



Dave Yost • Auditor of State

**AURORA CITY SCHOOL DISTRICT
PORTAGE COUNTY**

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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, 2010, 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, 2010, 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 February 18, 2011, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements taken as a whole. The federal awards expenditure schedule is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. We subjected the federal awards expenditure 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 "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

February 18, 2011

**AURORA CITY SCHOOL DISTRICT
MANAGEMENTS DISCUSSION AND ANALYSIS
FOR THE FISCAL PERIOD ENDING JUNE 30, 2010
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, 2010. 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 2010 are as follows:

- Net assets of governmental activities increased \$406,935 from 2009.
- General revenues accounted for \$31,653,819 in revenue or 91.4% 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 \$2,969,200 or 8.6% of total revenues of \$34,623,019.
- The School District had \$34,216,084 in expenses related to governmental activities; only \$2,969,200 of these expenses was offset by program specific charges for services, grants, contributions and interest. General revenues of \$31,653,819 were adequate to provide for these programs.
- At the end of the current fiscal year the governmental funds reported a combined ending fund balance of \$8,001,344, a decrease of \$13,184,006 from the prior fiscal year.

Using this Annual Financial Report

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

The statement of net assets and statement of activities provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements present how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant fund with all other nonmajor funds presented in total in one column. In the case of Aurora City School District, the general fund and the building fund are by far the most significant funds.

Reporting the School District as a Whole

Statement of Net Assets and the Statement of Activities

While these statements contain information about a large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and helps answer the question, "How did we do financially during 2010?" 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, 2010
UNAUDITED**

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

In the statement of net assets and the statement of activities, the School Districts' activities are considered to be all Governmental Activities:

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

Reporting the School District's Most Significant Fund

Fund Financial Statements

The analysis of the School District's major fund begins on page 9. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the general fund and the building capital projects fund.

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

**AURORA CITY SCHOOL DISTRICT
MANAGEMENTS DISCUSSION AND ANALYSIS
FOR THE FISCAL PERIOD ENDING JUNE 30, 2010
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 2010:

Table 1 Net Assets		Governmental Activities	
	2010	2009	
Assets:			
Current and other assets	\$ 37,614,749	\$ 51,102,463	
Capital assets, net of depreciation	33,264,051	21,776,534	
Total assets	70,878,800	72,878,997	
Liabilities:			
Other liabilities	28,770,018	29,101,977	
Long-term liabilities:			
Due within one year	1,912,843	1,342,760	
Due in more than one year	35,000,676	37,645,932	
Total liabilities	65,683,537	68,090,669	
Net Assets:			
Invested in capital assets, net of debt	463,646	1,355,539	
Restricted	2,660,307	2,346,872	
Unrestricted	2,071,310	1,085,917	
Total net assets	\$ 5,195,263	\$ 4,788,328	

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2010, the School District's assets exceeded liabilities by \$5,195,263.

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, \$2,660,307, represents resources that are subject to external restrictions on how the funds may be used. Of the total restricted assets, \$1,334,376 or 50% is restricted for capital projects; \$836,548 or 32% is restricted for debt service payment; and another small amount, \$489,383 or 18%, is restricted for other purposes. The remaining balance of government-wide unrestricted net assets of \$2,071,310 was 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, 2010
UNAUDITED**

Table 2 shows the changes in net assets for fiscal year 2010 as compared to fiscal year 2009.

Table 2
Changes in Net Assets

	Governmental Activities	
	2010	2009
Revenues		
Program revenues:		
Charges for services	\$ 1,320,788	\$ 1,386,945
Operating grants, contributions and interest	1,648,412	1,413,282
Capital grants and contributions	-	23,339
General revenues:		
Property taxes	22,431,212	23,912,018
Grants and entitlements	8,901,143	8,624,993
Investment earnings	230,508	271,252
Miscellaneous	90,956	121,775
Capital contributions	-	419,723
Total revenues	34,623,019	36,173,327
Program Expenses		
Instruction:		
Regular	13,473,053	13,816,357
Special	2,202,898	2,027,273
Vocational	234,775	178,708
Other	1,277,031	1,046,466
Support services:		
Pupils	1,851,748	1,714,360
Instructional staff	2,289,496	1,955,857
Board of education	175,828	92,203
Administration	2,628,494	2,686,905
Fiscal	840,734	794,026
Business	186,601	215,492
Operation and maintenance of plant	3,790,696	2,921,005
Pupil transportation	1,584,327	1,623,500
Central	109,479	99,167
Operation non-instructional services:		
Food service operations	935,757	911,658
Extracurricular activities	1,040,802	1,066,711
Interest and fiscal charges	1,594,365	1,490,680
Total expenses	34,216,084	32,640,368
Increase (decrease) in net assets	\$ 406,935	\$ 3,532,959

**AURORA CITY SCHOOL DISTRICT
MANAGEMENTS DISCUSSION AND ANALYSIS
FOR THE FISCAL PERIOD ENDING JUNE 30, 2010
UNAUDITED**

Governmental Activities

Net assets of the District's governmental activities increased \$406,935. Total governmental expenses of \$34,216,084 were offset by program revenues of \$2,969,200 and general revenues of \$31,653,819. Program revenues supported 8.6% of the total governmental expenses.

Several revenue sources fund our governmental activities with property tax and State foundation revenues being the largest contributors. Property tax levies generated over \$22.4 million in 2010. General revenues from grants and entitlements, such as the school foundation program, generated over \$8.9 million. With the combination of taxes and intergovernmental funding comprising approximately 90.5% 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 50% of governmental program expenses.

General revenues, primarily taxes and grants and entitlements decreased 3.8% from the prior year and expenses increased 4.8% over the prior year. Due to this the School District had only a slight increase in net assets for the current fiscal year. The District has worked hard to control costs through retirement incentives and other measures.

