



Dave Yost • Auditor of State



**AURORA CITY SCHOOL DISTRICT  
PORTAGE COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Statement of Net Assets .....	13
Statement of Activities .....	14
Balance Sheet - Governmental Funds.....	15
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities .....	16
Statement of Revenues, Expenditures and Changes In Fund Balances - Governmental Funds .....	17
Reconciliation of the Statement of Revenues, Expenditures and Changes In Fund Balances of Governmental Funds to the Statement of Activities .....	18
Statement of Revenues, Expenditures and Changes In Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis) General Fund .....	19
Statement of Fiduciary Net Assets – Fiduciary Funds .....	20
Statement of Changes in Fiduciary Net Assets – Private Purpose Trust Fund .....	21
Notes to the Basic Financial Statements .....	23
Federal Awards Expenditures Schedule.....	49
Notes to the Federal Awards Expenditures Schedule .....	50
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	51
Independent Accountants' Report on Compliance with Requirements Applicable to Each Major Federal Program and Internal Controls over Compliance in Accordance with OMB Circular A-133 .....	53
Schedule of Findings .....	55
Independent Accountants' Report on Applying Agreed-Upon Procedure .....	57

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Aurora City School District  
Portage County  
102 East Garfield Road  
Aurora, OH 44202

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Aurora City School District, Portage County, Ohio (the District), as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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 Aurora City School District, Portage County, Ohio, as of June 30, 2011, and the respective changes in financial position thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 2, during the year ended June 30, 2011, the District adopted the provisions of Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 26, 2012, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements taken as a whole. The federal awards expenditure schedule is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The federal awards expenditure schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



**Dave Yost**  
Auditor of State

January 26, 2012

**AURORA CITY SCHOOL DISTRICT  
MANAGEMENTS DISCUSSION AND ANALYSIS  
FOR THE FISCAL PERIOD ENDING JUNE 30, 2011  
UNAUDITED**

This discussion and analysis of Aurora City School District's (School District) financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2011. 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 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 2011 are as follows:

- Net assets of governmental activities increased \$33,870 from 2010.
- General revenues accounted for \$31,913,548 in revenue or 90.9% of all revenues. Program specific revenues in the form of charges for services, operating grants, contributions and interest, and capital grants and contributions accounted for \$3,200,481 or 9.1% of total revenues of \$35,114,029.
- The School District had \$35,080,159 in expenses related to governmental activities; only \$3,200,481 of these expenses was offset by program specific charges for services, grants, contributions and interest. General revenues of \$31,913,548 were adequate to provide for these programs.
- At the end of the current fiscal year the governmental funds reported a combined ending fund balance of \$5,070,119, a decrease of \$2,931,225 from the prior fiscal year.

**Using this Annual Financial Report**

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

The statement of net assets and 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, these statements present how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant fund with all other nonmajor funds presented in total in one column. In the case of Aurora City School District, the general fund and the building fund are by far the most significant funds.

**Reporting the School District as a Whole**

*Statement of Net Assets and the Statement of Activities*

While these statements contain information about a 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 helps answer the question, "How did we do financially during 2011?" These statements include all non-fiduciary assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting, takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

**AURORA CITY SCHOOL DISTRICT  
MANAGEMENTS DISCUSSION AND ANALYSIS  
FOR THE FISCAL PERIOD ENDING JUNE 30, 2011  
UNAUDITED**

These two statements report the School District's net assets and changes in those assets. This change in net assets 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. Non-financial factors include the School District's current 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 assets and the statement of activities, the School Districts' activities are considered to be all Governmental Activities:

Governmental Activities - Most of the School District's programs and services are reported here including instruction, support services, operation of non-instructional services, extracurricular activities and food service operations.

***Reporting the School District's Most Significant Fund***

***Fund Financial Statements***

The analysis of the School District's major fund begins on page 9. 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 and the building capital projects fund.

***Governmental Funds*** Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund 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 determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds is reconciled in the financial statements.



**AURORA CITY SCHOOL DISTRICT  
MANAGEMENTS DISCUSSION AND ANALYSIS  
FOR THE FISCAL PERIOD ENDING JUNE 30, 2011  
UNAUDITED**

**The School District as a Whole**

Recall that the statement of net assets provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets for 2011:

Table 1  
Net Assets

	Governmental Activities	
	2011	2010
<b>Assets:</b>		
Current and other assets	\$ 31,538,940	\$ 37,614,749
Capital assets, net of depreciation	35,126,908	33,264,051
Total assets	66,665,848	70,878,800
<b>Liabilities:</b>		
Other liabilities	25,685,496	28,770,018
Long-term liabilities:		
Due within one year	2,177,475	1,912,843
Due in more than one year	33,573,744	35,000,676
Total liabilities	61,436,715	65,683,537
<b>Net Assets:</b>		
Invested in capital assets, net of debt	1,736,006	463,646
Restricted	3,730,768	2,660,307
Unrestricted	(237,641)	2,071,310
Total net assets	\$ 5,229,133	\$ 5,195,263

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2011, the School District's assets exceeded liabilities by \$5,229,133.

Invested in capital assets, net of related debt reported on the government-wide statements represents a portion of the School District's total net assets. Capital assets include land and land improvements, buildings, equipment, vehicles and construction in progress used to provide services to students and are not available for future spending. Although the School District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the School District's net assets, \$3,730,768, represents resources that are subject to external restrictions on how the funds may be used. Of the total restricted assets, \$1,252,507 or 33.6% is restricted for capital projects; \$830,129 or 22.3% is restricted for debt service payment; \$1,178,024 or 31.6% is restricted for set asides; and another small amount, \$470,108 or 12.6%, is restricted for other purposes. The remaining deficit balance of net assets of \$237,641 is unrestricted.

**AURORA CITY SCHOOL DISTRICT  
MANAGEMENTS DISCUSSION AND ANALYSIS  
FOR THE FISCAL PERIOD ENDING JUNE 30, 2011  
UNAUDITED**

Table 2 shows the changes in net assets for fiscal year 2011 as compared to fiscal year 2010.

Table 2  
Changes in Net Assets

	<u>Governmental Activities</u>	
	<u>2011</u>	<u>2010</u>
<b>Revenues</b>		
Program revenues:		
Charges for services	\$ 1,477,187	\$ 1,320,788
Operating grants, contributions and interest	1,723,294	1,648,412
General revenues:		
Property taxes	22,750,219	22,431,212
Grants and entitlements	8,844,089	8,901,143
Investment earnings	28,822	230,508
Miscellaneous	290,418	90,956
Total revenues	<u>35,114,029</u>	<u>34,623,019</u>
<b>Program Expenses</b>		
Instruction:		
Regular	15,151,729	13,473,053
Special	2,263,701	2,202,898
Vocational	254,876	234,775
Other	1,316,034	1,277,031
Support services:		
Pupils	1,868,635	1,851,748
Instructional staff	2,796,730	2,289,496
Board of education	223,248	175,828
Administration	2,177,342	2,628,494
Fiscal	491,755	840,734
Business	213,161	186,601
Operation and maintenance of plant	3,488,602	3,790,696
Pupil transportation	1,673,563	1,584,327
Central	172,480	109,479
Operation non-instructional services:		
Food service operations	815,892	935,757
Community service	133,959	-
Extracurricular activities	589,026	1,040,802
Interest and fiscal charges	1,449,426	1,594,365
Total expenses	<u>35,080,159</u>	<u>34,216,084</u>
Increase (decrease) in net assets	<u>\$ 33,870</u>	<u>\$ 406,935</u>

**AURORA CITY SCHOOL DISTRICT  
MANAGEMENTS DISCUSSION AND ANALYSIS  
FOR THE FISCAL PERIOD ENDING JUNE 30, 2011  
UNAUDITED**

***Governmental Activities***

Net assets of the District's governmental activities increased \$33,870. Total governmental expenses of \$35,080,159 were offset by program revenues of \$3,200,481 and general revenues of \$31,913,548. Program revenues supported 9.1% of the total governmental expenses.

Several revenue sources fund our governmental activities with property tax and State foundation revenues being the largest contributors. Property tax levies generated over \$22.7 million in 2011. General revenues from grants and entitlements, such as the school foundation program, generated over \$8.8 million. With the combination of taxes and intergovernmental funding comprising approximately 89.9% of all revenues, the School District monitors both of these revenue sources very closely for fluctuations.

Costs directly related to the instruction of students comprised 54.1% of governmental program expenses.

General revenues, primarily taxes and grants and entitlements increased 0.8% from the prior year and expenses increased 2.5% over the prior year. Due to this the School District had only a slight increase in net assets for the current fiscal year. The District has worked hard to control costs through retirement incentives and other measures.

The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for government 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.

