Balestra, Harr & Scherer, CPAs, Inc.

Accounting, Auditing and Consulting Services for Federal, State and Local Governments

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AURORA ACADEMY
LUCAS COUNTY

SINGLE AUDIT

For the Year Ended June 30, 2011
Fiscal Year Audited Under GAGAS: 2011

Governing Board
Aurora Academy
541 Utah Street
Toledo, Ohio 43605

We have reviewed the *Independent Auditor's Report* of the Aurora Academy, Lucas County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period July 1, 2010 through June 30, 2011. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them. In conjunction with the work performed by the Independent Public Accountant, the Auditor of State is issuing the following:

Finding for Recovery – Repaid during Audit

In July of 2011, Aurora Academy sent teaching personnel to a conference. As part of this conference, certain relatives of employees were included in group payments for airline fees. However, some of these relatives did not reimburse the school for those airline related expenses. Matt Wagner failed to reimburse the Academy in the amount of $332.

In accordance with the foregoing facts, and pursuant to ORC Section 117.28, a Finding for Recovery for public money illegally expended is hereby issued against Matt Wagner, in the amount of $332, and in favor of Aurora Academy.

On February 14, 2012, Aurora Academy received payment in the amount of $332 for the airline fees associated with Matt Wagner.

Finding for Recovery – Repaid during Audit

In July of 2011, Aurora Academy sent teaching personnel to a conference. As part of this conference, certain relatives of employees were included in group payments for airline fees. However, some of these relatives did not reimburse the school for those airline related expenses. Patrick Weygand failed to reimburse the Academy in the amount of $323.

In accordance with the foregoing facts, and pursuant to ORC Section 117.28, a Finding for Recovery for public money illegally expended is hereby issued against Patrick Weygand, in the amount of $323, and in favor of Aurora Academy.

On February 10, 2012, Aurora Academy received payment in the amount of $323 for the airline fees associated with Patrick Weygand.

Dave Yost · Auditor of State

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Aurora Academy is responsible for compliance with these laws and regulations.

Dave Yost
Auditor of State

May 2, 2012

AURORA ACADEMY
YEAR ENDED JUNE 30, 2011

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Balestra, Harr & Scherer, CPAs, Inc.

Accounting, Auditing and Consulting Services for Federal, State and Local Governments
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Independent Auditor's Report

Members of the Board
Aurora Academy
Lucas County, Ohio
541 Utah Street
Toledo, Ohio 43605

We have audited the accompanying financial statements of the business-type activities of the Aurora Academy, Lucas County, Ohio, (the Academy), as of and for the year ended June 30, 2011, as listed in the table of contents. These financial statements are the responsibility of the Academy's management. Our responsibility is to express an opinion 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 opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of Aurora Academy, Lucas County, Ohio, as of June 30, 2011, and the change in financial position and cash flows, thereof 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 March 15, 2012, on our consideration of the Academy'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 do 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. The 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 Academy's basic financial statements taken as a whole. The Schedule of Federal Awards Receipts and Expenditures provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations,* and is not a required part of the basic financial statements. The Schedule of Federal Awards Receipts and Expenditures is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

As described in Note 4 to the financial statements, the Academy has implemented Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* and GASB Statement No. 59, *Financial Instruments Omnibus*.

Balestra, Harr & Scherer

Balestra, Harr & Scherer, CPAs, Inc.
March 15, 2012

AURORA ACADEMY
LUCAS COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Unaudited)

The management's discussion and analysis of Aurora Academy's (the "Academy") financial performance provides an overall review of the Academy's financial activities for the fiscal year ended June 30, 2011. The intent of this discussion and analysis is to look at the Academy's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the Academy's financial performance.

Financial Highlights

Key financial highlights for 2011 are as follows:

- In total, net assets were $302,478 at June 30 2011.

- The Academy had operating revenues of $1,011,012 and operating expenses of $1,502,715 for fiscal year 2011. The Academy also received $566,745 in federal and State grants during fiscal year 2011. Total change in net assets for the fiscal year was an increase of $75,183.

