



Dave Yost • Auditor of State



**AURORA CITY SCHOOL DISTRICT  
PORTAGE COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Aurora City School District, Portage County, Ohio (the District), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of Aurora City School District, Portage County, Ohio, as of June 30, 2014, and the respective changes in financial position thereof and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

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

*Supplementary and Other Information*

Our audit was conducted to opine on the District's basic financial statements taken as a whole.

The Schedule of Federal Awards Receipts and Expenditures presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the financial statements.

The Schedule of Federal Awards Receipts and Expenditures is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 6, 2015, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

**Dave Yost**  
Auditor of State  
Columbus, Ohio

February 6, 2015

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**AURORA CITY SCHOOL DISTRICT  
MANAGEMENTS DISCUSSION AND ANALYSIS  
FOR THE FISCAL PERIOD ENDING JUNE 30, 2014  
UNAUDITED**

This discussion and analysis of Aurora City School District's (School District) financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2014. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the financial statements and the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

**Financial Highlights**

Key financial highlights for 2014 are as follows:

- Net position of governmental activities increased \$6,201,971 from 2013.
- General revenues accounted for \$38,134,634 in revenue or 92.2% of all revenues. Program specific revenues in the form of charges for services and operating grants, contributions and interest, accounted for \$3,222,262 or 7.8% of total revenues of \$41,356,896.
- The School District had \$35,154,925 in expenses related to governmental activities; only \$3,222,262 of these expenses was offset by program specific charges for services, grants, contributions and interest. General revenues of \$38,134,634 were adequate to provide for these programs.
- At the end of the current fiscal year the governmental funds reported a combined ending fund balance of \$9,650,617, an increase of \$5,372,721 from the prior fiscal year.
- During the fiscal year the School District issued refunding bonds in the amount of \$14,944,983 in order to refund a portion of the 2008 and 2009 debt issues.

**Using this Annual Financial Report**

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

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

**Reporting the School District as a Whole**

*Statement of Net Position and the Statement of Activities*

While these statements contain information about a large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and helps answer the question, "How did we do financially during 2014?" These statements include all non-fiduciary assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting, takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

***Reporting the School District's Most Significant Fund***

*Fund Financial Statements*

The analysis of the School District's major fund begins on page 10. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's only major governmental fund is the general fund.

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

**AURORA CITY SCHOOL DISTRICT  
MANAGEMENTS DISCUSSION AND ANALYSIS  
FOR THE FISCAL PERIOD ENDING JUNE 30, 2014  
UNAUDITED**

**The School District as a Whole**

Recall that the statement of net position provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position for 2014 and 2013:

		Table 1 Net Position	
		Governmental Activities	
		2014	2013
<b>Assets:</b>			
Current and other assets	\$	34,966,672	\$ 32,582,749
Capital assets, net of depreciation		33,178,955	34,117,195
Total assets		68,145,627	66,699,944
 <b>Deferred outflows of resources:</b>			
Deferred charge on refunding		1,562,344	-
 <b>Liabilities:</b>			
Other liabilities		3,702,783	3,550,509
Long-term liabilities:			
Due within one year		2,654,491	2,277,077
Due in more than one year		29,518,026	29,825,731
Total liabilities		35,875,300	35,653,317
 <b>Deferred inflows of resources:</b>			
Property taxes		20,819,683	24,235,610
 <b>Net Position:</b>			
Net investment in capital assets		5,010,033	4,249,596
Restricted		2,704,327	1,934,349
Unrestricted		5,298,628	627,072
Total net position	\$	13,012,988	\$ 6,811,017

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2014, the School District's assets exceeded liabilities by \$13,012,988.

Net investment in capital assets reported on the government-wide statements represents a portion of the School District's total net position. Capital assets include land and land improvements, buildings, furniture and equipment and vehicles used to provide services to students and are not available for future spending. Although the School District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the School District's net position, \$2,704,327, represents resources that are subject to external restrictions on how the funds may be used. Of the total restricted assets, \$943,478 or 34.9% is restricted for capital projects; \$1,379,087 or 51% is restricted for debt service payment; and another small amount, \$381,762 or 14.1%, is restricted for other purposes. The remaining balance of net position of \$5,298,628 is unrestricted.

**AURORA CITY SCHOOL DISTRICT  
MANAGEMENTS DISCUSSION AND ANALYSIS  
FOR THE FISCAL PERIOD ENDING JUNE 30, 2014  
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Table 2 shows the changes in net position for fiscal year 2014 as compared to fiscal year 2013.

Table 2  
Changes in Net Position

	<u>Governmental Activities</u>	
	<u>2014</u>	<u>2013</u>
<b>Revenues</b>		
Program revenues:		
Charges for services	\$ 1,593,764	\$ 1,467,461
Operating grants, contributions and interest	1,628,498	1,240,136
General revenues:		
Property taxes	29,504,246	24,246,965
Grants and entitlements	8,577,865	8,155,425
Investment earnings	11,118	4,846
Miscellaneous	27,305	70,306
Gain on sale of capital assets	14,100	-
Total revenues	<u>41,356,896</u>	<u>35,185,139</u>
<b>Program Expenses</b>		
Instruction:		
Regular	14,800,250	13,938,482
Special	3,598,790	3,432,200
Vocational	170,436	212,355
Other	1,338,486	1,240,566
Support services:		
Pupils	1,890,199	1,803,543
Instructional staff	1,528,699	1,616,980
Board of education	109,418	90,205
Administration	2,242,117	2,227,315
Fiscal	888,399	857,686
Business	205,002	200,362
Operation and maintenance of plant	3,046,381	2,919,179
Pupil transportation	1,777,953	1,832,074
Central	54,687	88,936
Operation non-instructional services:		
Food service operations	752,123	814,441
Community service	183,679	229,638
Extracurricular activities	1,170,664	1,185,067
Interest and fiscal charges	<u>1,397,642</u>	<u>1,335,069</u>
Total expenses	<u>35,154,925</u>	<u>34,024,098</u>
Increase in net position	<u>\$ 6,201,971</u>	<u>\$ 1,161,041</u>

**AURORA CITY SCHOOL DISTRICT  
MANAGEMENTS DISCUSSION AND ANALYSIS  
FOR THE FISCAL PERIOD ENDING JUNE 30, 2014  
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***Governmental Activities***

Net position of the District's governmental activities increased \$6,201,971. Total governmental expenses of \$35,154,925 were offset by program revenues of \$3,222,262 and general revenues of \$38,134,634. Program revenues supported 7.8% of the total governmental expenses.

Several revenue sources fund our governmental activities with property tax and State foundation revenues being the largest contributors. Property tax levies generated over \$29.5 million in 2014. General revenues from grants and entitlements, such as the school foundation program, generated over \$8.5 million. With the combination of taxes and intergovernmental funding comprising approximately 92.08% of all revenues, the School District monitors both of these revenue sources very closely for fluctuations.

A review of Table 2 shows that the total cost of instructional services was \$19,907,962, or 56.6% of all governmental program expenses. Instructional expenses include activities directly related to the teaching of pupils as well as the interaction between teacher and pupil.

Pupil service and instructional staff expenses include the activities involved in assisting staff and the content and process of teaching to pupils. Such expenses represent \$3,418,898, or 9.7% of total governmental program expenses.

The board of education, administration, fiscal and business classifications reflect expenses associated with establishing and administering school operation policies, financial operations and activities concerned with purchasing, receiving and maintaining goods and services for the School District. Combined, these costs totaled \$3,444,936, or 9.8% of all governmental expenses.

Costs associated with the operation and maintenance of plant represent those expenses necessary for the care and upkeep of the School District's buildings, grounds and equipment. Current year expenses of \$3,046,381 made up 8.7% of all governmental expenses.

Pupil transportation is related primarily to the activities at the School District's Transportation Center. This amount mainly includes salaries and wages, maintenance, fuel costs and depreciation of related vehicles, equipment and buildings. For 2014, this expense is \$1,777,953 or 5.1% of all governmental expenses.

General revenues, primarily taxes and grants and entitlements increased 17.4% from the prior year and expenses also increased 3.3% from the prior year. Due to this the School District had an increase in net position for the current fiscal year. The District has worked hard to control costs through retirement incentives and other measures.

