

**AURORA CITY SCHOOL DISTRICT
PORTAGE COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 1999

TABLE OF CONTENTS

TITLE	PAGE
Report of Independent Accountants	1
Combined Balance Sheet - All Fund Types and Account Groups	2
Combined Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Fund Types and Expendable Trust Fund	4
Combined Statement of Revenues, Expenditures and Changes In Fund Balances - Budget and Actual (Budget Basis) All Governmental Fund Types and Expendable Trust Fund	6
Combined Statement of Revenues, Expenses and Changes in Fund Equity - All Proprietary Fund Types and Nonexpendable Trust Fund	10
Combined Statement of Cash Flows All Proprietary Fund Types and Nonexpendable Trust Fund	11
Notes to the General Purpose Financial Statements	12
Schedule of Federal Awards Receipts and Expenditures	37
Notes to the Schedule of Federal Awards Receipts and Expenditures	38
Report of the Independent Accountants on Compliance and on Internal Controls Required by <i>Government Auditing Standards</i>	39
Report of the Independent Accountants on Compliance with Requirements Applicable to the Major Federal Program and Internal Control Over Compliance in Accordance with OMB Circular A-133	41
Schedule of Findings	43



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REPORT OF INDEPENDENT ACCOUNTANTS

Aurora City School District
Portage County
102 East Garfield Road
Aurora, Ohio 44202-8013

To the Board of Education:

We have audited the accompanying general-purpose financial statements of Aurora City School District, Portage County, Ohio, (the District) as of and for the year ended June 30, 1999, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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 that our audit provides a reasonable basis for our opinion.

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the District, as of June 30, 1999, and the results of its operations and the cash flows of its proprietary fund types and non-expendable trust fund for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 1999, 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 grants.

Our audit was performed for the purpose of forming an opinion on the general-purpose financial statements of the District, taken as a whole. The accompanying schedule of federal awards receipts and expenditures is presented for purposes of additional analysis as 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 general-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

A handwritten signature in black ink, appearing to read "Jim Petro".

Jim Petro
Auditor of State

December 21, 1999

**Combined Balance Sheet
All Fund Types and Account Groups
As of June 30, 1999**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<u>Assets and other debits:</u>				
<u>Assets:</u>				
Equity in pooled cash and cash equivalents	\$ 8,839,745	\$ 146,283	\$ 258,397	\$ 1,965,073
Equity in pooled cash and cash equivalents (nonexpendable trust)	-	-	-	-
<u>Receivables:</u>				
Taxes	11,365,315	-	912,059	335,498
Accounts	905	1,571	-	-
Intergovernmental	-	-	-	-
Interfund	32,478	-	-	-
Inventory held for resale	-	-	-	-
Materials and supplies inventory	11,856	-	-	-
Equity in pooled cash and cash equivalents (restricted)	311,709	-	-	-
Fixed assets (net, where applicable, of accumulated depreciation)	-	-	-	-
<u>Other debits:</u>				
Amount available in debt service fund for retirement of general obligation bonds	-	-	-	-
Amount to be provided from general government resources	-	-	-	-
Total assets and other debits	<u>\$ 20,562,008</u>	<u>\$ 147,854</u>	<u>\$ 1,170,456</u>	<u>\$ 2,300,571</u>
<u>Liabilities, fund equity and other credits:</u>				
<u>Liabilities:</u>				
Accounts payable	\$ 182,851	\$ 5,426	\$ -	\$ 8,774
Accrued wages	906,970	-	-	-
Compensated absences payable	89,095	-	-	-
Interfund payable	-	5,782	-	-
Intergovernmental payable	250,423	223	-	-
Deferred revenue	9,949,463	-	792,225	292,278
Due to students	-	-	-	-
General obligation bonds payable	-	-	-	-
Total liabilities	<u>11,378,802</u>	<u>11,431</u>	<u>792,225</u>	<u>301,052</u>
<u>Fund equity and other credits:</u>				
Investment in general fixed assets	-	-	-	-
<u>Retained earnings:</u>				
Unreserved	-	-	-	-
<u>Fund balance:</u>				
Reserved for encumbrances	1,523,528	20,400	-	1,542,459
Reserved for inventory	11,856	-	-	-
Reserved for debt service	-	-	378,231	-
Reserved for textbooks & instructional materials	182,392	-	-	-
Reserved for budget stabilization	129,317	-	-	-
Unreserved, undesignated	7,336,113	116,023	-	457,060
Total fund equity and other credits	<u>9,183,206</u>	<u>136,423</u>	<u>378,231</u>	<u>1,999,519</u>
Total liabilities, fund equity and other credits	<u>\$ 20,562,008</u>	<u>\$ 147,854</u>	<u>\$ 1,170,456</u>	<u>\$ 2,300,571</u>

See accompanying notes to the general purpose financial statements

Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Totals
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	(Memorandum Only)
\$ 21,542	\$ 8,357	\$ 114,302	\$ -	\$ -	\$ 11,353,699
-	-	10,385	-	-	10,385
-	-	-	-	-	12,612,872
175	80	-	-	-	2,731
4,511	-	-	-	-	4,511
-	-	-	-	-	32,478
5,579	-	-	-	-	5,579
877	-	-	-	-	12,733
-	-	-	-	-	311,709
16,268	-	-	24,016,607	-	24,032,875
-	-	-	-	378,231	378,231
-	-	-	-	11,651,278	11,651,278
<u>\$ 48,952</u>	<u>\$ 8,437</u>	<u>\$ 124,687</u>	<u>\$ 24,016,607</u>	<u>\$ 12,029,509</u>	<u>\$ 60,409,081</u>
\$ 1,598	\$ -	\$ 89	\$ -	\$ -	\$ 198,738
8,161	-	-	-	-	915,131
12,283	-	-	-	937,157	1,038,535
-	-	26,696	-	-	32,478
13,426	-	-	-	204,172	468,244
3,716	-	-	-	-	11,037,682
-	-	34,781	-	-	34,781
-	-	-	-	10,888,180	10,888,180
39,184	-	61,566	-	12,029,509	24,613,769
-	-	-	24,016,607	-	24,016,607
9,768	8,437	-	-	-	18,205
-	-	22,003	-	-	3,108,390
-	-	-	-	-	11,856
-	-	-	-	-	378,231
-	-	-	-	-	182,392
-	-	-	-	-	129,317
-	-	41,118	-	-	7,950,314
9,768	8,437	63,121	24,016,607	-	35,795,312
<u>\$ 48,952</u>	<u>\$ 8,437</u>	<u>\$ 124,687</u>	<u>\$ 24,016,607</u>	<u>\$ 12,029,509</u>	<u>\$ 60,409,081</u>