Using these Basic Financial Statements

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 Academy's financial activities. The s*tatement of net assets* and s*tatement of revenues, expenses and change in net assets* provide information about the activities of the Academy, including all short-term and long-term financial resources and obligations.

Reporting the Academy Financial Activities

Statement of Net Assets, Statement of Revenues, Expenses, and Change in Net Assets and the Statement of Cash Flows

These documents look at all financial transactions and ask the question, "How did we do financially during 2011?" The statement of net assets and the statement of revenues, expenses and change in net assets answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the Academy's *net assets* and changes in those assets. This change in net assets is important because it tells the reader that, for the Academy as a whole, the *financial position* of the Academy has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. These statements can be found on pages 7 and 8 of this report.

The statement of cash flows provides information about how the Academy finances and is meeting the cash flow needs of its operations. The statement of cash flows can be found on page 9 of this report.

The table below provides a summary of the Academy's net assets for fiscal years 2011 and 2010.

Net Assets

	2011	2010
Assets		
Current assets	$ 363,924	$ 292,222
Capital assets, net	9,348	5,701
Total assets	373,272	297,923
Liabilities		
Current liabilities	70,794	70,628
Total liabilities	70,794	70,628
Net Assets		
Invested in capital assets	9,348	5,701
Restricted	116,481	83,974
Unrestricted	176,649	137,620
Total net assets	$ 302,478	$ 227,295

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2011, the Academy's net assets totaled $302,478. Current assets increased $71,702 during fiscal year 2011, which includes an increase in equity in pooled cash and cash equivalents of $45,084.

The revenue generated by community schools are heavily dependent upon per-pupil allotment given by the State foundation program and federal entitlement programs. Foundation payments, including foundation payments related to special education, attributed to 63.82% of total operating and non-operating revenues during fiscal year 2011.

AURORA ACADEMY
LUCAS COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Unaudited)

The table below shows the changes in net assets for fiscal years 2011 and 2010.

Change in Net Assets

	2011	2010
Operating Revenues:		
State foundation	$ 981,261	$ 1,004,394
Special education	25,682	37,126
Food services	2,185	2,103
Other operating revenue	1,884	2,493
Total operating revenue	1,011,012	1,046,116
Operating Expenses:		
Salaries and wages	647,362	703,061
Fringe benefits	231,038	251,403
Purchased services	490,612	505,352
Materials and supplies	111,894	162,487
Depreciation	3,142	10,011
Other	18,667	17,352
Total operating expenses	1,502,715	1,649,666
Non-operating revenues:		
Federal and State grants	566,745	555,424
Interest income	141	244
Interest and fiscal charges	-	(32)
Total non-operating revenues	566,886	555,636
Change in net assets	75,183	(47,914)
Net assets at beginning of year	227,295	275,209
Net assets at end of year	$ 302,478	$ 227,295

Capital Assets

At June 30, 2011, the Academy had $9,348 invested in furniture, fixtures and equipment and leasehold improvements, net of accumulated depreciation. See Note 6 in the notes to the basic financial statements for more detail on capital assets.

Debt Administration

The Academy did not have any outstanding debt at June 30, 2011.

AURORA ACADEMY
LUCAS COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Unaudited)

Current Financial Related Activities

The Academy was formed in fiscal year 1999. The Academy's fiscal agent relationship with the Educational Service Center of Lake Erie West aids in raising the quality of financial records and strengthens internal controls. During the 2010-2011 school year, there were approximately 135 students enrolled in the Academy. The Academy relies on the State Foundation Funds as well as State and Federal Sub-Grants to provide the monies necessary to operate the Academy.

Contacting the School's Financial Management

This financial report is designed to provide our clients and creditors with a general overview of the Academy's finances and to show the Academy's accountability for the money it receives. If you have questions about this report or need additional financial information contact Mr. Ronald McIntosh, Business Manager of Aurora Academy, 541 Utah Street, Toledo, Ohio 43605-2295 or email at ronaldbmcintosh@aol.com.

