



**Mary Taylor, CPA**  
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
Basic Financial Statements:	
Government Wide Financial Statements:	
Statement of Net Assets .....	12
Statement of Activities.....	13
Fund Financial Statements:	
Balance Sheet – Governmental Funds .....	14
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities.....	15
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.....	16
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	17
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual - General Fund .....	18
Statement of Fiduciary Net Assets – Fiduciary Funds.....	19
Statement of Changes in Fiduciary Net Assets – Private Purpose Trust Fund .....	20
Notes to the Basic Financial Statements .....	21
Federal Awards Receipts and Expenditures Schedule.....	43
Notes to the Federal Awards Receipts and Expenditures Schedule .....	44
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	45
Independent Accounts' Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133 .....	47
Schedule of Findings.....	49

**THIS PAGE INTENTIONALLY LEFT BLANK.**



# Mary Taylor, CPA

## Auditor of State

### INDEPENDENT ACCOUNTANTS' REPORT

Aurora City School District  
Portage County  
102 East Garfield Road  
Aurora, Ohio 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, 2008, 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, 2008, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 21, 2009, 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.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements. The Federal Awards Receipts and Expenditures Schedule is required by U.S. Office of Management and Budget Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. We subjected the Federal Awards Receipts and Expenditures Schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

**Mary Taylor, CPA**  
Auditor of State

October 21, 2009

**AURORA CITY SCHOOL DISTRICT  
MANAGEMENTS DISCUSSION AND ANALYSIS  
FOR THE FISCAL PERIOD ENDING JUNE 30, 2008  
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, 2008. 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 2008 are as follows:

- Net assets of governmental activities decreased \$270,699, representing a 13.1% decrease from 2007.
- General revenues accounted for \$29,137,655 in revenue or 91.6% 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 \$2,674,507 or 8.4% of total revenues of \$31,812,162.
- The School District had \$32,082,861 in expenses related to governmental activities; only \$2,674,507 of these expenses was offset by program specific charges for services, grants, contributions and interest. General revenues of \$29,137,655 were inadequate to provide for these programs.
- At the end of the current fiscal year the governmental funds reported a combined ending fund balance of \$5,351,073, an increase of \$2,781,434 from the prior fiscal year.
- The School District issued \$2,150,000 in bond anticipation notes for the purpose of capital improvements.

**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 is by far the most significant fund.

**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 2008?" 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, 2008  
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 8. Fund financial reports provide detailed information about the School District's major fund. 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 fund. The School District's only major governmental fund is the general 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, 2008  
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 2008:

Table 1 Net Assets		Governmental Activities	
		2008	2007
<b>Assets:</b>			
Current and other assets	\$	31,024,748	\$ 27,607,928
Capital assets, net of depreciation		18,765,908	19,818,476
Total assets		49,790,656	47,426,404
 <b>Liabilities:</b>			
Other liabilities		25,324,272	24,541,902
Long-term liabilities:			
Due within one year		3,359,806	1,441,267
Due in more than one year		19,303,753	19,369,711
Total liabilities		47,987,831	45,352,880
 <b>Net Assets:</b>			
Invested in capital assets, net of debt		1,395,078	1,382,768
Restricted		1,908,405	770,545
Unrestricted		(1,500,658)	(79,789)
Total net assets	\$	1,802,825	\$ 2,073,524

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2008, the School District's assets exceeded liabilities by \$1,802,825.

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, \$1,908,405, represents resources that are subject to external restrictions on how the funds may be used. Of the total restricted assets, \$951,055 or 50% is restricted for capital projects; \$602,936 or 32% is restricted for debt service payment; and another small amount, \$354,414 or 19%, is restricted for other purposes. The remaining negative balance of government-wide unrestricted net assets of (\$1,500,658) is not sufficient to meet the government's ongoing obligations to students and staff.

**AURORA CITY SCHOOL DISTRICT  
MANAGEMENTS DISCUSSION AND ANALYSIS  
FOR THE FISCAL PERIOD ENDING JUNE 30, 2008  
UNAUDITED**

Table 2 shows the changes in net assets for fiscal year 2008 as compared to fiscal year 2007.

Table 2  
Changes in Net Assets

	Governmental Activities	
	2008	2007
<b>Revenues</b>		
Program revenues:		
Charges for services	\$ 1,277,248	\$ 1,249,711
Operating grants, contributions and interest	1,385,823	1,210,375
Capital grants and contributions	11,436	18,023
General revenues:		
Property taxes	20,513,246	20,128,824
Grants and entitlements	7,425,136	6,794,115
Investment earnings	263,470	279,931
Miscellaneous	252,836	210,085
Gain on sale of capital assets	682,967	-
Total revenues	31,812,162	29,891,064
<b>Program Expenses</b>		
Instruction:		
Regular	14,397,239	13,553,870
Special	1,911,364	1,868,104
Vocational	177,180	197,662
Other	915,872	666,880
Support services:		
Pupils	1,728,590	1,628,293
Instructional staff	1,793,494	1,924,561
Board of education	136,083	142,829
Administration	2,858,743	2,618,516
Fiscal	760,477	801,450
Business	150,928	220,111
Operation and maintenance of plant	2,779,029	2,668,254
Pupil transportation	1,628,915	1,539,271
Central	102,146	101,479
Operation non-instructional services:		
Food service operations	898,664	901,790
Extracurricular activities	938,301	842,814
Interest and fiscal charges	905,836	864,886
Total expenses	32,082,861	30,540,770
Decrease in net assets	\$ (270,699)	\$ (649,706)

**AURORA CITY SCHOOL DISTRICT  
MANAGEMENTS DISCUSSION AND ANALYSIS  
FOR THE FISCAL PERIOD ENDING JUNE 30, 2008  
UNAUDITED**

**Governmental Activities**

Net assets of the District's governmental activities decreased \$270,699. Total governmental expenses of \$32,082,861 were offset by program revenues of \$2,674,507 and general revenues of \$29,137,655. Program revenues supported 8.34% 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 \$20.5 million in 2008. General revenues from grants and entitlements, such as the school foundation program, generated over \$7.4 million. With the combination of taxes and intergovernmental funding comprising approximately 88% 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% of governmental program expenses.