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

**AURORA CITY SCHOOL DISTRICT
MANAGEMENTS DISCUSSION AND ANALYSIS
FOR THE FISCAL PERIOD ENDING JUNE 30, 2010
UNAUDITED**

Table 3
Governmental Activities

	Total Cost of Services 2010	Total Cost of Services 2009	Net Cost of Services 2010	Net Cost of Services 2009
Program Expenses				
Instruction:				
Regular	\$ 13,473,053	\$ 13,816,357	\$ (13,000,416)	\$ (13,019,723)
Special	2,202,898	2,027,273	(1,996,014)	(1,880,154)
Vocational	234,775	178,708	(219,539)	(157,997)
Other	1,277,031	1,046,466	(1,277,031)	(1,046,466)
Support services:				
Pupils	1,851,748	1,714,360	(1,667,960)	(1,633,611)
Instructional staff	2,289,496	1,955,857	(1,655,736)	(1,572,299)
Board of education	175,828	92,203	(175,828)	(92,203)
Administration	2,628,494	2,686,905	(2,562,138)	(2,619,623)
Fiscal	840,734	794,026	(840,734)	(794,026)
Business	186,601	215,492	(177,819)	(215,492)
Operation and maintenance of plant	3,790,696	2,921,005	(3,765,700)	(2,913,580)
Pupil transportation	1,584,327	1,623,500	(1,507,143)	(1,598,013)
Central	109,479	99,167	(94,797)	(78,223)
Operation non-instructional services:				
Food service operations	935,757	911,658	18,935	62,362
Extracurricular activities	1,040,802	1,066,711	(730,599)	(767,074)
Interest and fiscal charges	1,594,365	1,490,680	(1,594,365)	(1,490,680)
Total expenses	<u>\$ 34,216,084</u>	<u>\$ 32,640,368</u>	<u>\$ (31,246,884)</u>	<u>\$ (29,816,802)</u>

**AURORA CITY SCHOOL DISTRICT
MANAGEMENTS DISCUSSION AND ANALYSIS
FOR THE FISCAL PERIOD ENDING JUNE 30, 2010
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 for governmental funds were \$34,567,896 and total expenditures were \$47,751,902. The total net change in fund balance across all governmental funds was a decrease of \$13,184,006; the School District continues to be financially stable with a total governmental fund balance of \$8,001,344 at year-end. Table 4 shows fiscal year 2010 fund balances compared to fiscal year 2009.

Table 4
Fund Balances

	<u>Fund Balance June 30, 2010</u>	<u>Fund Balance June 30, 2009</u>	<u>Increase/ (Decrease)</u>	<u>Percent Change</u>
General	\$ 3,111,972	\$ 3,654,854	\$ (542,882)	(14.85)
Building	2,504,472	15,310,045	(12,805,573)	(83.64)
Other governmental	<u>2,384,900</u>	<u>2,220,451</u>	<u>164,449</u>	<u>7.41</u>
Total	<u>\$ 8,001,344</u>	<u>\$ 21,185,350</u>	<u>\$ (13,184,006)</u>	<u>(62.23)</u>

General Fund

The general fund is reporting a fund balance of \$3,111,972, a decrease of \$542,882 from 2009. The general fund decrease is attributable to a decrease in revenues in the amount of \$1,699,834, primarily property taxes revenue. Expenditures in the general fund also increased by \$1,121,522 not related to any one item.

**AURORA CITY SCHOOL DISTRICT
MANAGEMENTS DISCUSSION AND ANALYSIS
FOR THE FISCAL PERIOD ENDING JUNE 30, 2010
UNAUDITED**

Table 5
General Fund Changes in Revenues and Expenditures

	2010 Amount	2009 Amount	Increase (Decrease)	Percent Change
<u>Revenues:</u>				
Property taxes	\$ 19,819,860	\$ 21,480,849	\$ (1,660,989)	(7.73)
Intergovernmental	8,585,063	8,525,128	59,935	0.70
Interest	9,761	154,273	(144,512)	(93.67)
Tuition and fees	426,927	355,959	70,968	19.94
Gifts and donations	2,500	-	2,500	-
Rent	18,423	7,425	10,998	148.12
Miscellaneous	90,954	129,688	(38,734)	(29.87)
Total revenues	<u>28,953,488</u>	<u>30,653,322</u>	<u>(1,699,834)</u>	
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	13,734,627	13,364,758	369,869	2.77
Special	1,983,022	1,836,102	146,920	8.00
Vocational	220,848	169,748	51,100	30.10
Other	1,270,052	1,040,302	229,750	22.08
Support services:				
Pupils	1,675,301	1,657,928	17,373	1.05
Instructional staff	1,584,238	1,431,343	152,895	10.68
Board of education	175,828	92,203	83,625	90.70
Administration	2,538,902	2,568,735	(29,833)	(1.16)
Fiscal	790,412	753,013	37,399	4.97
Business	180,408	201,075	(20,667)	(10.28)
Operation and maintenance of plant	2,617,082	2,477,850	139,232	5.62
Pupil transportation	1,425,942	1,445,383	(19,441)	(1.35)
Central	47,267	-	47,267	100.00
Extracurricular	598,878	601,049	(2,171)	(0.36)
Capital outlay	234,563	316,359	(81,796)	(25.86)
Debt service:				
Interest and fiscal charges	419,000	419,000	-	-
Total expenditures	<u>\$ 29,496,370</u>	<u>\$ 28,374,848</u>	<u>\$ 1,121,522</u>	

Building Fund

The building fund is reporting a fund balance of \$2,504,472, a decrease of \$12,805,573 from 2009. The building fund decrease is attributable to the issuance of general obligation bonds in 2009.

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.

**AURORA CITY SCHOOL DISTRICT
MANAGEMENTS DISCUSSION AND ANALYSIS
FOR THE FISCAL PERIOD ENDING JUNE 30, 2010
UNAUDITED**

During fiscal year 2010, the School District amended its general fund budget several times, however none were significant. Budget revisions are presented to the Board of Education for approval.

