



**Auditor of State  
Betty Montgomery**



**AURORA CITY SCHOOL DISTRICT  
PORTAGE COUNTY**

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**Auditor of State  
Betty D. Montgomery**

Voinovich Government Center  
242 Federal Plaza West  
Suite 302  
Youngstown, Ohio 44503  
Telephone 330-797-9900  
800-443-9271  
Facsimile 330-797-9949  
www.auditor.state.oh.us

## **REPORT OF INDEPENDENT ACCOUNTANTS**

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

To the Board of Education:

We have audited the accompanying general purpose financial statements of the Aurora City School District, Portage County, (the District) as of and for the year ended June 30, 2002, 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 auditing standards generally accepted in the United States of America 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 Aurora City School District, Portage County, as of June 30, 2002, and the results of its operations and the cash flows of its proprietary fund types and nonexpendable trust fund for the year then ended in conformity with generally accepted accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 15, 2003, 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. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

A handwritten signature in black ink that reads "Betty Montgomery".

**Betty D. Montgomery**  
Auditor of State

January 15, 2003

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**AURORA CITY SCHOOL DISTRICT  
PORTAGE COUNTY  
COMBINED BALANCE SHEET  
ALL FUND TYPES AND ACCOUNT GROUPS  
JUNE 30, 2002**

	<b>Governmental Fund Types</b>			
	<b>General</b>	<b>Special Revenue</b>	<b>Debt Service</b>	<b>Capital Projects</b>
<b>ASSETS AND OTHER DEBITS:</b>				
<b>Assets:</b>				
Equity in pooled cash and cash equivalents	\$ 4,508,383	\$ 238,952	\$ 388,323	\$ 1,885,249
Equity in pooled cash and cash equivalents - nonexpendable trust	-	-	-	-
Cash and cash equivalents in segregated account	-	-	-	962,463
Receivables:				
Taxes	14,768,511	-	972,931	609,280
Accounts	16,742	-	-	-
Intergovernmental	-	144,625	-	-
Interfund	757,362	-	-	-
Inventory held for resale	-	-	-	-
Materials and supplies inventory	-	-	-	-
Equity in pooled cash and cash equivalents (restricted)	919,324	-	-	-
Fixed assets (net, where applicable, of accumulated depreciation)	-	-	-	-
<b>Other debits:</b>				
Amount available in debt service fund for retirement of general obligation bonds	-	-	-	-
Amount to be provided from general government resources	-	-	-	-
<b>Total assets and other debits</b>	<b>\$ 20,970,322</b>	<b>\$ 383,577</b>	<b>\$ 1,361,254</b>	<b>\$ 3,456,992</b>
<b>LIABILITIES, FUND EQUITY, AND OTHER CREDITS</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 134,832	\$ 17,683	\$ -	\$ 100,891
Accrued wages	1,314,179	10,676	-	-
Compensated absences payable	32,876	-	-	-
Interfund payable	-	122,795	-	548,650
Intergovernmental payable	436,173	110	-	-
Deferred revenue	14,548,552	1,517	962,684	592,733
Undistributed monies	-	-	-	-
Due to students	-	-	-	-
Certificates of participation	-	-	-	-
General obligation bonds payable	-	-	-	-
<b>Total liabilities</b>	<b>16,466,612</b>	<b>152,781</b>	<b>962,684</b>	<b>1,242,274</b>
<b>Fund equity and other credits:</b>				
Investment in general fixed assets	-	-	-	-
Contributed capital	-	-	-	-
Retained earnings:				
Unreserved	-	-	-	-
Fund balance:				
Reserved for encumbrances	973,315	39,931	-	1,319,864
Reserved for endowment	-	-	-	-
Reserved for debt service	-	-	398,570	-
Reserved for textbooks and instructional materials	333,579	-	-	-
Reserved for budget stabilization	44,706	-	-	-
Reserved for school buses	139,540	-	-	-
Unreserved:				
Designated for certain set-asides (Note 17)	401,499	-	-	-
Unreserved, undesignated	2,611,071	190,865	-	894,854
<b>Total fund equity and other credits</b>	<b>4,503,710</b>	<b>230,796</b>	<b>398,570</b>	<b>2,214,718</b>
<b>Total liabilities, fund equity and other credits</b>	<b>\$ 20,970,322</b>	<b>\$ 383,577</b>	<b>\$ 1,361,254</b>	<b>\$ 3,456,992</b>

See accompanying notes to the general purpose financial statements.



Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	
\$ 19,129	\$ 18,202	\$ 84,395	\$ -	\$ -	\$ 7,142,633
-	-	11,003	-	-	11,003
-	-	-	-	-	962,463
-	-	-	-	-	16,350,722
636	-	-	-	-	17,378
7,276	-	-	-	-	151,901
-	-	-	-	-	757,362
9,445	-	-	-	-	9,445
956	-	-	-	-	956
-	-	-	-	-	919,324
293,903	-	-	44,434,883	-	44,728,786
-	-	-	-	398,570	398,570
-	-	-	-	22,343,441	22,343,441
<u>\$ 331,345</u>	<u>\$ 18,202</u>	<u>\$ 95,398</u>	<u>\$ 44,434,883</u>	<u>\$ 22,742,011</u>	<u>\$ 93,793,984</u>
\$ -	\$ 288	\$ 1,576	\$ -	\$ -	\$ 255,270
15,222	-	-	-	-	1,340,077
9,303	-	-	-	1,206,404	1,248,583
84,713	-	1,204	-	-	757,362
22,779	-	-	-	152,615	611,677
6,540	-	-	-	-	16,112,026
-	-	20,735	-	-	20,735
-	-	45,683	-	-	45,683
-	-	-	-	11,535,000	11,535,000
-	-	-	-	9,847,992	9,847,992
<u>138,557</u>	<u>288</u>	<u>69,198</u>	<u>-</u>	<u>22,742,011</u>	<u>41,774,405</u>
-	-	-	44,434,883	-	44,434,883
270,951	-	-	-	-	270,951
(78,163)	17,914	-	-	-	(60,249)
-	-	14	-	-	2,333,124
-	-	11,003	-	-	11,003
-	-	-	-	-	398,570
-	-	-	-	-	333,579
-	-	-	-	-	44,706
-	-	-	-	-	139,540
-	-	-	-	-	401,499
-	-	15,183	-	-	3,711,973
<u>192,788</u>	<u>17,914</u>	<u>26,200</u>	<u>44,434,883</u>	<u>-</u>	<u>52,019,579</u>
<u>\$ 331,345</u>	<u>\$ 18,202</u>	<u>\$ 95,398</u>	<u>\$ 44,434,883</u>	<u>\$ 22,742,011</u>	<u>\$ 93,793,984</u>

**AURORA CITY SCHOOL DISTRICT  
PORTAGE COUNTY**

**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, 2002**

	<b>Governmental Fund Types</b>			
	<b>General</b>	<b>Special Revenue</b>	<b>Debt Service</b>	<b>Capital Projects</b>
<b>Revenues:</b>				
Taxes	\$ 13,853,579	\$ -	\$ 931,379	\$ 561,395
Intergovernmental	4,293,289	466,662	115,940	69,012
Interest	261,042	-	12,736	103,079
Tuition and fees	157,273	-	-	-
Extracurricular activities	-	73,529	-	-
Gifts and donations	46,050	35,500	-	-
Rent	34,267	-	-	-
Miscellaneous	181,092	20,260	-	-
Total revenues	<u>18,826,592</u>	<u>595,951</u>	<u>1,060,055</u>	<u>733,486</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular	9,206,663	79,019	-	-
Special	753,386	83,488	-	-
Vocational	70,993	-	-	-
Other	461,557	-	-	-
Support services:				
Pupils	990,217	28,128	-	-
Instructional staff	950,554	43,887	-	983
Board of education	123,084	2,208	-	-
Administration	1,927,747	30,535	-	-
Fiscal	623,883	-	15,826	9,405
Business	395,717	-	-	-
Operation and maintenance of plant	2,141,012	-	-	128,852
Pupil transportation	1,236,325	-	-	-
Central	4,399	46,207	-	-
Operation of non-instructional services	-	195,801	-	-
Extracurricular activities	433,560	107,549	-	-
Capital outlay	-	-	-	4,656,038
Debt service:				
Principal retirement	-	-	282,113	255,000
Interest and fiscal charges	469,270	-	783,878	174,441
Total expenditures	<u>19,788,367</u>	<u>616,822</u>	<u>1,081,817</u>	<u>5,224,719</u>
Excess of revenues under expenditures	<u>(961,775)</u>	<u>(20,871)</u>	<u>(21,762)</u>	<u>(4,491,233)</u>
<b>Other financing sources (uses):</b>				
Proceeds from sale of fixed assets	54,000	-	-	81,250
Operating transfers in	-	13,626	-	288,085
Operating transfers out	(316,625)	-	-	-
Total other financing sources (uses)	<u>(262,625)</u>	<u>13,626</u>	<u>-</u>	<u>369,335</u>
Excess of revenues and other financing sources under expenditures and other financing uses	(1,224,400)	(7,245)	(21,762)	(4,121,898)
Fund balance at beginning of year	5,728,110	238,041	420,332	6,336,616
<b>Fund balance at ending of year</b>	<u><b>\$ 4,503,710</b></u>	<u><b>\$ 230,796</b></u>	<u><b>\$ 398,570</b></u>	<u><b>\$ 2,214,718</b></u>

See accompanying notes to the general purpose financial statements.