**AURORA CITY SCHOOL DISTRICT  
MANAGEMENTS DISCUSSION AND ANALYSIS  
FOR THE FISCAL PERIOD ENDING JUNE 30, 2011  
UNAUDITED**

Table 3  
Governmental Activities

	Total Cost of Services 2011	Total Cost of Services 2010	Net Cost of Services 2011	Net Cost of Services 2010
<b>Program Expenses</b>				
Instruction:				
Regular	\$ 15,151,729	\$ 13,473,053	\$ (14,375,621)	\$ (13,000,416)
Special	2,263,701	2,202,898	(1,376,661)	(1,996,014)
Vocational	254,876	234,775	(251,104)	(219,539)
Other	1,316,034	1,277,031	(1,316,034)	(1,277,031)
Support services:				
Pupils	1,868,635	1,851,748	(1,867,165)	(1,667,960)
Instructional staff	2,796,730	2,289,496	(2,556,441)	(1,655,736)
Board of education	223,248	175,828	(223,248)	(175,828)
Administration	2,177,342	2,628,494	(2,147,342)	(2,562,138)
Fiscal	491,755	840,734	(491,755)	(840,734)
Business	213,161	186,601	(213,161)	(177,819)
Operation and maintenance of plant	3,488,602	3,790,696	(3,470,084)	(3,765,700)
Pupil transportation	1,673,563	1,584,327	(1,673,563)	(1,507,143)
Central	172,480	109,479	(158,380)	(94,797)
Operation non-instructional services:				
Food service operations	815,892	935,757	(60,111)	18,935
Community service	133,959	-	37,277	-
Extracurricular activities	589,026	1,040,802	(286,859)	(730,599)
Interest and fiscal charges	1,449,426	1,594,365	(1,449,426)	(1,594,365)
Total expenses	<u>\$ 35,080,159</u>	<u>\$ 34,216,084</u>	<u>\$ (31,879,678)</u>	<u>\$ (31,246,884)</u>

**The School District's Funds**

The School District's governmental funds are accounted for using the modified accrual basis of accounting. The total revenues for governmental funds were \$35,487,867 and total expenditures were \$38,420,292. The total net change in fund balance across all governmental funds was a decrease of \$2,931,225; the School District continues to be financially stable with a total governmental fund balance of \$5,070,119 at year-end. Table 4 shows fiscal year 2011 fund balances compared to fiscal year 2010.

Table 4  
Fund Balances

	Fund Balance June 30, 2011	Restated Fund Balance June 30, 2010	Increase/ (Decrease)	Percent Change
General	\$ 2,550,602	\$ 3,131,529	\$ (580,927)	(18.55)
Building	357,148	2,504,472	(2,147,324)	(85.74)
Other governmental	<u>2,162,369</u>	<u>2,365,343</u>	<u>(202,974)</u>	<u>(8.58)</u>
Total	<u>\$ 5,070,119</u>	<u>\$ 8,001,344</u>	<u>\$ (2,931,225)</u>	<u>(36.63)</u>

**AURORA CITY SCHOOL DISTRICT  
MANAGEMENTS DISCUSSION AND ANALYSIS  
FOR THE FISCAL PERIOD ENDING JUNE 30, 2011  
UNAUDITED**

**General Fund**

The general fund is reporting a fund balance of \$2,550,602, a decrease of \$580,927 from 2010. The general fund decrease is attributable to current year expenditures exceeding current revenues.

Table 5  
General Fund Changes in Revenues and Expenditures

	2011 Amount	2010 Amount	Increase (Decrease)	Percent Change
<u>Revenues:</u>				
Property taxes	\$ 20,164,685	\$ 19,819,860	\$ 344,825	1.74
Intergovernmental	8,545,508	8,585,063	(39,555)	(0.46)
Interest	25,901	9,761	16,140	165.35
Tuition and fees	520,516	426,927	93,589	21.92
Extracurricular activities	28,975	-	28,975	-
Gifts and donations	22,392	2,500	19,892	795.68
Rent	22,132	18,423	3,709	20.13
Miscellaneous	628,135	90,954	537,181	590.61
Total revenues	<u>29,958,244</u>	<u>28,953,488</u>	<u>1,004,756</u>	
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	14,315,460	13,734,627	580,833	4.23
Special	2,031,689	1,983,022	48,667	2.45
Vocational	250,341	220,848	29,493	13.35
Other	1,310,914	1,270,052	40,862	3.22
Support services:				
Pupils	1,686,062	1,675,301	10,761	0.64
Instructional staff	1,994,491	1,584,238	410,253	25.90
Board of education	223,248	175,828	47,420	26.97
Administration	2,131,618	2,538,902	(407,284)	(16.04)
Fiscal	791,119	790,412	707	0.09
Business	211,577	180,408	31,169	17.28
Operation and maintenance of plant	2,710,534	2,617,082	93,452	3.57
Pupil transportation	1,539,554	1,425,942	113,612	7.97
Central	121,602	47,267	74,335	157.27
Extracurricular	645,468	598,878	46,590	7.78
Capital outlay	152,106	234,563	(82,457)	(35.15)
Debt service:				
Principal retirement	13,725	-	13,725	-
Interest and fiscal charges	400,436	419,000	(18,564)	(4.43)
Total expenditures	<u>\$ 30,529,944</u>	<u>\$ 29,496,370</u>	<u>\$ 1,033,574</u>	

**AURORA CITY SCHOOL DISTRICT  
MANAGEMENTS DISCUSSION AND ANALYSIS  
FOR THE FISCAL PERIOD ENDING JUNE 30, 2011  
UNAUDITED**

**Building Fund**

The building fund is reporting a fund balance of \$357,148, a decrease of \$2,147,324 from 2010. The building fund decrease is also attributable to current year expenditures exceeding current revenues.

**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 fiscal year 2011, the School District amended its general fund budget several times, however none were significant. Budget revisions are presented to the Board of Education for approval.

For the general fund, the original budgeted revenue and other financing sources estimate was \$30,140,110. This amount was changed during the year, resulting in final revenue and other financing sources budget of \$30,467,186. Actual revenue and other financing sources reported were \$30,427,479, \$39,707 less than the final budgeted amount; and \$287,369 more than the original budgeted amount. Much of this difference was due to estimates for property taxes, grant awards and other intergovernmental sources, the exact amounts of which are unknown during the original budgeting process. Those estimates must be adjusted during the year as the awards are finalized.

The original expenditures and other financing uses estimate of \$31,518,006 was revised during the fiscal year. The final expenditures and other financing uses estimate of \$31,487,096 was \$30,910 lower than originally anticipated. In total this would be considered insignificant, with increases and decreases from the original and final budget posted to several line items of the budget. The actual expenditures and other financing uses however were \$31,292,583, \$194,513 or 0.6% lower than the final budgeted amount. This was the result of conservative spending by the district.

**Capital Assets and Debt Administration**

**Capital Assets**

At the end of fiscal year 2011, the School District had \$35,126,908 invested in land and land improvements, buildings, furniture and equipment, vehicles and construction in progress. Table 6 shows fiscal year 2011 balances compared to fiscal year 2010:

Table 6  
Capital Assets, at Fiscal Year End  
(Net of Depreciation)

	Governmental Activities	
	2011	2010
Land	\$ 1,681,927	\$ 1,681,927
Land improvements	1,381,467	1,508,445
Buildings	13,385,537	12,879,069
Furniture and equipment	975,742	819,763
Vehicles	1,238,959	1,056,153
Construction in progress	16,463,276	15,318,694
Total capital assets	\$ 35,126,908	\$ 33,264,051

**AURORA CITY SCHOOL DISTRICT  
MANAGEMENTS DISCUSSION AND ANALYSIS  
FOR THE FISCAL PERIOD ENDING JUNE 30, 2011  
UNAUDITED**

Total capital assets increased \$1,862,857 during the year. This increase was mainly caused by an increase in construction in progress for school improvement projects going on within the School District. See Note 8 to the basic financial statements for detail on the School District's capital assets.

**Debt**

At June 30, 2011 the School District had \$33,485,073 in bonds and certificates of participation outstanding with \$1,695,000 due within one year. Table 7 summarizes the bonds and certificates of participation outstanding:

Table 7  
Outstanding Debt, at Fiscal Year End

	<u>Governmental Activities</u>	
	<u>2011</u>	<u>2010</u>
School Improvement Refunding Bonds	\$ 5,230,000	\$ 6,000,000
Premium and accreted interest	211,654	278,841
Certificates of Participation	845,000	1,235,000
Refunding Certificates of Participation	8,325,000	8,400,000
Premium	32,338	36,026
General Obligation Bonds	18,640,996	19,020,996
Premium and accreted interest	<u>200,085</u>	<u>165,020</u>
Total outstanding debt	<u>\$ 33,485,073</u>	<u>\$ 35,135,883</u>

During fiscal year 2000, the School District issued Certificates of Participation in the amount of \$12,000,000 and simultaneously entered into a trust and lease agreement to make payments on the Certificates. The proceeds of this issue were used mainly for the construction of a new elementary school. During the fiscal year 2004, the School District issued \$8,309,992 in refunding bonds, the proceeds of which were used to refund previously issued debt and to take advantage of lower interest rates. Also, during fiscal year 2005, the School District issued \$8,895,000 of Refunding Certificates of Participation for the purpose of advance refunding of \$7,780,000 Certificates of Participation and to lower their future debt service payments. During the fiscal year 2009, the School District issued \$19,250,996 in general obligation bonds, the proceeds will be used for capital improvements. The School District has budgeted to meet all of the School District's debt requirements. See Note 12 to the basic financial statements for additional information regarding the School District's debt. As of June 30, 2011 the School District had a voted and unvoted debt margin of \$30,705,117 and \$1,469,283, respectively.

**Current Issues Affecting Financial Condition**

The Board of Education and administration closely monitor its revenues and expenditures in accordance with its financial forecast. The financial future of the School District is not without its challenges though. These challenges stem from issues that are local and at the State level. The local challenges will continue to exist, as the School District must rely heavily on property taxes to fund its operations. State level challenges continue to evolve as the State of Ohio determines the outcome of the Ohio Supreme Court case dealing with the unconstitutionality of the State's educational funding system. Although the School District relies heavily on its property taxpayers to support its operations, the community support for the schools is quite strong.

**AURORA CITY SCHOOL DISTRICT  
MANAGEMENTS DISCUSSION AND ANALYSIS  
FOR THE FISCAL PERIOD ENDING JUNE 30, 2011  
UNAUDITED**

Due to the unsettled issues in the school funding, management is required to plan carefully and prudently to provide the resources to meet student needs over the next several years.