With general revenues, primarily taxes and grants and entitlements only increasing 6.4%, coupled with expenses increasing 5% over the prior year resulted in a decrease in net assets. The District has worked 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.

Table 3  
Governmental Activities

	Total Cost of Services 2008	Total Cost of Services 2007	Net Cost of Services 2008	Net Cost of Services 2007
<b>Program Expenses</b>				
Instruction:				
Regular	\$ 14,397,239	\$ 13,553,870	\$ (13,915,379)	\$ (13,046,591)
Special	1,911,364	1,868,104	(1,696,363)	(1,671,634)
Vocational	177,180	197,662	(150,976)	(190,741)
Other	915,872	666,880	(915,872)	(666,880)
Support services:				
Pupils	1,728,590	1,628,293	(1,326,882)	(1,549,622)
Instructional staff	1,793,494	1,924,561	(1,614,550)	(1,534,541)
Board of education	136,083	142,829	(136,083)	(142,829)
Administration	2,858,743	2,618,516	(2,821,897)	(2,551,662)
Fiscal	760,477	801,450	(760,477)	(801,450)
Business	150,928	220,111	(150,928)	(220,111)
Operation and maintenance of plant	2,779,029	2,668,254	(2,770,269)	(2,621,003)
Pupil transportation	1,628,915	1,539,271	(1,612,597)	(1,518,147)
Central	102,146	101,479	(79,446)	(79,088)
Operation non-instructional services:				
Food service operations	898,664	901,790	46,762	2,636
Extracurricular activities	938,301	842,814	(597,561)	(606,112)
Interest and fiscal charges	905,836	864,886	(905,836)	(864,886)
<b>Total expenses</b>	<b><u>\$ 32,082,861</u></b>	<b><u>\$ 30,540,770</u></b>	<b><u>\$ (29,408,354)</u></b>	<b><u>\$ (28,062,661)</u></b>

**AURORA CITY SCHOOL DISTRICT  
MANAGEMENTS DISCUSSION AND ANALYSIS  
FOR THE FISCAL PERIOD ENDING JUNE 30, 2008  
UNAUDITED**

**The School District's Funds**

The School District's governmental funds are accounted for using the modified accrual basis of accounting. The total revenues and other financing sources for governmental funds were \$34,569,527 and total expenditures and other financing uses were \$31,788,093. The total net change in fund balance across all governmental funds was an increase of \$2,781,434; the School District continues to be financially stable with a total governmental fund balance of \$5,351,073 at year-end. The increase in fund balance in the other governmental funds was mainly due to the issuance of bond anticipation notes and proceeds from the sale of capital assets in the capital projects funds. Table 4 shows fiscal year 2008 fund balances compared to fiscal year 2007.

Table 4  
Fund Balances

	<u>Fund Balance June 30, 2008</u>	<u>Fund Balance June 30, 2007</u>	<u>Increase/ (Decrease)</u>	<u>Percent Change</u>
General	\$ 1,461,380	\$ 2,105,853	\$ (644,473)	(30.60)
Other governmental	<u>3,889,693</u>	<u>463,786</u>	<u>3,425,907</u>	<u>738.68</u>
Total	<u>\$ 5,351,073</u>	<u>\$ 2,569,639</u>	<u>\$ 2,781,434</u>	<u>108.24</u>

**General Fund**

The general fund is reporting a fund balance of \$1,461,380, a decrease of \$644,473 from 2007. Although, the general fund had a decrease this was less than the prior year decrease of \$1,014,106 which is attributable to an increase of \$1,102,550 primarily property taxes and intergovernmental revenue. Expenditures in the general fund also increased by \$717,269 not related to any one item.

**AURORA CITY SCHOOL DISTRICT  
MANAGEMENTS DISCUSSION AND ANALYSIS  
FOR THE FISCAL PERIOD ENDING JUNE 30, 2008  
UNAUDITED**

Table 5  
General Fund Changes in Revenues and Expenditures

	2008 Amount	2007 Amount	Increase (Decrease)	Percent Change
<u>Revenues:</u>				
Property taxes	\$ 19,109,641	\$ 18,609,715	\$ 499,926	2.69
Intergovernmental	7,333,217	6,756,789	576,428	8.53
Interest	251,723	279,931	(28,208)	(10.08)
Tuition and fees	351,768	301,624	50,144	16.62
Gifts and donations	1,880	-	1,880	-
Rent	8,760	47,251	(38,491)	(81.46)
Miscellaneous	250,956	210,085	40,871	19.45
Total revenues	<u>27,307,945</u>	<u>26,205,395</u>	<u>1,102,550</u>	
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	13,400,723	13,224,052	176,671	1.34
Special	1,690,560	1,657,703	32,857	1.98
Vocational	171,148	165,025	6,123	3.71
Other	898,002	667,652	230,350	34.50
Support services:				
Pupils	1,566,803	1,523,579	43,224	2.84
Instructional staff	1,274,808	1,399,515	(124,707)	(8.91)
Board of education	112,118	142,829	(30,711)	(21.50)
Administration	2,719,454	2,435,925	283,529	11.64
Fiscal	725,971	731,612	(5,641)	(0.77)
Business	185,204	205,508	(20,304)	(9.88)
Operation and maintenance of plant	2,542,488	2,428,341	114,147	4.70
Pupil transportation	1,455,035	1,374,117	80,918	5.89
Extracurricular	511,350	517,023	(5,673)	(1.10)
Capital outlay	189,754	284,512	(94,758)	(33.31)
Debt service:				
Interest and fiscal charges	419,000	387,756	31,244	8.06
Total expenditures	<u>\$ 27,862,418</u>	<u>\$ 27,145,149</u>	<u>\$ 717,269</u>	

**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 2008, 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.

**AURORA CITY SCHOOL DISTRICT  
MANAGEMENTS DISCUSSION AND ANALYSIS  
FOR THE FISCAL PERIOD ENDING JUNE 30, 2008  
UNAUDITED**