<b>Fiduciary Fund Type</b>	<b>Totals (Memorandum Only)</b>
<b>Expendable Trust</b>	
\$ -	\$ 15,346,353
-	4,944,903
103	376,960
-	157,273
1,910	75,439
2,379	83,929
-	34,267
9,002	210,354
<u>13,394</u>	<u>21,229,478</u>
4,236	9,289,918
-	836,874
-	70,993
-	461,557
-	1,018,345
2,561	997,985
-	125,292
44,313	2,002,595
-	649,114
-	395,717
-	2,269,864
-	1,236,325
-	50,606
-	195,801
-	541,109
-	4,656,038
-	537,113
-	1,427,589
<u>51,110</u>	<u>26,762,835</u>
<u>(37,716)</u>	<u>(5,533,357)</u>
-	135,250
-	301,711
-	(316,625)
-	120,336
(37,716)	(5,413,021)
52,913	12,776,012
<u><b>\$ 15,197</b></u>	<u><b>\$ 7,362,991</b></u>

AURORA CITY SCHOOL DISTRICT  
PORTAGE COUNTY

**COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL  
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

	Governmental Fund Types		
	General Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>			
Taxes	\$ 14,276,650	\$ 14,276,650	\$ -
Intergovernmental	4,293,289	4,293,289	-
Interest	261,042	261,042	-
Tuition and fees	157,273	157,273	-
Extracurricular activities	-	-	-
Gifts and donations	46,050	46,050	-
Rent	34,267	34,267	-
Miscellaneous	155,371	155,371	-
Total revenues	19,223,942	19,223,942	-
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular	9,134,472	9,134,472	-
Special	761,649	761,649	-
Vocational	70,934	70,934	-
Other	768,471	768,471	-
Support services:			
Pupils	977,724	977,724	-
Instructional staff	1,194,728	1,194,728	-
Board of education	178,781	178,781	-
Administration	1,977,641	1,977,641	-
Fiscal	632,855	632,855	-
Business	407,544	407,544	-
Operation and maintenance of plant	2,229,941	2,229,941	-
Pupil transportation	1,376,810	1,376,810	-
Central	4,399	4,399	-
Operation of non-instructional services	-	-	-
Extracurricular activities	459,662	459,662	-
Capital outlay	-	-	-
Debt service:			
Principal retirement	-	-	-
Interest and fiscal charges	469,270	469,270	-
Total expenditures	20,644,881	20,644,881	-
Excess of revenues over (under) expenditures	(1,420,939)	(1,420,939)	-
<b>Other financing sources (uses):</b>			
Proceeds from sale of fixed assets	54,000	54,000	-
Refund of prior year expenditures	9,945	9,945	-
Advances in	382,017	382,017	-
Advances out	(757,362)	(757,362)	-
Operating transfers in	-	-	-
Operating transfers out	(316,625)	(316,625)	-
Total other financing sources (uses)	(628,025)	(628,025)	-
Excess of revenues and other financing sources over (under) expenditures and other financing uses	(2,048,964)	(2,048,964)	-
Fund balance at beginning of year	4,588,776	4,588,776	-
Prior year encumbrances appropriated	1,755,029	1,755,029	-
<b>Fund balance at end of year</b>	<b>\$ 4,294,841</b>	<b>\$ 4,294,841</b>	<b>\$ -</b>

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)
\$ -	\$ -	\$ -	\$ 973,638	\$ 973,638	\$ -
323,554	323,554	-	115,940	115,940	-
-	-	-	12,736	12,736	-
-	-	-	-	-	-
73,489	73,489	-	-	-	-
35,500	35,500	-	-	-	-
-	-	-	-	-	-
20,260	20,260	-	-	-	-
<u>452,803</u>	<u>452,803</u>	<u>-</u>	<u>1,102,314</u>	<u>1,102,314</u>	<u>-</u>
84,635	84,635	-	-	-	-
88,018	88,018	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
31,096	31,096	-	-	-	-
36,598	36,598	-	-	-	-
2,208	2,208	-	-	-	-
30,528	30,528	-	-	-	-
-	-	-	15,826	15,826	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
68,572	68,572	-	-	-	-
199,967	199,967	-	-	-	-
111,047	111,047	-	-	-	-
-	-	-	-	-	-
-	-	-	282,113	282,113	-
-	-	-	783,878	783,878	-
<u>652,669</u>	<u>652,669</u>	<u>-</u>	<u>1,081,817</u>	<u>1,081,817</u>	<u>-</u>
<u>(199,866)</u>	<u>(199,866)</u>	<u>-</u>	<u>20,497</u>	<u>20,497</u>	<u>-</u>
-	-	-	-	-	-
40	40	-	-	-	-
122,795	122,795	-	-	-	-
(12,642)	(12,642)	-	-	-	-
13,626	13,626	-	-	-	-
-	-	-	-	-	-
<u>123,819</u>	<u>123,819</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
(76,047)	(76,047)	-	20,497	20,497	-
143,471	143,471	-	367,826	367,826	-
113,914	113,914	-	-	-	-
<u>\$ 181,338</u>	<u>\$ 181,338</u>	<u>\$ -</u>	<u>\$ 388,323</u>	<u>\$ 388,323</u>	<u>\$ -</u>

(Continued)

AURORA CITY SCHOOL DISTRICT  
PORTAGE COUNTY

**COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL  
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND (CONTINUED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