AURORA ACADEMY
LUCAS COUNTY, OHIO

STATEMENT OF NET ASSETS
JUNE 30, 2011

Assets:	
Current assets:	
Equity in pooled cash and cash equivalents	$ 226,918
Receivables:	
Intergovernmental	98,973
Prepayments	38,033
Total current assets	363,924
Non-current assets:	
Depreciable capital assets, net	9,348
Total non-current assets	9,348
Total assets	$ 373,272
Liabilities:	
Current liabilities:	
Accounts payable	$ 5,711
Accrued wages and benefits	41,388
Pension obligation payable	4,411
Intergovernmental payable	19,284
Total liabilities	70,794
Net assets:	
Invested in capital assets	9,348
Restricted for:	
Locally funded programs	1,790
Federally funded programs	105,103
Other purposes	9,588
Unrestricted	176,649
Total net assets	$ 302,478

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

AURORA ACADEMY
LUCAS COUNTY, OHIO

STATEMENT OF REVENUES, EXPENSES AND
CHANGE IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Operating revenues:	
Foundation revenue	$ 981,261
Special education	25,682
Food services	2,185
Other operating revenue	1,884
Total operating revenues	1,011,012
Operating expenses:	
Salaries and wages	647,362
Fringe benefits	231,038
Purchased services	490,612
Materials and supplies	111,894
Depreciation	3,142
Other	18,667
Total operating expenses	1,502,715
Operating (loss)	(491,703)
Non-operating revenues:	
Federal and state grants	566,745
Interest revenue	141
Total non-operating revenues	566,886
Change in net assets	75,183
Net assets at beginning of year	227,295
Net assets at end of year	$ 302,478

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

AURORA ACADEMY
LUCAS COUNTY, OHIO

STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Cash flows from operating activities:	
Cash received from State foundation	$ 1,006,943
Cash received from sales/charges for services	2,185
Cash received from other operations	1,884
Cash payments for salaries and wages	(657,563)
Cash payments for fringe benefits	(224,981)
Cash payments for contractual services	(496,430)
Cash payments for materials and supplies	(111,955)
Cash payments for other expenses	(18,771)
Net cash used in operating activities	(498,688)
Cash flows from noncapital financing activities:	
Federal and state grants	550,420
Net cash provided by noncapital financing activities	550,420
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(6,789)
Net cash used in capital and related financing activities	(6,789)
Cash flows from investing activities:	
Interest received	141
Net cash provided by investing activities	141
Net increase in cash and cash equivalents	45,084
Cash and cash equivalents at beginning of year	181,834
Cash and cash equivalents at end of year	$ 226,918
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	$ (491,703)
Adjustments:	
Depreciation	3,142
Changes in assets and liabilities:	
(Increase) in prepayments	(10,293)
Increase in accounts payable	563
(Decrease) in accrued wages and benefits	(7,245)
Increase in intergovernmental payable	12,508
(Decrease) in pension obligation payable	(5,660)
Net cash used in operating activities	$ (498,688)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

AURORA ACADEMY
LUCAS COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 1 - DESCRIPTION OF THE ACADEMY

Aurora Academy (the "Academy") is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. The Academy is an approved tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. Management is not aware of any course of action or series of events that have occurred that might adversely affect the Academy's tax-exempt status. The Academy's objective is to provide and coordinate educational, social, recreational, mental, physical and emotional services to at-risk and typical children in a multi-age learning community that serves the child and the child's family group. The Academy, which is part of the State's education program, is independent of any Academy district and is nonsectarian in its programs, admission policies, employment practices, and all other operations. The Academy may acquire facilities as needed and contract for any services necessary for the operation of the Academy.

The Academy entered into a sponsorship agreement with Buckeye Community Hope Foundation. The Sponsor is responsible for evaluating the performance of the Academy and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration. The Academy also has an agreement with the Educational Service Center of Lake Erie West to act as fiscal agent (See Note 10).

The Academy operates under the direction of a ten-member Governing Board. The Governing Board is responsible for carrying out the provisions of the contract, which include, but are not limited to, State-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards and qualifications of teachers. The Governing Board controls the Academy's one instructional/support facility staffed by 13 non-certified and 31 certified teaching personnel who provide services to 135 students.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Academy have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to a governmental nonprofit organization. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Academy also applies Financial Accounting Standards Board (FASB) guidance issued on or before November 30, 1989, to its proprietary activities, provided it does not conflict with or contradict GASB pronouncements. The Academy has elected not to apply FASB guidance issued after November 30, 1989. The more significant of the Academy's accounting policies are described below.