In conclusion, the School District's system of budgeting and internal controls is well regarded. All of the School District's financial abilities will be needed to meet the challenges of the future.

**Contacting the School District's Financial 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 questions or need additional financial information, contact Bill Volosin, Treasurer, at Aurora City School District, 102 East Garfield Road, Aurora Ohio, 44202.



**AURORA CITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
JUNE 30, 2011**

	Governmental Activities
<u>Assets:</u>	
Equity in pooled cash and cash equivalents	\$ 7,383,045
Cash and cash equivalents:	
In segregated accounts	230,497
Receivables:	
Taxes	23,394,867
Accounts	74,998
Intergovernmental	72,371
Accrued interest	3,812
Prepaid items	42,248
Inventory held for resale	13,447
Materials and supplies inventory	1,336
Deferred charges	322,319
Capital assets:	
Nondepreciable capital assets	18,145,203
Depreciable capital assets, net	<u>16,981,705</u>
Total capital assets	<u>35,126,908</u>
Total assets	<u>66,665,848</u>
 <u>Liabilities:</u>	
Accounts payable	308,530
Accrued wages	3,168,997
Intergovernmental payable	934,457
Accrued interest payable	119,770
Deferred revenue	21,153,742
Long-term liabilities:	
Due within one year	2,177,475
Due in more than one year	<u>33,573,744</u>
Total liabilities	<u>61,436,715</u>
 <u>Net assets:</u>	
Invested in capital assets, net of related debt	1,736,006
Restricted for:	
Capital projects	1,252,507
Debt service	830,129
Set asides	1,178,024
Other purposes	470,108
Unrestricted	<u>(237,641)</u>
Total net assets	<u>\$ 5,229,133</u>

See accompanying notes to the basic financial statements.

**AURORA CITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
Expenses	Charges for Services	Operating Grants, Contributions and Interest	Governmental Activities	
<u>Governmental Activities:</u>				
Instruction:				
Regular	\$ 15,151,729	\$ 542,921	\$ 233,187	\$ (14,375,621)
Special	2,263,701	60,003	827,037	(1,376,661)
Vocational	254,876	3,772	-	(251,104)
Other	1,316,034	-	-	(1,316,034)
Support services:				
Pupils	1,868,635	-	1,470	(1,867,165)
Instructional staff	2,796,730	2,653	237,636	(2,556,441)
Board of education	223,248	-	-	(223,248)
Administration	2,177,342	-	30,000	(2,147,342)
Fiscal	491,755	-	-	(491,755)
Business	213,161	-	-	(213,161)
Operation and maintenance of plant	3,488,602	18,518	-	(3,470,084)
Pupil transportation	1,673,563	-	-	(1,673,563)
Central	172,480	-	14,100	(158,380)
Operation of non-instructional services:				
Food service operations	815,892	604,094	151,687	(60,111)
Community service	133,959	-	171,236	37,277
Extracurricular activities	589,026	245,226	56,941	(286,859)
Interest and fiscal charges	1,449,426	-	-	(1,449,426)
<b>Totals</b>	<b>35,080,159</b>	<b>1,477,187</b>	<b>1,723,294</b>	<b>(31,879,678)</b>
 <u>General Revenues:</u>				
Property taxes levied for:				
General purposes				20,154,372
Debt service				1,980,464
Capital outlay				615,383
Grants and entitlements not restricted to specific programs				8,844,089
Investment earnings				28,822
Miscellaneous				290,418
 Total general revenues				 31,913,548
 Change in net assets				 33,870
 Net assets beginning of year				 5,195,263
 Net assets end of year				 \$ 5,229,133

See accompanying notes to the basic financial statements.

**AURORA CITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2011**

	General	Building Fund	Other Governmental Funds	Total Governmental Funds
<u>Assets:</u>				
Equity in pooled cash and cash equivalents	\$ 3,857,080	\$ 129,341	\$ 2,218,600	\$ 6,205,021
Cash and cash equivalents:				
In segregated accounts	-	230,497	-	230,497
Receivables:				
Taxes	20,678,212	-	2,716,655	23,394,867
Accounts	73,787	-	1,211	74,998
Intergovernmental	-	-	72,371	72,371
Interfund	48,554	-	-	48,554
Accrued interest	3,812	-	-	3,812
Inventory held for resale	-	-	13,447	13,447
Materials and supplies inventory	-	-	1,336	1,336
Prepaid items	42,248	-	-	42,248
Equity in pooled cash and cash equivalents (restricted)	1,178,024	-	-	1,178,024
<b>Total assets</b>	<b>\$ 25,881,717</b>	<b>359,838</b>	<b>\$ 5,023,620</b>	<b>31,265,175</b>
<u>Liabilities:</u>				
Accounts payable	226,888	2,690	78,952	308,530
Accrued wages	3,039,534	-	129,463	3,168,997
Interfund payable	8,000	-	40,554	48,554
Intergovernmental payable	840,831	-	93,626	934,457
Deferred revenue	19,215,862	-	2,518,656	21,734,518
<b>Total liabilities</b>	<b>23,331,115</b>	<b>2,690</b>	<b>2,861,251</b>	<b>26,195,056</b>
<u>Fund balances:</u>				
Nonspendable	42,248	-	14,783	57,031
Restricted	1,178,024	357,148	2,234,795	3,769,967
Assigned	1,330,330	-	-	1,330,330
Unassigned	-	-	(87,209)	(87,209)
<b>Total fund balances</b>	<b>2,550,602</b>	<b>357,148</b>	<b>2,162,369</b>	<b>5,070,119</b>
<b>Total liabilities and fund balances</b>	<b>\$ 25,881,717</b>	<b>\$ 359,838</b>	<b>\$ 5,023,620</b>	<b>\$ 31,265,175</b>

See accompanying notes to the basic financial statements.

**AURORA CITY SCHOOL DISTRICT  
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET ASSETS OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2011**

Total governmental funds balances		\$	5,070,119
Amounts reported for governmental activities in the statement of net assets are different because:			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			35,126,908
Other long-term assets that are not available to pay for current-period expenditures and therefore are deferred in the funds:			
Property taxes	\$	513,012	
Intergovernmental		2,376	
Tuition and fees		62,428	
Miscellaneous		2,960	
Total		580,776	580,776
Deferred charges are included in the governmental activities in the statement of net assets.			322,319
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.			(119,770)
Long-term liabilities that are not due and payable in the current period and therefore are not reported in the funds:			
Compensated absences	\$	(2,266,146)	
Refunding general obligation bonds		(5,441,654)	
General obligation bonds		(18,841,081)	
Certificates of participation		(845,000)	
Refunding certificates of participation		(8,357,338)	
Total		(35,751,219)	(35,751,219)
Net assets of governmental activities		\$	5,229,133

See accompanying notes to the basic financial statements.

**AURORA CITY SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNEMENTAL FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	General	Building Fund	All Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
Taxes	\$ 20,164,685	\$ -	\$ 2,594,854	\$ 22,759,539
Intergovernmental	8,545,508	-	2,001,148	10,546,656
Interest	25,901	2,149	999	29,049
Tuition and fees	520,516	-	-	520,516
Extracurricular activities	28,975	-	247,048	276,023
Gifts and donations	22,392	-	78,500	100,892
Charges for services	-	-	604,094	604,094
Rent	22,132	-	-	22,132
Miscellaneous	628,135	-	831	628,966
<b>Total revenues</b>	<b>29,958,244</b>	<b>2,149</b>	<b>5,527,474</b>	<b>35,487,867</b>
<b>Expenditures:</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	14,315,460	-	126,561	14,442,021
Special	2,031,689	-	200,715	2,232,404
Vocational	250,341	-	-	250,341
Other	1,310,914	-	-	1,310,914
<b>Support services:</b>				
Pupils	1,686,062	-	180,173	1,866,235
Instructional staff	1,994,491	-	718,698	2,713,189
Board of education	223,248	-	-	223,248
Administration	2,131,618	-	54,074	2,185,692
Fiscal	791,119	-	45,700	836,819
Business	211,577	-	-	211,577
Operation and maintenance of plant	2,710,534	313,860	253,633	3,278,027
Pupil transportation	1,539,554	-	-	1,539,554
Central	121,602	-	41,277	162,879
<b>Operation of non-instructional services:</b>				
Food service operations	-	-	770,869	770,869
Community service	-	-	133,959	133,959
Extracurricular activities	645,468	-	285,918	931,386
Capital outlay	152,106	1,835,613	267,164	2,254,883
<b>Debt service:</b>				
Principal retirement	13,725	-	1,601,275	1,615,000
Interest and fiscal charges	400,436	-	1,060,859	1,461,295
<b>Total expenditures</b>	<b>30,529,944</b>	<b>2,149,473</b>	<b>5,740,875</b>	<b>38,420,292</b>
<b>Excess of revenues over (under) expenditures</b>	<b>(571,700)</b>	<b>(2,147,324)</b>	<b>(213,401)</b>	<b>(2,932,425)</b>
<b>Other financing sources (uses):</b>				
Proceeds from sale of capital assets	-	-	1,200	1,200
Transfers in	-	-	9,227	9,227
Transfers out	(9,227)	-	-	(9,227)
<b>Total other financing sources (uses)</b>	<b>(9,227)</b>	<b>-</b>	<b>10,427</b>	<b>1,200</b>
<b>Net change in fund balances</b>	<b>(580,927)</b>	<b>(2,147,324)</b>	<b>(202,974)</b>	<b>(2,931,225)</b>
Fund balances beginning of year	3,131,529	2,504,472	2,365,343	8,001,344
Fund balances end of year	<u>\$ 2,550,602</u>	<u>\$ 357,148</u>	<u>\$ 2,162,369</u>	<u>\$ 5,070,119</u>

See accompanying notes to the basic financial statements.