	Governmental Fund Types		
	Capital Projects Funds		Variance
	Revised Budget	Actual	Favorable (Unfavorable)
<b>Revenues:</b>			
Taxes	\$ 574,167	\$ 574,167	\$ -
Intergovernmental	69,012	69,012	-
Interest	103,079	103,079	-
Tuition and fees	-	-	-
Extracurricular activities	-	-	-
Gifts and donations	-	-	-
Rent	-	-	-
Miscellaneous	-	-	-
Total revenues	746,258	746,258	-
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular	18,319	18,319	-
Special	-	-	-
Vocational	-	-	-
Other	-	-	-
Support services:			
Pupils	-	-	-
Instructional staff	983	983	-
Board of education	-	-	-
Administration	-	-	-
Fiscal	9,405	9,405	-
Business	-	-	-
Operation and maintenance of plant	197,180	197,180	-
Pupil transportation	-	-	-
Central	-	-	-
Operation of non-instructional services	-	-	-
Extracurricular activities	-	-	-
Capital outlay	6,126,215	6,126,215	-
Debt service:			
Principal retirement	255,000	255,000	-
Interest and fiscal charges	174,441	174,441	-
Total expenditures	6,781,543	6,781,543	-
Excess of revenues over (under) expenditures	(6,035,285)	(6,035,285)	-
<b>Other financing sources:</b>			
Proceeds from sale of fixed assets	81,250	81,250	-
Refund of prior year expenditures	-	-	-
Advances in	548,650	548,650	-
Advances out	(310,829)	(310,829)	-
Operating transfers in	288,085	288,085	-
Operating transfers out	-	-	-
Total other financing sources (uses)	607,156	607,156	-
Excess of revenues and other financing sources over (under) expenditures and other financing uses	(5,428,129)	(5,428,129)	-
Fund balance at beginning of year	2,154,404	2,154,404	-
Prior year encumbrances appropriated	4,700,682	4,700,682	-
<b>Fund balance at end of year</b>	<b>\$ 1,426,957</b>	<b>\$ 1,426,957</b>	<b>\$ -</b>

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)
\$ -	\$ -	\$ -	\$ 15,824,455	\$ 15,824,455	\$ -
-	-	-	4,801,795	4,801,795	-
103	103	-	376,960	376,960	-
-	-	-	157,273	157,273	-
1,910	1,910	-	75,399	75,399	-
2,379	2,379	-	83,929	83,929	-
-	-	-	34,267	34,267	-
9,002	9,002	-	184,633	184,633	-
<u>13,394</u>	<u>13,394</u>	<u>-</u>	<u>21,538,711</u>	<u>21,538,711</u>	<u>-</u>
4,236	4,236	-	9,241,662	9,241,662	-
-	-	-	849,667	849,667	-
-	-	-	70,934	70,934	-
-	-	-	768,471	768,471	-
-	-	-	1,008,820	1,008,820	-
2,561	2,561	-	1,234,870	1,234,870	-
-	-	-	180,989	180,989	-
44,327	44,327	-	2,052,496	2,052,496	-
-	-	-	658,086	658,086	-
-	-	-	407,544	407,544	-
-	-	-	2,427,121	2,427,121	-
-	-	-	1,376,810	1,376,810	-
-	-	-	72,971	72,971	-
-	-	-	199,967	199,967	-
-	-	-	570,709	570,709	-
-	-	-	6,126,215	6,126,215	-
-	-	-	537,113	537,113	-
-	-	-	1,427,589	1,427,589	-
<u>51,124</u>	<u>51,124</u>	<u>-</u>	<u>29,212,034</u>	<u>29,212,034</u>	<u>-</u>
<u>(37,730)</u>	<u>(37,730)</u>	<u>-</u>	<u>(7,673,323)</u>	<u>(7,673,323)</u>	<u>-</u>
-	-	-	135,250	135,250	-
-	-	-	9,985	9,985	-
1,204	1,204	-	1,054,666	1,054,666	-
-	-	-	(1,080,833)	(1,080,833)	-
-	-	-	301,711	301,711	-
-	-	-	(316,625)	(316,625)	-
<u>1,204</u>	<u>1,204</u>	<u>-</u>	<u>104,154</u>	<u>104,154</u>	<u>-</u>
(36,526)	(36,526)	-	(7,569,169)	(7,569,169)	-
35,254	35,254	-	7,289,731	7,289,731	-
17,660	17,660	-	6,587,285	6,587,285	-
<b>\$ 16,388</b>	<b>\$ 16,388</b>	<b>\$ -</b>	<b>\$ 6,307,847</b>	<b>\$ 6,307,847</b>	<b>\$ -</b>