The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for government activities, the total cost of services and the net cost of services for 2014 and 2013. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

**AURORA CITY SCHOOL DISTRICT  
MANAGEMENTS DISCUSSION AND ANALYSIS  
FOR THE FISCAL PERIOD ENDING JUNE 30, 2014  
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Table 3  
Governmental Activities

	Total Cost of Services 2014	Total Cost of Services 2013	Net Cost of Services 2014	Net Cost of Services 2013
<b>Program Expenses</b>				
Instruction:				
Regular	14,800,250	13,938,482	\$ (14,245,839)	\$ (13,324,151)
Special	3,598,790	3,432,200	(2,615,869)	(3,150,533)
Vocational	170,436	212,355	(170,436)	(211,975)
Other	1,338,486	1,240,566	(1,338,486)	(1,240,566)
Support services:				
Pupils	1,890,199	1,803,543	(1,743,914)	(1,715,004)
Instructional staff	1,528,699	1,616,980	(1,429,863)	(1,262,110)
Board of education	109,418	90,205	(109,418)	(90,205)
Administration	2,242,117	2,227,315	(2,171,438)	(2,161,707)
Fiscal	888,399	857,686	(888,399)	(857,686)
Business	205,002	200,362	(205,002)	(200,362)
Operation and maintenance of plant	3,046,381	2,919,179	(3,034,489)	(2,912,330)
Pupil transportation	1,777,953	1,832,074	(1,777,552)	(1,830,911)
Central	54,687	88,936	(47,487)	(81,736)
Operation non-instructional services:				
Food service operations	752,123	814,441	(38,249)	(117,389)
Community service	183,679	229,638	10,005	(32,793)
Extracurricular activities	1,170,664	1,185,067	(728,585)	(791,974)
Interest and fiscal charges	1,397,642	1,335,069	(1,397,642)	(1,335,069)
<b>Total expenses</b>	<b>\$ 35,154,925</b>	<b>\$ 34,024,098</b>	<b>\$ (31,932,663)</b>	<b>\$ (31,316,501)</b>

The dependence upon tax revenues for governmental activities is apparent with only 9.2% of governmental expense supported by program revenues.

**The School District's Funds**

The School District's governmental funds are accounted for using the modified accrual basis of accounting. The total revenues for governmental funds were \$41,094,056 and total expenditures were \$36,063,492. The total net change in fund balance across all governmental funds was an increase of \$5,372,721; the School District continues to be financially stable with a total governmental fund balance of \$9,650,617 at year-end. Table 4 shows fiscal year 2014 fund balances compared to fiscal year 2013.

Table 4  
Fund Balances

	Fund Balance June 30, 2014	Fund Balance June 30, 2013	Increase/ (Decrease)	Percent Change
General	\$ 6,933,440	\$ 2,346,414	\$ 4,587,026	195.49
Other governmental	2,717,177	1,931,482	785,695	40.68
<b>Total</b>	<b>\$ 9,650,617</b>	<b>\$ 4,277,896</b>	<b>\$ 5,372,721</b>	<b>125.59</b>

**AURORA CITY SCHOOL DISTRICT  
MANAGEMENTS DISCUSSION AND ANALYSIS  
FOR THE FISCAL PERIOD ENDING JUNE 30, 2014  
UNAUDITED**

**General Fund**

The general fund is reporting a fund balance of \$6,933,440, an increase of \$4,587,026 from 2013. The general fund increase is attributable to an increase in the property tax amount available as an advance.

Table 5  
General Fund Changes in Revenues and Expenditures

	2014 Amount	2013 Amount	Increase (Decrease)	Percent Change
<u>Revenues:</u>				
Property taxes	\$ 26,329,594	\$ 21,612,359	\$ 4,717,235	21.83
Intergovernmental	8,479,220	7,867,253	611,967	7.78
Interest	10,206	4,585	5,621	122.60
Tuition and fees	633,965	508,206	125,759	24.75
Extracurricular activities	100,233	100,061	172	0.17
Gifts and donations	52,015	22,415	29,600	132.05
Rent	11,892	6,849	5,043	73.63
Miscellaneous	27,305	27,135	170	0.63
Total revenues	<u>35,644,430</u>	<u>30,148,863</u>	<u>5,495,567</u>	
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	14,397,998	13,741,915	656,083	4.77
Special	3,270,170	3,194,023	76,147	2.38
Vocational	202,494	208,656	(6,162)	(2.95)
Other	1,335,794	1,231,781	104,013	8.44
Support services:				
Pupils	1,727,928	1,718,268	9,660	0.56
Instructional staff	1,324,353	1,213,519	110,834	9.13
Board of education	108,368	89,155	19,213	21.55
Administration	2,119,046	2,169,641	(50,595)	(2.33)
Fiscal	841,323	811,113	30,210	3.72
Business	191,820	205,225	(13,405)	(6.53)
Operation and maintenance of plant	2,666,190	2,567,978	98,212	3.82
Pupil transportation	1,564,968	1,630,646	(65,678)	(4.03)
Central	36,437	73,573	(37,136)	(50.48)
Extracurricular	695,677	671,720	23,957	3.57
Capital outlay	111,051	176,772	(65,721)	(37.18)
Debt service:				
Principal retirement	141,624	119,317	22,307	18.70
Interest and fiscal charges	338,163	362,492	(24,329)	(6.71)
Total expenditures	<u>\$ 31,073,404</u>	<u>\$ 30,185,794</u>	<u>\$ 887,610</u>	
<u>Other financing sources (uses):</u>				
Proceeds from sale of capital assets	\$ 16,000	\$ -	\$ 16,000	100.00
Inception of capital lease	-	71,649	(71,649)	100.00
Total other financing sources (uses)	<u>\$ 16,000</u>	<u>\$ 71,649</u>	<u>\$ (55,649)</u>	

**AURORA CITY SCHOOL DISTRICT  
MANAGEMENTS DISCUSSION AND ANALYSIS  
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**General Fund Budgeting Highlights**

The School District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the general fund.

During fiscal year 2014, the School District amended its general fund budget several times, however none were significant. Budget revisions are presented to the Board of Education for approval.

For the general fund, the original budgeted revenue and other financing sources estimate was \$30,565,491. This amount was changed during the year, resulting in final revenue and other financing sources budget of \$32,428,098. Actual revenue and other financing sources reported were \$32,242,061, \$186,037 less than the final budgeted amount; and \$1,676,570 more than the original budgeted amount. Much of this difference was due to estimates for property taxes, grant awards and other intergovernmental sources, the exact amounts of which are unknown during the original budgeting process. Those estimates must be adjusted during the year as the awards are finalized.

The original expenditures and other financing uses estimate of \$30,536,149 was revised during the fiscal year. The final expenditures and other financing uses estimate of \$31,801,373 was \$1,265,224 higher than originally anticipated. In total this would be considered insignificant, with increases and decreases from the original and final budget posted to several line items of the budget. The actual expenditures and other financing uses however were \$31,173,852, \$627,521 or 1.97% lower than the final budgeted amount. This was the result of conservative spending by the district.

**Capital Assets and Debt Administration**

**Capital Assets**

At the end of fiscal year 2014, the School District had \$33,178,955 invested in land and land improvements, buildings, furniture and equipment and vehicles. Table 6 shows fiscal year 2014 balances compared to fiscal year 2013:

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

	Governmental Activities	
	2014	2013
Land	\$ 1,681,927	\$ 1,681,927
Land improvements	3,303,972	3,468,911
Buildings	26,129,688	26,725,515
Furniture and equipment	1,026,446	1,151,904
Vehicles	1,036,922	1,088,938
Total capital assets	\$ 33,178,955	\$ 34,117,195

Total capital assets decreased \$938,240 during the year. This decrease was mainly caused by current year depreciation exceeding current year additions and disposals. See Note 7 to the basic financial statements for detail on the School District's capital assets.