**AURORA 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, 2011**

Net change in fund balances - total governmental funds \$ (2,931,225)

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 capital assets is allocated over their estimated useful lives as depreciation expense.

In the current period, these amounts are:

Capital asset additions	\$ 2,254,883	
Depreciation expense	<u>(383,382)</u>	
Excess of capital asset additions over depreciation expense		1,871,501

The disposal of capital assets results in the removal of capital assets at cost and the difference in their carrying value to cost, if immaterial, is charged to the program as an expense in the statement of activities. (8,644)

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

Property taxes	\$ (9,320)	
Intergovernmental	(80,392)	
Tuition and fees	57,205	
Miscellaneous	<u>(3,614)</u>	
Net change in deferred revenues during the year		(36,121)

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 1,615,000

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

Increase in compensated absences	\$ (488,510)	
Decrease in accrued interest	<u>4,824</u>	
Total additional expenditures		(483,686)

The amortization of issuance costs, bond premium and accretion is reflected as an expense in the statement of activities.

Premium	\$ 79,337	
Issuance costs	(28,765)	
Bond accretion	<u>(43,527)</u>	
Total additional expenses		<u>7,045</u>

Change in net assets of governmental activities \$ 33,870

See accompanying notes to the basic financial statements.

**AURORA 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, 2011**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>				
Taxes	\$ 20,468,084	\$ 20,203,945	\$ 20,203,945	\$ -
Intergovernmental	8,544,122	8,545,508	8,545,508	-
Interest	50,000	25,444	25,444	-
Tuition and fees	447,750	446,667	446,667	-
Gifts and donations	2,500	600	600	-
Rent	19,000	20,522	20,522	-
Miscellaneous	98,509	93,153	53,446	(39,707)
Total revenues	<u>29,629,965</u>	<u>29,335,839</u>	<u>29,296,132</u>	<u>(39,707)</u>
<b>Expenditures:</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	14,210,868	14,218,884	14,162,619	56,265
Special	2,030,861	2,035,233	2,011,164	24,069
Vocational	235,160	257,456	252,456	5,000
Other	1,346,239	1,345,911	1,325,911	20,000
<b>Support services:</b>				
Pupils	1,746,590	1,690,417	1,680,413	10,004
Instructional staff	2,065,603	1,977,088	1,976,095	993
Board of education	233,637	264,286	264,286	-
Administration	2,237,394	2,176,100	2,173,892	2,208
Fiscal	838,909	818,749	818,197	552
Business	178,122	213,997	213,962	35
Operation and maintenance of plant	2,944,169	2,972,453	2,935,798	36,655
Pupil transportation	1,691,220	1,723,978	1,690,247	33,731
Central	150,931	208,093	208,093	-
Extracurricular activities	642,532	628,490	628,490	-
<b>Debt service:</b>				
Principal retirement	-	13,725	13,725	-
Interest and fiscal charges	419,000	400,436	400,436	-
Total expenditures	<u>30,971,235</u>	<u>30,945,296</u>	<u>30,755,784</u>	<u>189,512</u>
Excess of revenues under expenditures	<u>(1,341,270)</u>	<u>(1,609,457)</u>	<u>(1,459,652)</u>	<u>149,805</u>
<b>Other financing sources (uses):</b>				
Proceeds from the sale of capital assets	1,000	951	951	-
Refund of prior year expenditures	108	573,978	573,978	-
Advances in	39,037	84,510	84,510	-
Advances out	(30,000)	(55,664)	(55,664)	-
Transfers in	470,000	471,908	471,908	-
Transfers out	(516,771)	(486,136)	(481,135)	5,001
Total other financing sources (uses)	<u>(36,626)</u>	<u>589,547</u>	<u>594,548</u>	<u>5,001</u>
Net change in fund balance	(1,377,896)	(1,019,910)	(865,104)	154,806
Fund balances at beginning of year	4,989,712	4,989,712	4,989,712	-
Prior year encumbrances appropriated	430,015	430,015	430,015	-
Fund balances at end of year	<u>\$ 4,041,831</u>	<u>\$ 4,399,817</u>	<u>\$ 4,554,623</u>	<u>\$ 154,806</u>

See accompanying notes to the basic financial statements.

**AURORA CITY SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2011**

	Private Purpose Trusts	Agency
<b><u>Assets:</u></b>		
Equity in pooled cash and cash equivalents	\$ 15,407	\$ 178,016
Total assets	\$ 15,407	\$ 178,016
 <b><u>Liabilities:</u></b>		
Accounts payable	\$ -	\$ 9,566
Accrued wages payable	-	1,152
Intergovernmental payable	-	17
Due to students	-	167,281
Total liabilities	-	\$ 178,016
 <b><u>Net assets:</u></b>		
Held in trust for scholarships	15,407	
Total net assets	\$ 15,407	

See accompanying notes to the basic financial statements.



**AURORA CITY SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
PRIVATE PURPOSE TRUST FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	Private Purpose Trusts
<u>Additions:</u>	
Interest	\$ 14
<u>Deductions:</u>	
Payments in accordance with trust agreements	250
Change in net assets	(236)
Net assets, beginning of year	15,643
Net assets, end of year	\$ 15,407

See accompanying notes to the basic financial statements.

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**AURORA CITY SCHOOL DISTRICT  
PORTAGE COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2011**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Reporting Entity**

The Aurora City School District (the School District) operates under the direction of a locally elected five-member Board of Education as Ohio state law prescribes. The School District provides educational services as authorized by its charter or further mandated by state and/or federal agencies. The board controls the School District's four instructional/support facilities, which are staffed by 136 non-certificated employees and 214 certificated full-time teaching employees which includes 9 administrative employees. These personnel provide services to approximately 3,017 students and other community members.

The predecessor to the Aurora City School District was established in 1898 when a system of neighborhood one-room schoolhouses in the then-agrarian community was consolidated into a unified school district, which approximately encompasses the boundaries of what now is the city of Aurora. Historical records indicate that a system of public education in Aurora dates back as far as 1804. Members of the Board of Education are elected at large and serve staggered four-year terms and are required to be registered voters of the district under Ohio law.

The Aurora City School District serves a geographic area of approximately twenty-five square miles. It encompasses all of the City of Aurora in northwestern Portage County and a small portion of Summit County within the Village of Reminderville. The School District operates three elementary schools, one middle school and one comprehensive high school. The School District also provides a variety of vocational educational programs for high-school students through a regional vocational education consortium.

The reporting entity is composed of the primary government, component units and other organizations that are included to ensure that the financial statements of the School District are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the School District. For Aurora City School District, this includes general operations, food service, preschool and student related activities 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 organizations' 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 organizations' 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 their budget, the issuance of their debt or the levying of their taxes.

**AURORA CITY SCHOOL DISTRICT  
PORTAGE COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2011**

**Aurora City School District Leasing Corporation** During fiscal year 2000, Aurora City School District Leasing Corporation was formed to issue Certificates of Participation for the purpose of constructing a new elementary school in accordance with Ohio Revised Code 3313.375. The School District will make lease payments to the Corporation for the life of the issuance, after which time it will take ownership of the building. The Leasing Corporation is governed by a three member board appointed by the School District. Although the Leasing Corporation is a separate legal entity, the School District's financial statements include activity pertaining to the Certificates of Participation as a blended component unit of the School District since the debt was issued on behalf of the School District. The Leasing Corporation has assigned its duties to a Trustee to handle the finances.

Within the boundaries of the Aurora City School District, Valley Christian Academy is operated as a private school. State legislation provides funding to this private school. The School District receives the money and then disburses the money as directed by the private school. The accounting for the monies is reflected in a special revenue fund of the School District.

The School District is associated with the Stark Portage Area Computer Consortium, the Portage County School Consortium and the Ohio Schools' Council which are defined as jointly governed organizations. Jointly governed organizations are governed by representatives from each of the governments that create the organizations, but there is no ongoing financial interest or responsibility by the participating governments. Information regarding these organizations is presented in Note 14.

**B. Basis of Presentation**

The School District's basic financial statements consist of government-wide statements, including a statement of net assets 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 assets 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 statement of net assets presents the financial condition of the governmental activities of the School District at year-end. The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function program of the School District's governmental activities of the School District. Direct expenses are those that are specifically associated with a service, program, or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of 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 function is self-financing or draws from the general revenues of the School District.

**Fund Financial Statements**

During the 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 rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

**AURORA CITY SCHOOL DISTRICT  
PORTAGE COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2011**

**C. Fund Accounting**

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

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulation, restrictions or limitations.

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

**Governmental Fund Types:**

Governmental funds focus 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 liabilities is reported as fund balance. The general fund and the building fund are the School District's major 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. The general fund balance is available to the School District for any purpose provided it is expended or transferred according to the general laws of Ohio.

Building Fund - The building fund is used to account for the receipts and expenditures related to all special bond funds of the School District. All proceeds from the sale of bonds, notes, or certificates of indebtedness, except premium and interest, must be paid into this fund. Expenditures recorded here represent the costs of acquiring capital facilities including real property.

**Fiduciary Fund Types:**

Fiduciary funds reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four categories: 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's only trust fund is a private purpose trust fund, which accounts for several scholarship programs for students. The School District's two agency funds are used to report resources held for student managed activities, and resources held for student cafeteria purchases.