For the general fund, the original budgeted revenue estimate was \$27,283,561. This amount was changed during the year, resulting in a final revenue budget of \$27,373,704. Actual revenue reported were \$27,371,966, \$1,738 less than the final budgeted amount; and \$88,405 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 estimate of \$28,736,449 was revised during the fiscal year. The final expenditures estimate of \$28,738,534 was \$2,085 higher 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 however were \$28,492,501, \$246,033 or 0.86% 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 2007, the School District had \$18,765,908 invested in land and land improvements, buildings, equipment, vehicles and construction in progress. Table 6 shows fiscal year 2008 balances compared to fiscal year 2007:

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

	Governmental Activities	
	2008	2007
Land	\$ 1,647,614	\$ 2,025,550
Land improvements	1,323,889	1,331,937
Buildings	14,065,443	14,766,946
Furniture, fixtures and equipment	828,859	889,431
Vehicles	763,912	804,612
Construction in progress	136,191	-
Total capital assets	\$ 18,765,908	\$ 19,818,476

Total capital assets decreased \$1,052,568 during the year. This decrease was mainly caused by current year depreciation in most depreciable asset classes. See Note 6 to the basic financial statements for detail on the School District's capital assets.

***Debt***

At June 30, 2008 the School District had \$20,292,425 in bonds and certificates of participation outstanding with \$2,788,838 due within one year. This balance reflected an increase of \$1,202,189, or 6.3%, from the previous year's balance of \$19,090,236. Table 7 summarizes the bonds and certificates of participation outstanding:

**AURORA CITY SCHOOL DISTRICT  
MANAGEMENTS DISCUSSION AND ANALYSIS  
FOR THE FISCAL PERIOD ENDING JUNE 30, 2008  
UNAUDITED**

Table 7  
Outstanding Debt, at Fiscal Year End

	Governmental Activities	
	2008	2007
School Improvement Refunding Bonds	\$ 6,374,992	\$ 7,124,992
Premium and accreted interest	1,223,937	1,012,967
Certificates of Participation	1,960,000	2,295,000
Refunding Certificates of Participation	8,540,000	8,610,000
Premium	43,496	47,277
Bond Anticipation Bonds	2,150,000	-
Total outstanding debt	\$ 20,292,425	\$ 19,090,236

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 2008 the School District issued \$2,150,000 in Bond Anticipation Notes which 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 10 to the basic financial statements for additional information regarding the School District's debt. As of June 30, 2008 the School District had a voted and unvoted debt margin of \$48,007,033 and \$1,200,008, 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.

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, 2008**

	Governmental Activities
<u>Assets:</u>	
Equity in pooled cash and cash equivalents	\$ 7,693,644
Cash and cash equivalents:	
In segregated accounts	16,400
Receivables:	
Taxes	23,044,708
Accounts	32,549
Intergovernmental	92,580
Due from other funds	2,745
Inventory held for resale	11,503
Materials and supplies inventory	1,499
Deferred charges	129,120
Capital assets:	
Nondepreciable capital assets	1,783,805
Depreciable capital assets, net	16,982,103
Total assets	49,790,656
<u>Liabilities:</u>	
Accounts payable	218,354
Accrued wages	2,186,169
Intergovernmental payable	809,526
Accrued interest payable	57,095
Deferred revenue	22,053,128
Long-term liabilities:	
Due within one year	3,359,806
Due in more than one year	19,303,753
Total liabilities	47,987,831
<u>Net assets:</u>	
Invested in capital assets, net of related debt	1,395,078
Restricted for:	
Capital projects	951,055
Debt service	602,936
Other purposes	354,414
Unrestricted	(1,500,658)
Total net assets	\$ 1,802,825

See accompanying notes to the basic financial statements.



**AURORA CITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants, Contributions and Interest	Capital Grants and Contributions	
<b>Governmental Activities:</b>					
<b>Instruction:</b>					
Regular	\$ 14,397,239	\$ 327,930	\$ 153,930	\$ -	\$ (13,915,379)
Special	1,911,364	26,032	188,969	-	(1,696,363)
Vocational	177,180	26,204	-	-	(150,976)
Other	915,872	-	-	-	(915,872)
<b>Support services:</b>					
Pupils	1,728,590	-	401,708	-	(1,326,882)
Instructional staff	1,793,494	3,188	175,756	-	(1,614,550)
Board of education	136,083	-	-	-	(136,083)
Administration	2,858,743	6,846	30,000	-	(2,821,897)
Fiscal	760,477	-	-	-	(760,477)
Business	150,928	-	-	-	(150,928)
Operation and maintenance of plant	2,779,029	8,760	-	-	(2,770,269)
Pupil transportation	1,628,915	4,882	-	11,436	(1,612,597)
Central	102,146	-	22,700	-	(79,446)
<b>Operation of non-instructional services:</b>					
Food service operations	898,664	630,368	315,058	-	46,762
Extracurricular activities	938,301	243,038	97,702	-	(597,561)
Interest and fiscal charges	905,836	-	-	-	(905,836)
<b>Totals</b>	<b>32,082,861</b>	<b>1,277,248</b>	<b>1,385,823</b>	<b>11,436</b>	<b>(29,408,354)</b>

**General Revenues:**

Property taxes levied for:

General purposes	18,985,004
Debt service	895,858
Capital outlay	632,384
Grants and entitlements not restricted to specific programs	7,425,136
Investment earnings	263,470
Gain on sale of capital assets	682,967
Miscellaneous	252,836

Total general revenues 29,137,655

Change in net assets (270,699)

Net assets beginning of year 2,073,524

Net assets end of year \$ 1,802,825

See accompanying notes to the basic financial statements.