**AURORA CITY SCHOOL DISTRICT  
MANAGEMENTS DISCUSSION AND ANALYSIS  
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**Debt**

At June 30, 2014 the School District had \$30,068,496 in bonds, certificates of participation and capital leases outstanding with \$2,366,408 due within one year. Table 7 summarizes the bonds, certificates of participation and capital leases outstanding:

Table 7  
Outstanding Debt, at Fiscal Year End

	Governmental Activities	
	<u>2014</u>	<u>2013</u>
School Improvement Refunding Bonds	\$ 17,714,983	\$ 18,565,000
Premium and accreted interest	2,063,352	176,250
Refunding Certificates of Participation	7,630,000	8,170,000
Premium	21,471	25,060
School Improvement Bonds	2,255,996	2,810,996
Premium and accreted interest	286,370	221,319
Capital leases	96,324	149,636
Total outstanding debt	<u>\$ 30,068,496</u>	<u>\$ 30,118,261</u>

At June 30, 2014, the School District has general obligation school improvement bonds, including unamortized premiums and accreted interest on capital appreciation bonds, outstanding of \$22,230,701 and refunding certificates of participation including unamortized premiums outstanding of \$7,651,471, with \$1,750,000 and \$560,000 due within one year, respectively. Also, the School District has capital lease obligations of \$96,324, with \$56,408 due within one year. The School District has budgeted to meet all of its debt requirements, all of which are to be repaid from the debt service fund. See Notes 11 and 12 to the basic financial statements for additional information regarding the School District's debt. As of June 30, 2014 the School District had a voted and unvoted debt margin of \$35,842,961 and \$1,997,236, respectively.

**Current Issues Affecting Financial Condition**

The Board of Education and administration closely monitor its revenues and expenditures in accordance with its financial forecast. The financial future of the School District is not without its challenges though. These challenges stem from issues that are local and at the State level. The local challenges will continue to exist, as the School District must rely heavily on property taxes to fund its operations. State level challenges continue to evolve as the State of Ohio determines the outcome of the Ohio Supreme Court case dealing with the unconstitutionality of the State's educational funding system. Although the School District relies heavily on its property taxpayers to support its operations, the community support for the schools is quite strong.

**AURORA CITY SCHOOL DISTRICT  
MANAGEMENTS DISCUSSION AND ANALYSIS  
FOR THE FISCAL PERIOD ENDING JUNE 30, 2014  
UNAUDITED**

Due to the unsettled issues in the school funding, management is required to plan carefully and prudently to provide the resources to meet student needs over the next several years.

In conclusion, the School District's system of budgeting and internal controls is well regarded. All of the School District's financial abilities will be needed to meet the challenges of the future.

**Contacting the School District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions or need additional financial information, contact Bill Volosin, Treasurer, at Aurora City School District, 102 East Garfield Road, Aurora Ohio, 44202.

**AURORA CITY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2014**

	Governmental Activities
<u>Assets:</u>	
Equity in pooled cash and cash equivalents	\$ 7,535,458
Cash and cash equivalents:	
In segregated accounts	13
Receivables:	
Taxes	26,592,330
Accounts	90,670
Intergovernmental	733,050
Inventory held for resale	15,151
Capital assets:	
Nondepreciable capital assets	1,681,927
Depreciable capital assets	56,834,791
Accumulated depreciation	(25,337,763)
Total capital assets	33,178,955
Total assets	68,145,627
 <u>Deferred outflows of resources:</u>	
Deferred charge on refunding	1,562,344
 <u>Liabilities:</u>	
Accounts payable	235,530
Accrued wages	2,500,197
Intergovernmental payable	787,719
Accrued interest payable	82,140
Matured compensated absences payable	92,697
Unearned revenue	4,500
Long-term liabilities:	
Due within one year	2,654,491
Due in more than one year	29,518,026
Total liabilities	35,875,300
 <u>Deferred inflows of resources:</u>	
Property taxes	20,819,683
 <u>Net position:</u>	
Net investment in capital assets	5,010,033
Restricted for:	
Capital projects	943,478
Debt service	1,379,087
Other purposes	381,762
Unrestricted	5,298,628
Total net position	\$ 13,012,988

See accompanying notes to the basic financial statements.

**AURORA CITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants, Contributions and Interest	Governmental Activities
<u>Governmental Activities:</u>				
Instruction:				
Regular	\$ 14,800,250	\$ 480,891	\$ 73,520	\$ (14,245,839)
Special	3,598,790	162,685	820,236	(2,615,869)
Vocational	170,436	-	-	(170,436)
Other	1,338,486	-	-	(1,338,486)
Support services:				
Pupils	1,890,199	-	146,285	(1,743,914)
Instructional staff	1,528,699	-	98,836	(1,429,863)
Board of education	109,418	-	-	(109,418)
Administration	2,242,117	1,999	68,680	(2,171,438)
Fiscal	888,399	-	-	(888,399)
Business	205,002	-	-	(205,002)
Operation and maintenance of plant	3,046,381	11,892	-	(3,034,489)
Pupil transportation	1,777,953	401	-	(1,777,552)
Central	54,687	-	7,200	(47,487)
Operation of non-instructional services:				
Food service operations	752,123	564,101	149,773	(38,249)
Community service	183,679	-	193,684	10,005
Extracurricular activities	1,170,664	371,795	70,284	(728,585)
Interest and fiscal charges	1,397,642	-	-	(1,397,642)
Totals	<u>35,154,925</u>	<u>1,593,764</u>	<u>1,628,498</u>	<u>(31,932,663)</u>

General Revenues:

Property taxes levied for:

General purposes	26,432,795
Debt service	2,360,268
Capital outlay	711,183
Grants and entitlements not restricted to specific programs	8,577,865
Investment earnings	11,118
Gain on sale of capital assets	14,100
Miscellaneous	27,305

Total general revenues 38,134,634

Change in net position 6,201,971

Net position beginning of year 6,811,017

Net position end of year \$ 13,012,988

See accompanying notes to the basic financial statements.

**AURORA CITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2014**

	General	Other Governmental Funds	Total Governmental Funds
<b>Assets:</b>			
Equity in pooled cash and cash equivalents	\$ 5,267,847	\$ 2,267,611	\$ 7,535,458
Cash and cash equivalents:			
In segregated accounts	-	13	13
Receivables:			
Taxes	23,840,942	2,751,388	26,592,330
Accounts	86,991	3,679	90,670
Intergovernmental	608,781	124,269	733,050
Interfund	123,134	-	123,134
Inventory held for resale	-	15,151	15,151
<b>Total assets</b>	<b>\$ 29,927,695</b>	<b>\$ 5,162,111</b>	<b>\$ 35,089,806</b>
<b>Liabilities:</b>			
Accounts payable	\$ 231,171	\$ 4,359	\$ 235,530
Accrued wages	2,433,649	66,548	2,500,197
Interfund payable	-	123,134	123,134
Intergovernmental payable	747,143	40,576	787,719
Matured compensated absences payable	92,697	-	92,697
Unearned revenue	-	4,500	4,500
<b>Total liabilities</b>	<b>3,504,660</b>	<b>239,117</b>	<b>3,743,777</b>
<b>Deferred inflows of resources:</b>			
Property taxes	18,672,865	2,146,818	20,819,683
Unavailable revenue	345,290	4,328	349,618
Unavailable revenue - delinquent property taxes	471,440	54,671	526,111
<b>Total deferred inflows of resources</b>	<b>19,489,595</b>	<b>2,205,817</b>	<b>21,695,412</b>
<b>Fund balances:</b>			
Restricted	-	2,717,177	2,717,177
Committed	11,000	-	11,000
Assigned	4,220,965	-	4,220,965
Unassigned	2,701,475	-	2,701,475
<b>Total fund balances</b>	<b>6,933,440</b>	<b>2,717,177</b>	<b>9,650,617</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 29,927,695</b>	<b>\$ 5,162,111</b>	<b>\$ 35,089,806</b>

See accompanying notes to the basic financial statements.

**AURORA CITY SCHOOL DISTRICT  
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET POSITION OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2014**

Total governmental funds balances		\$ 9,650,617
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		33,178,955
Other long-term assets that are not available to pay for current-period expenditures and therefore are unavailable revenue in the funds:		
Property taxes	\$ 526,111	
Intergovernmental	269,029	
Charges for services	80,589	
Total	80,589	875,729
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.		(82,140)
Long-term liabilities that are not due and payable in the current period and therefore are not reported in the funds:		
Compensated absences	\$ (2,104,021)	
Refunding general obligation bonds	(19,778,335)	
Unamortized cost of refunding	1,562,344	
General obligation bonds	(2,542,366)	
Refunding certificates of participation	(7,651,471)	
Capital leases	(96,324)	
Total	(30,610,173)	(30,610,173)
Net position of governmental activities		\$ 13,012,988

See accompanying notes to the basic financial statements.