**D. Measurement Focus and Basis of Accounting**

Government-wide Financial Statements The government-wide financial statements are prepared using the economic resources measurement focus. All non-fiduciary assets and liabilities associated with the operation of the School District are included on the statement of net assets.

**AURORA CITY SCHOOL DISTRICT  
PORTAGE COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2011**

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 and current liabilities 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 a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for the governmental funds.

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

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. The private purpose trust fund and the agency fund also use the accrual basis of accounting. Differences in the accrual and modified accrual bases of accounting arise in the recognition of revenue, the recording of deferred revenue and in the presentation of expenses versus expenditures.

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 sixty days of year-end.

Non-exchange 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. 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 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 a modified accrual basis, revenue from non-exchange 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, student fees and rentals.

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2011, but which were levied to finance fiscal year 2012 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

On the governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

**AURORA CITY SCHOOL DISTRICT  
PORTAGE COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2011**

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported on the operating statement as an expenditure and a like amount as intergovernmental revenue. In addition these amounts are reported on the statement of activities as an expense with a like amount reported within the "Operating Grants and Contributions" program revenue account. Unused donated commodities are reported in the account "Inventory held for resale" within the basic financial statements.

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**

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the Tax Budget, the Certificate of Estimated Resources, and the Appropriation Resolution, all of which are prepared on the budgetary basis of accounting. The Certificate of Estimated Resources and the Appropriations Resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the fund level. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

The Certificate of Estimated Resources and the Appropriations Resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. The amounts reported as the original budget revenue in the budgetary statements reflect the amounts in the certificate when original appropriations were adopted. The amounts reported as the final budgeted revenue budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2011. The amounts reported as the original budgeted expenditures reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior years. The amounts reported as the final budgeted expenditures represent the final appropriation amounts passed by the Board of Education during the year.

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

**F. Cash and Investments**

To improve cash management, all cash received by the School District is pooled in a central bank account. Monies for all funds are maintained in this account or temporarily used to purchase short-term investments. Individual fund integrity is maintained through School District records. Each fund's interest in the pool is presented as "Equity in pooled cash and cash equivalents". During the fiscal year, investments were limited to certificates of deposit, instruments of government sponsored mortgage-backed securities and an interest in STAROhio, the State Treasurer's Investment Pool. These investments are stated at cost, which approximates market value (fair value).

For presentation on the basic financial statements, investments of the cash management pool and investments with a maturity of three months or less at the time they are purchased by the School District are considered to be cash equivalents. Investments with an initial maturity of more than three months that are not purchased from the pool are reported as investments.

**AURORA CITY SCHOOL DISTRICT  
PORTAGE COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2011**

The School District maintains a segregated account for the building capital projects fund, which is presented as “Cash and cash equivalents in segregated accounts”.

Cash not required to meet the immediate financial obligations of the district is invested in an investment pool operated under the auspices of the Treasurer of the State of Ohio as provided for by Ohio law so that the district can maximize its investment earnings. Under existing Ohio statutes, all investment earnings accrue to the general fund except those specifically related to certain trust funds or federal grants, unless the Board specifically allows the interest to be recorded in other funds. The Board of Education has passed a resolution to allow interest to also be recorded in the building capital projects fund.

**G. Inventory**

On the government-wide financial statements, inventories are presented at cost on a first-in, first-out basis and are expensed when used. Inventory of the food service special revenue fund is stated at cost, which is determined on first in, first out basis. Inventories in the food service fund consist of donated food, purchased food, and supplies held for resale. Inventories reported on the fund financial statements are expensed when used.

**H. Capital Assets and Depreciation**

General capital assets are those assets resulting from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported on the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the year. Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of five thousand 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 capitalized. It is the policy of the School District to not capitalize interest costs incurred as part of construction.

All reported capital assets, other than land and construction in progress, are depreciated. Depreciation is computed using the straight-line method over the following useful lives:

<u>Asset description</u>	<u>Estimated lives</u>
Land improvements	20 years
Buildings and improvements	10 - 50 years
Furniture and equipment	5 - 20 years
Vehicles	10 years

**I. Restricted Assets**

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include amounts required by statute to be set-aside by the School District for the purchase of textbooks, for the purchase of school buses, and to create a designation for budget stabilization. The set aside amounts for budget stabilization is now optional as determined by the School District. See Note 16 for the calculation of the year-end restricted asset balance and the corresponding fund balance reserves.



**AURORA CITY SCHOOL DISTRICT  
PORTAGE COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2011**

**J. Deferred Charges and Premiums**

In governmental fund types, premiums and issuance costs are recognized in the current period. On the statement of net assets, premiums and issuance costs are deferred and amortized over the term of the debt using the bonds outstanding method, which approximates the effective interest method. Premiums are presented as an addition to the face amount of the debt, whereas issuance costs are recorded as deferred charges.

**K. Short-term Interfund Assets/Liabilities**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental activities columns of the statement of net assets.

**L. Compensated Absences**

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. 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 the benefits will result in termination payments. The liability is based on the School District's past experience of making termination payments.

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

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

The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

**M. Accrued Liabilities and Long-term Obligations**

All payables, accrued liabilities and long-term obligations are reported in the government-wide 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, claims and judgments compensated absences, special termination benefits and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current fiscal year. Long-term loans are recognized as a liability on the governmental fund financial statements when due.

**N. Fund Balance**

Fund balance is divided into five classifications based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

**AURORA CITY SCHOOL DISTRICT  
PORTAGE COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2011**

Nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable, as well as property acquired for resale, unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed, or assigned.

Restricted fund balance category includes amounts that can be spent only for the specific purpose stipulated by constitution, external resource providers, or through enabling legislation. Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions.

Committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the School District Board of Education. Those committed amounts cannot be used for any other purpose unless the School District Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned fund balance classifications are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as 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 School District Board of Education.

Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The School District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**O. Interfund Transactions**

Interfund transfers are reported as other financing sources/uses for governmental funds in the fund financial statements. All transfers between governmental funds have been eliminated within the governmental activities column of the statements of net assets.

**AURORA CITY SCHOOL DISTRICT  
PORTAGE COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2011**

**P. Fund Balance Reserves**

The School District records reservations for portions of fund equity which are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriations for expenditures. Unreserved fund balance indicates that portion of fund balance that is available for appropriation in future periods. Fund equity balance reserves are established for encumbrances, property taxes, textbooks and instructional materials.

**Q. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are 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, or regulations of other governments.

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

**R. Estimates**

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

**NOTE 2 – CHANGE IN ACCOUNTING PRINCIPLES**

For the fiscal year 2011, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." The implementation of GASB Statement No. 54 had the following effect on fund balances of the major and nonmajor funds as they were previously reported.

	<u>General</u>	<u>Building Improvement</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Fund balance at June 30, 2010	\$ 3,111,972	\$ 2,504,472	\$ 2,384,900	\$ 8,001,344
Change in fund structure	<u>19,557</u>	<u>-</u>	<u>(19,557)</u>	<u>-</u>
Adjusted fund balance at July 1, 2010	<u>\$ 3,131,529</u>	<u>\$ 2,504,472</u>	<u>\$ 2,365,343</u>	<u>\$ 8,001,344</u>

**AURORA CITY SCHOOL DISTRICT  
PORTAGE COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2011**

**NOTE 3 – FUND BALANCES**

Fund balance is 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 the government funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Fund Balances	<u>General</u>	<u>Building Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Nonspendable</u>				
Materials and supplies inventory	\$ -	\$ -	\$ 14,783	\$ 14,783
Prepays	42,248	-	-	42,248
Total nonspendable	<u>42,248</u>	<u>-</u>	<u>14,783</u>	<u>57,031</u>
<u>Restricted for</u>				
Food service	-	-	160,424	160,424
Athletics and music	-	-	45,101	45,101
Auxiliary services	-	-	64,614	64,614
Management information systems	-	-	13,504	13,504
Data communication	-	-	5,100	5,100
Fiscal stabilization	-	-	21,206	21,206
Professional development	-	-	57,057	57,057
Local grants	-	-	113,451	113,451
Federal grants	-	-	123	123
Capital improvements	-	357,148	881,639	1,238,787
Debt service payments	-	-	872,576	872,576
Set asides	1,178,024	-	-	1,178,024
Total restricted	<u>1,178,024</u>	<u>357,148</u>	<u>2,234,795</u>	<u>3,769,967</u>
<u>Assigned</u>				
Public school support	38,203	-	-	38,203
Encumbrances	213,125	-	-	213,125
Next fiscal year budget	1,079,002	-	-	1,079,002
Total assigned	<u>1,330,330</u>	<u>-</u>	<u>-</u>	<u>1,330,330</u>
Unassigned (deficit)	<u>-</u>	<u>-</u>	<u>(87,209)</u>	<u>(87,209)</u>
Total fund balances	<u>\$ 2,550,602</u>	<u>\$ 357,148</u>	<u>\$ 2,162,369</u>	<u>\$ 5,070,119</u>

**AURORA CITY SCHOOL DISTRICT  
PORTAGE COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2011**

**NOTE 4 - BUDGETARY BASIS OF ACCOUNTING**

While the School District is reporting financial position, results of operations and changes in fund balance/retained earnings on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law and described above 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 Balances - Budget (Non-GAAP Basis) and Actual 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 for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types (GAAP basis).