For the general fund, the original budgeted revenue estimate was \$30,643,389. This amount was changed during the year, resulting in a final revenue budget of \$30,096,699. Actual revenue reported were \$29,595,616, \$501,083 less than the final budgeted amount; and \$1,047,773 less 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 \$30,512,636 was revised during the fiscal year. The final expenditures estimate of \$30,674,821 was \$162,185 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 \$29,726,685, \$948,136 or 3.1% 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 2010, the School District had \$33,264,051 invested in land and land improvements, buildings, furniture and equipment, vehicles and construction in progress. Table 6 shows fiscal year 2010 balances compared to fiscal year 2009:

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

	Governmental Activities	
	2010	2009
Land	\$ 1,681,927	\$ 1,681,927
Land improvements	1,508,445	1,641,206
Buildings	13,080,378	13,486,186
Furniture and equipment	618,454	608,399
Vehicles	1,056,153	868,258
Construction in progress	15,318,694	3,490,558
Total capital assets	\$ 33,264,051	\$ 21,776,534

Total capital assets increased \$11,487,517 during the year. This increase was mainly caused by an increase in construction in progress for school improvement projects going on within the School District. See Note 6 to the basic financial statements for detail on the School District's capital assets.

Debt

At June 30, 2010 the School District had \$35,135,883 in bonds and certificates of participation outstanding with \$1,615,000 due within one year. 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, 2010
UNAUDITED**

Table 7
Outstanding Debt, at Fiscal Year End

	<u>Governmental Activities</u>	
	<u>2010</u>	<u>2009</u>
School Improvement Refunding Bonds	\$ 6,000,000	\$ 6,161,154
Premium and accreted interest	278,841	859,397
Certificates of Participation	1,235,000	1,605,000
Refunding Certificates of Participation	8,400,000	8,470,000
Premium	36,026	39,747
General Obligation Bonds	19,020,996	19,250,996
Premium and accreted interest	<u>165,020</u>	<u>136,437</u>
Total outstanding debt	<u>\$ 35,135,883</u>	<u>\$ 36,522,731</u>

During fiscal year 2000, the School District issued Certificates of Participation in the amount of \$12,000,000 and simultaneously entered into a trust and lease agreement to make payments on the Certificates. The proceeds of this issue were used mainly for the construction of a new elementary school. During the fiscal year 2004, the School District issued \$8,309,992 in refunding bonds, the proceeds of which were used to refund previously issued debt and to take advantage of lower interest rates. Also, during fiscal year 2005, the School District issued \$8,895,000 of Refunding Certificates of Participation for the purpose of advance refunding of \$7,780,000 Certificates of Participation and to lower their future debt service payments. During the fiscal year 2009, the School District issued \$19,250,996 in general obligation bonds, the proceeds will be used for capital improvements. The School District has budgeted to meet all of the School District's debt requirements. See Note 10 to the basic financial statements for additional information regarding the School District's debt. As of June 30, 2010 the School District had a voted and unvoted debt margin of \$28,868,166 and \$1,471,824, 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.

**AURORA CITY SCHOOL DISTRICT
MANAGEMENTS DISCUSSION AND ANALYSIS
FOR THE FISCAL PERIOD ENDING JUNE 30, 2010
UNAUDITED**

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, 2010**

	Governmental Activities
<u>Assets:</u>	
Equity in pooled cash and cash equivalents	\$ 7,937,393
Cash and cash equivalents:	
In segregated accounts	2,498,325
Investments in segregated accounts	200,094
Receivables:	
Taxes	26,440,358
Accounts	13,184
Intergovernmental	148,688
Accrued interest	3,582
Due from other funds	6,200
Inventory held for resale	13,939
Materials and supplies inventory	1,902
Deferred charges	351,084
Capital assets:	
Nondepreciable capital assets	17,000,621
Depreciable capital assets, net	16,263,430
Total assets	70,878,800
 <u>Liabilities:</u>	
Accounts payable	142,037
Contracts payable	372,421
Accrued wages	3,093,189
Intergovernmental payable	889,379
Accrued interest payable	124,594
Deferred revenue	24,148,398
Long-term liabilities:	
Due within one year	1,912,843
Due in more than one year	35,000,676
Total liabilities	65,683,537
 <u>Net assets:</u>	
Invested in capital assets, net of related debt	463,646
Restricted for:	
Capital projects	1,334,376
Debt service	836,548
Other purposes	489,383
Unrestricted	2,071,310
Total net assets	\$ 5,195,263

See accompanying notes to the basic financial statements.

**AURORA CITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants, Contributions and Interest	Governmental Activities
<u>Governmental Activities:</u>				
Instruction:				
Regular	\$ 13,473,053	\$ 395,536	\$ 77,101	\$ (13,000,416)
Special	2,202,898	20,028	186,856	(1,996,014)
Vocational	234,775	15,236	-	(219,539)
Other	1,277,031	-	-	(1,277,031)
Support services:				
Pupils	1,851,748	-	183,788	(1,667,960)
Instructional staff	2,289,496	3,644	630,116	(1,655,736)
Board of education	175,828	-	-	(175,828)
Administration	2,628,494	-	66,356	(2,562,138)
Fiscal	840,734	-	-	(840,734)
Business	186,601	-	8,782	(177,819)
Operation and maintenance of plant	3,790,696	24,996	-	(3,765,700)
Pupil transportation	1,584,327	1,152	76,032	(1,507,143)
Central	109,479	-	14,682	(94,797)
Operation of non-instructional services:				
Food service operations	935,757	604,653	350,039	18,935
Extracurricular activities	1,040,802	255,543	54,660	(730,599)
Interest and fiscal charges	1,594,365	-	-	(1,594,365)
Totals	34,216,084	1,320,788	1,648,412	(31,246,884)

General Revenues:

Property taxes levied for:

General purposes	19,926,648
Debt service	1,901,854
Capital outlay	602,710
Grants and entitlements not restricted to specific programs	8,901,143
Investment earnings	230,508
Miscellaneous	90,956

Total general revenues 31,653,819

Change in net assets 406,935

Net assets beginning of year 4,788,328

Net assets end of year \$ 5,195,263

See accompanying notes to the basic financial statements.