**AURORA CITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2008**

	General	Other Governmental Funds	Total Governmental Funds
<b>Assets:</b>			
Equity in pooled cash and cash equivalents	\$ 3,238,424	\$ 3,943,532	\$ 7,181,956
Cash and cash equivalents:			
In segregated accounts	-	16,400	16,400
Receivables:			
Taxes	21,322,643	1,722,065	23,044,708
Accounts	30,341	2,208	32,549
Intergovernmental	-	92,580	92,580
Interfund	45,517	2,033	47,550
Inventory held for resale	-	11,503	11,503
Materials and supplies inventory	-	1,499	1,499
Equity in pooled cash and cash equivalents (restricted)	511,688	-	511,688
<b>Total assets</b>	<b>\$ 25,148,613</b>	<b>\$ 5,791,820</b>	<b>\$ 30,940,433</b>
<b>Liabilities:</b>			
Accounts payable	\$ 171,810	\$ 46,544	\$ 218,354
Accrued wages	2,091,098	95,071	2,186,169
Interfund payable	-	44,805	44,805
Intergovernmental payable	765,980	43,546	809,526
Deferred revenue	20,658,345	1,672,161	22,330,506
<b>Total liabilities</b>	<b>23,687,233</b>	<b>1,902,127</b>	<b>25,589,360</b>
<b>Fund balances:</b>			
<b>Reserved:</b>			
Reserved for encumbrances	415,119	1,376,516	1,791,635
Reserved for textbooks and instructional materials	511,688	-	511,688
Reserved for property taxes	692,921	57,569	750,490
<b>Unreserved,</b>			
General fund	(158,348)	-	(158,348)
Special revenue funds	-	297,779	297,779
Debt service fund	-	578,300	578,300
Capital projects fund	-	1,579,529	1,579,529
<b>Total fund balances</b>	<b>1,461,380</b>	<b>3,889,693</b>	<b>5,351,073</b>
<b>Total liabilities and fund balances</b>	<b>\$ 25,148,613</b>	<b>\$ 5,791,820</b>	<b>\$ 30,940,433</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, 2008**

Total governmental funds balances		\$ 5,351,073
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.		18,765,908
Other long-term assets that are not available to pay for current-period expenditures and therefore are deferred in the funds:		
Property taxes	\$ 241,090	
Intergovernmental	6,900	
Charges for services	765	
Tuition and fees	20,711	
Miscellaneous	7,912	
Total	277,378	277,378
Deferred charges are included in the governmental activities in the statement of net assets.		129,120
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.		(57,095)
Long-term liabilities that are not due and payable in the current period and therefore are not reported in the funds:		
Compensated absences	\$ (2,371,134)	
Refunding general obligation bonds	(7,598,929)	
Bond anticipation notes	(2,150,000)	
Certificates of participation	(1,960,000)	
Refunding certificates of participation	(8,583,496)	
Total	(22,663,559)	(22,663,559)
Net assets of governmental activities		\$ 1,802,825

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, 2008**

	General	All Other Governmental Funds	Total Governmental Funds
<u>Revenues:</u>			
Taxes	\$ 19,109,641	\$ 1,537,405	\$ 20,647,046
Intergovernmental	7,333,217	1,333,817	8,667,034
Interest	251,723	12,300	264,023
Tuition and fees	351,768	19,565	371,333
Extracurricular activities	-	268,549	268,549
Gifts and donations	1,880	150,023	151,903
Charges for services	-	630,140	630,140
Rent	8,760	-	8,760
Miscellaneous	250,956	8,368	259,324
Total revenues	<u>27,307,945</u>	<u>3,960,167</u>	<u>31,268,112</u>
<u>Expenditures:</u>			
Current:			
Instruction:			
Regular	13,400,723	86,267	13,486,990
Special	1,690,560	190,359	1,880,919
Vocational	171,148	700	171,848
Other	898,002		898,002
Support services:			
Pupils	1,566,803	89,134	1,655,937
Instructional staff	1,274,808	417,745	1,692,553
Board of education	112,118	23,965	136,083
Administration	2,719,454	54,682	2,774,136
Fiscal	725,971	27,590	753,561
Business	185,204	33	185,237
Operation and maintenance of plant	2,542,488	73,715	2,616,203
Pupil transportation	1,455,035		1,455,035
Central		102,146	102,146
Operation of non-instructional services:			
Operation of food services		837,420	837,420
Extracurricular activities	511,350	336,520	847,870
Capital outlay	189,754	168,307	358,061
Debt service:			
Principal retirement	-	1,155,000	1,155,000
Interest and fiscal charges	419,000	272,092	691,092
Total expenditures	<u>27,862,418</u>	<u>3,835,675</u>	<u>31,698,093</u>
Excess of revenues over (under) expenditures	<u>(554,473)</u>	<u>124,492</u>	<u>(429,981)</u>
<u>Other financing sources (uses):</u>			
Proceeds from sale of capital assets	-	1,060,903	1,060,903
Bond anticipation notes issued	-	2,150,000	2,150,000
Premium on debt issuance	-	512	512
Transfers in	-	90,000	90,000
Transfers out	(90,000)	-	(90,000)
Total other financing sources (uses)	<u>(90,000)</u>	<u>3,301,415</u>	<u>3,211,415</u>
Net change in fund balances	(644,473)	3,425,907	2,781,434
Fund balances beginning of year	2,105,853	463,786	2,569,639
Fund balances end of year	<u>\$ 1,461,380</u>	<u>\$ 3,889,693</u>	<u>\$ 5,351,073</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, 2008**

Net change in fund balances - total governmental funds \$ 2,781,434

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	\$ 358,061	
Depreciation expense	(1,024,911)	
Excess of capital asset additions over depreciation expense		(666,850)

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. (385,718)

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	\$ (141,710)	
Intergovernmental	4,783	
Charges for services	227	
Tuition and fees	(10,129)	
Miscellaneous	7,912	
Net change in deferred revenues during the year		(138,917)

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 1,155,000

The issuance of long-term bonds results in expenditures and other financing sources and uses in the governmental funds, but these transactions are reflected in the statement of net assets as long-term assets and liabilities. (2,150,000)

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	\$ (650,392)	
Decrease in accrued interest	3,148	
Total additional expenditures		(647,244)

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

Premium	\$ 72,260	
Bond accretion	(290,664)	
Total additional expenses		(218,404)

Change in net assets of governmental activities \$ (270,699)