**Combined Statement of Revenues, Expenditures
and Changes in Fund Balances
All Governmental Fund Types and Expendable Trust Fund
For the Fiscal Year Ended June 30, 1999**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Revenues:				
Taxes	\$ 12,641,044	\$ -	\$ 975,243	\$ 361,748
Intergovernmental	3,004,208	465,774	105,785	60,200
Interest	624,535	-	-	3,656
Tuition and fees	26,309	-	-	-
Extracurricular activities	-	83,386	-	-
Gifts and donations	-	40,676	-	-
Rent	6,422	-	-	-
Miscellaneous	35,793	1,071	-	-
Total revenues	16,338,311	590,907	1,081,028	425,604
Expenditures:				
Current:				
Instruction:				
Regular	7,182,178	408,553	-	64,202
Special	611,003	17,413	-	-
Vocational	80,792	-	-	-
Other	238,028	-	-	-
Support services:				
Pupils	751,421	42,539	-	-
Instructional staff	669,634	3,462	-	-
Board of education	151,364	-	-	-
Administration	1,291,106	47,500	-	-
Fiscal	520,094	1,552	14,991	5,651
Business	196,069	-	-	-
Operation and maintenance of plant	1,464,326	140	-	109,801
Pupil transportation	875,645	-	-	-
Central	125	60,432	-	-
Operation of non-instructional services	-	134,325	-	-
Extracurricular activities	305,041	78,804	-	-
Capital outlay	-	-	-	513,406
Debt service:				
Principal retirement	-	-	400,000	-
Interest and fiscal charges	-	-	562,325	-
Total expenditures	14,336,826	794,720	977,316	693,060
Excess of revenues over (under) expenditures	2,001,485	(203,813)	103,712	(267,456)
Other financing sources (uses):				
Proceeds from sale of fixed assets	-	-	-	4,226
Operating transfers in	-	61,263	-	1,921,865
Operating transfers out	(1,726,043)	-	-	(257,085)
Total other financing sources (uses)	(1,726,043)	61,263	-	1,669,006
Excess of revenues and other financing uses over (under) expenditures and other financing uses	275,442	(142,550)	103,712	1,401,550
Fund balance at beginning of year	8,908,673	278,973	274,519	597,969
Decrease in reserve for inventory	(909)	-	-	-
Fund balance at ending of year	\$ 9,183,206	\$ 136,423	\$ 378,231	\$ 1,999,519

See accompanying notes to the general purpose financial statements

Fiduciary Funds	Totals (Memorandum Only)
Expendable Trust	
\$ -	\$ 13,978,035
-	3,635,967
216	628,407
-	26,309
665	84,051
21,777	62,453
-	6,422
7,832	44,696
<u>30,490</u>	<u>18,466,340</u>
3,549	7,658,482
-	628,416
-	80,792
-	238,028
-	793,960
428	673,524
-	151,364
21,388	1,359,994
-	542,288
-	196,069
-	1,574,267
-	875,645
-	80,557
-	134,325
-	383,845
-	513,406
-	400,000
-	562,325
<u>25,365</u>	<u>16,827,287</u>
<u>5,125</u>	<u>1,639,053</u>
-	4,226
-	1,983,128
-	(1,983,128)
-	4,226
5,125	1,643,279
47,611	10,107,745
-	(909)
<u>\$ 52,736</u>	<u>\$ 11,750,115</u>

**Combined Statement of Revenues, Expenditures
and Changes in Fund Balances - Budget and Actual -
All Governmental Fund Types and Expendable Trust Fund
For the Fiscal Year Ended June 30, 1999**

	Governmental Fund Types		
	General Fund		Variance Favorable (Unfavorable)
	Revised Budget	Actual	
<u>Revenues:</u>			
Taxes	\$ 11,927,415	\$ 11,927,415	\$ -
Intergovernmental	3,004,208	3,004,208	-
Interest	624,535	624,535	-
Tuition and fees	26,134	26,134	-
Extracurricular activities	-	-	-
Gifts and donations	-	-	-
Rent	6,422	6,422	-
Miscellaneous	34,864	34,864	-
Total revenues	15,623,578	15,623,578	-
<u>Expenditures:</u>			
<u>Current:</u>			
<u>Instruction:</u>			
Regular	7,492,771	7,492,771	-
Special	600,474	600,474	-
Vocational	80,728	80,728	-
Other	618,473	618,473	-
<u>Support services:</u>			
Pupils	762,751	762,751	-
Instructional staff	751,562	751,562	-
Board of education	310,506	310,506	-
Administration	1,403,699	1,403,699	-
Fiscal	553,985	553,985	-
Business	217,598	217,598	-
Operation and maintenance of plant	1,602,790	1,602,790	-
Pupil transportation	1,044,031	1,044,031	-
Central	125	125	-
Operation of non-instructional services	-	-	-
Extracurricular activities	317,204	317,204	-
Capital outlay	101,002	101,002	-
<u>Debt service:</u>			
Principal retirement	-	-	-
Interest and fiscal charges	-	-	-
Total expenditures	15,857,699	15,857,699	-
Excess of revenues over (under) expenditures	(234,121)	(234,121)	-
<u>Other financing sources (uses):</u>			
Proceeds from sale of fixed assets	-	-	-
Refund of prior year expenditures	199	199	-
Refund of prior year receipts	-	-	-
Advances in	303,932	303,932	-
Advances out	(32,478)	(32,478)	-
Operating transfers in	-	-	-
Operating transfers out	(1,726,043)	(1,726,043)	-
Total other financing sources (uses):	(1,454,390)	(1,454,390)	-
Excess of revenues and other financing uses over (under) expenditures and other financing uses	(1,688,511)	(1,688,511)	-
Fund balance (deficit) at beginning of year	7,662,002	7,662,002	-
Prior year encumbrances appropriated	1,471,750	1,471,750	-
Fund balance at end of year	\$ 7,445,241	\$ 7,445,241	\$ -