**AURORA CITY SCHOOL DISTRICT  
PORTAGE COUNTY**

**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, 2002**

	<u>Proprietary Fund Types</u>		<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Internal Service</u>	<u>Nonexpendable Trust</u>	
<b>Operating revenues:</b>				
Sales	\$ 330,770	\$ 303,027	\$ -	\$ 633,797
Interest	-	-	265	265
Other operating revenues	-	58,625	-	58,625
Total operating revenue	<u>330,770</u>	<u>361,652</u>	<u>265</u>	<u>692,687</u>
<b>Operating expenses:</b>				
Salaries	171,271	-	-	171,271
Fringe benefits	66,807	-	-	66,807
Materials and supplies	27,123	299,798	-	326,921
Cost of sales	177,742	-	-	177,742
Depreciation	1,793	-	-	1,793
Other operating expenses	-	72,938	655	73,593
Total operating expenses	<u>444,736</u>	<u>372,736</u>	<u>655</u>	<u>818,127</u>
Operating loss	<u>(113,966)</u>	<u>(11,084)</u>	<u>(390)</u>	<u>(125,440)</u>
<b>Non-operating revenues:</b>				
Federal donated commodities	20,340	-	-	20,340
Federal and state subsidies	40,132	-	-	40,132
Total non-operating revenues	<u>60,472</u>	<u>-</u>	<u>-</u>	<u>60,472</u>
Loss before operating transfers	<u>(53,494)</u>	<u>(11,084)</u>	<u>(390)</u>	<u>(64,968)</u>
Operating transfers in	-	14,914	-	14,914
Net income (loss)	(53,494)	3,830	(390)	(50,054)
Retained earnings/fund balance at beginning of year (Restated)	<u>(24,669)</u>	<u>14,084</u>	<u>11,393</u>	<u>808</u>
Retained earnings/fund balance at end of year	<u>\$ (78,163)</u>	<u>\$ 17,914</u>	<u>\$ 11,003</u>	<u>\$ (49,246)</u>
Contributed capital at beginning of year	-	-	-	-
Contributions during the year from governmental funds	270,951	-	-	270,951
Contributed capital at end of year	<u>270,951</u>	<u>-</u>	<u>-</u>	<u>270,951</u>
<b>Total fund equity at end of year</b>	<b><u>\$ 192,788</u></b>	<b><u>\$ 17,914</u></b>	<b><u>\$ 11,003</u></b>	<b><u>\$ 221,705</u></b>

See accompanying notes to the general purpose financial statements.



**AURORA CITY SCHOOL DISTRICT  
PORTAGE COUNTY**

**COMBINED STATEMENT OF CASH FLOWS  
ALL PROPRIETARY FUND TYPES AND NONEXPENDABLE TRUST FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

	Proprietary Fund Types		Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Internal Service	Nonexpendable Trust	
<b>Cash flows from operating activities:</b>				
Cash received from customers	\$ 330,134	\$ 303,027	\$ -	\$ 633,161
Cash received from other operating sources	-	58,625	-	58,625
Cash payments to suppliers for goods and services	(190,027)	(299,798)	-	(489,825)
Cash payments to employees for services	(170,015)	-	-	(170,015)
Cash payments for employee benefits	(61,705)	-	-	(61,705)
Cash payments for other operating expenses	-	(72,650)	(655)	(73,305)
Net cash used for operating activities	(91,613)	(10,796)	(655)	(103,064)
<b>Cash flows from noncapital financing activities:</b>				
Operating grants	37,993	-	-	37,993
Transfers in	-	14,914	-	14,914
Short-term loans from other funds	84,713	-	-	84,713
Repayment of short-term loans	(53,549)	(4,997)	-	(58,546)
Net cash provided by noncapital financing activities	69,157	9,917	-	79,074
<b>Cash flows from capital financing activities:</b>				
Acquisition of capital assets	(3,128)	-	-	(3,128)
Net cash used for capital financing activities	(3,128)	-	-	(3,128)
<b>Cash flows from investing activities:</b>				
Interest on investments	-	-	265	265
Net cash provided by investing activities	-	-	265	265
Net decrease in cash and cash equivalents	(25,584)	(879)	(390)	(26,853)
Cash and cash equivalents at beginning of year	44,713	19,081	11,393	75,187
Cash and cash equivalents at end of year	\$ 19,129	\$ 18,202	\$ 11,003	\$ 48,334
Reconciliation of operating loss to net cash used for operating activities:				
Operating loss	\$ (113,966)	\$ (11,084)	\$ (390)	\$ (125,440)
Adjustments to reconcile operating loss to net cash used for operating activities:				
Depreciation	1,793	-	-	1,793
Federal donated commodities	20,340	-	-	20,340
Interest reported as income	-	-	(265)	(265)
Change in assets and liabilities:				
(Increase) decrease in assets:				
Inventory	(3,233)	-	-	(3,233)
Accounts receivable	(636)	-	-	(636)
Increase (decrease) in liabilities:				
Accounts payable	(4,527)	288	-	(4,239)
Accrued wages	2,832	-	-	2,832
Compensated absences payable	(1,576)	-	-	(1,576)
Intergovernmental payable	5,102	-	-	5,102
Deferred revenue	2,258	-	-	2,258
Total adjustments	22,353	288	(265)	22,376
Net cash used for operating activities	\$ (91,613)	\$ (10,796)	\$ (655)	\$ (103,064)

**Noncash activity:**

Fixed assets were transferred to the Food Service enterprise fund from the General Fixed Asset Account Group in the amount of \$270,951.

See accompanying notes to the general purpose financial statements.

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**AURORA CITY SCHOOL DISTRICT  
PORTAGE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002**

**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 98 non-certificated employees, 170 certificated full-time teaching employees and 8 administrative employees. These personnel provide services to approximately 2,534 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.

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

**AURORA CITY SCHOOL DISTRICT  
PORTAGE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002**

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

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

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

**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.

**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.

**AURORA CITY SCHOOL DISTRICT  
PORTAGE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002**

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 types:

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 Fund – The internal service fund is 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.