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, 2008**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Taxes	\$ 19,076,931	\$ 19,239,348	\$ 19,239,348	\$ -
Intergovernmental	7,430,071	7,334,955	7,333,217	(1,738)
Interest	275,000	238,353	238,353	-
Tuition and fees	293,000	365,780	365,780	-
Gifts and donations		1,880	1,880	-
Rent	47,000	9,385	9,385	-
Miscellaneous	161,559	184,003	184,003	-
Total revenues	<u>27,283,561</u>	<u>27,373,704</u>	<u>27,371,966</u>	<u>(1,738)</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	13,466,569	13,466,569	13,464,008	2,561
Special	1,681,201	1,681,201	1,678,796	2,405
Vocational	170,761	170,761	170,761	-
Other	1,154,853	1,154,853	1,153,836	1,017
Support services:				
Pupils	1,596,545	1,596,545	1,581,587	14,958
Instructional staff	1,505,541	1,505,541	1,461,463	44,078
Board of education	135,923	135,923	120,024	15,899
Administration	2,804,171	2,804,171	2,792,079	12,092
Fiscal	743,021	743,021	740,095	2,926
Business	217,000	217,000	199,043	17,957
Operation and maintenance of plant	2,691,836	2,691,836	2,565,339	126,497
Pupil transportation	1,617,868	1,617,868	1,614,225	3,643
Extracurricular activities	532,160	534,245	532,245	2,000
Debt service:				
Interest and fiscal charges	419,000	419,000	419,000	-
Total expenditures	<u>28,736,449</u>	<u>28,738,534</u>	<u>28,492,501</u>	<u>246,033</u>
Excess of revenues over (under) expenditures	<u>(1,452,888)</u>	<u>(1,364,830)</u>	<u>(1,120,535)</u>	<u>244,295</u>
<u>Other financing sources (uses):</u>				
Proceeds from the sale of capital assets	-	4	4	-
Refund of prior year expenditures	-	66,949	66,949	-
Advances in	488,685	497,808	497,808	-
Advances out	(395,000)	(59,123)	(54,640)	4,483
Transfers in	444,129	477,415	-	(477,415)
Transfers out	(489,129)	(577,415)	(90,000)	487,415
Total other financing sources (uses)	<u>48,685</u>	<u>405,638</u>	<u>420,121</u>	<u>14,483</u>
Net change in fund balance	(1,404,203)	(959,192)	(700,414)	258,778
Fund balances at beginning of year	3,401,417	3,401,417	3,401,417	-
Prior year encumbrances appropriated	544,896	544,896	544,896	-
Fund balances at end of year	<u>\$ 2,542,110</u>	<u>\$ 2,987,121</u>	<u>\$ 3,245,899</u>	<u>\$ 258,778</u>

See accompanying notes to the basic financial statements.

**AURORA CITY SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2008**

	Private Purpose Trusts	Agency
<u>Assets:</u>		
Equity in pooled cash and cash equivalents	\$ 16,046	\$ 144,187
Total assets	\$ 16,046	\$ 144,187
 <u>Liabilities:</u>		
Accounts payable	\$ -	\$ 7
Interfund payable	-	2,745
Accrued wages payable	-	361
Due to students	-	141,074
Total liabilities	-	\$ 144,187
 <u>Net assets:</u>		
Held in trust for scholarships	16,046	
Total net assets	\$ 16,046	

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, 2008**

	Private Purpose Trusts
<u>Additions:</u>	
Gifts and Contributions	\$ 100
Interest	287
Total additions	387
 <u>Deductions:</u>	
Payments in accordance with trust agreements	500
Change in net assets	(113)
Net assets, beginning of year	16,159
Net assets, end of year	\$ 16,046

See accompanying notes to the basic financial statements.



**AURORA CITY SCHOOL DISTRICT  
PORTAGE COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2008**

**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 also applies Financial Accounting Standards Board Statements and Interpretations issued on or before November 30, 1989, to its government-wide activities provided they do not conflict with or contradict GASB pronouncements. 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 128 non-certificated employees and 217 certificated full-time teaching employees which includes 9 administrative employees. These personnel provide services to approximately 3,001 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 two 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, 2008**

**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 and the Portage County School Consortium 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 12.

**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, 2008**

**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 is the School District's only major fund:

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.

**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.

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.

**AURORA CITY SCHOOL DISTRICT  
PORTAGE COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2008**

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, 2008, but which were levied to finance fiscal year 2009 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.

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.

**AURORA CITY SCHOOL DISTRICT  
PORTAGE COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2008**

**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 2008. 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 corporate bank account in which individual fund balance integrity is maintained through School District records. Each funds' interest in the pool is presented on the basic financial statements in the account, "Equity in pooled cash and cash equivalents". All deposits into the corporate bank account are invested in repurchase agreements of government-backed securities under terms of the School District's corporate account management agreement with the custodian bank. The corporate account itself always is maintained at a zero balance. As checks are presented to the bank for payment, the exact amount of each check is withdrawn from the repurchase agreement to honor the checks presented to the bank. The purpose of this method of short-term cash management is to maximize the School District's short-term investment earnings.

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.

**AURORA CITY SCHOOL DISTRICT  
PORTAGE COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2008**

**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 two 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 14 for the calculation of the year-end restricted asset balance and the corresponding fund balance reserves.

**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.

**AURORA CITY SCHOOL DISTRICT  
PORTAGE COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2008**

**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. 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.

**O. 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.

**P. 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.

**AURORA CITY SCHOOL DISTRICT  
PORTAGE COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2008**

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

**Q. 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 - 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	\$ (644,473)
Revenue accruals	628,782
Expenditure accruals	(172,811)
Encumbrances (Budget Basis) outstanding at year end	<u>(511,912)</u>
Budget Basis	<u>\$ (700,414)</u>



**AURORA CITY SCHOOL DISTRICT  
PORTAGE COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2008**

**NOTE 3 - DEPOSITS AND INVESTMENTS**

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

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

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

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

**AURORA CITY SCHOOL DISTRICT  
PORTAGE COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2008**

**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.

As of June 30, the carrying amount of the School District's deposits was \$3,347,480. The School District maintains a "zero balance" account for each of their checking accounts. Money is credited to their checking account from a repurchase account that is linked to those accounts as checks are presented.