A. Basis of Presentation

The Academy's basic financial statements consist of a statement of net assets, a statement of revenues, expenses, and changes in net assets, and a statement of cash flows. Enterprise fund reporting focuses on the determination of the change in net assets, financial position and cash flows.

B. Measurement Focus

Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included on the statements of net assets. The statement of changes in net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the Academy finances and meets the cash flow needs of its enterprise activities.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

C. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. The Academy's financial statements are prepared using the accrual basis of accounting.

Revenues 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. Revenues resulting from nonexchange transactions, in which the Academy receives value without directly giving equal value in return, such as grants and entitlements, are 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 Academy must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Academy on a reimbursement basis.

Expenses are recognized at the time they are incurred.

D. Budgetary Process

Unlike other public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Revised Code Chapter 5705, unless specifically provided in the contract between the Academy and its sponsor. The contract between the Academy and its Sponsor does prescribe an annual budget requirement in addition to preparing a five-year forecast, which is to be updated on an annual basis.

E. Cash and Cash Equivalents

All monies received by the Academy are accounted for by the Academy's fiscal agent, the Educational Service Center of Lake Erie West. All cash received by the fiscal agent is maintained in separate bank accounts in the Academy's name. Monies for the Academy are maintained in these accounts or temporarily used to purchase short-term investments.

For the purposes of the statement of cash flows and for presentation on the statement of net assets, investments with original maturities of three months or less at the time they are purchased by the Academy are considered to be cash equivalents.

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2011, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expense is reported in the year in which services are consumed.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

G. Capital Assets

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The Academy maintains a capitalization threshold of five hundred dollars. The Academy does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets are depreciated. Depreciation is computed using the straight-line method over the following useful lives:

Description	Estimated Lives
Leasehold Improvements	5 years
Furniture, Fixtures and Equipment	5 years

H. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets consist of capital assets, net of accumulated depreciation. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The amount restricted for other purposes includes amounts restricted for food service operations and student activities.

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

I. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activities. For the Academy, these revenues are primarily foundation payments from the State. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the Academy. Revenues and expenses not meeting this definition are reported as non-operating.

J. Intergovernmental Revenue

The Academy currently participates in the State foundation program, ARRA grants, EMIS, IDEA-B grant, the Title I grant, the Title I-A grant, the Title II-D grant, Title II-A grant, Title V grant and the Title IV-A grant. Revenues from the State foundation program are recognized as operating revenue in the accounting period in which all eligibility requirements had been met. Revenues received from the remaining programs are recognized as non-operating revenues in the accompanying financial statements. Grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is permitted, matching requirements, in which the Academy must provide local resources to be used for a specified purpose and expenditure requirements, in which the resources are provided to the Academy on a reimbursement basis.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

K. Estimates

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

NOTE 3 - DEPOSITS AND INVESTMENTS

A. Deposits with Financial Institutions

At June 30, 2011, the carrying amount of all Academy deposits was $(6,919), exclusive of the $233,837 repurchase agreement included in investments below. A liability was not recorded for the negative carrying amount of deposits because there was not actual overdraft, due to the "zero-balance" nature of the Academy's bank accounts. The negative carrying amount of deposits is due to the sweeping of monies into overnight repurchase agreements which are reported as "investments". Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2011, the Academy's bank balance of $36,267 was covered by the Federal Deposit Insurance Corporation (FDIC).

B. Investments

As of June 30, 2011, the Academy had the following investments and maturities:

		Investment Maturities
Investment type	Fair Value	6 months or less
Repurchase agreement	$ 233,837	$ 233,837

Interest Rate Risk: As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the Academy's investment policy limits investment portfolio maturities to five years or less.