See accompanying notes to the general purpose financial statements

Governmental Fund Types

Special Revenue Funds			Debt Service Funds		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$ -	\$ -	\$ -	\$ 920,387	\$ 920,387	\$ -
465,773	465,773	-	105,785	105,785	-
-	-	-	-	-	-
82,886	82,886	-	-	-	-
40,676	40,676	-	-	-	-
-	-	-	-	-	-
<u>589,335</u>	<u>589,335</u>	-	<u>1,026,172</u>	<u>1,026,172</u>	-
413,625	413,625	-	-	-	-
17,591	17,591	-	-	-	-
-	-	-	-	-	-
44,939	44,939	-	-	-	-
3,462	3,462	-	-	-	-
-	-	-	-	-	-
52,038	52,038	-	-	-	-
1,552	1,552	-	14,991	14,991	-
-	-	-	-	-	-
140	140	-	-	-	-
-	-	-	-	-	-
64,619	64,619	-	-	-	-
137,818	137,818	-	-	-	-
84,325	84,325	-	-	-	-
-	-	-	-	-	-
-	-	-	400,000	400,000	-
-	-	-	562,325	562,325	-
<u>820,109</u>	<u>820,109</u>	-	<u>977,316</u>	<u>977,316</u>	-
<u>(230,774)</u>	<u>(230,774)</u>	-	<u>48,856</u>	<u>48,856</u>	-
-	-	-	-	-	-
-	-	-	-	-	-
(981)	(981)	-	-	-	-
5,782	5,782	-	-	-	-
(3,932)	(3,932)	-	-	-	-
61,263	61,263	-	-	-	-
-	-	-	-	-	-
<u>62,132</u>	<u>62,132</u>	-	-	-	-
(168,642)	(168,642)	-	48,856	48,856	-
(10,097)	(10,097)	-	209,541	209,541	-
299,195	299,195	-	-	-	-
<u>\$ 120,456</u>	<u>\$ 120,456</u>	<u>\$ -</u>	<u>\$ 258,397</u>	<u>\$ 258,397</u>	<u>\$ -</u>

(Continued)

**Combined Statement of Revenues, Expenditures
and Changes in Fund Balances - Budget and Actual -
All Governmental Fund Types and Expendable Trust Fund
For the Fiscal Year Ended June 30, 1999**

	Governmental Fund Types		
	Capital Projects Funds		Variance
	Revised Budget	Actual	Favorable (Unfavorable)
Revenues:			
Taxes	\$ 339,861	\$ 339,861	\$ -
Intergovernmental	60,200	60,200	-
Interest	3,656	3,656	-
Tuition and fees	-	-	-
Extracurricular activities	-	-	-
Gifts and donations	-	-	-
Rent	-	-	-
Miscellaneous	-	-	-
Total revenues	-403,717	403,717	-
Expenditures:			
Current:			
Instruction:			
Regular	64,202	64,202	-
Special	-	-	-
Vocational	-	-	-
Other	-	-	-
Support services:			
Pupils	-	-	-
Instructional staff	-	-	-
Board of education	-	-	-
Administration	-	-	-
Fiscal	5,651	5,651	-
Business	-	-	-
Operation and maintenance of plant	109,801	109,801	-
Pupil transportation	-	-	-
Central	-	-	-
Operation of non-instructional services	-	-	-
Extracurricular activities	-	-	-
Capital outlay	2,055,865	2,055,865	-
Debt service:			
Principal retirement	-	-	-
Interest and fiscal charges	-	-	-
Total expenditures	2,235,519	2,235,519	-
Excess of revenues over (under) expenditures	(1,831,802)	(1,831,802)	-
Other financing sources (uses):			
Proceeds from sale of fixed assets	4,226	4,226	-
Refund of prior year expenditures	-	-	-
Refund of prior year receipts	-	-	-
Advances in	-	-	-
Advances out	(300,000)	(300,000)	-
Operating transfers in	1,921,865	1,921,865	-
Operating transfers out	(257,085)	(257,085)	-
Total other financing sources (uses):	1,369,006	1,369,006	-
Excess of revenues and other financing uses over (under) expenditures and other financing uses	(462,796)	(462,796)	-
Fund balance (deficit) at beginning of year	386,353	386,353	-
Prior year encumbrances appropriated	490,283	490,283	-
Fund balance at end of year	\$ 413,840	\$ 413,840	\$ -

See accompanying notes to the general purpose financial statements

Fiduciary Fund Type			Totals (Memorandum Only)		
Expendable Trust Fund					
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$ -	\$ -	\$ -	\$ 13,187,663	\$ 13,187,663	\$ -
-	-	-	3,635,966	3,635,966	-
216	216	-	628,407	628,407	-
-	-	-	26,134	26,134	-
665	665	-	83,551	83,551	-
21,777	21,777	-	62,453	62,453	-
-	-	-	6,422	6,422	-
7,832	7,832	-	42,696	42,696	-
30,490	30,490	-	17,673,292	17,673,292	-
3,549	3,549	-	7,974,147	7,974,147	-
-	-	-	618,065	618,065	-
-	-	-	80,728	80,728	-
-	-	-	618,473	618,473	-
-	-	-	807,690	807,690	-
428	428	-	755,452	755,452	-
-	-	-	310,506	310,506	-
43,391	43,391	-	1,499,128	1,499,128	-
-	-	-	576,179	576,179	-
-	-	-	217,598	217,598	-
-	-	-	1,712,731	1,712,731	-
-	-	-	1,044,031	1,044,031	-
-	-	-	64,744	64,744	-
-	-	-	137,818	137,818	-
-	-	-	401,529	401,529	-
-	-	-	2,156,867	2,156,867	-
-	-	-	400,000	400,000	-
-	-	-	562,325	562,325	-
47,368	47,368	-	19,938,011	19,938,011	-
(16,878)	(16,878)	-	(2,264,719)	(2,264,719)	-
-	-	-	4,226	4,226	-
-	-	-	199	199	-
-	-	-	(981)	(981)	-
-	-	-	309,714	309,714	-
-	-	-	(336,410)	(336,410)	-
-	-	-	1,983,128	1,983,128	-
-	-	-	(1,983,128)	(1,983,128)	-
-	-	-	(23,252)	(23,252)	-
(16,878)	(16,878)	-	(2,287,971)	(2,287,971)	-
47,294	47,294	-	8,295,093	8,295,093	-
317	317	-	2,261,545	2,261,545	-
\$ 30,733	\$ 30,733	\$ -	\$ 8,268,667	\$ 8,268,667	\$ -

**Combined Statement of Revenues,
Expenses and Changes in Fund Equity
All Proprietary Fund Types and Nonexpendable Trust Fund
For the Fiscal Year Ended June 30, 1999**