The School District's bank balance of \$3,553,333 was exposed to custodial credit risk as follows:

Uninsured and collateral held by pledging bank's trust department and not in the School District's name	\$ 3,433,604
--	--------------

**Investments:**

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

<u>Investment type</u>	<u>Fair Value</u>	<u>Maturity</u>	<u>Rating</u> <sup>(1)</sup>
Federal Home Loan Bank Discount Note	197,640	12/17/2008	AAA
Federal Home Loan Bank	200,188	3/20/2009	AAA
Federal National Mortgage Association Discount Note	196,180	6/23/2009	AAA
Federated Prime Obligations	3,626,143	N/A	AAA
STAROhio	302,646	N/A	AAA
	<u>\$ 4,522,797</u>		

<sup>(1)</sup> Standard and Poor's rating

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, 2008.

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 investments in Federal Home Loan Bank (FHLB), Federal National Mortgage Association (FNMA) and Federated Prime Obligation (FPO) are held by the counterparty's trust department or agent and not in the School District's name. 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.

**AURORA CITY SCHOOL DISTRICT  
PORTAGE COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2008**

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, FHLB, FNMA and FPO an AAA rating. The School District's investment policy requires certain credit ratings for some investments as allowed by state law.

Concentration of credit risk is the possibility of loss attributed to the magnitude of the School District's investment in a single issuer. More than 93.3% of the School District's investments are in FHLB, FNMA and FPO. These investments are 8.8% and 4.3% and 80.2%, respectively, of the School District total investments. The School District's policy places no limit on the amount that may be invested in any one issuer.

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 2008 amounted to \$251,723, which includes \$23,793 assigned from other School District funds.

**NOTE 4 - PROPERTY TAXES**

Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real, public utility and tangible personal (used in business) property located in the School District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31 of the prior year, were levied April 1 and are collected with real property taxes. Assessed values for real property taxes are established by State law at 35% of appraised market value. All property is required to be revalued every six years. Public utility property taxes are assessed at 35% of true value and public utility tangible personal property currently is assessed at varying percentages of true value. Tangible personal property taxes are levied after April 1 on the value listed as of December 31 of the current year. In prior years, tangible personal property was assessed at 25% of true value for capital assets and 23% of true value for inventory. The tangible personal property tax is being phased out – the assessment percentage for all property including inventory for 2008 is 6.25%. This will be reduced to 0% for 2009.

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 earlier or later payment dates to be established.

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

The School District receives property taxes from 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 are available to finance current year operations. The School District, by resolution, authorizes the Treasurer to request advances from the County Auditor and Fiscal Officer during the year and to make these funds available for appropriation.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, public utility property, and tangible personal property taxes which were measurable as of June 30 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, amounts to be received during the available period are not subject to reasonable estimation at June 30, nor were they levied to finance fiscal year 2008 operations. For the governmental fund financial statements, the receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30 was

**AURORA CITY SCHOOL DISTRICT  
PORTAGE COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2008**

\$692,921 in the general fund, \$23,606 in the permanent improvement capital projects fund, and \$33,963 in the bond retirement debt service fund and is recognized as revenue.

There were no new levies passed during the current fiscal year. The assessed values upon which the current fiscal year taxes were collected are:

<u>Property Category</u>	<u>2007 Assessed Value</u>	<u>2006 Assessed Value</u>
<u>Real Property</u>		
Residential and Agricultural	\$ 495,067,290	\$ 483,958,780
Commercial and Industrial and Minerals	107,649,020	107,080,420
Public Utilities	55,140	42,110
<u>Tangible Personal Property</u>		
General	11,499,150	15,356,798
Public Utilities	<u>7,437,450</u>	<u>10,193,770</u>
Total	<u>\$ 621,708,050</u>	<u>\$ 616,631,878</u>

**NOTE 5 - RECEIVABLES**

Receivables at year-end consisted of taxes, accounts (tuition), 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, consisted of:

<u>Governmental Activities</u>	<u>Amount</u>
Special revenue funds:	
Food service	\$ 11,229
Miscellaneous state grants	3,850
Title VI-B	69,853
Title I	3,050
Improving teacher quality	<u>4,598</u>
	<u>\$ 92,580</u>

**AURORA CITY SCHOOL DISTRICT  
PORTAGE COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2008**

**NOTE 6 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2008 was as follows:

<u>Governmental activities</u>	<u>Balance June 30, 2007</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance June 30, 2008</u>
Capital assets, not being depreciated:				
Land	\$ 2,025,550	\$ -	\$ (377,936)	\$ 1,647,614
Construction in progress	<u>-</u>	<u>136,191</u>	<u>-</u>	<u>136,191</u>
Total capital assets, not being depreciated	<u>2,025,550</u>	<u>136,191</u>	<u>(377,936)</u>	<u>1,783,805</u>
Capital assets, being depreciated:				
Land improvements	1,390,201	2,993	-	1,393,194
Buildings	33,247,449	-	-	33,247,449
Furniture and equipment	2,540,474	75,215	(27,146)	2,588,543
Vehicles	<u>2,375,382</u>	<u>143,662</u>	<u>-</u>	<u>2,519,044</u>
Total capital assets, being depreciated	<u>39,553,506</u>	<u>221,870</u>	<u>(27,146)</u>	<u>39,748,230</u>
Less: Accumulated depreciation				
Land improvements	(58,264)	(11,041)	-	(69,305)
Buildings	(18,480,503)	(701,503)	-	(19,182,006)
Furniture and equipment	(1,651,043)	(128,005)	19,364	(1,759,684)
Vehicles	<u>(1,570,770)</u>	<u>(184,362)</u>	<u>-</u>	<u>(1,755,132)</u>
Total accumulated depreciation	<u>(21,760,580)</u>	<u>(1,024,911)</u>	<u>19,364</u>	<u>(22,766,127)</u>
Total capital assets being depreciated, net	<u>17,792,926</u>	<u>(803,041)</u>	<u>(7,782)</u>	<u>16,982,103</u>
Capital assets, net	<u>\$ 19,818,476</u>	<u>\$ (666,850)</u>	<u>\$ (385,718)</u>	<u>\$ 18,765,908</u>

