



OHIO AUDITOR OF STATE
KEITH FABER



**AURORA CITY SCHOOL DISTRICT
PORTAGE COUNTY
JUNE 30, 2023**

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**AURORA CITY SCHOOL DISTRICT
PORTAGE COUNTY
JUNE 30, 2023**

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OHIO AUDITOR OF STATE KEITH FABER



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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 Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Aurora City School District, Portage County, Ohio (District), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying 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 the Aurora City School District, Portage County, Ohio as of June 30, 2023, and the respective changes in financial position thereof and the budgetary comparison for the General Fund for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and schedules of net pension and other post-employment benefit liabilities and pension and other post-employment benefit contributions be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary informatio

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Federal Awards Receipts and Expenditures Schedule as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards is presented for purposes of additional analysis and is not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, The Federal Awards Receipts and Expenditures Schedule is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 4, 2024, 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. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's 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.



Keith Faber
Auditor of State
Columbus, Ohio

March 4, 2024

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**AURORA CITY SCHOOL DISTRICT
MANAGEMENTS DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
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, 2023. 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 2023 are as follows:

- Net position of governmental activities increased \$8,679,894 from 2022.
- General revenues accounted for \$48,977,264, in revenue or 88.8% of all revenues. Program specific revenues in the form of charges for services, operating grants, contributions and interest and capital grants and contributions, accounted for \$6,163,093 or 11.2% of total revenues of \$55,140,357.
- The School District had \$46,460,463 in expenses related to governmental activities; only \$6,163,093 of these expenses was offset by program specific revenues. General revenues of \$48,977,264 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 \$21,254,474, a decrease of \$5,725,466 from the prior fiscal year.

Using this Annual Financial Report

This annual report consists of a series of financial statements, notes to those statements and the required supplementary information. 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.

**AURORA CITY SCHOOL DISTRICT
MANAGEMENTS DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
UNAUDITED**

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 2023?” 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.

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 11. 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.

The School District as a Whole

Recall that the statement of net position provides the perspective of the School District as a whole. Over time, net position can serve as a useful indicator of a government’s financial position. During fiscal year 2023, the School District had an increase in net position of \$8,679,894.

Table 1 provides a summary of the School District’s net position for 2023 compared to 2022.

**AURORA CITY SCHOOL DISTRICT
MANAGEMENTS DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
UNAUDITED**

Table 1
Net Position

	Governmental Activities	
	2023	2022
Assets:		
Current and other assets	\$ 55,728,350	\$ 55,107,770
Capital assets, net of depreciation	28,072,530	28,577,449
Total assets	83,800,880	83,685,219
Deferred outflows of resources:		
Pension	11,256,156	12,031,965
OPEB	1,011,314	1,225,589
Total deferred outflows of resources	12,267,470	13,257,554
Liabilities:		
Other liabilities	4,894,774	5,745,471
Long-term liabilities:		
Due within one year	2,672,410	2,533,201
Due in more than one year:		
Net pension liability	43,578,235	27,493,359
Net OPEB liability	2,317,941	3,128,296
Other amounts	13,685,409	16,648,215
Total liabilities	67,148,769	55,548,542
Deferred inflows of resources:		
Property taxes	24,858,709	29,598,340
Pension	5,363,169	21,884,243
OPEB	5,956,095	5,849,934
Total deferred inflows of resources	36,177,973	57,332,517
Net Position (deficit):		
Net investment in capital assets	14,761,000	13,309,086
Restricted	4,011,538	2,727,159
Unrestricted	(26,030,930)	(31,974,531)
Total net position	\$ (7,258,392)	\$ (15,938,286)

**AURORA CITY SCHOOL DISTRICT
MANAGEMENTS DISCUSSION AND ANALYSIS
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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, \$4,011,538, represents resources that are subject to external restrictions on how the funds may be used. Of the total restricted assets, \$1,418,062 or 35.3% is restricted for capital projects; \$802,653 or 20.0% is restricted for debt service payment; \$570,527 or 14.2% is restricted for OPEB and another amount, \$1,220,296 or 30.4%, is restricted for other purposes. The remaining portion of net position happens to be a deficit of \$(26,030,930) and is unrestricted.

The net pension liability is the largest single liability reported by the School District at June 30, 2023.

The School District's statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's change in net pension liability and net OPEB liability or asset, respectively, not accounted for as deferred inflows/outflows.

