DEPARTMENT OF AGRICULTURE				
Passed Through Ohio Department of Education				
Non Cash Assistance (Food Distribution):				
National School Lunch Program/Commodities	10.555	N/A	619,013	657,975
School Breakfast Program/Commodities	10.555	N/A	53,672	91,476
Total Food Distribution			672,685	749,451
Child Nutrition Cluster:				
School Breakfast Program	10.553	043489-3L70-2017	2,772,472	2,667,107
School Lunch Program	10.555	043489-3L60-2017	8,201,738	7,890,039
Total Child Nutrition Cluster			10,974,210	10,557,146
Fresh Fruit & Vegetable Program - Crouse	10.582	043489-3GG0-2017	21,988	21,988
Fresh Fruit & Vegetable Program - Findley	10.582	043489-3GG0-2017	29,909	29,909
Fresh Fruit & Vegetable Program - Helen Arnold	10.582	043489-3GG0-2017	19,733	19,733
Fresh Fruit & Vegetable Program - Leggett	10.582	043489-3GG0-2017	21,536	21,536
Fresh Fruit & Vegetable Program - Pfeiffer	10.582	043489-3GG0-2017	13,848	13,848
Fresh Fruit & Vegetable Program - Schumacher	10.582	043489-3GG0-2017	27,387	27,387
Fresh Fruit & Vegetable Program - Seiberling	10.582	043489-3GG0-2017	26,322	26,322
Total Fresh Fruit & Vegetable Program			160,723	160,723
TOTAL U.S. DEPARTMENT OF AGRICULTURE			11,807,618	11,467,320

U.S. DEPARTMENT OF AGRICULTURE

Direct

Team Nutrition Grant	10.574	N/A	<u>-</u>	<u>1,500</u>
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U.S. DEPARTMENT OF DEFENSE

Direct

Air Force R.O.T.C. Grant	12.xxx	N/A	58,581	58,581
Army R.O.T.C. Grant	12.xxx	N/A	59,494	59,494
Marines R.O.T.C. Grant	12.xxx	N/A	54,673	54,673
Navy R.O.T.C. Grant	12.xxx	N/A	<u>50,394</u>	<u>50,394</u>

Total U.S. Department of Defense			223,142	223,142
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TOTAL FEDERAL ASSISTANCE			<u>\$37,660,239</u>	<u>\$ 35,914,180</u>
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The accompanying notes are an integral part of this schedule.

**AKRON CITY SCHOOL DISTRICT
SUMMIT COUNTY**

**NOTES TO FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
2 CFR 200.510(b)(6)
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE A – BASIS OF PRESENTATION

The accompanying Federal Awards Receipts and Expenditures Schedule (the Schedule) includes the federal award activity of Akron City School District (the District's) under programs of the federal government for the year ended June 30, 2017. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Receipts and expenditures reported on the Schedule are reported on the cash basis of accounting. Such receipts and expenditures are recognized following, as applicable, either the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE C - CHILD NUTRITION CLUSTER

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

NOTE D – FOOD DONATION PROGRAM

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

NOTE E - MATCHING REQUIREMENTS

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

NOTE F - TRANSFERS BETWEEN PROGRAM YEARS

Federal regulations require schools to obligate certain federal awards by June 30. However, with ODE's consent, schools can transfer unobligated amounts to the subsequent fiscal year's program. The District transferred the following amounts from 2017 to 2018 programs:

Improving Teacher Quality	84.367	\$ 44,820.87
Title III LEP	84.365	\$ 19,711.58
Special Education	84.027	\$ 346,161.56



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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Akron City School District, Summit County, (the District) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 2F, 2018.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive, flowing style.

Dave Yost
Auditor of State
Columbus, Ohio

March 2F, 2018



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

To the Board of Education:

Report on Compliance for each Major Federal Program

We have audited the Akron City School District's (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect each of the District's major federal programs for the year ended June 30, 2017. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal programs.

Management's Responsibility

The District's Management is responsible for complying with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the District's compliance for each of the District's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on each Major Federal Program

In our opinion, the Akron City School District (the District) complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2017.

Report on Internal Control Over Compliance

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

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

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

This report only describes the scope of our internal control over compliance tests and the results of this testing based on Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

March 2F, 2018

**AKRON CITY SCHOOL DISTRICT
SUMMIT COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2017**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under 2 CFR §200.516(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Special Education Cluster Special Education – Grants to States CFDA # 84.027 Special Education – Preschool Grants CFDA # 84.173 Supporting Effective Instruction CFDA # 84.367 Child Nutrition Cluster School Breakfast Program CFDA # 10.553 School Lunch Program CFDA # 10.555
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 1,077,425 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee under 2 CFR §200.520?	No

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

None.

3. FINDINGS FOR FEDERAL AWARDS

None

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AKRON CITY SCHOOL DISTRICT

SUMMIT COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 29, 2018**