Depreciation expense charged to governmental functions for the year ending June 30, 2008 is as follows:

Instruction:	
Regular	\$ 307,868
Special	18,900
Vocational	7,704
Support services:	
Pupils	5,441
Instructional staff	121,127
Administration	68,643
Fiscal	685
Business	7,335
Operation and maintenance of plant	163,296
Pupil transportation	166,382
Food service operations	60,270
Extracurricular activities	<u>97,260</u>
	<u>\$ 1,024,911</u>

**AURORA CITY SCHOOL DISTRICT  
PORTAGE COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2008**

**NOTE 7 - 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.

**NOTE 8 - DEFINED BENEFIT PENSION PLANS**

**A. School Employee 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.

**AURORA CITY SCHOOL DISTRICT  
PORTAGE COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2008**

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2008, 9.16 percent of annual covered salary was the portion used to fund pension obligations. 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, 2008, 2007 and 2006 were \$381,328, \$423,605 and \$377,234 respectively; 50.00 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

**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.

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, 2008, 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 2007, 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.

**AURORA CITY SCHOOL DISTRICT  
PORTAGE COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2008**

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2008, 2007, and 2006 were \$1,861,080, \$1,842,523, and \$1,795,597 respectively; 83.10 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006. Contributions to the DC and Combined Plans for fiscal year 2008 were \$40,769 made by the School District and \$77,125 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 of Ohio have an option to choose Social Security or the School Retirement System. As of June 30, 2008, two members of the Board of Education have elected Social Security. The contribution rate is 6.2 percent of wages.

**NOTE 9 - POSTEMPLOYMENT 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 2008, 4.18 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 2008, this amount was \$61,931.

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, 2008, 2007, and 2006 were \$235,943, \$165,738, and \$174,241 respectively; 44.71 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2008, this actuarially required allocation was 0.66 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2008, 2007, and 2006 were \$27,476, \$26,178, and \$23,533 respectively; 50.00 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.



**AURORA CITY SCHOOL DISTRICT  
PORTAGE COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2008**

**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 2008, 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, 2008, 2007, and 2006 were \$143,160, \$141,733, and \$138,123 respectively; 83.10 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

**NOTE 10 - LONG-TERM OBLIGATIONS**

Changes in long-term obligations of the School District during fiscal year 2008 were as follows:

<u>Governmental activities</u>	<u>Balance July 1, 2007</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2008</u>	<u>Due in one year</u>
<u>General Obligation Bonds</u>					
<u>2004 School Improvement Refunding</u>					
Serial Bonds	\$ 6,750,000	\$ -	\$ (750,000)	\$ 6,000,000	\$ -
Premium	498,774	-	(79,694)	419,080	-
Capital Appreciation Bonds	374,992	-	-	374,992	213,838
Accretion on Bonds	514,193	290,664	-	804,857	-
Total bonds	<u>8,137,959</u>	<u>290,664</u>	<u>(829,694)</u>	<u>7,598,929</u>	<u>213,838</u>
<u>Certificates of Participation</u>					
<u>1999 Certificates</u>					
	2,295,000	-	(335,000)	1,960,000	355,000
<u>2005 Refunding Certificates</u>					
Premium	8,610,000	-	(70,000)	8,540,000	70,000
	47,277	-	(3,781)	43,496	-
Total certificates	<u>10,952,277</u>	<u>-</u>	<u>(408,781)</u>	<u>10,543,496</u>	<u>425,000</u>
2008 Bond Anticipation Notes	<u>-</u>	<u>2,150,000</u>	<u>-</u>	<u>2,150,000</u>	<u>2,150,000</u>
<u>Other obligations</u>					
Compensated absences	<u>1,720,742</u>	<u>911,610</u>	<u>(261,218)</u>	<u>2,371,134</u>	<u>570,968</u>
Total long-term obligations	<u>\$ 20,810,978</u>	<u>\$ 3,352,274</u>	<u>\$ (1,499,693)</u>	<u>\$ 22,663,559</u>	<u>\$ 3,359,806</u>

**AURORA CITY SCHOOL DISTRICT  
PORTAGE COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2008**

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.

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>			
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.

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, 2008, the remainder of the defeased bonds has been called and is no longer outstanding.

Bond Anticipation Notes - In June 2008, the School District issued \$2,150,000 in bond anticipation notes for the purpose of capital renovations. The School District did not show an expenditure for the issuance costs due to those cost being paid by the purchaser. The Payment of the bond anticipation notes will be from the bond retirement debt service fund.

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

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.

**AURORA CITY SCHOOL DISTRICT  
PORTAGE COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2008**

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>	
2009	213,838 *	787,462 *	425,000	448,656	1,874,956
2010	161,154 *	840,147 *	440,000	427,703	1,869,004
2011	770,000	214,750	465,000	405,247	1,854,997
2012	790,000	189,375	485,000	381,061	1,845,436
2013	820,000	160,175	515,000	355,027	1,850,202
2014-2018	3,620,000	297,000	2,925,000	1,423,350	8,265,350
2019-2023	-	-	3,590,000	745,237	4,335,237
2024-2025	-	-	1,655,000	71,081	1,726,081
Total	<u>\$ 6,374,992</u>	<u>\$ 2,488,909</u>	<u>\$ 10,500,000</u>	<u>\$ 4,257,362</u>	<u>\$ 23,621,263</u>

\* These amounts represent capital appreciation bonds.

**NOTE 11 - 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	\$ 45,517
Due to nonmajor governmental fund from:	
Agency fund	<u>2,033</u>
Total interfund receivable/payable	<u>\$ 47,550</u>

**AURORA CITY SCHOOL DISTRICT  
PORTAGE COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2008**

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, 2008, all interfund loans outstanding are anticipated to be repaid in fiscal year 2009.