**AURORA CITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2010**

	General	Building Fund	Other Governmental Funds	Total Governmental Funds
Assets:				
Equity in pooled cash and cash equivalents	\$ 4,534,863	\$ 178,247	\$ 2,339,418	\$ 7,052,528
Cash and cash equivalents:				
In segregated accounts	-	2,498,325	-	2,498,325
Investments in segregated accounts	-	200,094	-	200,094
Receivables:				
Taxes	23,447,924	-	2,992,434	26,440,358
Accounts	12,241	-	943	13,184
Intergovernmental	-	-	148,688	148,688
Interfund	84,510	-	-	84,510
Accrued interest	3,355	227	-	3,582
Inventory held for resale	-	-	13,939	13,939
Materials and supplies inventory	-	-	1,902	1,902
Equity in pooled cash and cash equivalents (restricted)	884,865	-	-	884,865
Total assets	\$ 28,967,758	2,876,893	\$ 5,497,324	\$ 37,341,975
Liabilities:				
Accounts payable	\$ 136,155	\$ -	\$ 5,882	\$ 142,037
Accrued wages	2,961,528	-	131,661	3,093,189
Interfund payable	-	-	78,310	78,310
Intergovernmental payable	865,380	-	23,999	889,379
Contracts payable	-	372,421	-	372,421
Deferred revenue	21,892,723	-	2,872,572	24,765,295
Total liabilities	25,855,786	372,421	3,112,424	29,340,631
Fund balances:				
Reserved:				
Reserved for encumbrances	381,538	2,276,622	39,233	2,697,393
Reserved for textbooks and instructional materials	884,865	-	-	884,865
Reserved for property taxes	1,566,998	-	202,630	1,769,628
Unreserved,				
General fund	278,571	-	-	278,571
Special revenue funds	-	-	363,820	363,820
Debt service fund	-	-	728,630	728,630
Capital projects fund	-	227,850	1,050,587	1,278,437
Total fund balances	3,111,972	2,504,472	2,384,900	8,001,344
Total liabilities and fund balances	\$ 28,967,758	\$ 2,876,893	\$ 5,497,324	\$ 37,341,975

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, 2010**

Total governmental funds balances		\$	8,001,344
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.			33,264,051
Other long-term assets that are not available to pay for current-period expenditures and therefore are deferred in the funds:			
Property taxes	\$	522,332	
Intergovernmental		82,768	
Tuition and fees		5,223	
Miscellaneous		6,574	
Total		616,897	616,897
Deferred charges are included in the governmental activities in the statement of net assets.			351,084
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.			(124,594)
Long-term liabilities that are not due and payable in the current period and therefore are not reported in the funds:			
Compensated absences	\$	(1,777,636)	
Refunding general obligation bonds		(6,278,841)	
General obligation bonds		(19,186,016)	
Certificates of participation		(1,235,000)	
Refunding certificates of participation		(8,436,026)	
Total		(36,913,519)	(36,913,519)
Net assets of governmental activities		\$	5,195,263

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, 2010**

	General	Building Fund	All Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$ 19,819,860	\$ -	\$ 2,488,597	\$ 22,308,457
Intergovernmental	8,585,063	-	1,861,361	10,446,424
Interest	9,761	219,638	1,764	231,163
Tuition and fees	426,927	-	46,762	473,689
Extracurricular activities	-	-	306,414	306,414
Gifts and donations	2,500	-	83,769	86,269
Charges for services	-	-	604,653	604,653
Rent	18,423	-	-	18,423
Miscellaneous	90,954	-	1,450	92,404
Total revenues	<u>28,953,488</u>	<u>219,638</u>	<u>5,394,770</u>	<u>34,567,896</u>
Expenditures:				
Current:				
Instruction:				
Regular	13,734,627	-	108,316	13,842,943
Special	1,983,022	-	196,427	2,179,449
Vocational	220,848	-	-	220,848
Other	1,270,052	-	13,726	1,283,778
Support services:				
Pupils	1,675,301	-	188,601	1,863,902
Instructional staff	1,584,238	-	576,879	2,161,117
Board of education	175,828	-	-	175,828
Administration	2,538,902	-	46,674	2,585,576
Fiscal	790,412	-	45,740	836,152
Business	180,408	-	-	180,408
Operation and maintenance of plant	2,617,082	829,573	121,555	3,568,210
Pupil transportation	1,425,942	-	-	1,425,942
Central	47,267	-	62,212	109,479
Operation of non-instructional services:				
Operation of food services	-	-	879,851	879,851
Extracurricular activities	598,878	-	283,610	882,488
Capital outlay	234,563	12,195,638	171,389	12,601,590
Debt service:				
Principal retirement	-	-	1,445,000	1,445,000
Interest and fiscal charges	419,000	-	1,090,341	1,509,341
Total expenditures	<u>29,496,370</u>	<u>13,025,211</u>	<u>5,230,321</u>	<u>47,751,902</u>
Net change in fund balances	(542,882)	(12,805,573)	164,449	(13,184,006)
Fund balances beginning of year	3,654,854	15,310,045	2,220,451	21,185,350
Fund balances end of year	<u>\$ 3,111,972</u>	<u>\$ 2,504,472</u>	<u>\$ 2,384,900</u>	<u>\$ 8,001,344</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, 2010**

Net change in fund balances - total governmental funds \$ (13,184,006)

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	\$	12,601,590	
Depreciation expense		(1,107,469)	
Excess of capital asset additions over depreciation expense			11,494,121

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. (6,604)

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	\$	122,755	
Intergovernmental		14,758	
Tuition and fees		(88,964)	
Miscellaneous		6,574	
Net change in deferred revenues during the year			55,123

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 1,445,000

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:

Decrease in compensated absences	\$	688,325	
Decrease in accrued interest		2,369	
Total additional expenditures			690,694

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

Premium	\$	81,266	
Issuance costs		(29,241)	
Bond accretion		(139,418)	
Total additional expenses			(87,393)