Table 2 shows the changes in net position for fiscal year 2023 as compared to fiscal year 2022.

**AURORA CITY SCHOOL DISTRICT
MANAGEMENTS DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
UNAUDITED**

Table 2
Changes in Net Position

	Governmental Activities	
	2023	2022
Revenues		
Program revenues:		
Charges for services	\$ 2,680,097	\$ 1,838,328
Operating grants, contributions and interest	3,472,996	3,308,881
Capital grants and contributions	10,000	10,000
General revenues:		
Property taxes	39,660,272	32,941,856
Grants and entitlements	8,567,103	8,333,491
Investment earnings	479,074	(56,744)
Miscellaneous	270,815	203,916
Total revenues	55,140,357	46,579,728
Program Expenses		
Instruction:		
Regular	19,986,453	18,597,549
Special	6,921,725	6,040,761
Vocational	267,707	279,390
Other	921,957	902,644
Support services:		
Pupils	3,084,054	2,952,653
Instructional staff	1,711,920	1,615,746
Board of education	178,052	152,149
Administration	2,930,603	2,542,928
Fiscal	1,263,531	1,141,473
Business	170,133	205,356
Operation and maintenance of plant	3,679,257	3,485,710
Pupil transportation	2,133,672	1,898,085
Central	115,906	66,111
Operation non-instructional services:		
Food service operations	1,047,080	1,189,004
Extracurricular activities	1,794,338	1,410,087
Interest and fiscal charges	254,075	281,936
Total expenses	46,460,463	42,761,582
Increase in net position	8,679,894	3,818,146
Net position (deficit) beginning of year	(15,938,286)	(19,756,432)
Net position (deficit) end of year	\$ (7,258,392)	\$ (15,938,286)

**AURORA CITY SCHOOL DISTRICT
MANAGEMENTS DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
UNAUDITED**

Governmental Activities

Net position of the School District's governmental activities increased \$8,679,894. Total governmental expenses of \$46,460,463 were offset by program revenues of \$6,163,093 and general revenues of \$48,977,264.

Several revenue sources fund our governmental activities with property tax and State foundation revenues being the largest contributors. Property tax levies generated over \$39.6 million in 2023. 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 87.5% 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 \$28,097,842, or 60.5% 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. For fiscal year 2023, the instructional program expenses show a significant increase due to the changes in the net pension and net OPEB liabilities.

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 \$4,795,974, or 10.3% 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 \$4,542,319, 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 \$3,679,257 made up 7.9% 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 2023, this expense is \$2,133,673 or 4.6% of all governmental expenses.

General revenues, primarily taxes and grants and entitlements increased 18.24% from the prior year and expenses increased 8.65% from the prior year. The increase in general revenues is primarily from an increase in property taxes resulting from the varying amounts available as an advance at year-end which is recognized as revenue. The School District has worked hard to control costs through retirement incentives and other measures. Also, the increase in program expenses is due to the changes in the net pension and net OPEB liabilities for the current fiscal year.

The dependence upon tax revenues for governmental activities is apparent with only 13.3% of governmental expense supported by program revenues.

**AURORA CITY SCHOOL DISTRICT
MANAGEMENTS DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
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As a result of implementing the accounting standards for pension and OPEB, the School District is reporting a significant net pension liability, net OPEB liability, related deferred inflows of resources and an increase in pension expense for the fiscal year which have a negative effect on net position. In addition, the School District is reporting a net OPEB asset, deferred outflows of resources and a decrease in expenses related to OPEB, which have a positive impact on net position. The increase and decrease in pension and OPEB expense is the difference between the contractually required contributions and the pension and OPEB expense resulting from the change in the liability or asset that is not reported as deferred inflows or outflows. These amounts can be found in the reconciliation of the statement of revenues, expenditures and changes in fund balances of governmental funds to the statement of activities. To further explain the impact of these accounting standards on the School District's net position, additional information is presented below.

	<u>2023</u>	<u>2022</u>
Deferred outflows of resources for:		
Pension	\$ 5,363,169	\$ 21,884,243
OPEB	5,956,095	5,849,934
Deferred inflows of resources for:		
Pension	(11,256,156)	(12,031,965)
OPEB	(1,011,314)	(1,225,589)
Net pension liability	(43,578,235)	(27,493,359)
Net OPEB liability	(2,317,941)	(3,128,296)
Net OPEB asset	<u>4,054,254</u>	<u>3,534,506</u>
Impact on net position from pension and OPEB reporting	<u>\$ (42,790,128)</u>	<u>\$ (12,610,526)</u>

The School District's Funds

The School District's governmental funds are accounted for using the modified accrual basis of accounting. The total revenues and other financing sources for governmental funds were \$55,244,804 and total expenditures and other financing uses were \$49,519,338. The total net change in fund balance across all governmental funds was an increase of \$5,725,466; the School District continues to be financially stable with a total governmental fund balance of \$21,254,474 at year-end.