**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, nonexpendable trust and agency funds. Expendable trust funds are accounted for in essentially the same manner as governmental funds. Nonexpendable 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.

**AURORA CITY SCHOOL DISTRICT  
PORTAGE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002**

**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 nonexpendable 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 nonexpendable 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.

The modified accrual basis of accounting is followed for the governmental, expendable trust and agency funds. The full accrual basis of accounting is followed in the proprietary funds.

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

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. (See Note 5) Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

**AURORA CITY SCHOOL DISTRICT  
PORTAGE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002**

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.

**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 nonexpendable trust budgetary statements have not been presented since they are not required under GAAP. The primary level of budgetary control is at the fund level. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

**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.

**AURORA CITY SCHOOL DISTRICT  
PORTAGE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002**

**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.

**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 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 School 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.



**AURORA CITY SCHOOL DISTRICT  
PORTAGE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002**

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.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, funds included within the treasurer's cash management pool and investments with original maturities of three months or less are considered to be cash and cash equivalents.

**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 purchase of school buses, and to create a reserve for budget stabilization. The set aside amounts for budget stabilization is now optional as determined by the School District. See Note 17 for the calculation of the year-end restricted asset balance and the corresponding fund balance reserves and designations.

**AURORA CITY SCHOOL DISTRICT  
PORTAGE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002**

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

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

**J. 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.

**K. 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.

**L. 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.

**M. 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, textbooks and instructional materials, school buses, budget stabilization and debt service. Designated fund balance represents planned actions for monies set-aside by the School District for budget stabilization.

**N. Contributed Capital**

Contributed Capital represents donations by developers, grants restricted for capital construction, and contributions from other funds within the district. These assets are recorded at their fair market value on the date contributed and are not subject to repayment.

**AURORA CITY SCHOOL DISTRICT  
PORTAGE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002**

**O. 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.

**P. 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.

**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).
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	\$ (1,224,400)	\$ (7,245)	\$ (21,762)	\$ (4,121,898)	\$ (37,716)
Revenue accruals	789,312	(20,313)	42,259	561,422	1,204
Expenditure accruals	(481,010)	9,125	-	(446,898)	126
Encumbrances (Budget Basis) outstanding at year end	<u>(1,132,866)</u>	<u>(57,614)</u>	<u>-</u>	<u>(1,420,755)</u>	<u>(140)</u>
Budget Basis	<u>\$ (2,048,964)</u>	<u>\$ (76,047)</u>	<u>\$ 20,497</u>	<u>\$ (5,428,129)</u>	<u>\$ (36,526)</u>

**AURORA CITY SCHOOL DISTRICT  
PORTAGE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002**

**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 may be invested in the following obligations provided they mature or are redeemable within five years from the date of settlement:

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

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

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

**AURORA CITY SCHOOL DISTRICT  
PORTAGE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002**

**Deposits:**

The carrying value of the School District's deposits and petty cash, of \$200, totaled \$(223,285) and the bank balances of the deposits totaled \$0. 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.

**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 2002. 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, 2002. 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 2002 amounted to \$261,042, which includes \$46,795 assigned from other funds.

	<u>Category 3</u>	<u>Fair Value</u>
<u>Categorized Investments</u>		
Repurchase Agreements	\$ 2,811,101	<u>2,811,101</u>
 <u>Noncategorized Investments</u>		
State Treasurer's Pool		<u>6,447,607</u>
Total Investments		<u>\$ 9,258,708</u>

**AURORA CITY SCHOOL DISTRICT  
PORTAGE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002**

**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 2000 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 represents 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 \$220,925 in the General fund, \$10,247 in the Bond Retirement debt service fund, and \$16,547 in the Permanent Improvement capital projects fund and is recognized as revenue.

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

<u>Property Category</u>	<u>2001 Assessed Value</u>	<u>2000 Assessed Value</u>
<u>Real Property</u>		
Residential and Agricultural	\$ 330,922,841	\$ 330,703,420
Commercial and Industrial	82,635,638	82,492,000
Public Utilities	33,790	33,790
 <u>Tangible Personal Property</u>		
General	39,688,210	39,701,243
Public Utilities	11,953,181	11,749,800
Total	<u>\$ 465,233,660</u>	<u>\$ 464,680,253</u>

**AURORA CITY SCHOOL DISTRICT  
PORTAGE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002**

**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 special revenue and enterprise fund's intergovernmental receivable at year end consisted of \$144,625 and \$7,276, respectively 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	\$ 444,592
Less: accumulated depreciation	<u>(150,689)</u>
Net Fixed Assets	<u>\$ 293,903</u>

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

	<u>Balance</u> <u>July 1</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30</u>
Land and improvements	\$ 2,027,351	\$ 140,021	\$ -	\$ 2,167,372
Buildings	28,203,603	2,455,537	(69,601)	30,589,539
Furniture and equipment	3,326,416	920,349	(75,011)	4,171,754
Vehicles	1,593,465	236,435	-	1,829,900
Construction in progress	<u>1,082,848</u>	<u>4,593,470</u>	<u>-</u>	<u>5,676,318</u>
Total	<u>\$ 36,233,683</u>	<u>\$ 8,345,812</u>	<u>\$ (144,612)</u>	<u>\$ 44,434,883</u>

**NOTE 8 - RESTATEMENT OF FUND BALANCE**

Following the close of the previous fiscal year an error was discovered in the beginning fund balance of the nonexpendable trust fund. As a result the ending fund balance was misstated on the Statement of Revenues, Expenses and Changes in Fund Equity, All Proprietary Fund Types and Nonexpendable Trust Fund. This error requires a restatement of beginning fund balance from \$1,008 to \$11,393.