Change in net assets of governmental activities \$ 406,935

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, 2010

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Taxes	\$ 20,652,886	\$ 20,384,646	\$ 20,384,646	\$ -
Intergovernmental	8,890,967	8,585,063	8,585,063	-
Interest	90,000	59,673	60,903	1,230
Tuition and fees	354,850	428,572	427,872	(700)
Gifts and donations	-	2,500	2,500	-
Rent	6,500	18,907	18,907	-
Miscellaneous	123,545	88,147	88,253	106
Total revenues	<u>30,118,748</u>	<u>29,567,508</u>	<u>29,568,144</u>	<u>636</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	15,291,629	13,847,779	13,778,249	69,530
Special	2,079,332	1,944,528	1,944,390	138
Vocational	219,210	209,090	208,981	109
Student Intervention Services	595,347	513,671	513,471	200
Other	505,383	781,970	781,971	(1)
Support services:				
Pupils	1,850,219	1,715,480	1,699,033	16,447
Instructional staff	1,410,888	1,590,682	1,574,180	16,502
Board of education	124,976	212,781	181,216	31,565
Administration	2,587,603	2,604,883	2,572,527	32,356
Fiscal	635,371	802,449	800,774	1,675
Business	171,144	195,597	183,617	11,980
Operation and maintenance of plant	2,280,521	2,875,920	2,663,150	212,770
Pupil transportation	1,675,886	1,717,502	1,665,146	52,356
Central	11,975	39,985	39,985	-
Extracurricular activities	692,793	617,275	616,485	790
Debt service:				
Interest and fiscal charges	230,230	419,000	419,000	-
Total expenditures	<u>30,362,507</u>	<u>30,088,592</u>	<u>29,642,175</u>	<u>446,417</u>
Excess of revenues under expenditures	<u>(243,759)</u>	<u>(521,084)</u>	<u>(74,031)</u>	<u>447,053</u>
<u>Other financing sources (uses):</u>				
Proceeds from the sale of capital assets	1,000	2,073	2,073	-
Refund of prior year expenditures	-	899	899	-
Advances in	24,500	24,500	24,500	-
Advances out	(6,500)	(84,510)	(84,510)	-
Transfers in	499,141	501,719	-	(501,719)
Transfers out	(143,629)	(501,719)	-	501,719
Total other financing sources (uses)	<u>374,512</u>	<u>(57,038)</u>	<u>(57,038)</u>	<u>-</u>
Net change in fund balance	130,753	(578,122)	(131,069)	447,053
Fund balances at beginning of year	4,777,289	4,777,289	4,777,289	-
Prior year encumbrances appropriated	343,492	343,492	343,492	-
Fund balances at end of year	<u>\$ 5,251,534</u>	<u>\$ 4,542,659</u>	<u>\$ 4,989,712</u>	<u>\$ 447,053</u>

See accompanying notes to the basic financial statements.

**AURORA CITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2010**

	Private Purpose Trusts	Agency
<u>Assets:</u>		
Equity in pooled cash and cash equivalents	\$ 15,643	\$ 149,363
<u>Receivables:</u>		
Accounts	-	994
Total assets	\$ 15,643	\$ 150,357
 <u>Liabilities:</u>		
Accounts payable	\$ -	\$ 565
Interfund payable	-	6,200
Accrued wages payable	-	250
Intergovernmental payable	-	4
Due to students	-	143,338
Total liabilities	-	\$ 150,357
 <u>Net assets:</u>		
Held in trust for scholarships	15,643	
Total net assets	\$ 15,643	

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, 2010**

	Private Purpose Trusts
<u>Additions:</u>	
Interest	\$ 19
<u>Deductions:</u>	
Payments in accordance with trust agreements	250
Change in net assets	(231)
Net assets, beginning of year	15,874
Net assets, end of year	\$ 15,643

See accompanying notes to the basic financial statements.

**AURORA CITY SCHOOL DISTRICT
PORTAGE COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2010**

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 131 non-certificated employees and 222 certificated full-time teaching employees which includes 9 administrative employees. These personnel provide services to approximately 3,017 students and other community members.

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

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

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

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

**AURORA CITY SCHOOL DISTRICT
PORTAGE COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2010**

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

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

The School District is associated with the Stark Portage Area Computer Consortium, the Portage County School Consortium and the Ohio Schools' Council which are defined as jointly governed organizations. Jointly governed organizations are governed by representatives from each of the governments that create the organizations, but there is no ongoing financial interest or responsibility by the participating governments. Information regarding these organizations is presented in Note 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, 2010**

C. Fund Accounting

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

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

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

Governmental Fund Types:

Governmental funds focus on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The general fund and the building fund are the School District's major funds:

General Fund - The general fund is the operating fund of the School District and is used to account for all financial resources except those required to be accounted for in another fund. The general fund balance is available to the School District for any purpose provided it is expended or transferred according to the general laws of Ohio.

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

Fiduciary Fund Types:

Fiduciary funds reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four categories: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. The School District's only trust fund is a private purpose trust fund, which accounts for several scholarship programs for students. The School District's two agency funds are used to report resources held for student managed activities, and resources held for student cafeteria purchases.

D. Measurement Focus and Basis of Accounting

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

**AURORA CITY SCHOOL DISTRICT
PORTAGE COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2010**

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

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

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

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

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

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

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2010, but which were levied to finance fiscal year 2011 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

**AURORA CITY SCHOOL DISTRICT
PORTAGE COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2010**

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

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

E. Budgetary Data

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

The Certificate of Estimated Resources and the Appropriations Resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. The amounts reported as the original budget revenue in the budgetary statements reflect the amounts in the certificate when original appropriations were adopted. The amounts reported as the final budgeted revenue budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2010. The amounts reported as the original budgeted expenditures reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior years. The amounts reported as the final budgeted expenditures represent the final appropriation amounts passed by the Board of Education during the year.

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

F. Cash and Investments

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

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

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

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segregated account for investments in the building capital projects fund, which is presented as "Investments in segregated accounts".

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

G. Inventory

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

H. Capital Assets and Depreciation

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the year. Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of five thousand dollars. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. It is the policy of the School District to not capitalize interest costs incurred as part of construction.

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

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

I. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include amounts required by statute to be set-aside by the School District for the purchase of textbooks, for the purchase of school buses, and to create a designation for budget stabilization. The set aside amounts for budget stabilization is now optional as determined by the School District. See Note 14 for the calculation of the year-end restricted asset balance and the corresponding fund balance reserves.

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J. Deferred Charges and Premiums

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

K. Short-term Interfund Assets/Liabilities

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

L. Compensated Absences

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

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

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

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

M. Accrued Liabilities and Long-term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that once incurred are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments compensated absences, special termination benefits and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current fiscal year. Long-term loans are recognized as a liability on the governmental fund financial statements when due.

N. 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.

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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.

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.