Credit Risk: The Farmer Mac security underlying the repurchase agreement was rated AAA by Standard and Poor's and Aaa by Moody's. The Academy has no investment policy dealing with credit risk beyond the requirements of State statute.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Academy will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Of the Academy's $233,837 investment in repurchase agreements, the entire balance is collateralized by underlying securities that are held by the investment's counterparty, not in the name of the Academy. Ohio law requires the market value of the securities subject to repurchase agreements must exceed the principal value of securities subject to a repurchase agreement by 2%. The Academy has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

NOTE 3 - DEPOSITS AND INVESTMENTS - (Continued)

Concentration of Credit Risk: The Academy places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the Academy at June 30, 2011:

Investment type	Fair Value	% of Total
Repurchase agreement	$ 233,837	100.00

C. Reconciliation of Cash and Investments to the Statement of Net Assets

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net assets as of June 30, 2011:

Cash and investments per note	
Carrying amount of deposits	$ (6,919)
Investments	233,837
Total	$ 226,918
Cash and investments per statement of net assets	
Business-type activities	$ 226,918

NOTE 4 - ACCOUNTABILITY

Change in Accounting Principles

For fiscal year 2011, the Academy has implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions", and GASB Statement No. 59, "Financial Instruments Omnibus".

GASB Statement No. 54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. GASB Statement No. 54 also clarifies the definitions of governmental fund types. The implementation of GASB Statement No. 54 did not have an effect on the financial statements of the Academy.

GASB Statement No. 59 updates and improves guidance for financial reporting and disclosure requirements of certain financial instruments and external investment pools. The implementation of GASB Statement No. 59 did not have an effect on the financial statements of the Academy.

NOTE 5 - RECEIVABLES

Receivables at June 30, 2011, consisted of intergovernmental receivables arising from grants and entitlements. All receivables are considered collectable in full. A summary of the principal items of receivables follows:

Receivables	Amount
Intergovernmental:	
Food service	$ 10,174
IDEA Part-B	6,027
Title II-D	90
Title I - school improvement	23,500
Title I	45,970
Title II-A	13,212
Total intergovernmental receivable	$ 98,973

NOTE 6 - CAPITAL ASSETS

A summary of the Academy's capital assets at June 30, 2011, follows:

	Balance 06/30/10	Additions	Deductions	Balance 06/30/11
Capital Assets:				
Furniture, fixtures and equipment	$ 303,195	$ 6,789	$ (190,930)	$ 119,054
Leasehold improvements	95,841	-	-	95,841
Total capital assets	399,036	6,789	(190,930)	214,895
Less: accumulated depreciation				
Furniture, fixtures and equipment	(297,494)	(3,142)	190,930	(109,706)
Leasehold improvements	(95,841)	-	-	(95,841)
Total accumulated depreciation	(393,335)	(3,142)	190,930	(205,547)
Total capital assets,				
Net of accumulated depreciation	$ 5,701	$ 3,647	$ -	$ 9,348

NOTE 7 - RISK MANAGEMENT

A. Insurance Coverage

The Academy 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. For the fiscal year ended 2011, the Academy contracted with the Cincinnati Insurance Company and had the following insurance coverage:

Teacher Professional Liability Aggregate	$3,000,000
Teacher Professional Liability per Occurrence	1,000,000
Commercial General Liability per Occurrence	1,000,000
Commercial General Liability Aggregate	3,000,000
Umbrella Liability	1,000,000
Director's & Officer's Liability per Aggregate	1,000,000

The Academy owns no property, but leases a facility located at 541 S. Utah Street, Toledo, Ohio (See Note 12).

Settled claims have not exceeded this commercial coverage in any of the past three years and there have been no significant reductions in insurance coverage from fiscal year 2010.

B. Workers' Compensation

The Academy pays the State Worker's Compensation System a premium for employee injury coverage. The premium is calculated by multiplying the monthly total gross payroll by a factor that is calculated by the State.

C. Other Employee Benefits

The Academy has contracted with a private carrier to provide employee medical, dental, and vision insurance to its full time employees who work 40 or more hours per week.

NOTE 8 - PENSION PLANS

A. School Employees Retirement System

Plan Description - The Academy contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement, disability, survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

NOTE 8 - PENSION PLANS - (Continued)

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the Academy is required to contribute at an actuarially determined rate. The current Academy rate is 14 percent of annual covered payroll. A portion of the Academy's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2011, 11.77 percent and 0.04 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. 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 Academy's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2011, 2010 and 2009 were $22,841, $28,433 and $18,411, respectively; 100 percent has been contributed for fiscal years 2011, 2010 and 2009.