**AURORA CITY SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	General	All Other Governmental Funds	Total Governmental Funds
<u>Revenues:</u>			
Taxes	\$ 26,329,594	\$ 3,060,097	\$ 29,389,691
Intergovernmental	8,479,220	1,413,623	9,892,843
Interest	10,206	1,003	11,209
Tuition and fees	633,965	-	633,965
Extracurricular activities	100,233	301,988	402,221
Gifts and donations	52,015	105,600	157,615
Charges for services	-	566,149	566,149
Rent	11,892	-	11,892
Miscellaneous	27,305	1,166	28,471
Total revenues	<u>35,644,430</u>	<u>5,449,626</u>	<u>41,094,056</u>
<u>Expenditures:</u>			
Current:			
Instruction:			
Regular	14,397,998	4,212	14,402,210
Special	3,270,170	264,901	3,535,071
Vocational	202,494	-	202,494
Other	1,335,794	-	1,335,794
Support services:			
Pupils	1,727,928	141,535	1,869,463
Instructional staff	1,324,353	144,989	1,469,342
Board of education	108,368	-	108,368
Administration	2,119,046	64,182	2,183,228
Fiscal	841,323	47,760	889,083
Business	191,820	-	191,820
Operation and maintenance of plant	2,666,190	124,853	2,791,043
Pupil transportation	1,564,968	-	1,564,968
Central	36,437	-	36,437
Operation of non-instructional services:			
Food service operations	-	710,175	710,175
Community service	-	183,679	183,679
Extracurricular activities	695,677	336,331	1,032,008
Capital outlay	111,051	85,235	196,286
Debt service:			
Principal retirement	141,624	1,856,688	1,998,312
Interest and fiscal charges	338,163	705,693	1,043,856
Bond issuance costs	-	319,856	319,856
Total expenditures	<u>31,073,404</u>	<u>4,990,089</u>	<u>36,063,493</u>
Excess of revenues over expenditures	<u>4,571,026</u>	<u>459,537</u>	<u>5,030,563</u>
<u>Other financing sources (uses):</u>			
Proceeds from sale of capital assets	16,000	-	16,000
Refunding bonds issued	-	14,944,983	14,944,983
Premium on refunding bonds	-	1,961,357	1,961,357
Payment to refunded bond escrow agent	-	(16,580,182)	(16,580,182)
Total other financing sources (uses)	<u>16,000</u>	<u>326,158</u>	<u>342,158</u>
Net change in fund balances	4,587,026	785,695	5,372,721
Fund balances beginning of year	2,346,414	1,931,482	4,277,896
Fund balances end of year	<u>\$ 6,933,440</u>	<u>\$ 2,717,177</u>	<u>\$ 9,650,617</u>

See accompanying notes to the basic financial statements.

**AURORA CITY SCHOOL DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Net change in fund balances - total governmental funds		\$ 5,372,721
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense.</p>		
<p>In the current period, these amounts are:</p>		
Capital asset additions	\$ 196,286	
Depreciation expense	<u>(1,125,630)</u>	
Excess of depreciation over capital asset additions		(929,344)
<p>The disposal of capital assets results in the removal of capital assets at cost and the difference in their carrying value to cost, if immaterial, is charged to the program as an expense in the statement of activities.</p>		
		(8,896)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. These activities consist of:</p>		
Property taxes	\$ 114,555	
Intergovernmental	155,630	
Charges for services	(2,048)	
Tuition and fees	<u>(19,397)</u>	
Net change in deferred inflows of resources during the year		248,740
<p>Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.</p>		
		1,998,312
<p>Refunding bonds issued and related premium provide current financial resources and are reported as a financing source in the governmental funds but are not reported as such in the statement of activities.</p>		
		(16,906,340)
<p>Payment to refunded bond escrow agent is reported as a use of current financial resources in the governmental funds but the payment reduces long-term liabilities in the statement of net position.</p>		
		16,580,182
<p>Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:</p>		
Increase in compensated absences	\$ (119,474)	
Decrease in accrued interest	26,115	
Total additional expenditures		<u>(93,359)</u>
<p>The amortization of issuance costs, bond premium and accretion is reflected as an expense in the statement of activities.</p>		
Premium	\$ 48,718	
Bond accretion	<u>(108,763)</u>	
Total additional expenses		<u>(60,045)</u>
Change in net position of governmental activities		<u>\$ 6,201,971</u>

See accompanying notes to the basic financial statements.

**AURORA CITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-  
BUDGET (NON-GAAP BASIS) AND ACTUAL  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Taxes	\$ 22,038,881	\$ 23,255,205	\$ 23,188,147	\$ (67,058)
Intergovernmental	7,982,832	8,251,697	8,135,140	(116,557)
Interest	6,454	10,228	10,206	(22)
Tuition and fees	433,603	588,997	586,997	(2,000)
Extracurricular activities	70,712	71,224	70,824	(400)
Rent	6,647	6,602	6,602	-
Miscellaneous	19,112	25,952	25,952	-
Total revenues	<u>30,558,241</u>	<u>32,209,905</u>	<u>32,023,868</u>	<u>(186,037)</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	13,968,983	14,345,735	14,094,869	250,866
Special	3,108,863	3,304,981	3,266,891	38,090
Vocational	174,316	208,339	187,588	20,751
Other	1,466,206	1,514,332	1,490,023	24,309
Support services:				
Pupils	1,404,719	1,737,251	1,706,004	31,247
Instructional staff	1,274,247	1,420,537	1,387,305	33,232
Board of education	98,640	124,573	117,114	7,459
Administration	2,165,489	2,165,489	2,134,963	30,526
Fiscal	852,999	855,954	854,867	1,087
Business	234,148	207,303	197,542	9,761
Operation and maintenance of plant	2,854,889	2,854,108	2,758,862	95,246
Pupil transportation	1,764,883	1,733,119	1,674,183	58,936
Central	38,537	38,537	36,437	2,100
Extracurricular activities	680,229	732,252	708,341	23,911
Debt service:				
Principal retirement	88,312	88,312	88,312	-
Interest and fiscal charges	330,689	330,667	330,667	-
Total expenditures	<u>30,506,149</u>	<u>31,661,489</u>	<u>31,033,968</u>	<u>627,521</u>
Excess of revenues over expenditures	<u>52,092</u>	<u>548,416</u>	<u>989,900</u>	<u>441,484</u>
<u>Other financing sources (uses):</u>				
Proceeds from the sale of capital assets	7,000	10,948	10,948	-
Refund of prior year expenditures	250	67,155	67,155	-
Advances in	-	140,090	140,090	-
Advances out	(30,000)	(139,884)	(139,884)	-
Total other financing sources (uses)	<u>(22,750)</u>	<u>78,309</u>	<u>78,309</u>	<u>-</u>
Net change in fund balance	29,342	626,725	1,068,209	441,484
Fund balances at beginning of year	3,437,564	3,437,564	3,437,564	-
Prior year encumbrances appropriated	328,059	328,059	328,059	-
Fund balances at end of year	<u>\$ 3,794,965</u>	<u>\$ 4,392,348</u>	<u>\$ 4,833,832</u>	<u>\$ 441,484</u>

See accompanying notes to the basic financial statements.

**AURORA CITY SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2014**

	Private Purpose Trusts	Agency
<u>Assets:</u>		
Equity in pooled cash and cash equivalents	\$ 14,823	\$ 202,932
<u>Receivables:</u>		
Accounts	-	132
Total assets	\$ 14,823	\$ 203,064
 <u>Liabilities:</u>		
Undistributed monies	\$ -	\$ 209
Due to students	-	202,855
Total liabilities	-	\$ 203,064
 <u>Net position:</u>		
Held in trust for scholarships	14,823	
Total net position	\$ 14,823	

See accompanying notes to the basic financial statements.