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Net Change in Fund Balance

		<u>General</u>
GAAP Basis	\$	(542,882)
Revenue accruals		642,128
Expenditure accruals		199,700
Encumbrances (Budget Basis) outstanding at year end		(430,015)
Budget Basis	\$	<u>(131,069)</u>

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.

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

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

Deposits:

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

As of June 30, the carrying amount of the School District's deposits was \$10,271,378. The School District's bank balance of \$8,878,481 was exposed to custodial credit risk as follows:

Uninsured and collateral held by pledging bank's trust department and in the School District's name	\$ 1,725,175
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Investments:

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

<u>Investment type</u>	<u>Fair Value</u>	<u>Percentage of Investments</u>	<u>Maturity</u>	<u>Rating ⁽¹⁾</u>
Investment reported in building fund:				
Federal Home Loan Bank	\$ 100,063	18.90%	4/13/2011	AAA
Federal Home Loan Bank	100,031	18.89%	5/10/2011	AAA
	200,094			
STAROhio	329,346	62.21%	56.0 ⁽²⁾	AAA
	\$ 529,440			

⁽¹⁾ Standard and Poor's rating

⁽²⁾ Days (Average)

STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the Securities Exchange Commission as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2010.

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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) 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.

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 and FHLB 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 5% of the School District's investments are in FHLB bonds. These two investments are 18.90% and 18.89% of the School District's total investments, respectively. The investment in StarOhio is a pooled investment and not of a single issuer. 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 2010 amounted to \$9,761, which includes \$6,380 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 2009 and 2010 was 0%.

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 tax revenues received in calendar year 2010 (other than public utility property) represent the collection of calendar year 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. 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.

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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 2010 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 \$1,566,998 in the general fund, \$48,395 in the permanent improvement capital projects fund, and \$154,235 in the bond retirement debt service fund and is recognized as revenue.

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

<u>Property Category</u>	<u>2009 Assessed Value</u>	<u>2008 Assessed Value</u>
<u>Real Property</u>		
Residential and Agricultural	\$ 473,542,180	\$ 500,067,220
Commercial and Industrial and Minerals	115,416,680	109,374,980
Public Utilities	52,980	47,570
<u>Tangible Personal Property</u>		
General	443,105	996,292
Public Utilities	<u>7,699,190</u>	<u>7,683,340</u>
Total	<u>\$ 597,154,135</u>	<u>\$ 618,169,402</u>

NOTE 5 - RECEIVABLES

Receivables at year-end consisted of taxes, accounts (tuition), accrued interest, intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. The intergovernmental receivable at June 30, 2010 consisted of:

<u>Governmental Activities</u>	<u>Amount</u>
Special revenue funds:	
Food service	\$ 19,010
Auxiliary services	17,123
Title VI-B	98,766
Title I	7,608
Drug free schools	2,261
Preschool grant for the handicapped	474
Improving teacher quality	<u>3,446</u>
	<u>\$ 148,688</u>

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NOTE 6 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2010 was as follows:

<u>Governmental activities</u>	<u>Balance June 30, 2009</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance June 30, 2010</u>
Capital assets, not being depreciated:				
Land	\$ 1,681,927	\$ -	\$ -	\$ 1,681,927
Construction in progress	<u>3,490,558</u>	<u>11,828,136</u>	<u>-</u>	<u>15,318,694</u>
Total capital assets, not being depreciated	<u>5,172,485</u>	<u>11,828,136</u>	<u>-</u>	<u>17,000,621</u>
Capital assets, being depreciated:				
Land improvements	2,020,510	-	-	2,020,510
Buildings	33,316,878	94,664	(153,682)	33,257,860
Furniture and equipment	1,520,111	301,586	(482,422)	1,339,275
Vehicles	<u>2,664,549</u>	<u>377,204</u>	<u>(654,606)</u>	<u>2,387,147</u>
Total capital assets, being depreciated	<u>39,522,048</u>	<u>773,454</u>	<u>(1,290,710)</u>	<u>39,004,792</u>
Less: Accumulated depreciation				
Land improvements	(379,304)	(132,761)	-	(512,065)
Buildings	(19,830,692)	(701,781)	153,682	(20,378,791)
Furniture and equipment	(911,712)	(83,618)	475,818	(519,512)
Vehicles	<u>(1,796,291)</u>	<u>(189,309)</u>	<u>654,606</u>	<u>(1,330,994)</u>
Total accumulated depreciation	<u>(22,917,999)</u>	<u>(1,107,469)</u>	<u>1,284,106</u>	<u>(22,741,362)</u>
Total capital assets being depreciated, net	<u>16,604,049</u>	<u>(334,015)</u>	<u>(6,604)</u>	<u>16,263,430</u>
Capital assets, net	<u>\$ 21,776,534</u>	<u>\$ 11,494,121</u>	<u>\$ (6,604)</u>	<u>\$ 33,264,051</u>

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Depreciation expense charged to governmental functions for the year ending June 30, 2010 is as follows:

Instruction:	
Regular	\$ 306,585
Special	17,577
Vocational	6,835
Support services:	
Pupils	4,513
Instructional staff	119,604
Administration	39,363
Fiscal	485
Business	5,873
Operation and maintenance of plant	220,356
Pupil transportation	174,588
Food service operations	54,749
Extracurricular activities	156,941
	<u>\$ 1,107,469</u>

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.

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NOTE 8 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

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

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund and Health Care Fund) of the system. For fiscal year 2010, 12.78 percent of annual covered salary was the portion used to fund pension and death benefits. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2010, 2009 and 2008 were \$639,774, \$378,975 and \$381,328 respectively; 50 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

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.

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.

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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, 2010, 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 2009, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2010, 2009, and 2008 were \$1,887,942, \$1,989,631, and \$1,861,080 respectively; 84.01 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008. Contributions to the DC and Combined Plans for fiscal year 2010 were \$131,762 made by the School District and \$94,116 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2010, several members of the Board of Education have elected Social Security. The Board's liability is 6.2 % of wages paid. The remaining Board members contribute to SERS.