**NOTE 9 - RISK MANAGEMENT**

The School District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. There have been no settlements paid in excess of insurance nor has insurance coverage been significantly reduced in the past three years.

**AURORA CITY SCHOOL DISTRICT  
PORTAGE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002**

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.

**NOTE 10 - 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, 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746.

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute an actuarially determined rate of 14 percent of annual covered payroll, which includes 5.46 percent for pension obligations. 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, 2002, 2001, and 2000 were \$165,947, 166,704, and \$129,258, respectively; 45 percent has been contributed for fiscal year 2002 and 100 percent for the fiscal years 2001 and 2000. \$91,147 representing the unpaid contribution for fiscal year 2002, 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 basic 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 Broad Street, Columbus, Ohio 43215-3771.



**AURORA CITY SCHOOL DISTRICT  
PORTAGE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
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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 14 percent of annual covered payroll, which includes 9.50 percent for pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2002, 2001, and 2000 were \$916,305, \$857,199, and \$768,539, respectively; 83 percent has been contributed for fiscal year 2002 and 100 percent for the fiscal years 2001 and 2000. \$155,803 representing the unpaid contribution for fiscal year 2002 is recorded as a liability within the respective funds.

**NOTE 11 - 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 be included in the employer contribution rate, currently 14 percent of covered payroll. The retirement board currently allocates employer contributions equal to 4.5 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 \$434,039 during the 2002 fiscal year. The balance in the Health Care Reserve Fund for the STRS was \$3.256 billion at June 30, 2001, (latest information available). For the year ended June 30, 2001, the net health care costs paid by the STRS were \$300,772,000 and eligible benefit recipients totaled 102,132.

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 8.54 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2002, 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 \$301,473, which includes a surcharge of \$41,914 during the 2002 fiscal year.

Health care benefits are financed on a pay-as-you-go basis. The target level for the health care reserve is 150% of annual health care expenses. Expenses for health care at June 30, 2002, were \$182,946,777 and the target level was \$274.4 million. At June 30, 2002, the SERS's net assets available for payment of health care benefits was \$335.2 million, at cost. The number of participants receiving health care benefits was approximately 50,000.

**AURORA CITY SCHOOL DISTRICT  
PORTAGE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
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**NOTE 12 - 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 July 1</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30</u>
Certificates of Participation 3.90-6.15%, maturing on December 1, 2024	\$ 11,790,000	\$ -	\$ (255,000)	\$ 11,535,000
School Improvement Bonds, 4.70-5.80%, maturing on December 1, 2016	10,130,105	-	(282,113)	9,847,992
<u>Other Obligations</u>				
Long-term compensated absences	1,656,685	60,873	(511,154)	1,206,404
Employer pension obligations	151,536	152,615	(151,536)	152,615
Total Other Obligations	1,808,221	213,488	(662,690)	1,359,019
Total General Long-Term Debt	<u>\$ 23,728,326</u>	<u>\$ 213,488</u>	<u>\$ (1,199,803)</u>	<u>\$ 22,742,011</u>

Certificates of Participation – During fiscal year 2000, the School District entered into a lease agreement with the Aurora City School District Leasing Corporation for a new elementary school. The lease is an annual lease subject to renewal for twenty-five years through December 1, 2024

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

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

The liability for the Certificates is recorded in the General Long Term Debt Account Group with the annual principal and interest requirements payable from resources from the debt service fund. The Certificates of Participation are not a general obligation of the School District but are payable only from appropriations by the School District for annual lease payments.

**AURORA CITY SCHOOL DISTRICT  
PORTAGE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002**

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

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2003	522,399	1,441,118	1,963,517
2004	515,593	1,450,725	1,966,318
2005	800,000	1,154,872	1,954,872
2006	840,000	1,113,224	1,953,224
2007	885,000	1,068,475	1,953,475
2008-2012	5,190,000	4,545,428	9,735,428
2013-2017	6,860,000	2,828,275	9,688,275
2018-2022	3,280,000	1,292,535	4,572,535
2023-2025	<u>2,490,000</u>	<u>232,853</u>	<u>2,722,853</u>
Total	<u>\$ 21,382,992</u>	<u>\$ 15,127,505</u>	<u>\$ 36,510,497</u>

**NOTE 13 - INTERFUND TRANSACTIONS**

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

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Food Service enterprise	\$ 84,713
General	Special Trust expendable trust	1,204
General	Title VI-B special revenue	63,009
General	Drug Free Schools special revenue	6,715
General	Title VI special revenue	9,635
General	Title I special revenue	27,017
General	Miscellaneous Federal Grants special revenue	16,419
General	Building capital projects	513,071
General	Schoolnet Equipment capital projects	<u>35,579</u>
	Total	<u>\$ 757,362</u>