**AURORA CITY SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
PRIVATE PURPOSE TRUST FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	Private Purpose Trusts
<u>Additions:</u>	
Gifts and contributions	\$ 2,000
Interest	21
Total additions	2,021
 <u>Deductions:</u>	
Payments in accordance with trust agreements	810
Change in net position	1,211
Net position, beginning of year	13,612
Net position, end of year	\$ 14,823

See accompanying notes to the basic financial statements.

**AURORA CITY SCHOOL DISTRICT  
PORTAGE COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the School District have been prepared in conformity with generally accepted accounting principles in the United States (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting entity for establishing governmental accounting and financial reporting principles. The School District's significant accounting policies are described below:

**A. Reporting Entity**

The Aurora City School District (the School District) operates under the direction of a locally elected five-member Board of Education as Ohio state law prescribes. The School District provides educational services as authorized by its charter or further mandated by state and/or federal agencies. The board controls the School District's four instructional/support facilities, which are staffed by 109 non-certificated employees and 214 certificated full-time teaching employees which includes 9 administrative employees. These personnel provide services to approximately 2,800 students and other community members.

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

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

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

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

**AURORA CITY SCHOOL DISTRICT  
PORTAGE COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014**

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

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

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

**B. Basis of Presentation**

The School District's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

**Government-wide Financial Statements**

The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The statement of net position presents the financial condition of the governmental activities of the School District at year-end. The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function program of the School District's governmental activities of the School District. Direct expenses are those that are specifically associated with a service, program, or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School District.

**Fund Financial Statements**

During the year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

**AURORA CITY SCHOOL DISTRICT  
PORTAGE COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014**

**C. Fund Accounting**

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

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

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

**Governmental Fund Types:**

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

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

**Fiduciary Fund Types:**

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

**D. Measurement Focus and Basis of Accounting**

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

**AURORA CITY SCHOOL DISTRICT  
PORTAGE COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014**

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

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

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

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

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

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

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

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In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School District, deferred outflows of resources include a deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. This amount is related to a debt refunding in the current fiscal year.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the School District, deferred inflows of resources include property taxes and unavailable revenues. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2014, but which were levied to finance year 2015 operations. These amounts have been recorded as deferred inflows on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the School District, unavailable revenue includes delinquent property taxes, and intergovernmental grants. These amounts are deferred and recognized as inflows of resources in the period the amounts become available.

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

**E. Budgetary Data**

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the Tax Budget, the Certificate of Estimated Resources, and the Appropriation Resolution, all of which are prepared on the budgetary basis of accounting. All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the fund level. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

The Certificate of Estimated Resources and the Appropriations Resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. The amounts reported as the original budget revenue in the budgetary statements reflect the amounts in the certificate when original appropriations were adopted. The amounts reported as the final budgeted revenue budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2014. The amounts reported as the original budgeted expenditures reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior years. The amounts reported as the final budgeted expenditures represent the final appropriation amounts passed by the Board of Education during the year.

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

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**F. Cash and Investments**

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

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

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.

**G. Inventory**

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

**H. Capital Assets and Depreciation**

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

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

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

<u>Asset description</u>	<u>Estimated lives</u>
Land improvements	20 years
Buildings and improvements	10 - 75 years
Furniture and equipment	5 - 30 years
Vehicles	10 - 15 years

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**I. Restricted Assets**

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. Restricted assets can include the amount required to be set-aside for the acquisition and construction of capital improvements as well as certain capital maintenance costs. See Note 16 for the calculation of the year-end restricted asset balance and the corresponding fund balance restriction.

**J. Premiums**

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

**K. Deferred Charge on Refunding**

On the government-wide financial statements, the difference between the reacquisition price (funds required to refund the old debt) and the net carrying amount of the old debt, the gain/loss on the refunding, is being amortized as a component of interest expense. This deferred amount is amortized over the life of the old or new debt, whichever is shorter, using the bonds outstanding method and is presented as deferred outflows of resources on the statement of net position.

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

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

**M. Compensated Absences**

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

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

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

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

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**N. Accrued Liabilities and Long-term Obligations**

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

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

**O. Fund Balance**

Fund balance is divided into five classifications based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable, as well as property acquired for resale, unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed, or assigned.

Restricted fund balance category includes amounts that can be spent only for the specific purpose stipulated by constitution, external resource providers, or through enabling legislation. Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions.

Committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the School District Board of Education. Those committed amounts cannot be used for any other purpose unless the School District Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned fund balance classifications are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. The purpose constraint that represents the intended use is established by the Board of Education or by their designated official. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the School District or by State statute. The Treasurer is authorized to assign fund balance using encumbrances for planned purchases, provided such amounts have been lawfully appropriated. The Board of Education may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year’s appropriated budget.

Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

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The School District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**P. Interfund Transactions**

Interfund transfers are reported as other financing sources/uses for governmental funds in the fund financial statements. All transfers between governmental funds have been eliminated within the governmental activities column of the statements of net position.

**Q. Net Position**

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. . Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments.

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

**R. Estimates**

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

**NOTE 2 – FUND BALANCES**

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

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Fund Balances	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Restricted for</u>			
Food service	\$ -	\$ 41,033	\$ 41,033
Athletics and music	-	64,260	64,260
Auxiliary services	-	19,742	19,742
Instructional programs	-	132,750	132,750
Special education	-	37,787	37,787
Professional development	-	76,203	76,203
Technology	-	22,025	22,025
Capital improvements	-	930,823	930,823
Debt service payments	-	<u>1,392,554</u>	<u>1,392,554</u>
Total restricted	<u>-</u>	<u>2,717,177</u>	<u>2,717,177</u>
<u>Committed</u>			
Underground storage tanks	<u>11,000</u>	<u>-</u>	<u>11,000</u>
<u>Assigned</u>			
Public school support	44,356	-	44,356
Encumbrances	195,988	-	195,988
Next fiscal year budget	<u>3,980,621</u>	<u>-</u>	<u>3,980,621</u>
Total assigned	<u>4,220,965</u>	<u>-</u>	<u>4,220,965</u>
Unassigned	<u>2,701,475</u>	<u>-</u>	<u>2,701,475</u>
Total fund balances	<u>\$ 6,933,440</u>	<u>\$ 2,717,177</u>	<u>\$ 9,650,617</u>

**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 below is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual General Fund, is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

The major differences between the budget basis and GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Advances in and advances out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

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4. Encumbrances are treated as expenditures (budget basis) rather than assigned fund balance (GAAP basis).
5. The revenues, expenditures and other financing sources and uses of the general fund include activity that is budgeted within special revenue funds (GAAP basis). However, on the budgetary basis, the activity of the special revenue funds is excluded resulting in perspective differences.

The following table summarizes the adjustments necessary to reconcile the GAAP basis statement to the budgetary basis statement for the general fund.

Net Change in Fund Balance

	<u>General</u>
GAAP basis	\$ 4,587,026
Net adjustment for revenue accruals	(3,426,126)
Advances in	140,090
Net adjustment for expenditure accruals	287,935
Advances out	(139,884)
Encumbrances (Budget basis) outstanding at year-end	(374,374)
Perspective differences from funds budgeted as special revenue funds:	
Revenues	(132,333)
Transfers from the general fund	(2,000)
Expenditures	127,875
Budget basis	<u>\$ 1,068,209</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 five-year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing within five years from the date of deposit or by savings or deposit accounts including pass book accounts. Interim deposits may be invested in the following obligations provided they mature or are redeemable within five years from the date of settlement:

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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:**

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

As of June 30, the carrying amount of the School District's deposits was \$7,673,394. The School District's bank balance of \$8,037,245 was not exposed to custodial credit risk.

**Investments:**

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

<u>Investment type</u>	<u>Fair Value</u>	<u>Percentage of Investments</u>	<u>Maturity</u>	<u>Rating</u>
STAR Ohio	\$ 79,832	100.00%	51.4 <sup>(1)</sup>	AAAm
<sup>(1)</sup> Days (Average)				

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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 Securities Exchange Commission as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2014.

Custodial credit risk for an investment is the risk that in the event of failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District's policy is to invest money with financial institutions that are able to abide by the laws governing insurance and collateral of public funds.