	Proprietary Fund Types		Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Internal Service	Nonexpendable Trust	
<u>Operating revenues:</u>				
Sales	\$ 273,825	\$ -	\$ -	\$ 273,825
Interest	-	-	512	512
Other operating revenues	-	37,996	-	37,996
Total operating revenue	273,825	37,996	512	312,333
<u>Operating expenses:</u>				
Salaries	121,427	-	-	121,427
Fringe benefits	42,870	-	-	42,870
Purchased services	1,627	4,999	-	6,626
Materials and supplies	16,890	3,016	-	19,906
Cost of sales	146,234	-	-	146,234
Depreciation	1,828	-	-	1,828
Other operating expenses	-	28,987	578	29,565
Total operating expenses	330,876	37,002	578	368,456
Operating income (loss)	(57,051)	994	(66)	(56,123)
<u>Non-operating revenues:</u>				
Federal donated commodities	13,342	-	-	13,342
Operating grants	34,480	-	-	34,480
Interest	421	-	-	421
Total non-operating revenues	48,243	-	-	48,243
Net income (loss)	(8,808)	994	(66)	(7,880)
Retained earnings/fund balance at beginning of year	18,576	7,443	10,451	36,470
Retained earnings/fund balance at end of year	\$ 9,768	\$ 8,437	\$ 10,385	\$ 28,590

See accompanying notes to the general purpose financial statements

Combined Statement of Cash Flows
All Proprietary Fund Types and Nonexpendable Trust Fund
For the Year Ended June 30, 1999

	Proprietary Fund Types		Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Internal Service	Nonexpendable Trust	
<u>Cash flows from operating activities:</u>				
Cash received from customers	\$ 273,650	\$ -	\$ -	\$ 273,650
Cash received from other operating sources	-	37,916	512	38,428
Cash payments to suppliers for goods and services	(149,241)	(37,002)	-	(186,243)
Cash payments to employees for services	(120,340)	-	-	(120,340)
Cash payments for employee benefits	(42,896)	-	-	(42,896)
Cash payments for other operating expenses	(1,800)	-	(578)	(2,378)
Net cash provided by (used for) operating activities	<u>(40,627)</u>	<u>914</u>	<u>(66)</u>	<u>(39,779)</u>
<u>Cash flows from noncapital financing activities:</u>				
Operating grants	29,969	-	-	29,969
<u>Cash flows from investing activities:</u>				
Interest on investments	421	-	-	421
Net increase (decrease) in cash and cash equivalent	(10,237)	914	(66)	(9,389)
Cash and cash equivalents at beginning of year	31,779	7,443	10,451	49,673
Cash and cash equivalents at end of year	<u>\$ 21,542</u>	<u>\$ 8,357</u>	<u>\$ 10,385</u>	<u>\$ 40,284</u>
<u>Reconciliation of operating income to net cash provided by (used for) operating activities:</u>				
Operating income (loss)	\$ (57,051)	\$ 994	\$ (66)	\$ (56,123)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation	1,828	-	-	1,828
Federal donated commodities	13,342	-	-	13,342
Change in assets and liabilities:				
(Increase) decrease in assets:				
Inventory	(3,008)	-	-	(3,008)
Accounts receivable	(175)	(80)	-	(255)
Increase (decrease) in liabilities:				
Accounts payable	1,598	-	-	1,598
Accrued wages	114	-	-	114
Compensated absences payable	974	-	-	974
Intergovernmental payable	(27)	-	-	(27)
Deferred revenue	1,778	-	-	1,778
Total adjustments	<u>16,424</u>	<u>(80)</u>	<u>-</u>	<u>16,344</u>
Net cash provided by (used for) operating activities	<u>\$ (40,627)</u>	<u>\$ 914</u>	<u>\$ (66)</u>	<u>\$ (39,779)</u>

See accompanying notes to the general purpose financial statements

Notes to the General Purpose Financial Statements
For the fiscal year ended June 30, 1999
(Continued)

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

The Aurora City 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 eighty non-certificated employees, 126 certificated full-time teaching employees and eight administrative employees. These personnel provide services to approximately 2,151 students and other community members.

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting 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 proprietary 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 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.

Notes to the General Purpose Financial Statements
For the fiscal year ended June 30, 1999
(Continued)

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. The School District does not have any component units.

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

The School District is associated with the Stark Portage Area Computer Consortium and the Portage County School Consortium which are defined as jointly governed organizations. Jointly governed organizations are governed by representatives from each of the governments that create the organizations, but there is no ongoing financial interest or responsibility by the participating governments. Information regarding these organizations is presented in Note 13.

B. Basis of Presentation - Fund Accounting

The School District uses funds and account groups 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. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities not recorded in the funds because they do not directly affect net expendable available financial resources.

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, proprietary and fiduciary.

Notes to the General Purpose Financial Statements
For the fiscal year ended June 30, 1999
(Continued)

Governmental Fund Types:

Governmental funds are those through which most governmental functions of the School District are financed. The acquisition, use and balances of the School District's expendable financial resources and the related current liabilities (except those accounted for in proprietary funds and trust funds) are accounted for through governmental funds. The following are the School District's governmental fund types:

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.

Special Revenue Funds - The special revenue funds are used to account for the proceeds of specific revenue sources (other than amounts relating to expendable trusts or major capital projects) that are legally restricted to expenditure for specified purposes.

Debt Service Fund - The debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Capital Projects Funds - The capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds or trust funds).

Proprietary Fund Types:

Proprietary funds are used to account for the School District's ongoing activities that are similar to those found in the private sector. The following is the School District's proprietary fund type:

Enterprise Funds - The enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Internal Service Funds - The internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the School District, or to other governments, on a cost-reimbursement basis.

Notes to the General Purpose Financial Statements
For the fiscal year ended June 30, 1999
(Continued)

Fiduciary Fund Types:

Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. These include expendable trust, non-expendable trust and agency funds. Expendable trust funds are accounted for in essentially the same manner as governmental funds. Non-expendable trust funds are accounted for in essentially the same manner as proprietary funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Account Groups:

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of a general nature, the following account groups are used:

General Fixed Assets Account Group - This account group is established to account for all fixed assets of the School District, other than those accounted for in the proprietary or trust funds.

General Long-term Debt Account Group - This account group is established to account for all long-term obligations of the School District except those accounted for in the proprietary or trust funds.

C. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types and the expendable trust fund are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All enterprise funds and the non-expendable trust fund are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Enterprise and non-expendable trust funds' operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

Notes to the General Purpose Financial Statements
For the fiscal year ended June 30, 1999
(Continued)

The modified accrual basis of accounting is followed for the governmental, expendable trust and agency funds. Under this basis, revenues are recognized in the accounting period when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period for the School District is sixty days after year end.

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: investment earnings, tuition, grants and entitlements, and student fees.

The School District reports deferred revenues on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of fiscal year end and delinquent property taxes, whose availability is indeterminable and which are intended to finance subsequent fiscal year operations, have been recorded as deferred revenue.

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. Principal and interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year, and the costs of accumulated unpaid vacation and sick leave are reported as fund liabilities in the period in which they will be liquidated with available financial resources rather than in the period earned by employees. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

The accrual basis of accounting is utilized for reporting purposes by the enterprise and nonexpendable trust funds. Revenues are recognized when they are earned and become measurable, and expenses are recognized when they are incurred, if measurable. There were no unbilled service charges receivable at year end. The fair value of donated commodities used during the year is reported in the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

Notes to the General Purpose Financial Statements
For the fiscal year ended June 30, 1999
(Continued)

D. 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. Even though annual budgets are legally adopted, enterprise and non-expendable trust budgetary statements have not been presented since they are not required under GAAP. The primary level of budgetary control is at the object level within each function. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

Tax Budget:

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates. By no later than January 20, the Board-adopted budget is filed with the Portage County Budget Commission for rate determination.

Estimated Resources:

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources that states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final Amended Certificate issued during the current fiscal year.

Notes to the General Purpose Financial Statements
For the fiscal year ended June 30, 1999
(Continued)

Appropriations:

Upon receipt from the County Auditor of an amended Certificate of Estimated Resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual Appropriation Resolution must be legally enacted by the Board of Education at the fund, function, and object level of expenditures, which is the legal level of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at the legal level of control. Any revisions that alter the fund appropriation at the legal level of budgetary control must be approved by the Board of Education.

Encumbrances:

As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds and reported in the notes to the financial statements for enterprise funds.

Lapsing of Appropriations:

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.

E. Cash and Investments

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

Notes to the General Purpose Financial Statements
For the fiscal year ended June 30, 1999
(Continued)

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.

F. Inventory

Inventories of governmental funds are stated at cost while inventories of enterprise funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are purchased rather than consumed. Reported inventories in these funds are equally offset by a fund balance reserve, which indicates they are unavailable for appropriation. Inventories of enterprise funds consist of donated food, purchased food, and supplies held for resale and are expensed when used.

G. Fixed Assets and Depreciation

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and related assets are reported in the general fixed assets account group. Fixed assets utilized in the enterprise funds are capitalized in the respective fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of five hundred dollars. The School District does not possess any infrastructure.

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. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

Assets in the general fixed assets account group are not depreciated. Depreciation of equipment in the enterprise fund type is computed using the straight line method over an estimated useful life of five to twelve years.

H. 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 acquisition or construction of capital assets and to create a reserve for budget stabilization. See Note 17 for the calculation of the year-end restricted asset balance and the corresponding fund balance reserves.

**Notes to the General Purpose Financial Statements
For the fiscal year ended June 30, 1999
(Continued)**

I. Intergovernmental Revenues

For governmental funds, intergovernmental revenues, such as grants awarded on a non-reimbursement basis and entitlements, are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred and all other grant requirements have been met. Other than commodities, grants and entitlements for enterprise fund operations are recognized as non-operating revenues in the accounting period in which they are earned and became measurable.

The School District currently participates in several State and Federal programs, categorized as follows:

Entitlements

General Fund

State Foundation Program
State Property Tax Relief

Non-Reimbursable Grants

Special Revenue Funds

Auxiliary Services
Drug Free Schools
Educational Management Information System
Excellence In Education
Goals 2000
Preschool Disabilities Grant
Raising the Bar
Technology Literacy
Title VI
Title VI-B

Capital Projects Fund

School Net
Technology Equity

Reimbursable Grants

General Fund

Driver Education
School Bus Purchase

Enterprise Funds

Government Donated Commodities
National School Lunch Program

Notes to the General Purpose Financial Statements
For the fiscal year ended June 30, 1999
(Continued)

J. Short-term Interfund Assets/Liabilities

Short-term interfund loans are classified as "interfund receivables/payables."

K. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employee's 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. The liability is based on the sick leave accumulated at June 30 by those employees for whom it is probable they will become eligible to receive termination benefits in the future.

Accumulated vacation and sick leave of employees paid from governmental funds has been recorded in the appropriate governmental fund as a current liability to the extent that the amounts are expected to be paid using expendable available financial resources. The balance of the liability is recorded in the general long-term debt account group. Vacation and sick leave for employees paid from enterprise funds are recorded as an expense and liability of the fund.

L. Accrued Liabilities and Long-term Obligations

Long-term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the general long-term debt account group.

M. Interfund Transactions

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions are reported as transfers. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

**Notes to the General Purpose Financial Statements
For the fiscal year ended June 30, 1999
(Continued)**

N. 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 spendable resources and therefore are not available for appropriations for expenditures. Unreserved fund balance indicates that portion of fund equity that is available for appropriation in future periods. Fund equity reserves are established for encumbrances, inventory, textbooks and instructional materials, budget stabilization and debt service.

O. Total Columns on General Purpose Financial Statements

Total columns on the general purpose financial statements are captioned (Memorandum Only) to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

P. 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 - 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 Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual, All Governmental Fund Types and Expendable Trust 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/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).

Notes to the General Purpose Financial Statements
For the fiscal year ended June 30, 1999
(Continued)

3. Encumbrances are treated as expenditures/expenses 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 all governmental fund types and expendable trust fund.

Excess of Revenues and Other Financing Sources Over (Under)
Expenditures and Other Financing Uses

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>
GAAP Basis	\$ 275,442	\$ (142,550)	\$ 103,712	\$ 1,401,550	\$ 5,125
Revenue accruals	(410,602)	4,210	(54,856)	(21,887)	-
Expenditure accruals	152,863	(4,476)	-	(291,226)	-
Encumbrances (Budget Basis) outstanding at year end	(1,706,214)	(25,826)	-	(1,551,233)	(22,003)
Budget Basis	<u>\$ (1,688,511)</u>	<u>\$ (168,642)</u>	<u>\$ 48,856</u>	<u>\$ (462,796)</u>	<u>\$ (16,878)</u>

NOTE 4 - 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 two 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 monies may be invested in the following obligations provided they mature or are redeemable within five years from the date of settlement:

Notes to the General Purpose Financial Statements
For the fiscal year ended June 30, 1999
(Continued)

1. United States Treasury bills, notes, bonds, or any other obligations or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or other obligations or securities issued by any federal government agency or instrumentality. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements for a period not to exceed thirty days in securities listed above that mature within five years from the date of settlement;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in item (1) or (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio); and
7. Certain bankers' acceptances and commercial paper notes in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time.