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

Net Change in Fund Balance

	<u>General</u>
GAAP basis	\$ (580,927)
Net adjustment for revenue accruals	508,610
Prior year adjustment to fair market value of investments	94
Advances in	84,510
Net adjustment for expenditure accruals	(362,968)
Advances out	(55,664)
Encumbrances (Budget basis) outstanding at year-end	(440,557)
Perspective differences from funds budgeted as special revenue funds:	
Revenues	(123,979)
Expenditures	105,777
Budget basis	\$ (865,104)

**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.

**AURORA CITY SCHOOL DISTRICT  
PORTAGE COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2011**

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 pass book accounts. Interim deposits may be invested in the following obligations provided they mature or are redeemable within five years from the date of settlement:

1. United States Treasury bills, notes, bonds, or any other obligations 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 other obligations or securities issued by any federal government agency or instrumentality. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements for a period not to exceed thirty days in securities listed above that mature within five years from the date of settlement;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in item (1) or (2) above 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); and
7. Certain bankers' acceptances and commercial paper notes in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time.

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

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

**Deposits:**

Custodial credit risk is the risk that, in the event of a bank failure, the School District's deposits may not be returned. According to state law, public depositories must give security for all public funds on deposit in excess of those funds that are insured by the federal deposit insurance corporation (FDIC) or by any other agency or instrumentality of the federal government. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by the FDIC, or may pledge a pool of government securities valued at least 105% of the total value of public monies on deposit at the institution. The School District's policy is to deposit money with financial institutions that are able to abide by the laws governing insurance and collateral of public funds.

**AURORA CITY SCHOOL DISTRICT  
PORTAGE COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2011**

As of June 30, the carrying amount of the School District's deposits was \$7,477,264. The School District's bank balance of \$6,170,279 was exposed to custodial credit risk as follows:

Uninsured and collateral held by pledging bank's trust department and in the School District's name	\$ 5,416,593
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**Investments:**

As of June 30, the School District had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Percentage of Investments</u>	<u>Maturity</u>	<u>Rating <sup>(1)</sup></u>
Investment reported in building fund:				
STAROhio	\$ 329,701	100.00%	58.3 <sup>(1)</sup>	AAA
<sup>(1)</sup> Days (Average)				

STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the Securities Exchange Commission as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2011.

Custodial credit risk for an investment is the risk that in the event of 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. The School District's policy is to invest money with financial institutions that are able to abide by the laws governing insurance and collateral of public funds.

Interest rate risk is the possibility that changes in interest rates will adversely affect the fair value of an investment. The School District's investment policy does not address limits on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit risk is the possibility that an issuer or other counterparty to an investment will not fulfill its obligation. Standard and Poor's has assigned STAROhio an AAA rating. The School District's investment policy requires certain credit ratings for some investments as allowed by state law.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2011 amounted to \$25,901, which includes \$3,972 assigned from other School District funds.

**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.

**AURORA CITY SCHOOL DISTRICT  
PORTAGE COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2011**

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar 2011 represents collections of calendar year 2010 taxes. Real property taxes received in calendar year 2011 were levied after April 1, 2010, on the assessed value listed as of January 1, 2010, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2011 represents collections of calendar year 2010 taxes. Public utility real and tangible personal property taxes received in calendar year 2011 became a lien December 31, 2009, were levied after April 1, 2010 and are collected in 2010 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2010 (other than public utility property tax) represents the collection of 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, furniture and fixtures is no longer levied and collected. Calendar year 2010 is the last year for the collection of tangible personal property taxes from telephone companies. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20.

The School District receives property taxes from Portage and Summit Counties. The County Auditor and 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, 2011, are available to finance fiscal year 2011 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, 2011 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 real 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 by a credit to deferred revenue.

The amount available as an advance at June 30 was \$1,527,738 in the general fund, \$47,090 in the permanent improvement capital projects fund, and \$153,285 in the bond retirement debt service fund and is recognized as revenue.

On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been deferred.



**AURORA CITY SCHOOL DISTRICT  
PORTAGE COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2011**

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

<u>Property Category</u>	<u>2010 Assessed Value</u>	<u>2011 Assessed Value</u>
<u>Real Property</u>		
Residential and Agricultural	\$ 473,542,180	\$ 474,636,330
Commercial and Industrial and Minerals	115,416,680	105,102,150
Public Utilities	52,980	120,360
<u>Tangible Personal Property</u>		
General	443,105	-
Public Utilities	7,699,190	7,994,020
Total	<u>\$ 597,154,135</u>	<u>\$ 587,852,860</u>

**NOTE 7 - RECEIVABLES**

Receivables at year-end consisted of taxes, accounts (tuition), accrued interest, intergovernmental grants and entitlements. 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 year guarantee of federal funds. The intergovernmental receivable at June 30, 2011 consisted of:

<u>Governmental Activities</u>	<u>Amount</u>
Special revenue funds:	
Food service	\$ 18,000
Title VI-B	49,980
Title I	799
Title II-D	178
Preschool grant for the handicapped	3,414
	<u>\$ 72,371</u>

**AURORA CITY SCHOOL DISTRICT  
PORTAGE COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2011**

**NOTE 8 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2011 was as follows:

<u>Governmental activities</u>	<u>Balance June 30, 2010</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance June 30, 2011</u>
Capital assets, not being depreciated:				
Land	\$ 1,681,927	\$ -	\$ -	\$ 1,681,927
Construction in progress	<u>15,318,694</u>	<u>1,520,532</u>	<u>(375,950)</u>	<u>16,463,276</u>
Total capital assets, not being depreciated	<u>17,000,621</u>	<u>1,520,532</u>	<u>(375,950)</u>	<u>18,145,203</u>
Capital assets, being depreciated:				
Land improvements	2,020,510	6,593	-	2,027,103
Buildings	33,257,860	671,868	-	33,929,728
Furniture and equipment	1,339,275	138,318	(44,826)	1,432,767
Vehicles	<u>2,387,147</u>	<u>293,522</u>	<u>(116,367)</u>	<u>2,564,302</u>
Total capital assets, being depreciated	<u>39,004,792</u>	<u>1,110,301</u>	<u>(161,193)</u>	<u>39,953,900</u>
Less: Accumulated depreciation				
Land improvements	(512,065)	(133,571)	-	(645,636)
Buildings	(20,378,791)	(165,400)	-	(20,544,191)
Furniture and equipment	(519,512)	20,289	42,198	(457,025)
Vehicles	<u>(1,330,994)</u>	<u>(104,700)</u>	<u>110,351</u>	<u>(1,325,343)</u>
Total accumulated depreciation	<u>(22,741,362)</u>	<u>(383,382)</u>	<u>152,549</u>	<u>(22,972,195)</u>
Total capital assets being depreciated, net	<u>16,263,430</u>	<u>726,919</u>	<u>(8,644)</u>	<u>16,981,705</u>
Capital assets, net	<u>\$ 33,264,051</u>	<u>\$ 2,247,451</u>	<u>\$ (384,594)</u>	<u>\$ 35,126,908</u>

**AURORA CITY SCHOOL DISTRICT  
PORTAGE COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2011**

Depreciation expense charged to governmental functions for the year ending June 30, 2011 is as follows:

Instruction:	
Regular	\$ 245,912
Special	10,912
Vocational	6,835
Support services:	
Pupils	4,362
Instructional staff	105,146
Administration	300
Fiscal	485
Business	(9,006)
Operation and maintenance of plant	202,532
Pupil transportation	107,538
Central	9,601
Food service operations	43,358
Extracurricular activities	<u>(343,993)</u>
	<u>\$ 383,982</u>

**NOTE 9 - 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. These risks are covered by commercial insurance purchased from independent third parties. General liability is insured up to \$1,000,000 per occurrence to \$3,000,000 in the aggregate, with deductibles up to \$2,500. Property is insured from \$1,000,000 to \$71,973,312 with deductibles up to \$500. Public officials bonds are \$50,000 for the Treasurer and \$20,000 for board members. There have been no settlements paid in excess of insurance nor has insurance coverage been significantly reduced in the past three years.

The School District has joined the Portage County School Consortium for property and general liability insurance and for health insurance of the School District's employees. The Portage County School Consortium was established in 1981 so that thirteen educational-service providers in Portage County could manage risk exposures and purchase necessary insurance coverages as a group. The consortium has organized into two distinct entities to facilitate its risk management operations; the two entities are the Property and Casualty Insurance Pool and the Health and Welfare Trust. The Property and Casualty Insurance Pool functions to manage the member districts' physical property and liability risks and the Health and Welfare Trust is to facilitate the management of risks associated with providing employee benefits, coverages such as health and accident insurance, disability insurance and life insurance. The School District participates in both insurance pools. The consortium, to facilitate the operation of the Health and Welfare Trust, retains a third-party administrator. The School District pays all insurance premiums directly to the consortium. Although the School District does not participate in the day-to-day management of the consortium, one administrator serves as a trustee of the consortium's governing board as provided in the consortium's enabling authority. The School District recognizes that it retains a contingent liability to provide insurance coverage should the assets of the consortium become depleted, it is the opinion of management that the assets of the consortium are sufficient to meet its claims.

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

**AURORA CITY SCHOOL DISTRICT  
PORTAGE COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2011**

**NOTE 10 - DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

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

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund and Health Care Fund) of the system. For fiscal year 2011, 11.81 percent of annual covered salary was the portion used to fund pension and death benefits. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2011, 2010 and 2009 were \$515,910, \$639,774 and \$378,975 respectively; 54.6 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

**B. State Teachers Retirement System**

Plan Description - The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at [www.strsoh.org](http://www.strsoh.org).

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

**AURORA CITY SCHOOL DISTRICT  
PORTAGE COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2011**

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

Funding Policy - For the fiscal year ended June 30, 2011, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2010, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2011, 2010, and 2009 were \$2,015,423, \$1,887,942, and \$1,989,631 respectively; 82.5 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009. Contributions to the DC and Combined Plans for fiscal year 2011 were \$118,103 made by the School District and \$84,359 made by the plan members.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2011, several members of the Board of Education have elected Social Security. The Board's liability is 6.2 % of wages paid. The remaining Board members contribute to SERS.