B. State Teachers Retirement System of Ohio

Plan Description - The Academy 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 website at www.strsoh.org.

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

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

Funding Policy - For fiscal year 2011, plan members were required to contribute 10 percent of their annual covered salaries. The Academy was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. 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.

NOTE 8 - PENSION PLANS - (Continued)

The Academy's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2011, 2010 and 2009 were $60,355, $62,980 and $70,687, respectively; 100 percent has been contributed for fiscal years 2011, 2010 and 2009. Contributions to the DC and Combined Plans for fiscal year 2011 were $5,860 made by the Academy and $4,186 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2011, certain members of the Governing Board have elected Social Security. The Academy's liability is 6.2 percent of wages paid.

NOTE 9 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description - The Academy participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) 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, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Chapter 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2011 was $96.40 and SERS' reimbursement to retirees was $45.50. 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. It is also posted on the SERS' Ohio website, www.ohsers.org, under *"Employers/Audit Resources"*.

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 105(e). For 2011, 1.43 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2011, the actuarially determined amount was $35,800.

NOTE 9 - POSTEMPLOYMENT BENEFITS - (Continued)

Active members do not contribute to the postemployment benefit plans. The Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility and retirement status.

The Academy's contributions for health care (including surcharge) for the fiscal years ended June 30, 2011, 2010 and 2009 were $5,914, $4,079 and $11,368, respectively; 100 percent has been contributed for fiscal years 2011, 2010 and 2009.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2011, this actuarially required allocation was 0.76 percent of covered payroll. The Academy's contributions for Medicare Part B for the fiscal years ended June 30, 2011, 2010, and 2009 were $1,470, $1,691 and $1,519, respectively; 100 percent has been contributed for fiscal years 2011, 2010 and 2009.

B. State Teachers Retirement System of Ohio

Plan Description - The Academy contributes to the cost sharing, multiple employer defined benefit Health Plan (the "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 2011, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The Academy's contributions for health care for the fiscal years ended June 30, 2011, 2010 and 2009 were $4,642, $4,845 and $5,437, respectively; 100 percent has been contributed for fiscal year 2011, 2010 and 2009.

NOTE 10 - FISCAL AGENT

The Academy entered into a service agreement as part of its Sponsorship contract with the Treasurer of the Educational Service Center of Lake Erie West to serve as the Chief Fiscal Officer of the Academy. As part of this agreement, the Academy shall compensate the Educational Service Center of Lake Erie West two percent (2%) of the per pupil allotment paid to the Academy from the State of Ohio. A total contract payment of $26,884 was paid during the fiscal year and a liability in the amount of $2,949 was accrued as a liability for the year ended June 30, 2011.

The Treasurer shall perform all of the following functions while serving as the Chief Fiscal Officer of the Academy:

- Maintain custody of all funds received by the Academy in segregated accounts separate from the Sponsor or any other Community School's funds;
- Maintain all books and accounts of the Academy;
- Maintain all financial records of the Academy and follow procedures for receiving and expending State funds, which procedures shall include that the Treasurer shall disburse money only upon receipt of a voucher signed by the Chief Administrative Officer of the Academy or that Officer's designee;
- Assist the Academy in meeting all financial reporting requirements established by the Auditor of Ohio;
- Invest funds of the Academy in the same manner as the funds of the Sponsor are invested, but the Treasurer shall not commingle the funds with any of the Sponsor or any other community school; and,
- Pay obligations incurred by the Academy within a reasonable amount of time, not more than 14 calendar days after receipt of a properly executed voucher signed by the Chief Administrative Officer of the Academy so long as the proposed expenditure is within the approved budget and funds are available.