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

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

Deposits:

The carrying value of the School District's deposits and petty cash, of \$200, totaled \$(234,593) and the bank balances of the deposits totaled \$99,284. Of the bank balance, \$99,284 was covered by federal depository insurance. The School District maintains a "zero balance" account for each of their checking accounts. Money is credited to their checking account from a repurchase account that is linked to those accounts as checks are presented.

Notes to the General Purpose Financial Statements
For the fiscal year ended June 30, 1999
(Continued)

Investments:

GASB Statement No. 3 "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements" requires that the School District's investments be classified in categories of risk. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name.

The District has invested funds in STAR Ohio during 1999. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 1999. The School District's investment in STAR Ohio is an unclassified investment since it is not evidence by securities that exist in physical or book entry form.

All interest is legally required to be placed in the General fund, the Building capital projects fund, the Food Service enterprise fund, and the Scholarship nonexpendable trust fund. Due to these provisions, interest revenue credited to the General fund during fiscal year 1999 amounted to \$624,535, which includes \$79,272 assigned from other funds.

	<u>Category 3</u>	<u>Fair Value</u>
<u>Categorized Investments</u>		
Repurchase Agreements	\$ 1,701,591	<u>1,701,591</u>
 <u>Noncategorized Investments</u>		
State Treasurer's Pool		<u>10,208,795</u>
Total Investments		<u>\$ 11,910,386</u>

Notes to the General Purpose Financial Statements
For the fiscal year ended June 30, 1999
(Continued)

NOTE 5 - 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 thirty-five percent of appraised market value. All property is required to be revalued every six years. The last revaluation was completed in 1994 for the following tax year. Public utility property taxes are assessed on tangible personal property at eighty-eight percent of true value (with certain exceptions) and on real property at thirty-five percent of true value. Tangible personal property taxes are levied after April 1 on the value listed as of December 31 of the current year. Tangible personal property assessments are twenty-five percent of true value.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, state statute permits earlier or later payment dates to be established.

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

The School District receives property taxes from Portage and Summit County. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the county by year end are available to finance current fiscal year operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable as of year end. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current year operations. 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 \$1,415,852 in the General fund, \$119,834 in the Bond Retirement debt service fund, and \$43,220 in the Permanent Improvement capital projects fund and is recognized as revenue.

Notes to the General Purpose Financial Statements
For the fiscal year ended June 30, 1999
(Continued)

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

<u>Property Category</u>	<u>1998 Assessed Value</u>	<u>1997 Assessed Value</u>
<u>Real Property</u>		
Residential and Agricultural	\$ 271,291,470	\$ 254,057,783
Commercial and Industrial	61,279,620	56,028,920
Public Utilities	24,030	24,987
<u>Tangible Personal Property</u>		
General	33,959,335	33,833,624
Public Utilities	14,631,310	14,961,570
Total	<u>\$ 381,185,765</u>	<u>\$ 358,906,884</u>

NOTE 6 - RECEIVABLES

Receivables at year end consisted of taxes, accounts, interfund and 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 enterprise fund's intergovernmental receivable at year end consisted of \$4,511 in federal and state reimbursements.

NOTE 7 - FIXED ASSETS

A summary of the enterprise funds' fixed assets at year end follows:

<u>Classification</u>	<u>Balance</u>
Equipment	\$ 180,450
Less: accumulated depreciation	<u>164,182</u>
Net Fixed Assets	<u>\$ 16,268</u>

Notes to the General Purpose Financial Statements
For the fiscal year ended June 30, 1999
(Continued)

A summary of the changes in general fixed assets during the fiscal year follows:

	Balance <u>July 1</u>	Additions	Deletions	Balance <u>June 30</u>
Land and improvements	\$ 171,773	\$ 258,338	\$ -	\$ 430,111
Buildings	19,395,639	209,534	77,712	19,527,461
Furniture and equipment	2,713,871	608,290	363,512	2,958,649
Vehicles	<u>950,947</u>	<u>182,496</u>	<u>33,057</u>	<u>1,100,386</u>
Total	<u>\$ 23,232,230</u>	<u>\$ 1,258,658</u>	<u>\$ 474,281</u>	<u>\$ 24,016,607</u>

NOTE 8 - 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. 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 of its administrators 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 coverages 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.

Notes to the General Purpose Financial Statements
For the fiscal year ended June 30, 1999
(Continued)

NOTE 9 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit 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 state statute per 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, 45 North Forth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute nine percent of their annual covered salary and the School District is required to contribute an actuarially determined rate of fourteen percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to the statutory maximum amounts, by the SERS Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$271,856, \$255,059, and \$237,740, respectively; forty-nine percent has been contributed for fiscal year 1999 and 100 percent for the fiscal years 1998 and 1997. \$138,306 representing the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds and the general long-term obligations account group.

B. State Teachers Retirement System

The School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer defined benefit pension plan. STRS provides basis retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3307 of the Ohio Revised Code. STRS 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 State Teachers Retirement System, 275 East Board Street, Columbus, Ohio 43215-3771.

Plan members are required to contribute 9.3 percent of their annual covered salary and the School District is required to contribute an actuarially determined rate of fourteen percent of annual covered payroll. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of ten percent for members and fourteen percent for employers. The School District's required contribution for pension obligations to STRS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$967,928, \$917,096, and \$921,920, respectively; eighty-three percent has been contributed for fiscal year 1999 and 100 percent for the fiscal years 1998 and 1997. \$166,908 representing the unpaid contribution for fiscal year 1999 is recorded as a liability within the respective funds.

Notes to the General Purpose Financial Statements
For the fiscal year ended June 30, 1999
(Continued)

NOTE 10 - POSTEMPLOYMENT BENEFITS

Comprehensive health care benefits are provided to retired teachers and their dependents through the State Teachers Retirement System (STRS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. All benefit recipients and sponsored dependents are eligible for health care coverage. Benefit provisions and the obligations to contribute are established by the STRS based on authority granted by State statute. Most benefit recipients are required to pay a portion of the health care cost in the form of a monthly premium.