Interfund transfers for the year ended June 30, 2008, consisted of the following:

Transfers to/from nonmajor governmental funds to/from:	
General fund	\$ 90,000

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 12 - 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 \$84,078 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 \$2,740,143 in the form of health care and life insurance premiums to the consortium for the current fiscal year.

**NOTE 13 - 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.

**AURORA CITY SCHOOL DISTRICT  
PORTAGE COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2008**

**NOTE 14 - 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, 2008, 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, 2007	\$ 508,516	\$ -	\$ 508,516
Current year set-aside requirement	477,415	477,415	954,830
Qualifying disbursements	<u>(474,243)</u>	<u>(658,492)</u>	<u>(1,132,735)</u>
Total	<u>\$ 511,688</u>	<u>\$ (181,077)</u>	<u>\$ 330,611</u>
Restricted cash and balance carried forward	<u>\$ 511,688</u>		<u>\$ 511,688</u>

**NOTE 15 - ACCOUNTABILITY**

As of June 30, 2008 the following funds had deficit fund balances:

	<u>Amount</u>
<u>Nonmajor special revenue funds:</u>	
Uniform school supply	\$ 21,520
Entry year programs	450

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 16 – SUBSEQUENT EVENT**

On August 28, 2008 and January 6, 2009 the board issued general obligation bonds in the aggregate principal amount of \$9,700,000 and 9,550,996, respectively for the purpose of constructing, adding to, renovating and otherwise improving school district buildings, facilities and improving their sites.

**THIS PAGE INTENTIONALLY LEFT BLANK.**

AURORA CITY SCHOOL DISTRICT  
PORTAGE COUNTY

FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FISCAL YEAR ENDED JUNE 30, 2008

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	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>						
Food Distribution Program	N/A	10.550		\$ 32,665		\$ 32,665
<i>Child Nutrition Cluster:</i>						
National School Lunch Program	LLP4-2007 LLP4-2008	10.555	\$ 12,190 73,134		\$ 12,190 73,134	
<i>Total Child Nutrition Cluster</i>			<u>85,324</u>		<u>85,324</u>	
Total U.S. Department of Agriculture			85,324	32,665	85,324	32,665
<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)	6BSF-2007 6BSF-2008	84.027	44,442 462,418		50,841 455,850	
Subtotal Grant to States (IDEA Part B)			<u>506,860</u>		<u>506,691</u>	
Special Education - Preschool Grants	PGS1-2007 PGS1-2008	84.173	- 5,842		(257) 5,456	
Subtotal Preschool Grants			<u>5,842</u>		<u>5,199</u>	
<i>Total Special Education Cluster</i>			<u>512,702</u>		<u>511,890</u>	
Grants to Local Educational Agencies (Title I)	C1S1-2007 C1S1-2008	84.010	- 135,350		4,615 119,388	
Total Grants to Local Educational Agencies (Title I)			<u>135,350</u>		<u>124,003</u>	
Safe and Drug Free Schools (Title IV-A)	DRS1-2007 DRS1-2008	84.186	5,189 7,342		4,367 7,342	
Total Safe and Drug Free Schools (Title IV-A)			<u>12,531</u>		<u>11,709</u>	
Innovative Education Program Strategies (Title V)	C2S1-2008	84.298	7,067		7,067	
Technology Literacy Quality State Grants (Title II-D)	TJS1-07 TJS1-08	84.318	- 1,439		- 1,452	
Total Technology Literacy Quality State Grants (Title II-D)			<u>1,439</u>		<u>1,452</u>	
Limited English Proficiency (Title III)		84.365	3,263		3,263	
Improving Teacher Quality State Grants (Title II-A)	TRS1-2007 TRS1-2008	84.367	3,386 43,357		3,964 42,298	
Total Improving Teacher Quality State Grants (Title II-A)			<u>46,743</u>		<u>46,262</u>	
Total U.S. Department of Education			<u>719,095</u>		<u>705,646</u>	
<b>Totals</b>			<u>\$ 804,419</u>	<u>\$ 32,665</u>	<u>\$ 790,970</u>	<u>\$ 32,665</u>

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

**AURORA CITY SCHOOL DISTRICT  
PORTAGE COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FISCAL YEAR ENDED JUNE 30, 2008**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B – FOOD DONATION PROGRAM**

Program regulations do not require the District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This non-monetary assistance (expenditures) is reported in the Schedule at the entitlement value of the commodities received.

**NOTE C - CHILD NUTRITION CLUSTER**

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.

**NOTE D – CARRYOVER FUNDS**

Portions of the receipts shown in the Title 1, CFDA 84.010; Special Education Grants, CFDA 84.027; Special Education Preschool Grants, CFDA 84.173 and Improving Teacher Quality Grants, CFDA 84.367 represent monies that were unspent after the initial period of availability. These monies were added to the subsequent fiscal year awards in accordance with allowable carryover provisions.





# Mary Taylor, CPA

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, Ohio, (the District) as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 21, 2009. 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 expressing our opinion on the financial statements, but not to opine 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 control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the District's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the District's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be 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.

We noted certain matters that we reported to the District's management in a separate letter dated October 21, 2009.

### **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 did note certain noncompliance or other matters that we reported to the District's management in a separate letter dated October 21, 2009.

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

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

**Mary Taylor, CPA**  
Auditor of State

October 21, 2009



# Mary Taylor, CPA

## Auditor of State

### INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH 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, Portage County, Ohio, (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 apply to each of its major federal programs for the year ended June 30, 2008. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal programs. 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 express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the types of 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 those 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 those requirements.

In our opinion, the Aurora City School District complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the year ended June 30, 2008.

#### 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 in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A *control deficiency* in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood that the District's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that the District's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements.

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 that might be 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 audit committee, management, Board of Education, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.

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

**Mary Taylor, CPA**  
Auditor of State

October 21, 2009

**AURORA CITY SCHOOL DISTRICT  
PORTAGE COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2008**

**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 other 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 other 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?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Special Education Cluster: CFDA #84.027 and #84.173
<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>	Yes

**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





Mary Taylor, CPA  
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  
NOVEMBER 5, 2009**