NOTE 11 - PURCHASED SERVICES

For the fiscal year ended June 30, 2011, purchased services payments for services rendered by various vendors are as follows:

PURCHASED SERVICES		
Professional and technical services	$	233,242
Property services		229,351
Travel mileage/meeting expense		11,323
Communications		16,696
Total purchased services	$	490,612

NOTE 12 - OPERATING LEASES

A. The Academy entered into a lease agreement for the period August 1, 2005 through July 31, 2008 with "Good Shepherd Parish" for space to house the Academy. On January 23, 2008, the Academy renewed the lease for the period July 1, 2008 through June 30, 2013. Payments totaled $192,470 for the fiscal year 2011. Payments include maintenance and utility costs. The rent payment will be negotiated each year.

B. On November 18, 2009, the Academy entered into two operating leases with "Ford Credit" for the lease of two vans. The combined lease payments are $846.16 per month for 36 months. The Academy entered into a third operating lease with "Ford Credit" for the lease of a van on December 22, 2009. The lease payments were $499.93 per month. Payments to Ford Credit totaled $16,189 in fiscal year 2011.

NOTE 13 - CONTINGENCIES

A. Grants

The Academy received financial assistance from State agencies in the form of grants. The expense 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. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Academy at June 30, 2011.

B. Litigation

The Academy is not involved in any litigation that, in the opinion of management, would have material effect on the financial statements.

C. Ohio Department of Education Enrollment Review

The Ohio Department of Education conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by the schools. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which State foundation funding is calculated. The Academy anticipates no adjustments to State funding for fiscal year 2012, as a result of the reviews which have yet to be completed.

Aurora Academy
Lucas County
Schedule of Federal Awards Receipts and Expenditures
For the Fiscal Year Ended June 30, 2011

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Expenditures
United States Department of Agriculture				
Passed through Ohio Department of Education				
Nutrition Cluster:				
National School Lunch Program	3L60	10.555	$ 51,243	$ 51,243
School Breakfast Program	3L70	10.553	12,372	12,372
Total Nutrition Cluster			63,615	63,615
Total United States Department of Agriculture			63,615	63,615
United States Department of Education				
Passed through Ohio Department of Education				
Title I, Part A Cluster:				
Title 1 Grants to Local Education Agencies	3M00	84.010	170,251	159,858
Title I Grants to Local Education Agencies, ARRA	3DK0	84.389	52,434	48,419
Total Title I, Part A Cluster			222,685	208,277
Special Education Cluster:				
Special Education - Grants to States	3M20	84.027	30,860	29,333
Special Education - Grants to States, ARRA	3DJ0	84.391	19,779	18,019
Total Special Education Cluster			50,639	47,352
State Fiscal Stabilization Fund Cluster:				
State Fiscal Stabilization Fund (SFSF) - Education State Grants, ARRA	GRF	84.394	85,437	85,437
Total State Fiscal Stabilization Fund Cluster			85,437	85,437
Educational Technology State Grants	3S20	84.318	800	-
Education Jobs Fund	3ET0	84.410	60,641	60,641
School Improvements Grants	3AN0	84.377	41,707	41,707
Improving Teacher Quality State Grants	3Y60	84.367	17,823	20,716
			120,971	123,064
Total United States Department of Education			479,732	464,130
Total Federal Financial Assistance			$ 543,347	$ 527,745

See accompanying notes to the Schedule of Federal Awards Receipts and Expenditures.

NOTE A – SIGNIFICANT ACCOUNTING POLICIES
The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) summarizes activity of the Academy's federal award programs. The Schedule has been prepared on the cash basis of accounting.

NOTE B – NATIONAL SCHOOL LUNCH AND BREAKFAST PROGRAMS
Federal funds received from the National School Lunch and Breakfast Programs were commingled with state subsidy and local revenue from the sale of meals. It was assumed that federal dollars were expended first.

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by *Government Auditing Standards*

Members of the Board
Aurora Academy
Lucas County
541 Utah Street
Toledo, Ohio 43605

We have audited the financial statements of the business-type activities of Aurora Academy, Lucas County, Ohio, (the Academy), as of and for the year ended June 30, 2011, and have issued our report thereon dated March 15, 2012 wherein we noted that the Academy implemented GASB Statements No. 54 and No. 59. 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 Academy's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Academy's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Academy's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we considered a material weakness.