**NOTE 11 – POST-EMPLOYMENT BENEFITS**

**A. School Employee Retirement System**

Plan Description – The School District participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746.

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2011, 1.43 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2011, this amount was \$35,800.

**AURORA CITY SCHOOL DISTRICT  
PORTAGE COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2011**

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, the number of qualified years of service, Medicare eligibility and retirement status.

The School District's contributions for health care for the fiscal years ended June 30, 2011, 2010, and 2009 were \$131,210, \$88,132, and \$234,620 respectively; 73.01 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2011, this actuarially required allocation was 0.76 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2011, 2010, and 2009 were \$33,200, \$38,046, and \$31,269 respectively; 54.6 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

**B. State Teachers Retirement System**

Plan Description – The School District contributes to the cost sharing multiple employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

Funding Policy – Ohio law authorizes STRS Ohio 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 Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2011, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2011, 2010, and 2009 were \$155,033, \$145,226, and \$153,049 respectively; 82.5 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

**AURORA CITY SCHOOL DISTRICT  
PORTAGE COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2011**

**NOTE 12 - LONG-TERM OBLIGATIONS**

Changes in long-term obligations of the School District during fiscal year 2011 were as follows:

<u>Governmental activities</u>	<u>Balance</u> <u>July 1, 2010</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2011</u>	<u>Due in</u> <u>one year</u>
<u>General Obligation Bonds</u>					
2009 School Improvement Bonds					
Serial Bonds	\$ 9,185,000	\$ -	\$ (180,000)	\$ 9,005,000	\$ 190,000
Premium	114,376	-	(8,462)	105,914	-
Capital Appreciation Bonds	205,996	-	-	205,996	-
Accretion on Bonds	50,644	43,527	-	94,171	-
2008 School Improvement Bonds					
Serial Bonds	9,630,000	-	(200,000)	9,430,000	230,000
2004 School Improvement Refunding					
Serial Bonds	6,000,000	-	(770,000)	5,230,000	790,000
Premium	278,841	-	(67,187)	211,654	-
Total bonds	<u>25,464,857</u>	<u>43,527</u>	<u>(1,225,649)</u>	<u>24,282,735</u>	<u>1,210,000</u>
<u>Certificates of Participation</u>					
1999 Certificates	1,235,000	-	(390,000)	845,000	410,000
2005 Refunding Certificates					
Premium	8,400,000	-	(75,000)	8,325,000	75,000
Premium	36,026	-	(3,688)	32,338	-
Total certificates	<u>9,671,026</u>	<u>-</u>	<u>(468,688)</u>	<u>9,202,338</u>	<u>485,000</u>
<u>Other obligations</u>					
Compensated absences	<u>1,777,636</u>	<u>823,813</u>	<u>(335,303)</u>	<u>2,266,146</u>	<u>482,475</u>
Total long-term obligations	<u>\$ 36,913,519</u>	<u>\$ 867,340</u>	<u>\$ (2,029,640)</u>	<u>\$ 35,751,219</u>	<u>\$ 2,177,475</u>

General obligation bonds are direct obligations of the School District for which its full faith and credit are pledged for repayment. General obligation bonds are to be repaid from voted and unvoted general property taxes. Property tax monies will be received in and the debt will be repaid from the bond retirement debt service fund. The liability for the certificates is payable from resources from the general and debt service funds. The certificates of participation are not a general obligation of the School District but are payable only from appropriations by the School District for annual lease payments. Compensated absences will be paid from the fund the person is paid from.

**AURORA CITY SCHOOL DISTRICT  
PORTAGE COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2011**

The School Districts long-term obligations are as follows:

	<u>Original Amount</u>	<u>Interest Rate</u>	<u>Maturity Date</u>
<u>General Obligation Bonds</u>			
2009 School Improvement	9,345,000	3.0 - 5.5%	12/1/2033
Capital appreciation	205,996	32.59%	12/1/2016
2008 School Improvement	9,700,000	3.0 - 5.5%	12/1/2033
2004 School Improvement Refunding	7,935,000	2.0 - 4.0%	12/1/2016
Capital appreciation	374,992	30.38%	12/1/2009
<u>Certificates of Participation</u>			
1999 Certificates	12,000,000	4.85 - 5.6%	12/1/2012
2005 Refunding Certificates	8,895,000	3.0 - 4.25%	12/1/2024

School Improvement Bonds - During the year ended June 30, 1995, the School District issued bonds for the principal amount of \$12,268,180 to pay the costs of renovating, remodeling, furnishing and improving the Aurora High School. The repayment of the debt is from property tax revenue received in the bond retirement debt service fund.

In January 2009, the School District issued \$9,345,000 in general obligation bonds which include serial and capital appreciation bonds with interest rates varying between 3.0-5.5% for the serial bonds and 30.590% (yield 3.02-3.39%) for the capital appreciation bonds. The final amount of the 2009 capital appreciation bonds will be \$560,000. The premium on the bonds was significant and is amortized over the life of the bonds using the bonds outstanding method of amortization.

In August 2008, the School District issued \$9,700,000 in general obligation bonds which include serial bonds with interest rates varying between 3.0-5.5% to pay the costs of renovating, remodeling, furnishing and improving the School District schools.

School Improvement Refunding Bonds - In May 2004, the School District issued \$8,309,992 in general obligation bonds which include serial and capital appreciation bonds with interest rates varying between 2.0-4.0% for the serial bonds and 30.380% (yield 3.02-3.39%) for the capital appreciation bonds. The final amount of the 2004 capital appreciation bonds will be \$1,550,000. The premium on the bonds was significant and is amortized over the life of the bonds using the bonds outstanding method of amortization.

The bonds were used to refund a portion of the 1995 School Improvement Bonds by placing the proceeds in an irrevocable trust with an escrow agent to provide for future debt service payments of the portion of bonds refunded. As a result, the bonds are considered to be defeased and the liability is not reported by the School District. At June 30, 2010, the remainder of the defeased bonds has been called and is no longer outstanding.

Certificates of Participation – During fiscal year 2000, the School District entered into a lease agreement for \$12,000,000 with the Aurora City School District Leasing Corporation for a new elementary school. The lease is an annual lease subject to renewal for twenty-five years through December 1, 2025.



**AURORA CITY SCHOOL DISTRICT  
PORTAGE COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2011**

Refunding Certificates of Participation - In April 2005, the School District issued \$8,895,000 of refunding certificates of participation with interest rates varying between 3.0-4.25%. The premium on the certificates was significant and is amortized over the life of the certificates using the bonds outstanding method of amortization.

The certificates were used to refund a portion of the 1999 Certificates of Participation by placing the proceeds in an irrevocable trust with an escrow agent to provide for future debt service payments of the portion of certificates refunded. As a result, the certificates are considered to be defeased and the liability is not reported by the School District.

The Leasing Corporation entered an agreement with a trustee through which it assigned and transferred rights and interest under the lease to Huntington National Bank as Trustee. The Trustee issued Certificates of Participation in the lease agreement enabling holders of the Certificates to receive a portion of the semiannual lease payments. Proceeds from the issuance are mainly being used to construct a new elementary school. In addition, terms of the trust indenture require a portion of the proceeds to be set aside for current and future certificate payments. The current certificate payment account is used to account for resources accumulated for payment over the next twelve months. The reserve account is used solely to make rent payments if a deficiency exists in the current certificate payment account and, if all payments are current, to make payment of the last certificate payments.

The obligation of the School District under the lease and any subsequent lease renewal is subject to annual appropriation of the rental payments. Legal title to the facilities remains with the Leasing Corporation until all payments required under the lease have been made. At that time, title will transfer to the School District.

The annual requirements to amortize these debt obligations are as follows:

Governmental Activities

<u>Fiscal Year</u>	<u>School Improvement Bonds</u>		<u>Certificates of Participation</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2012	\$ 1,210,000	\$ 1,023,563	\$ 485,000	\$ 381,061	\$ 3,099,624
2013	1,285,000	980,506	515,000	355,027	3,135,533
2014	1,405,000	930,863	540,000	330,688	3,206,551
2015	1,281,051	1,050,412	560,000	308,688	3,200,151
2016	1,314,945	1,019,798	585,000	285,787	3,205,530
2017-2021	4,635,000	3,519,531	3,310,000	1,037,512	12,502,043
2022-2026	4,445,000	2,614,583	3,175,000	276,994	10,511,577
2027-2031	5,370,000	1,438,321	-	-	6,808,321
2032-2034	<u>2,925,000</u>	<u>219,225</u>	<u>-</u>	<u>-</u>	<u>3,144,225</u>
Total	<u>\$ 23,870,996</u>	<u>\$ 12,796,802</u>	<u>\$ 9,170,000</u>	<u>\$ 2,975,757</u>	<u>\$ 48,813,555</u>

**AURORA CITY SCHOOL DISTRICT  
PORTAGE COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2011**

**NOTE 13 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

Interfund balances at year end consist of the following individual fund receivables and payables:

Due to general fund from:		
Nonmajor governmental funds	\$	48,554

All balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, or (3) payments between funds are made. As of June 30, 2011, all interfund loans outstanding are anticipated to be repaid in fiscal year 2012.