Table 3 shows fiscal year 2023 fund balances compared to fiscal year 2022.

Table 3
Fund Balances

	<u>Fund Balance June 30, 2023</u>	<u>Fund Balance June 30, 2022</u>	<u>Increase/ (Decrease)</u>	<u>Percent Change</u>
General	\$ 18,137,210	\$ 12,993,716	\$ 5,143,494	39.58%
Other governmental	<u>3,117,264</u>	<u>2,535,292</u>	<u>581,972</u>	<u>22.95%</u>
Total	<u>\$ 21,254,474</u>	<u>\$ 15,529,008</u>	<u>\$ 5,725,466</u>	

**AURORA CITY SCHOOL DISTRICT
MANAGEMENTS DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
UNAUDITED**

General Fund

The general fund is reporting a fund balance of \$18,137,210, an increase of \$5,143,494 from 2022.

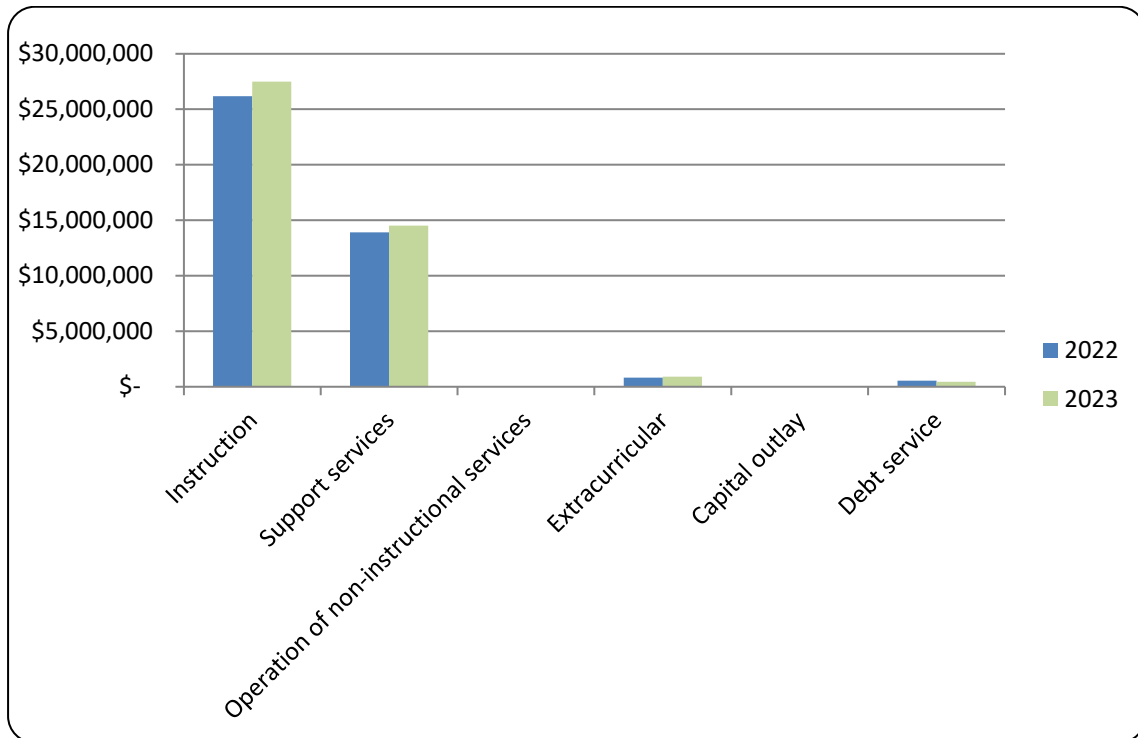
Table 4 shows fiscal year 2023 General Fund activity compared to fiscal year 2022.