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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Academy's financial statements will not be prevented, or detected and timely corrected. We consider finding 2011-01 described in the accompanying schedule of findings to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the Academy'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 an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2011-01.

The Academy's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the Academy's response and, accordingly, we express no opinion on it.

We intend this report solely for the information and use of management, the Board Members, the Community School's sponsor, federal awarding agencies, pass through entities, and others within the Academy. We intend it for no one other than these specified parties.

Balestra, Harr & Scherer

Balestra, Harr & Scherer, CPAs, Inc.
March 15, 2012

Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance Required by OMB Circular A-133

Members of the Board
Aurora Academy
Lucas County
541 Utah Street
Toledo, Ohio 43605

Compliance

We have audited the compliance of Aurora Academy, Lucas County, Ohio (the Academy) 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 each of Aurora Academy's major federal programs for the year ended June 30, 2011. The summary of auditor's results section of the accompanying schedule of findings identifies the Academy's major federal programs. The Academy'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 Academy'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 Academy'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 Academy's compliance with those requirements.

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

Internal Control Over Compliance

The Academy'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 Academy'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 Academy's internal control over compliance.

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

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

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

Balestra, Harr & Scherer

Balestra, Harr & Scherer, CPAs, Inc.
March 15, 2012

Aurora Academy
Lucas County, Ohio

Schedule of Findings
OMB Circular A-133 Section §.505
June 30, 2011

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material weaknesses reported at the financial statement level (GAGAS)?	Yes
(d)(1)(ii)	Were there any other significant control deficiencies reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any other significant internal control deficiencies reported for major federal programs?	No
(d)(1)(v)	Type of Major Program's Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under §.510(a)?	No
(d)(1)(vii)	Major Programs (list):	Title I Cluster: Title I - CFDA #84.010 Title I (ARRA) – CFDA #84.389 State Fiscal Stabilization Fund (SFSF) – Education State Grants (ARRA) - CFDA #84.394
(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

Finding Number 2011-01

Material Weakness/Material Noncompliance

Ohio Revised Code Section 3314.03(A)(11)(d) requires that each contract entered into between a sponsor and the governing authority of a community school shall specify that the school will comply with Section **149.43** of the **Ohio Revised Code. Ohio Revised Code Section 149.43 (B)** states, in part, that all public records shall be promptly prepared and made available for inspection to a person at all reasonable times during regular business hours. In order to facilitate broader access to public records, public offices shall maintain public records in a manner that they can be made available for inspection in accordance with this division.

On June 30, 2011 the Academy issued check #8206 to Bank of America in the amount of $9,161 for credit card expenses. The purchase was authorized by the Administrator and Business Manager and the check was signed by the Treasurer. One of the charges was for airfare to a conference in Las Vegas for ten employees and three of their family members. One of the non-employees repaid the Academy for the cost of his plane ticket prior to June 30, 2011. However, there was no supporting documentation indicating that the other two non-employees had repaid the Academy for the cost of their plane tickets. Another charge was to AT&T for a phone bill in the amount of $193 which the Academy could not provide supporting documentation.

After we identified the issues and brought it to the Academy's attention, they pursued it and received repayment from the non-employees on February 10, 2012 and February 14, 2012 for the whole amount owed to the Academy. The Academy is currently disputing the AT&T charge with Bank of America.

Client Response: We will adhere to the established policy.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None noted

Independent Auditor's Report on Applying Agreed Upon Procedures

Aurora Academy
Lucas County
541 Utah Street
Toledo, Ohio 43605

To the Board of Education:

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

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

1. We noted the Academy did not amend its anti-harassment policy to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

   Ohio Rev. Code Section 3313.666 required the Academy to amend its definition by September 28, 2010.

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

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

Balestra, Harr & Scherer

Balestra, Harr & Scherer, CPAs, Inc.
March 15, 2012

Dave Yost • Auditor of State

AURORA ACADEMY

LUCAS 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
MAY 15, 2012

88 East Broad Street, Fifth Floor, Columbus, Ohio 43215-3506
Phone: 614-466-4514 or 800-282-0370 Fax: 614-466-4490
www.auditor.state.oh.us