NOTE 9 – POST-EMPLOYMENT BENEFITS

A. School Employee Retirement System

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

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2010, 0.46 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 2010, this amount was \$35,800.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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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, 2010, 2009, and 2008 were \$88,132, \$234,620, and \$235,943 respectively; 84.51 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2010, this actuarially required allocation was 0.76 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2010, 2009, and 2008 were \$38,046, \$31,269, and \$27,476 respectively; 50 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 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 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 2010, 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, 2010, 2009, and 2008 were \$145,226, \$153,049, and \$143,160 respectively; 84.01 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

**AURORA CITY SCHOOL DISTRICT
PORTAGE COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 10 - LONG-TERM OBLIGATIONS

Changes in long-term obligations of the School District during fiscal year 2010 were as follows:

<u>Governmental activities</u>	<u>Balance</u> <u>July 1, 2009</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2010</u>	<u>Due in</u> <u>one year</u>
<u>General Obligation Bonds</u>					
2009 School Improvement Bonds					
Serial Bonds	\$ 9,345,000	\$ -	\$ (160,000)	\$ 9,185,000	\$ 180,000
Premium	123,009	-	(8,633)	114,376	-
Capital Appreciation Bonds	205,996	-	-	205,996	-
Accretion on Bonds	13,428	37,216	-	50,644	-
2008 School Improvement Bonds					
Serial Bonds	9,700,000	-	(70,000)	9,630,000	200,000
2004 School Improvement Refunding					
Serial Bonds	6,000,000	-	-	6,000,000	770,000
Premium	347,753	-	(68,912)	278,841	-
Capital Appreciation Bonds	161,154	-	(161,154)	-	-
Accretion on Bonds	511,644	102,202	(613,846)	-	-
Total bonds	<u>26,407,984</u>	<u>139,418</u>	<u>(1,082,545)</u>	<u>25,464,857</u>	<u>1,150,000</u>
<u>Certificates of Participation</u>					
1999 Certificates	1,605,000	-	(370,000)	1,235,000	390,000
2005 Refunding Certificates					
Premium	8,470,000	-	(70,000)	8,400,000	75,000
Total certificates	<u>39,747</u>	<u>-</u>	<u>(3,721)</u>	<u>36,026</u>	<u>-</u>
Total certificates	<u>10,114,747</u>	<u>-</u>	<u>(443,721)</u>	<u>9,671,026</u>	<u>465,000</u>
<u>Other obligations</u>					
Compensated absences	<u>2,465,961</u>	<u>310,272</u>	<u>(998,597)</u>	<u>1,777,636</u>	<u>297,843</u>
Total long-term obligations	<u>\$ 38,988,692</u>	<u>\$ 449,690</u>	<u>\$ (2,524,863)</u>	<u>\$ 36,913,519</u>	<u>\$ 1,912,843</u>

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

**AURORA CITY SCHOOL DISTRICT
PORTAGE COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2010**

The School Districts long-term obligations are as follows:

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

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

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

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

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

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

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

**AURORA CITY SCHOOL DISTRICT
PORTAGE COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2010**

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

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

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

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

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

Governmental Activities

<u>Fiscal Year</u>	<u>School Improvement Bonds</u>		<u>Certificates of Participation</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2011	\$ 1,150,000	\$ 1,060,938	\$ 465,000	\$ 405,247	\$ 3,081,185
2012	1,210,000	1,023,563	485,000	381,061	3,099,624
2013	1,285,000	980,506	515,000	355,027	3,135,533
2014	1,405,000	930,863	540,000	330,688	3,206,551
2015	1,281,051	1,050,412	560,000	308,688	3,200,151
2016-2020	5,159,945	3,901,780	3,175,000	1,173,063	13,409,788
2021-2025	4,270,000	2,813,524	3,895,000	427,231	11,405,755
2026-2030	5,280,000	1,698,466	-	-	6,978,466
2031-2034	3,980,000	397,687	-	-	4,377,687
Total	<u>\$ 25,020,996</u>	<u>\$ 13,857,739</u>	<u>\$ 9,635,000</u>	<u>\$ 3,381,005</u>	<u>\$ 51,894,740</u>

**AURORA CITY SCHOOL DISTRICT
PORTAGE COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2010**

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	\$	78,310
Due to general fund from:		
Agency fund		<u>6,200</u>
Total interfund receivable/payable	\$	<u>84,510</u>

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, 2010, all interfund loans outstanding are anticipated to be repaid in fiscal year 2011.

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 \$114,805 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 \$2,631,672 in the form of health care and life insurance premiums to the consortium for the current fiscal year.

**AURORA CITY SCHOOL DISTRICT
PORTAGE COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2010**

The Ohio Schools' Council Association (Council) is a jointly governed organization among 121 school districts. The jointly governed organization was formed to purchase quality products and services at the lowest possible cost to the member districts. Each district supports the Council by paying an annual participation fee. The Council's Board consists of seven superintendents of the participating districts whose term rotates every year. The degree of control exercised by any school district is limited to its representation on the Board. During fiscal year 2010, the School District paid \$127,790 to the Council in the form of gas purchases. Financial information can be obtained by contacting David Cottrell, the Executive Directive/Treasurer of the Ohio Schools' Council at 6133 Rockside Road, Suite 10, Independence, Ohio 44131.

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.

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, 2010, 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, 2009	\$ 694,973	\$ -	\$ 694,973
Current year set-aside requirement	501,719	501,719	1,003,438
Current year offset	-	(749,668)	(749,668)
Qualifying disbursements	<u>(311,827)</u>	<u>(582,894)</u>	<u>(894,721)</u>
Total	<u>\$ 884,865</u>	<u>\$ (830,843)</u>	<u>\$ 54,022</u>
Restricted cash and balance carried forward	<u>\$ 884,865</u>		<u>\$ 884,865</u>

**AURORA CITY SCHOOL DISTRICT
PORTAGE COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 15 - ACCOUNTABILITY

As of June 30, 2010 the following funds had deficit fund balances:

	<u>Amount</u>
<u>Nonmajor special revenue funds:</u>	
Uniform school supply	\$ 11,942
Entry year programs	7,000
Miscellaneous state grants	2,206
Title VI-B	77,611
Title I	233
Drug free schools	310

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 – CONTRACTUAL COMMITMENTS

As of June 30, 2010, the School District has contractual commitments for the following project:

	<u>Purchase Commitments</u>	<u>Amount paid as of 6/30/2010</u>	<u>Amount remaining on contracts</u>
<u>Building</u>			
High school project	\$ 6,244,251	\$ 5,398,392	\$ 845,859
Middle school project	5,520,105	5,271,884	248,221
Elementary school project	2,065,842	1,985,207	80,635
	<u>\$ 13,830,198</u>	<u>\$ 12,655,483</u>	<u>\$ 1,174,715</u>

**AURORA CITY SCHOOL DISTRICT
PORTAGE COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 16 – NEW ACCOUNTING AND REPORTING STANDARDS

In June 2007, the GASB issued Statement No. 51, "Accounting and Reporting for Intangible Assets." This statement establishes accounting and financial reporting requirements for intangible assets to reduce inconsistencies thereby enhancing the comparability of accounting and financial reporting of such assets among state and local governments. The School District has considered the implications of this statement and has determined that it has no impact on the financial statements or note disclosures for the current period.

In June 2008, the GASB issued Statement No. 53, "Accounting and Financial Reporting for Derivative Instruments." This statement enhances the usefulness and comparability of derivative instrument information reported by state and local governments. This Statement provides a comprehensive framework for the measurement, recognition, and disclosure of derivative instrument transactions. The School District has considered the implications of this statement and has determined that it has no impact on the financial statements or note disclosures for the current period.

In December 2009, the GASB issued Statement No. 57 "OPEB Measurement by Agent Employers and Agent Multiple-Employer Plans." This statement addresses issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit (OPEB) plans (that is, agent employers). The requirements in this Statement will allow more agent employers to use the alternative measurement method to produce actuarially based information for purposes of financial reporting and clarify that OPEB measures reported by agent multiple-employer OPEB plans and their participating employers should be determined at the same minimum frequency and as of a common date to improve the consistency of reporting with regard to funded status and funding progress information. The implementation of this statement did not result in any change in the School District's financial statements.

In December 2009, the GASB issued Statement No. 58, "Accounting and Financial Reporting for Chapter 8 Bankruptcies." This statement establishes accounting and financial reporting guidance for governments that have petitioned for protections from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. The School District has considered the implications of this statement and has determined that it has no impact on the financial statements or note disclosures for the current period.

**AURORA CITY SCHOOL DISTRICT
PORTAGE COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2010**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
<u>U.S. DEPARTMENT OF AGRICULTURE</u>						
<i>Passed Through the Ohio Department of Education:</i>						
<i>Child Nutrition Cluster:</i>						
National School Lunch Program	LLP4-2009	10.555	\$ 15,428		\$ 15,428	
	LLP4-2010		101,215	61,279	101,215	61,279
<i>Total Child Nutrition Cluster</i>			116,643		116,643	
Total U.S. Department of Agriculture			116,643	61,279	116,643	61,279
<u>U.S. DEPARTMENT OF EDUCATION</u>						
<i>Passed Through the Ohio Department of Education:</i>						
<i>Special Education Cluster:</i>						
Special Education - Grants to States (IDEA Part B)	6BSF-2009	84.027	56,572		69,160	
	6BSF-2010		401,053		405,477	
ARRA Special Education IDEA		84.391	198,581		225,518	
Subtotal - CFDA 84.027 and 84.391			656,206		700,155	
Special Education - Preschool Grants	PGS1-2009	84.173	2,024		2,968	
	PGS1-2010		5,325		5,009	
ARRA Early Child Special Education IDEA		84.392	12,530		13,016	
Subtotal - CFDA 84.173 and 84.392			19,879		20,993	
<i>Total Special Education Cluster</i>			676,085		721,148	
Grants to Local Educational Agencies (Title I)	C1S1-2009	84.010	4,346		6,137	
	C1S1-2010		79,015		79,233	
Subtotal - CFDA 84.010			83,361		85,370	
Safe and Drug Free Schools (Title IV-A)	DRS1-2009	84.186	1,414		2,014	
	DRS1-2010		3,533		3,916	
Subtotal - CFDA 84.186			4,947		5,930	
Technology Literacy Quality State Grants (Title II-D)	TJS1-09	84.318	-		12	
ARRA Title II-D Education Technology		84.386	776		787	
Subtotal CFDA 84.318 and 84.386			776		799	
Limited English Proficiency (Title III)		84.365			40	
			5,659		4,777	
Subtotal - CFDA 84.365			5,659		4,817	
Improving Teacher Quality State Grants (Title II-A)	TRS1-2009	84.367	3,654		6,571	
	TRS1-2010		42,813		40,799	
Subtotal - CFDA 84.367			46,467		47,370	
ARRA State Fiscal Stabilization Fund		84.394	254,181		252,933	
Improving Health and Education		93.110	100		-	
Total U.S. Department of Education			1,071,576		1,118,367	
Totals			\$ 1,188,219	\$ 61,279	\$ 1,235,010	\$ 61,279

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

**AURORA CITY SCHOOL DISTRICT
PORTAGE COUNTY**

**NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2010**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER

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

NOTE C – FOOD DONATION PROGRAM

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



Dave Yost • Auditor of State

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Aurora City School District, Portage County, (the District) as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 18, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and timely corrected.

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

Compliance and Other Matters

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

We did note a certain matter not requiring inclusion in this report that we reported to the District's management in a separate letter dated February 18, 2011.

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

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

Dave Yost
Auditor of State

February 18, 2011



Dave Yost • Auditor of State

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

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

To the Board of Education:

Compliance

We have audited the compliance of Aurora City School District (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect Aurora City School District's major federal programs for the year ended June 30, 2010. 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 included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with 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 could directly and materially affect its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

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

Voinovich Government Center, 242 Federal Plaza W. Suite 302, Youngstown, Ohio 44503-1293
Phone: 330-797-9900 or 800-443-9271 Fax: 330-797-9949

www.auditor.state.oh.us

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

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

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

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

Dave Yost
Auditor of State

February 18, 2011

**AURORA CITY SCHOOL DISTRICT
PORTAGE COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2010**

1. SUMMARY OF AUDITOR'S RESULTS

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

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

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PORTAGE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MARCH 22, 2011