Table 4
General Fund Changes in Revenues and Expenditures

	2023 Amount	2022 Amount	Increase (Decrease)	Percent Change
<u>Revenues:</u>				
Property taxes	\$ 37,734,135	\$ 31,136,407	\$ 6,597,728	21.19%
Intergovernmental	8,816,471	8,612,211	204,260	2.37%
Interest	454,501	(63,209)	517,710	(819.04%)
Tuition and fees	879,907	789,697	90,210	11.42%
Extracurricular activities	235,557	173,376	62,181	35.86%
All other	460,078	445,637	14,441	3.24%
Total revenues	<u>48,580,649</u>	<u>41,094,119</u>	<u>7,486,530</u>	
<u>Expenditures:</u>				
Current:				
Instruction	27,488,113	26,176,471	1,311,642	5.01%
Support services	14,516,189	13,898,037	618,152	4.45%
Extracurricular	897,060	817,154	79,906	9.78%
Capital outlay	53,017	41,931	11,086	26.44%
Debt service	443,837	539,270	(95,433)	(17.70%)
Total expenditures	<u>43,398,216</u>	<u>41,472,863</u>	<u>1,925,353</u>	
<u>Other financing uses:</u>				
Transfers in	15,030	-	15,030	n/a
Transfers out	(53,969)	(40,599)	(13,370)	32.93%
Total other financing sources (uses)	<u>(38,939)</u>	<u>(40,599)</u>	<u>1,660</u>	
Net change in fund balance	<u>\$ 5,143,494</u>	<u>\$ (419,343)</u>	<u>\$ 5,562,837</u>	

**AURORA CITY SCHOOL DISTRICT
MANAGEMENTS DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
UNAUDITED**

Below is a graphical comparison of the general fund expenditures for 2023 compared to 2022.



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 2023, 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 \$42,167,932. This amount was changed during the year, resulting in final revenue and other financing sources budget of \$43,477,657. Actual revenue and other financing sources reported were \$43,600,852, \$123,195 greater than the final budgeted amount. This difference was not related to any one item. However, some of the differences were 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 \$45,304,709 was lower by \$1,408,100 to the final expenditures and other financing uses estimate of \$46,712,809. The actual expenditures and other financing uses however were \$45,549,363, \$1,163,446 or 2.49% lower than the final budgeted amount. In total this would be considered insignificant, with decreases from the final budget posted to several line items of the budget. This was the result of conservative spending by the School District.

**AURORA CITY SCHOOL DISTRICT
MANAGEMENTS DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
UNAUDITED**

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2023, the School District had \$28,072,530 invested in land and land improvements, buildings, furniture and equipment, vehicles and construction in progress. Table 5 shows fiscal year 2023 balances compared to fiscal year 2022:

Table 5
Capital Assets, at Fiscal Year End
(Net of Depreciation)

	Governmental Activities	
	2023	2022
Land	\$ 1,717,627	\$ 1,717,627
Land improvements	2,729,909	2,924,845
Buildings	21,166,694	21,811,991
Furniture and equipment	1,290,077	896,923
Vehicles	1,118,690	1,182,898
Construction in progress	49,533	43,165
Total capital assets	\$ 28,072,530	\$ 28,577,449

Total capital assets decreased \$504,919 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.

Debt

At June 30, 2023, the School District has general obligation school improvement bonds, including unamortized premiums, outstanding of \$11,428,715 and refunding certificates of participation of \$1,600,000, with \$1,065,000 and \$800,000 due within one year, respectively. Also, the School District has a financed purchases of \$671,074, of which \$383,864 is 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 10 and 11 to the basic financial statements for additional information regarding the School District's debt. As of June 30, 2023, the School District had a voted and unvoted debt margin of \$67,801,763 and \$1,679,410, respectively.

At June 30, 2023, the School District had \$13,699,789 in bonds, certificates of participation loans and financed purchases outstanding with \$2,248,864 due within one year. Table 6 summarizes the bonds, certificates of participation and capital leases outstanding:

**AURORA CITY SCHOOL DISTRICT
MANAGEMENTS DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
UNAUDITED**

Table 6
Outstanding Debt, at Fiscal Year End

	Governmental Activities	
	2023	2022
School Improvement Refunding Bonds	\$ 11,265,000	\$ 12,310,000
Premium and accreted interest	163,715	201,870
Refunding Certificates of Participation	1,600,000	2,385,000
Financed purchases	671,074	1,055,166
Total outstanding debt	\$ 13,699,789	\$ 15,952,036