**AURORA CITY SCHOOL DISTRICT  
PORTAGE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002**

**NOTE 14 - JOINTLY GOVERNED ORGANIZATIONS**

Stark Portage Area Computer Consortium (SPARCC) is the computer service organization or Data Acquisition Site (DAS) used by the School District. SPARCC is an association of public school districts in a geographic area determined by the Ohio Department of Education. The Stark County Educational Service Center acts as the fiscal agent for the consortium. The purpose of the consortium is to develop and employ a computer system efficiently and effectively for the needs of the member Boards of Education. All 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 \$32,803 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 \$37,115 for property insurance and \$1,256,848 in the form of health care premiums to the consortium for the current fiscal year.

**NOTE 15 - 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, 2002.

<u>Description</u>	<u>Food Service</u>	<u>Uniform School Supplies</u>	<u>Adult Education</u>	<u>Total</u>
Operating revenues	\$ 325,751	\$ 5,019	\$ -	\$ 330,770
Depreciation expense	1,793	-	-	1,793
Operating income (loss)	(115,762)	1,796	-	(113,966)
Operating grants	40,132	-	-	40,132
Donated commodities	20,340	-	-	20,340
Advances in	84,713	-	-	84,713
Advances out	53,549	-	-	53,549
Net income (loss)	(55,290)	1,796	-	(53,494)
Fixed asset additions	274,079	-	-	274,079
Current contributed capital	270,951	-	-	270,951
Net working capital	(110,941)	18,765	364	(91,812)
Total assets	312,216	18,765	364	331,345
Compensated absences payable	9,303	-	-	9,303
Total equity	173,659	18,765	364	192,788
Encumbrances outstanding (budget basis) at June 30, 2002	\$ -	\$ -	\$ -	-

**AURORA CITY SCHOOL DISTRICT  
PORTAGE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002**

**NOTE 16 - 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.

**C. School Funding:**

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding plan is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient...". The School District is currently unable to determine what effect, if any, this decision will have on its future State funding and its financial operations.

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

Effective April 10, 2001, Senate Bill 345 amended Ohio Revised Code 5705.29 effectively eliminating the requirement for the School District to establish and maintain a budget stabilization reserve. Monies previously reported in the budget stabilization reserve are now reported as designated and reserved fund equity in the General fund. As of June 30, 2002, the Board had not acted on the Senate Bill to eliminate the reserve balance.

**AURORA CITY SCHOOL DISTRICT  
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
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During the fiscal year ended June 30, 2002, the reserve activity was as follows:

	<u>Textbook Reserve</u>	<u>Capital Maintenance Reserve</u>	<u>Budget Stabilization Reserve</u>	<u>Total</u>
Set-aside cash balance as of June 30, 2001	\$ 430,507	\$ -	\$ 44,706	\$ 475,213
Current year set-aside requirement	288,619	288,619	-	577,238
Qualifying disbursements	<u>(385,547)</u>	<u>(5,377,313)</u>	<u>-</u>	<u>(5,762,860)</u>
Total	<u>\$ 333,579</u>	<u>\$ (5,088,694)</u>	<u>\$ 44,706</u>	<u>\$ (4,710,409)</u>
Cash balance carried forward to future years	333,579	-	44,706	378,285
Additional set-aside by School District	<u>153,183</u>	<u>-</u>	<u>248,316</u>	<u>401,499</u>
Restricted cash	<u>\$ 486,762</u>	<u>\$ -</u>	<u>\$ 293,022</u>	<u>\$ 779,784</u>

The School District has also set aside \$139,540 for the purchase of school buses.

**NOTE 18 - CONSTRUCTION COMMITMENTS**

The School District has several outstanding contracts, totaling \$383,266 for the construction of a new elementary school and \$959,677 for the construction of an addition to the high school. The contracts are to be paid from the Building capital projects fund.

**NOTE 19 - FUND DEFICITS**

As of June 30, 2002 several funds had deficit fund balances. These deficits were caused by the application of general accepted accounting principles. The general fund provides transfers to cover deficit balances in other funds; however, this is done when cash is needed rather than when accruals occur. The following fund had a deficit at year-end:

<u>Fund</u>	<u>Deficit</u>
Food Service enterprise	\$ 97,292

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**Auditor of State  
Betty D. Montgomery**

Voinovich Government Center  
242 Federal Plaza West  
Suite 302  
Youngstown, Ohio 44503  
Telephone 330-797-9900  
800-443-9271  
Facsimile 330-797-9949  
www.auditor.state.oh.us

**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

To the Board of Education:

We have audited the general purpose financial statements of the Aurora City School District, Portage County, (the District) as of and for the year ended June 30, 2002, and have issued our report thereon dated January 15, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the 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 the 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.



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

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

**Betty D. Montgomery**  
Auditor of State

January 15, 2003





**Auditor of State  
Betty Montgomery**

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140

Telephone 614-466-4514  
800-282-0370

Facsimile 614-466-4490

**AURORA CITY SCHOOL DISTRICT**

**PORTAGE COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
FEBRUARY 11, 2003**