Interest rate risk is the possibility that changes in interest rates will adversely affect the fair value of an investment. The School District's investment policy does not address limits on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit risk is the possibility that an issuer or other counterparty to an investment will not fulfill its obligation. Standard and Poor's has assigned STAR Ohio an AAAM rating. The School District's investment policy requires certain credit ratings for some investments as allowed by state law.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2014 amounted to \$10,206, which includes \$1,784 assigned from other School District funds.

**NOTE 5 - PROPERTY TAXES**

Property taxes are levied and assessed on a calendar year basis while the School District fiscal year runs from July through June. First half tax collections are received by the School District in the second half of the fiscal year. Second half tax distributions occur in the first half of the following fiscal year.

Property taxes include amounts levied against all real, public utility and tangible personal property (used in public utility) located in the School District. Real property tax revenue received in calendar 2014 represents collections of calendar year 2013 taxes. Real property taxes received in calendar year 2014 were levied after April 1, 2013, on the assessed value listed as of January 1, 2013, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market 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 alternate payment dates to be established.

Public utility property tax revenue received in calendar 2014 represents collections of calendar year 2013 taxes. Public utility real and tangible personal property taxes received in calendar year 2014 became a lien December 31, 2012, were levied after April 1, 2013 and are collected in with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The School District receives property taxes from Portage and Summit Counties. The County Auditor and Fiscal Officer periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2014, are available to finance fiscal year 2014 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

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Accrued property taxes receivable includes real property and public utility property taxes which are measurable as of June 30, 2014 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows of resources – property taxes.

The amount available as an advance at June 30 was \$4,696,637 in the general fund, \$128,191 in the permanent improvement capital projects fund, and \$421,708 in the bond retirement debt service fund and is recognized as revenue.

On the accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been recorded as a deferred inflow of resources.

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

<u>Property Category</u>	<u>2014 Assessed Value</u>	<u>2013 Assessed Value</u>
<u>Real Property</u>		
Residential and Agricultural	\$ 489,996,030	\$ 471,781,490
Commercial and Industrial and Minerals	103,634,860	105,169,350
Public Utilities	114,370	117,730
<u>Tangible Personal Property</u>		
Public Utilities	<u>10,936,810</u>	<u>9,526,030</u>
Total	<u>\$ 604,682,070</u>	<u>\$ 586,594,600</u>

**NOTE 6 - RECEIVABLES**

Receivables at year-end consisted of taxes, accounts (tuition), interfund, intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. The intergovernmental receivable at June 30, 2014 consisted of:

<u>Governmental Activities</u>	<u>Amount</u>
General fund	\$ 608,781
Special revenue funds:	
Food service	15,983
Auxiliary services	331
Title VI-B	72,972
Title I	16,365
Preschool grant for the handicapped	625
Race to the top	<u>17,993</u>
	<u>\$ 733,050</u>

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**NOTE 7 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2014 was as follows:

<u>Governmental activities</u>	Balance <u>6/30/13</u>	<u>Additions</u>	<u>Disposals</u>	Balance <u>6/30/14</u>
Capital assets, not being depreciated:				
Land	\$ 1,681,927	\$ -	\$ -	\$ 1,681,927
Construction in progress	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total capital assets, not being depreciated	<u>1,681,927</u>	<u>-</u>	<u>-</u>	<u>1,681,927</u>
Capital assets, being depreciated:				
Land improvements	4,415,738	-	-	4,415,738
Buildings	48,427,654	6,312	(251,551)	48,182,415
Furniture and equipment	1,825,879	19,504	(8,700)	1,836,683
Vehicles	<u>2,428,238</u>	<u>170,470</u>	<u>(198,753)</u>	<u>2,399,955</u>
Total capital assets, being depreciated	<u>57,097,509</u>	<u>196,286</u>	<u>(459,004)</u>	<u>56,834,791</u>
Less: Accumulated depreciation				
Land improvements	(946,827)	(164,939)	-	(1,111,766)
Buildings	(21,702,139)	(602,139)	251,551	(22,052,727)
Furniture and equipment	(673,975)	(137,966)	1,704	(810,237)
Vehicles	<u>(1,339,300)</u>	<u>(220,586)</u>	<u>196,853</u>	<u>(1,363,033)</u>
Total accumulated depreciation	<u>(24,662,241)</u>	<u>(1,125,630)</u>	<u>450,108</u>	<u>(25,337,763)</u>
Total capital assets being depreciated, net	<u>32,435,268</u>	<u>(929,344)</u>	<u>(8,896)</u>	<u>31,497,028</u>
Capital assets, net	<u>\$ 34,117,195</u>	<u>\$ (929,344)</u>	<u>\$ (8,896)</u>	<u>\$ 33,178,955</u>

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Depreciation expense charged to governmental functions for the year ending June 30, 2014 is as follows:

Instruction:	
Regular	\$ 315,397
Special	16,340
Vocational	2,215
Support services:	
Pupils	2,419
Instructional staff	62,388
Board of education	1,050
Administration	44,578
Fiscal	485
Business	8,520
Operation and maintenance of plant	250,435
Pupil transportation	213,170
Central	18,250
Food service operations	52,640
Extracurricular activities	137,743
	<u>\$ 1,125,630</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. General liability is insured up to \$1,000,000 per occurrence to \$3,000,000 in the aggregate, with deductibles up to \$5,000. Property is insured from \$1,000,000 to \$98,896,817 with deductibles up to \$5,000. Public officials bonds are \$50,000 for the Treasurer and \$20,000 for board members. There have been no settlements paid in excess of insurance nor has insurance coverage been significantly reduced in the past three years.

The School District has joined the Portage Area School Consortium for property and general liability insurance and for health insurance of the School District's employees. The Portage Area 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 Pool. The Property and Casualty Insurance Pool functions to manage the member districts' physical property and liability risks and the Health and Welfare Pool 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 Pool, retains a third-party administrator. The School District pays all insurance premiums directly to the consortium. Although the School District does not participate in the day-to-day management of the consortium, one administrator serves as a trustee of the consortium's governing board as provided in the consortium's enabling authority. The School District recognizes that it retains a contingent liability to provide insurance coverage should the assets of the consortium become depleted, it is the opinion of management that the assets of the consortium are sufficient to meet its claims.

The School District pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

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**NOTE 9 - DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

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

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund and Health Care Fund) of the system. For fiscal year 2014, 13.10 percent of annual covered salary was the portion used to fund pension and death benefits. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2014, 2013 and 2012 were \$683,348, \$668,583 and \$608,954 respectively; 83.3 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

**B. State Teachers Retirement System**

Plan Description - The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at [www.strsoh.org](http://www.strsoh.org).

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

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

Funding Policy - For the fiscal year ended June 30, 2014, plan members were required to contribute 11 percent of their annual covered salaries. The statutory maximum employee contribution rate will be increased 1 percent each year beginning July 1, 2013, until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2014, the School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates as specified above for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2014, 2013, and 2012 were \$1,978,073, \$2,035,421, and \$2,087,347 respectively; 83.4 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012. Contributions to the DC and Combined Plans for fiscal year 2014 were \$130,618 made by the School District and \$102,628 made by the plan members.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2014, several members of the Board of Education have elected Social Security. The Board's liability is 6.2 % of wages paid. The remaining Board members contribute to SERS.

**NOTE 10 – POST-EMPLOYMENT BENEFITS**

**A. School Employee Retirement System**

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

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105 (e). For 2014, 0.14 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2014, this amount was \$20,250.