Interfund transfers for the year ended June 30, 2011, consisted of the following:

Transfers to/from nonmajor governmental funds to/from:		
General fund	\$	9,227

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, and (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**NOTE 14 - JOINTLY GOVERNED ORGANIZATIONS**

Stark Portage Area Computer Consortium (SPARCC) is the computer service organization or Data Acquisition Site (DAS) used by the School District. SPARCC is an association of public school districts in a geographic area determined by the Ohio Department of Education. The Stark County Educational Service Center acts as the fiscal agent for the consortium. The purpose of the consortium is to develop and employ a computer system efficiently and effectively for the needs of the member Boards of Education. All School Districts in the consortium are required to pay fees, charges, and assessments as charged. A board made up of superintendents from all of the participating districts governs SPARCC. An elected Executive Board consisting of five members of the governing board is the managerial body of the consortium and meets on a monthly basis. The School District does not maintain an ongoing financial interest or an ongoing financial responsibility. Payments to SPARCC are made from the general fund and the management information system special revenue fund. During the fiscal year, the School District contributed \$114,867 to SPARCC.

Portage County School Consortium is an insurance group-purchasing consortium made up of 13 school districts in Portage County. All member districts pay an insurance premium directly to the consortium. The School District paid \$2,923,041 in the form of health care and life insurance premiums to the consortium for the current fiscal year.

The Ohio Schools' Council Association (Council) is a jointly governed organization among 121 school districts. The jointly governed organization was formed to purchase quality products and services at the lowest possible cost to the member districts. Each district supports the Council by paying an annual participation fee. The Council's Board consists of seven superintendents of the participating districts whose term rotates every year. The degree of control exercised by any school district is limited to its representation on the Board. During fiscal year 2010, the School District paid \$83,214 to the Council in the form of gas purchases. Financial information can be obtained by contacting David Cottrell, the Executive Directive/Treasurer of the Ohio Schools' Council at 6133 Rockside Road, Suite 10, Independence, Ohio 44131.

**AURORA CITY SCHOOL DISTRICT  
PORTAGE COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2011**

**NOTE 15 - CONTINGENCIES**

**A. Grants**

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and 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, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at year end.

**B. Litigation**

The School District is not involved in any litigation at this time.

**NOTE 16 - STATUTORY RESERVES**

The School District is required by State statute to annually set aside monies for the purchase of textbooks and other instructional materials, and an amount for the acquisition and construction of capital improvements. The amounts set-aside may be reduced by offset credits, which are monies received and restricted for the same specific purpose. Although the School District had offsets and qualifying disbursements during the year that reduced the set-aside amounts, these extra amounts may not be used to reduce the set-aside requirements of future years. Negative amounts are therefore not presented as being carried forward to the next fiscal year. Amounts not spent by year-end or reduced by offset credits must be held in cash at year-end and carried forward to be used for the same purposes in future years.

During the fiscal year ended June 30, 2011, the reserve activity was as follows:

	<u>Textbook Reserve</u>	<u>Capital Improvement Reserve</u>	<u>Total</u>
Set-aside cash balance as of June 30, 2010	\$ 884,865	\$ -	\$ 884,865
Current year set-aside requirement	471,908	471,908	943,816
Current year offset	-	(752,170)	(752,170)
Qualifying disbursements	<u>(178,749)</u>	<u>(925,209)</u>	<u>(1,103,958)</u>
Total	<u>\$ 1,178,024</u>	<u>\$ (1,205,471)</u>	<u>\$ (27,447)</u>
Restricted cash and balance carried forward	<u>\$ 1,178,024</u>		<u>\$ 1,178,024</u>

**AURORA CITY SCHOOL DISTRICT  
PORTAGE COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2011**

**NOTE 17 - ACCOUNTABILITY**

As of June 30, 2011 the following funds had deficit fund balances:

	<u>Amount</u>
<u>Nonmajor special revenue funds:</u>	
Title VI-B	\$ 84,533
Title I	300
IDEA Preschool	2,376

These deficits were caused by the application of general accepted accounting principles. The general fund provides transfers to cover deficit balances in other funds; however, this is done when cash is needed rather than when accruals occur.

**NOTE 18 – CONTRACTUAL COMMITMENTS**

As of June 30, 2011, the School District has contractual commitments for the following project:

	<u>Purchase Commitments</u>	<u>Amount paid as of 6/30/2011</u>	<u>Amount remaining on contracts</u>
<u>Building</u>			
High school project	\$ 6,391,567	\$ 6,357,479	\$ 34,088
Middle school project	5,734,373	5,686,576	47,797
Elementary school project	2,126,911	2,115,806	11,105
	<u>\$ 14,252,851</u>	<u>\$ 14,159,861</u>	<u>\$ 92,990</u>

AURORA CITY SCHOOL DISTRICT  
PORTAGE COUNTY

FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FISCAL YEAR ENDED JUNE 30, 2011

Federal Grantor/ Pass Through Grantor Program Title	Grant Year	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
<b>U.S. DEPARTMENT OF AGRICULTURE</b>						
<i>Passed Through the Ohio Department of Education:</i>						
<i>Child Nutrition Cluster:</i>						
National School Lunch Program	2010	10.555	\$ 19,010		\$ 19,010	
	2011		102,266	54,959	102,266	54,959
<i>Total Child Nutrition Cluster</i>			121,276		121,276	
Total U.S. Department of Agriculture			121,276	54,959	121,276	54,959
<b>U.S. DEPARTMENT OF EDUCATION</b>						
<i>Passed Through the Ohio Department of Education:</i>						
<i>Special Education Cluster:</i>						
Special Education - Grants to States (IDEA Part B)	2010	84.027	58,915		65,725	
	2011		452,296		441,680	
Subtotal-CFDA 84.027			511,211		507,405	
ARRA Special Education IDEA	2010	84.391	50,161		53,223	
	2011		259,263		232,576	
Subtotal - CFDA 84.391			309,424		285,799	
Special Education - Preschool Grants	2010	84.173			2,166	
	2011		6,500		2,569	
Subtotal - CFDA 84.173			6,500		4,735	
ARRA Early Child Special Education IDEA	2010	84.392	1,831		2,845	
	2011		6,387		5,844	
Subtotal - CFDA 84.392			8,218		8,689	
<i>Total Special Education Cluster</i>			835,353		806,628	
Grants to Local Educational Agencies (Title I)	2010	84.010	7,608		9,192	
	2011		75,329		75,329	
Subtotal - CFDA 84.010			82,937		84,521	
Safe and Drug Free Schools (Title IV-A)	2010	84.186	2,261		2,261	
	2011		111		111	
Subtotal - CFDA 84.186			2,372		2,372	
Education Technology	2011	84.318	25		25	
ARRA Title II-D Education Technology	2010	84.386	178		178	
Subtotal - CFDA 84.318 and 84.386			203		203	
Limited English Proficiency (Title III)	2010	84.365			882	
	2011		5,211		5,211	
Subtotal - CFDA 84.365			5,211		6,093	
Improving Teacher Quality State Grants (Title II-A)	2010	84.367	3,446		6,448	
	2011		46,277		46,154	
Subtotal - CFDA 84.367			49,723		52,602	
ARRA State Fiscal Stabilization Fund	2010	84.394			1,247	
	2011		296,331		237,120	
Subtotal - CFDA 84.394			296,331		238,367	
Total U.S. Department of Education			1,272,130		1,190,786	
<b>Totals</b>			<b>\$ 1,393,406</b>	<b>\$ 54,959</b>	<b>\$ 1,312,062</b>	<b>\$ 54,959</b>

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

**AURORA CITY SCHOOL DISTRICT  
PORTAGE COUNTY**

**NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE  
FISCAL YEAR ENDED JUNE 30, 2011**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - CHILD NUTRITION CLUSTER**

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

**NOTE C – FOOD DONATION PROGRAM**

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



# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Aurora City School District  
Portage County  
102 East Garfield Road  
Aurora, Ohio 44202

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Aurora City School District, Portage County, (the District) as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 26, 2012, wherein we noted the District adopted Governmental Accounting Standards Board Statement No. 54 (GASB 54). We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

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

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

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 more than a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

### **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, providing an opinion 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*.

We intend this report solely for the information and use of management, the Board of Education, and federal awarding agencies and pass-through entities, and others within the District. We intend it for no one other than these specified parties.

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

**Dave Yost**  
Auditor of State

January 26, 2012





# Dave Yost • Auditor of State

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

Aurora City School District  
Portage County  
102 East Garfield Road  
Aurora, Ohio 44202

To the Board of Education:

### Compliance

We have audited the compliance of Aurora City School District (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the District's major federal program for the year ended June 30, 2011. The *summary of auditor's results* section of the accompanying schedule of findings identifies the District's major federal program. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to opine on the District's compliance based on our audit.

Our compliance audit followed auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with these requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with these requirements.

In our opinion, the Aurora City School District complied, in all material respects, with the requirements referred to above that could directly and materially affect its major federal programs for the year ended June 30, 2011.

### Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of opining on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining 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 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.

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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

We intend this report solely for the information and use of the management, the Board of Education, others within the entity, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



**Dave Yost**  
Auditor of State

January 26, 2012

**AURORA CITY SCHOOL DISTRICT  
PORTAGE COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2011**

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

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unqualified
<b>(d)(1)(ii)</b>	<b>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weaknesses reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510(a)?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list): Special Education Cluster</b>	84.027, 84.391, 84.173, and 84.392
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	No

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

None

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Aurora City School District  
Portage County  
102 East Garfield Road  
Aurora, Ohio 44202

To the Board of Education:

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

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

The Board amended the policy on July 25, 2011. We read the amended policy, noting it now includes all the requirements listed in Ohio Rev. Code 3313.666.

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

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

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

**Dave Yost**  
Auditor of State

January 26, 2012

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# Dave Yost • Auditor of State

AURORA CITY SCHOOL DISTRICT

PORTAGE 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 8, 2012