By Ohio law, the cost of coverage paid from STRS funds shall not be included in the employer contribution rate, currently fourteen percent of covered payroll. The retirement board currently allocates employer contributions equal to eight percent of covered payroll to the Health Care Reserve Fund from which payments for health care benefits are paid. For the School District this amount equaled \$553,102 during the 1999 fiscal year. The balance in the Health Care Reserve fund for the STRS was \$2,156 million at June 30, 1998, (latest information available). For the year ended June 30, 1998, the net health care costs paid by the STRS were \$219,224,000 and eligible benefit recipients totaled 91,999.

For the School Employees Retirement System (SERS), coverage is made available to service retirees with ten or more years of qualifying service credit, disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of seventy-five percent of the premium. For this fiscal year, employer contributions to fund health care benefits were 6.30 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to fourteen percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 1998, the minimum pay has been established at \$12,400. The surcharge, added to the unallocated portion of the fourteen percent contribution rate, provides for maintenance of the asset target level for the health care fund. For the School District, the amount of employer contributions used to fund health care equaled \$118,150, which includes a surcharge of \$21,447 during the 1999 fiscal year.

Health care benefits are financed on a pay-as-you-go basis. The target level for the health care reserve is 125% of annual health care expenses. Expenses for health care at June 30, 1998, (latest information available) were \$111,900,575 and the target level was \$139.9 million. At June 30, 1998, the SERS's net assets available for payment of health care benefits was \$160.3 million, at cost. The number of participants receiving health care benefits was approximately 50,000.

Notes to the General Purpose Financial Statements
For the fiscal year ended June 30, 1999
(Continued)

NOTE 11 - LONG-TERM DEBT

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

<u>General Long-Term Debt</u>	<u>Balance</u> <u>July 1</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30</u>
<u>Bonds</u>				
School Improvement Bonds, 4.70-5.80%, maturing on December 1, 2016	\$ 11,288,180	\$ -	\$ 400,000	\$ 10,888,180
<u>Other Obligations</u>				
Long-term compensated absences	785,357	178,721	26,921	937,157
Employer pension obligations	100,212	204,172	100,212	204,172
Total Other Obligations	885,569	382,893	127,133	1,141,329
Total General Long-Term Debt	\$ 12,173,749	\$ 382,893	\$ 527,133	\$ 12,029,509

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 receipted in the Bond Retirement debt service fund. The annual requirements to amortize these School Improvement Bonds is as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2000	\$ 450,000	\$ 542,238	\$ 992,238
2001	308,075	728,475	1,036,550
2002	282,113	754,437	1,036,550
2003	257,399	779,151	1,036,550
2004	235,593	800,957	1,036,550
Thereafter	9,355,000	3,921,325	13,276,325
Total	\$ 10,888,180	\$ 7,526,583	\$ 18,414,763

**Notes to the General Purpose Financial Statements
For the fiscal year ended June 30, 1999
(Continued)**

NOTE 12 - INTERFUND TRANSACTIONS

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

<u>Interfund Receivable/Payable</u>		<u>Amount</u>
<u>Receivable Fund</u>	<u>Payable Fund</u>	
General	Drug Free Grant special revenue	\$ 4,568
General	Miscellaneous Federal Grant special revenue	1,214
General	Student Activities agency	26,696
	Total	<u>\$ 32,478</u>

NOTE 13 - 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 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. During the fiscal year, the School District contributed \$48,340 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 \$28,073 for property insurance and \$801,472 in the form of health care premiums to the consortium for the current fiscal year.

**Notes to the General Purpose Financial Statements
For the fiscal year ended June 30, 1999
(Continued)**

NOTE 14 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The School District maintains three enterprise funds to account for the operations of food service, uniform school supplies programs and adult education. The table below reflects in a summarized format the more significant financial data relating to the enterprise funds of the School District as of and for the fiscal year ended June 30, 1999.

<u>Description</u>	<u>Food Service</u>	<u>Uniform School Supplies</u>	<u>Adult Education</u>	<u>Total</u>
Operating revenues	\$ 259,609	\$ 14,216	\$ -	\$ 273,825
Depreciation expense	1,828	-	-	1,828
Operating income (loss)	(65,303)	8,252	-	(57,051)
Operating grants	34,480	-	-	34,480
Donated commodities	13,342	-	-	13,342
Net income (loss)	(17,060)	8,252	-	(8,808)
Net working capital	(2,833)	8,252	364	5,783
Total assets	40,336	8,252	364	48,952
Compensated absences payable	12,283	-	-	12,283
Total equity	1,152	8,252	364	9,768
Encumbrances outstanding (budget basis) at June 30, 1999	\$ 2,293	\$ 693	\$ -	\$ 2,986

NOTE 15 - CONTINGENCIES

A. Grants:

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is 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.

Notes to the General Purpose Financial Statements
For the fiscal year ended June 30, 1999
(Continued)

C. School Funding

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in the system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to this School District. During the fiscal year ended June 30, 1999, the School District received \$1,683,805 of school foundation support for its general fund.

Since the Court's ruling, numerous pieces of legislation have been passed by the State legislature in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry has reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State has appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. As of the date of these financial statements, The Ohio Supreme Court has not rendered an opinion on this issue. The decision of the Court of Common Pleas in Perry County has been stayed by the Ohio Supreme Court, and, as such, school districts are still operating under the laws that the Common Pleas Court declared unconstitutional.

As of the date of these financial statements, the School District is unable to determine what effect, if any, this decision will have on its future State funding under this Program and on its financial operations.

NOTE 16 – THE YEAR 2000 ISSUES

The year 2000 is the result of shortcomings in many electronic data processing systems and other equipment that may adversely affect the School District's operations as early as fiscal 1999.

The School District has completed an inventory of computer systems and other equipment necessary to conducting District operations and has identified such systems as being financial reporting, payroll and employee benefits, equipment inventory and education management information reporting.

Notes to the General Purpose Financial Statements
For the fiscal year ended June 30, 1999
(Continued)

The School District uses the State of Ohio Uniform School Accounting System (USAS) for financial reporting, the Uniform Staff Payroll System (USPS) for payroll and employee benefits, the Equipment Inventory System (EIS) for equipment and vehicle inventory and the Education Management and Information System (EMIS) for educational statistics reporting. The State of Ohio distributes a substantial sum of money to the School District in the form of "Foundation" and federal and state grant payments. Further, the State processes a significant amount of financial and non-financial information about the School District through EMIS. The State is responsible for remediating these systems.