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Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The School District's contributions for health care for the fiscal years ended June 30, 2014, 2013, and 2012 were \$83,116, \$77,440, and \$97,877, respectively; 97.6 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2014, this actuarially required allocation was 0.76 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2014, 2013, and 2012 were \$39,645, \$37,767, and \$35,962 respectively; 83.3 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

**B. State Teachers Retirement System**

Plan Description – The School District contributes to the cost sharing multiple employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2014, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2014, 2013, and 2012 were \$152,159, \$156,571, and \$160,565 respectively; 83.4 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

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**NOTE 11 - LONG-TERM OBLIGATIONS**

Changes in long-term obligations of the School District during fiscal year 2014 were as follows:

<u>Governmental activities</u>	<u>Balance July 1, 2013</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2014</u>	<u>Due in one year</u>
<u>General Obligation Bonds</u>					
2014 Refunding School Improvement					
Serial Bonds	\$ -	\$ 7,445,000	\$ -	\$ 7,445,000	\$ 180,000
Premium	-	980,123	-	980,123	-
Capital Appreciation Bonds	-	339,991	-	339,991	-
Accretion on Bonds	-	13,418	-	13,418	-
2013 Refunding School Improvement					
Serial Bonds	-	7,010,000	-	7,010,000	120,000
Premium	-	981,234	-	981,234	-
Capital Appreciation Bonds	-	149,992	-	149,992	-
Accretion on Bonds	-	25,702	-	25,702	-
2009 School Improvement					
Serial Bonds	8,595,000	-	(7,435,000)	1,160,000	-
Premium	89,532	-	(77,430)	12,102	-
Capital Appreciation Bonds	205,996	-	-	205,996	111,051
Accretion on Bonds	204,625	69,643	-	274,268	168,949
2008 School Improvement					
Serial Bonds	8,955,000	-	(8,065,000)	890,000	285,000
2004 School Improvement					
Refunding Serial Bonds	3,620,000	-	(850,000)	2,770,000	885,000
Premium	103,412	-	(40,537)	62,875	-
Total bonds	<u>21,773,565</u>	<u>17,015,103</u>	<u>(16,467,967)</u>	<u>22,320,701</u>	<u>1,750,000</u>
<u>Certificates of Participation</u>					
2005 Refunding Certificates	8,170,000	-	(540,000)	7,630,000	560,000
Premium	25,060	-	(3,589)	21,471	-
Total certificates	<u>8,195,060</u>	<u>-</u>	<u>(543,589)</u>	<u>7,651,471</u>	<u>560,000</u>
<u>Other obligations</u>					
Capital lease	149,636	-	(53,312)	96,324	56,408
Compensated absences	1,984,547	397,532	(278,058)	2,104,021	288,083
Total long-term obligations	<u>\$ 32,102,808</u>	<u>\$ 17,412,635</u>	<u>\$ (17,342,926)</u>	<u>\$ 32,172,517</u>	<u>\$ 2,654,491</u>

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

The School Districts long-term obligations are as follows:

	<u>Original Amount</u>	<u>Interest Rate</u>	<u>Maturity Date</u>
<u>General Obligation Bonds</u>			
2014 Refunding School Improvement	7,445,000	1.4 - 4.0%	12/1/2033
Capital appreciation	339,991	20.03 - 35.47%	12/1/2019
2013 Refunding School Improvement	7,010,000	1.0 - 4.0%	12/1/2033
Capital appreciation	149,992	8.20 - 24.18%	12/1/2020
2009 School Improvement	9,345,000	3.0 - 5.5%	12/1/2018
Capital appreciation	205,996	32.59%	12/1/2016
2008 School Improvement	9,700,000	3.0 - 5.5%	12/1/2016
2004 School Improvement Refunding	7,935,000	2.0 - 4.0%	12/1/2016
<u>Certificates of Participation</u>			
2005 Refunding Certificates	8,895,000	3.0 - 4.25%	12/1/2024

School Improvement Bonds - During the year ended June 30, 1995, the School District issued bonds for the principal amount of \$12,268,180 to pay the costs of renovating, remodeling, furnishing and improving the Aurora High School.

In January 2009, the School District issued \$9,345,000 in general obligation bonds which include serial and capital appreciation bonds. The capital appreciation bonds mature in fiscal years 2015 and 2016 with par values of \$280,000 each. The amount shown above as due within one year for the accretion on bonds includes the next semi-annual accreted amount to be taken on December 2014 when the bond comes due. The premium on the bonds was significant and is amortized over the life of the bonds using the bonds outstanding method of amortization.

In August 2008, the School District issued \$9,700,000 in general obligation bonds which include serial bonds to pay the costs of renovating, remodeling, furnishing and improving the School District schools.

School Improvement Refunding Bonds - In May 2004, the School District issued \$8,309,992 in general obligation bonds which included serial and capital appreciation bonds. The capital appreciation bonds have since been repaid. The premium on the bonds was significant and is amortized over the life of the bonds using the bonds outstanding method of amortization. The bonds were used to refund a portion of the 1995 School Improvement Bonds by placing the proceeds in an irrevocable trust with an escrow agent to provide for future debt service payments of the portion of bonds refunded. As a result, the bonds are considered to be defeased and the liability is not reported by the School District. At June 30, 2010, the remainder of the defeased bonds had been called and is no longer outstanding.

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In April 2014, the School District issued \$7,784,991 in refunding general obligation bonds which included serial, term and capital appreciation bonds. The capital appreciation bonds mature in fiscal years 2018, 2019, and 2020 with par values of \$415,000 for the first two bonds and \$410,000 for the final bond. The 2014 Refunding School Improvement Bonds proceeds consisted of bond principal and \$980,123 of premium. The net proceeds of \$8,604,968 (after payment of underwriting fees, insurance, and other issuance costs) was deposited in an irrevocable trust with an escrow agent to provide for future debt service payments of the portion of the 2008 School Improvement Bonds refunded. As a result, the bonds are considered to be defeased and the liability is not reported by the School District. The difference between the reacquisition price and the net carrying amount of the old debt was \$819,968 and is reported as a deferred outflow of resources on the Statements of Net Position. The premium on the new debt was significant and is amortized over the life of the new bonds using the bonds outstanding method of amortization. The School District advance refunded the old bonds to reduce their total debt service payments over the next twenty years and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$326,168.

In December 2013, the School District issued \$7,159,992 in refunding general obligation bonds which included serial, term and capital appreciation bonds. The capital appreciation bonds mature in fiscal years 2018, 2019, 2020 and 2021 with par values of \$110,000 for the first two bonds and \$525,000 for the final two bonds. The 2013 Refunding School Improvement Bonds proceeds consisted of bond principal and \$981,234 of premium. The net proceeds of \$7,975,214 (after payment of underwriting fees, insurance, and other issuance costs) was deposited in an irrevocable trust with an escrow agent to provide for future debt service payments of the portion of the 2009 School Improvement Bonds refunded. As a result, the bonds are considered to be defeased and the liability is not reported by the School District. The difference between the reacquisition price and the net carrying amount of the old debt was \$742,376 and is reported as a deferred outflow of resources on the Statements of Net Position. The premium on the new debt was significant and is amortized over the life of the new bonds using the bonds outstanding method of amortization. The School District advance refunded the old bonds to reduce their total debt service payments over the next twenty years and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$323,164.

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

Refunding Certificates of Participation - In April 2005, the School District issued \$8,895,000 of refunding certificates of participation. The premium on the certificates was significant and is amortized over the life of the certificates using the bonds outstanding method of amortization. The certificates were used to refund a portion of the 1999 Certificates of Participation by placing the proceeds in an irrevocable trust with an escrow agent to provide for future debt service payments of the portion of certificates refunded. As a result, the certificates are considered to be defeased and the liability is not reported by the School District.

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

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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.

Principal, compounded interest on capital appreciation bonds and interest requirements to retire the general obligation bonds outstanding at June 30, 2014, are as follows:

<u>Fiscal Year</u>	<u>School Improvement Bonds</u>			<u>Certificates of Participation</u>	
	Compounded			<u>Principal</u>	<u>Interest</u>
	<u>Principal</u>	<u>Interest</u>	<u>Interest</u>		
2015	\$ 1,581,051	\$ 168,949	\$ 640,713	\$ 560,000	\$ 308,688
2016	1,524,945	185,055	590,044	585,000	285,787
2017	1,845,000	-	530,450	610,000	261,888
2018	558,822	351,178	488,497	630,000	236,300
2019	529,190	395,810	472,056	660,000	208,887
2020-2024	3,491,971	1,273,029	2,172,675	3,740,000	589,475
2025-2029	5,345,000	-	1,463,451	845,000	17,956
2030-2034	5,095,000	-	479,292	-	-
Total	<u>\$ 19,970,979</u>	<u>\$ 2,374,021</u>	<u>\$ 6,837,178</u>	<u>\$ 7,630,000</u>	<u>\$ 1,908,981</u>

**NOTE 12 – CAPITALIZED LEASES – LESSEE DISCLOSURE**

During a prior year, the School District entered into a capitalized lease agreement for the acquisition of computers and copiers. Capital lease payments have been reclassified and are reflected as debt service expenditures in the fund financial statements of governmental funds. These expenditures are reflected as program/function expenditures on a budgetary basis.

Capital assets acquired by the lease have been capitalized as equipment in the amount of \$174,268. These amounts are equal to the present value of the future minimum lease payments at the time of acquisition. Principal payments in the current fiscal year totaled \$53,312.

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the minimum lease payments at year-end.

<u>Fiscal Year</u>	<u>Lease Payments</u>
2015	\$ 60,808
2016	35,196
2017	<u>5,866</u>
Total minimum lease payments	101,870
Less: amount representing interest	<u>(5,546)</u>
Total	<u>\$ 96,324</u>

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**NOTE 13 - INTERFUND RECEIVABLES AND PAYABLES**

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

Due to general fund from:

Nonmajor governmental funds      \$ 123,134

All balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, or (3) payments between funds are made. As of June 30, 2014, all interfund loans outstanding are anticipated to be repaid in fiscal year 2015.

**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 School Districts in the consortium are required to pay fees, charges, and assessments as charged. A board made up of superintendents from all of the participating districts governs SPARCC. An elected Executive Board consisting of five members of the governing board is the managerial body of the consortium and meets on a monthly basis. The School District does not maintain an ongoing financial interest or an ongoing financial responsibility. Payments to SPARCC are made from the general fund and the management information system special revenue fund. During the fiscal year, the School District contributed \$98,661 to SPARCC.

Portage Area School Consortium is an insurance group-purchasing consortium made up of 21 participating members. All members pay an insurance premium directly to the consortium. The School District paid \$3,310,236 in the form of health care and life insurance premiums to the consortium for the current fiscal year.

The Ohio Schools Council (Council) is a jointly governed organization among 198 school districts, educational service centers, joint vocational school districts, and developmental disabilities boards in thirty-five northern Ohio counties. The jointly governed organization was formed to purchase quality products and services at the lowest possible cost to its members. Each member supports the Council by paying an annual participation fee. The Council's Board consists of nine superintendents of the participating districts whose term rotates every year. The degree of control exercised by any school district is limited to its representation on the Board. During fiscal year 2014 the School District paid the Council \$50,500 for natural gas purchases, \$717 for membership fees, \$400 in co-operative purchasing and \$1,969 for other services. Financial information can be obtained by contacting William Zelei, the Executive Director of the Ohio Schools Council at 6133 Rockside Road, Suite 10, Independence, Ohio 44131.

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**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 are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at year end.

**B. Litigation**

The School District is not involved in any litigation at this time.

**NOTE 16 - STATUTORY RESERVES**

The School District is required by the state law to annually set aside in the general fund an amount based on a statutory formula for the acquisition and construction of capital improvements. The School District may replace using general fund revenues with proceeds from various sources (offsets), such as bond or levy proceeds related to the acquisition, replacement, enhancement, maintenance or repair of permanent improvements. Amounts not spent by fiscal year end or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year end and carried forward to be used for the same purposes in future fiscal years.

Although the School District had qualifying disbursements and current year offsets during the fiscal year that reduced the set-aside amount to below zero for the capital maintenance reserve, this amount may not be used to reduce the set aside requirement for future years. This negative balance is, therefore, not presented as being carried forward to future years.

The following information describes the change in the year-end set-aside amounts for capital maintenance.

	<u>Capital Maintenance Reserve</u>
Set-aside cash balance as of June 30, 2013	\$ -
Current year set-aside requirement	478,218
Current year offset	<u>(733,743)</u>
Total	<u>\$ (255,525)</u>
Balance carried forward to future years	<u>\$ -</u>

**AURORA CITY SCHOOL DISTRICT  
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**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2014**

<u>FEDERAL GRANTOR/ Pass Through Grantor</u>	Grant Year	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
<b>U.S. DEPARTMENT OF AGRICULTURE</b>						
<i>Passed Through Ohio Department of Education:</i>						
National School Lunch Program:						
Non-Cash Assistance (Food Distribution):						
National School Lunch Program	2014	10.555	\$ -	\$ 45,525	\$ -	\$ 45,525
Cash Assistance:						
National School Lunch Program	2014	10.555	116,739	-	116,739	-
Total Cash Assistance			116,739	-	116,739	-
Total National School Lunch Program			116,739	45,525	116,739	45,525
<b>TOTAL U.S. DEPARTMENT OF AGRICULTURE</b>			<b>116,739</b>	<b>45,525</b>	<b>116,739</b>	<b>45,525</b>
<b>U.S. DEPARTMENT OF EDUCATION</b>						
<i>Passed Through Ohio Department of Education:</i>						
Special Education Cluster (IDEA):						
Special Education - Grants to States (IDEA, Part B)	2013	84.027	81,343	-	45,124	-
Special Education - Grants to States (IDEA, Part B)	2014	84.027	357,771	-	354,712	-
Total Special Education - Grants to States (IDEA, Part B)			439,114	-	399,836	-
Special Education - Preschool Grants (IDEA Preschool)	2013	84.173	5,657	-	-	-
Special Education - Preschool Grants (IDEA Preschool)	2014	84.173	3,451	-	3,472	-
Total Special Education - Preschool Grants (IDEA Preschool)			9,108	-	3,472	-
Total Special Education Cluster (IDEA)			448,222	-	403,308	-
Title I, Part A Cluster:						
Title I Grants to Local Educational Agencies (Title I, Part A of the ESEA)	2013	84.010	17,907	-	9,803	-
Title I Grants to Local Educational Agencies (Title I, Part A of the ESEA)	2014	84.010	118,825	-	117,330	-
Total Title I, Part A Cluster			136,732	-	127,133	-
Improving Teacher Quality State Grants	2013	84.367	10,445	-	7,000	-
Improving Teacher Quality State Grants	2014	84.367	33,054	-	31,226	-
Total Improving Teacher Quality State Grants			43,499	-	38,226	-
Title III, English Language Acquisition Grant	2013	84.365	3,864	-	-	-
Title III, English Language Acquisition Grant	2014	84.365	2,696	-	2,696	-
Total Title III, English Language Acquisition Grant			6,560	-	2,696	-
ARRA - Race To The Top	2013	84.395	30,383	-	49,863	-
Total Race To The Top			30,383	-	49,863	-
<b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>			<b>665,396</b>	<b>-</b>	<b>621,226</b>	<b>-</b>
<b>TOTAL FEDERAL FINANCIAL ASSISTANCE</b>			<b>\$ 782,135</b>	<b>\$ 45,525</b>	<b>\$ 737,965</b>	<b>\$ 45,525</b>

The accompanying notes are an integral part of this schedule.

**AURORA CITY SCHOOL DISTRICT  
PORTAGE COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FISCAL YEAR ENDED JUNE 30, 2014**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - CHILD NUTRITION CLUSTER**

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

**NOTE C – FOOD DONATION PROGRAM**

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



# Dave Yost • Auditor of State

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

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Aurora City School District, Portage County, (the District) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 6, 2015.

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the District's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

***Compliance and Other Matters***

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

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

**Dave Yost**  
Auditor of State  
Columbus, Ohio

February 6, 2015



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

To the Board of Education:

### ***Report on Compliance for the Major Federal Program***

We have audited the Aurora City School District's (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the District's major federal program for the year ended June 30, 2014. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal program.

### ***Management's Responsibility***

The District's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal program.

### ***Auditor's Responsibility***

Our responsibility is to opine on the District's compliance for the District's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. 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 our audit provides a reasonable basis for our compliance opinion on the District's major program. However, our audit does not provide a legal determination of the District's compliance.

***Opinion on the Major Federal Program***

In our opinion, the Aurora City School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2014.

***Report on Internal Control Over Compliance***

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

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

February 6, 2015

**AURORA CITY SCHOOL DISTRICT  
PORTAGE COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2014**

**1. SUMMARY OF AUDITOR'S RESULTS**

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

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

None

**3. FINDINGS FOR FEDERAL AWARDS**

None

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# Dave Yost • Auditor of State

**AURORA CITY SCHOOL DISTRICT**

**PORTAGE COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
FEBRUARY 19, 2015**