Portage and Summit Counties collect property taxes for distribution to the School District. The Counties are responsible for remediating the tax collection systems.

The School District currently is assessing the changes needed in the power systems. Systems may have to be remediated, and tested and validated.

The County is solely responsible for any costs associated with the tax collection system project. The State is solely responsible for any costs associated with the Foundation processing and EMIS systems.

Because of the unprecedented nature of the year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Management cannot assure that the School District is or will be year 2000 ready, that the School District's remediation efforts will be successful in whole or in part, or that parties with whom the School District does business will be year 2000 ready.

NOTE 17 – 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 for 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. The School District was required to set-aside additional monies for textbooks and other instructional materials. 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.

Amounts are also to be set aside for budget stabilization if the School District's revenues increases three percent or more from the prior year. The School District was required to set-aside additional monies for fiscal 1999.

Notes to the General Purpose Financial Statements
For the fiscal year ended June 30, 1999
(Continued)

During the fiscal year ended June 30, 1999, the reserve activity was as follows:

	<u>Textbook</u>	<u>Capital</u>	<u>Budget</u>	
	<u>Reserve</u>	<u>Maintenance</u>	<u>Stabilization</u>	<u>Total</u>
Set-aside Cash Balance as of June 30, 1998	\$ -	\$ -	\$ 72,243	\$ 72,243
Current Year Set-aside Requirement	340,634	250,970	57,074	648,678
Current Year Offset	-	(250,970)	-	(250,970)
Qualifying Disbursements	(158,242)	-	-	(158,242)
Total	<u>\$ 182,392</u>	<u>\$ -</u>	<u>\$ 129,317</u>	<u>\$ 311,709</u>
Cash Balance Carried Forward to FY 2000	<u>\$ 182,392</u>	<u>\$ -</u>	<u>\$ 129,317</u>	<u>\$ 311,709</u>

NOTE 18 – CONSTRUCTION COMMITMENTS AND SUBSEQUENT EVENTS

The School District is involved in various construction projects and has agreed to purchase land subsequent to the close of fiscal year 1999. The commitment to purchase land is a commitment of the Building capital projects fund, for approximately \$1.6 million. The School District entered into a lease purchase financing agreement for \$12 million for the next twenty-five years, to finance construction of a new elementary school.

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
JUNE 30, 1999**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Federal CFDA Number	Pass-Through Entity's Number	Receipts	Non-Cash Receipts	Disburse- ments	Non-Cash Disburse- ments
UNITED STATES DEPARTMENT OF AGRICULTURE						
<i>Passed Through Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Distribution Program	10.550	-		\$3,715		\$3,715
National School Lunch Program	10.555	03-PU 98	5,268		5,268	
		03-PU 99	12,935		12,935	
		04-PU 98	3,326		3,326	
		04-PU 99	7,493		7,493	
			29,022	0	29,022	0
Total Department of Agriculture - Nutrition Cluster			29,022	3,715	29,022	3,715
UNITED STATES DEPARTMENT OF EDUCATION						
<i>Passed Through Ohio Department of Education:</i>						
Special Education Cluster:						
Special Education Grants to States (IDEA Part B)	84.027	6B-SF 96			3,532	
		6B-SF 97			13,585	
		6B-SF 98			17,626	
		6B-SF 99	54,446		48,765	
			54,446	0	83,508	0
Special Education - Preschool Grant	84.173	PG-S1 98			3,559	
		PG-S1 99	4,563		1,140	
			4,563	0	4,699	0
Total Special Education Cluster			59,009	0	88,207	0
Innovative Educational Program Strategies	84.298	C2-S1 99	8,815		8,197	
Eisenhower Professional Development State Grants	84.281	MS-S1 98	(981)		1,250	
		MS-S1 99	5,980		2,700	
			4,999	0	3,950	0
Safe and Drug Free Schools and Communities - State Grants	84.298	DR-S1 98			4,488	
		DR-S1 99	8,141		3,970	
			8,141	0	8,458	0
Goals 2000 - State and Local Education Systemic Improvement	84.276	G2-A2 00	1,084		1,084	
		G2-S3 98 C	41,553		76,702	
			42,637	0	77,786	0
Technology Literacy Challenge Fund Grants	84.318	TF-S1 98			148,167	
		TF-S1 99	100,000		100,000	
		TF-S1 00	62,500		62,473	
			162,500	0	310,640	0
Total Department of Education			286,101	0	497,238	0
Totals			\$ 315,123	\$3,715	\$ 526,260	\$3,715

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

NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
June 30, 1999

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - FOOD DISTRIBUTION

Non-monetary assistance, such as food received from the U.S. Department Of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 1999, the District had no significant food commodities in inventory.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON
INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Aurora City School District
Portage County
102 East Garfield Road
Aurora, Ohio 44202-8013

To the Board of Education:

We have audited the financial statements of Aurora City School District, Portage County, as of and for the year ended June 30, 1999, and have issued our report thereon dated December 21, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Aurora City School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Aurora City School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of Aurora City School District in a separate letter dated December 21, 1999.

This report is intended for the information of management, the Board of Education, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Jim Petro
Auditor of State

December 21, 1999



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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Aurora City School District
Portage County
102 East Garfield Road
Aurora, Ohio 44202-8013

To the Board of Education:

Compliance

We have audited the compliance of Aurora City School District, Portage County, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 1999. Aurora City School District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of Aurora City School District's management. 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 generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that 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, Aurora City School District, Portage County, complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 1999.

Internal Control Over Compliance

The Management of Aurora City School District, Portage County, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Aurora City School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Aurora City School District
Portage County
Report of Independent Accountants on Compliance With Requirements
Applicable to Each Major Federal Program and Internal Control over
Compliance In Accordance With OMB Circular A-133
Page - 2 -

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operations that we consider to be material weaknesses.

This report is intended for the information of management, the Board of Education, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Jim Petro
Auditor of State

December 21, 1999

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 1999**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported non-compliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions 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?	No
(d)(1)(vii)	Major Program (list):	Technology Literacy Challenge Fund Grant - 84.318
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: >\$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None



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OFFICE OF THE AUDITOR

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AURORA CITY SCHOOL DISTRICT
PORTAGE COUNTY

CLERK'S CERTIFICATION

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

By: Susan Babbitt
Clerk of the Bureau

Date: JAN 13 2000