Current Issues Affecting Financial Condition

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

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

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

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, 2023**

	Governmental Activities
<u>Assets:</u>	
Equity in pooled cash and cash equivalents	\$ 16,034,978
Receivables:	
Taxes	34,762,178
Accounts	126,655
Intergovernmental	710,305
Accrued interest	22,241
Inventory held for resale	17,739
Net OPEB Asset	4,054,254
Capital assets:	
Nondepreciable capital assets	1,767,160
Depreciable capital assets	60,453,281
Accumulated depreciation	(34,147,911)
Total capital assets	28,072,530
Total assets	83,800,880
<u>Deferred outflows of resources:</u>	
Pension	11,256,156
OPEB	1,011,314
Total deferred outflows of resources	12,267,470
<u>Liabilities:</u>	
Accounts payable	275,557
Accrued wages	3,799,965
Intergovernmental payable	697,939
Undistributed monies	24,342
Accrued interest payable	41,567
Matured compensated absences payable	55,404
Long-term liabilities:	
Due within one year	2,672,410
Due in more than one year:	
Net pension liability	43,578,235
Net OPEB liability	2,317,941
Other amounts due in more than one year	13,685,409
Total liabilities	67,148,769
<u>Deferred inflows of resources:</u>	
Property taxes	24,858,709
Pension	5,363,169
OPEB	5,956,095
Total deferred inflows of resources	36,177,973
<u>Net position (deficit):</u>	
Net investment in capital assets	14,761,000
Restricted for:	
Capital projects	1,418,062
Debt service	802,653
OPEB	570,527
Other purposes	1,220,296
Unrestricted	(26,030,930)
Total net position	\$ (7,258,392)

See accompanying notes to the basic financial statements.

**AURORA CITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants, Contributions and Interest	Capital Grants and Contributions	Revenue and Changes in Net Position
					Governmental Activities
Governmental Activities:					
Instruction:					
Regular	\$ 19,986,453	\$ 948,623	\$ 902,411	\$ -	\$ (18,135,419)
Special	6,921,725	81,082	621,884	-	(6,218,759)
Vocational	267,707	21,448	245,043	-	(1,216)
Other	921,957	-	50,219	-	(871,738)
Support services:					
Pupils	3,084,054	-	386,312	-	(2,697,742)
Instructional staff	1,711,920	-	32,979	-	(1,678,941)
Board of education	178,052	-	-	-	(178,052)
Administration	2,930,603	1,563	529,799	-	(2,399,241)
Fiscal	1,263,531	115,523	-	-	(1,148,008)
Business	170,133	-	-	-	(170,133)
Operation and maintenance of plant	3,679,257	-	16,325	-	(3,662,932)
Pupil transportation	2,133,672	-	250,246	-	(1,883,426)
Central	115,906	-	-	-	(115,906)
Operation of non-instructional services:					
Food service operations	1,047,080	738,194	319,692	-	10,806
Extracurricular activities	1,794,338	773,664	118,086	10,000	(892,588)
Interest and fiscal charges	254,075	-	-	-	(254,075)
Totals	\$ 46,460,463	\$ 2,680,097	\$ 3,472,996	\$ 10,000	(40,297,370)

General Revenues:

Property taxes levied for:

General purposes	37,463,670
Debt service	1,345,250
Capital outlay	851,352
Grants and entitlements not restricted to specific programs	8,567,103
Investment earnings	479,074
Miscellaneous	270,815

Total general revenues 48,977,264

Change in net position 8,679,894

Net position (deficit) beginning of year (15,938,286)

Net position (deficit) end of year \$ (7,258,392)

See accompanying notes to the basic financial statements.

**AURORA CITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2023**

	General	Other Governmental Funds	Total Governmental Funds
<u>Assets:</u>			
Equity in pooled cash and cash equivalents	\$ 12,791,987	\$ 3,242,991	\$ 16,034,978
<u>Receivables:</u>			
Taxes	32,857,918	1,904,260	34,762,178
Accounts	123,704	2,951	126,655
Intergovernmental	-	710,305	710,305
Interfund	755,760	126,474	882,234
Accrued interest	22,241	-	22,241
Inventory held for resale	-	17,739	17,739
Total assets	\$ 46,551,610	\$ 6,004,720	\$ 52,556,330
<u>Liabilities:</u>			
Accounts payable	\$ 129,420	\$ 146,137	\$ 275,557
Accrued wages	3,634,524	165,441	3,799,965
Interfund payable	-	882,234	882,234
Intergovernmental payable	659,227	38,712	697,939
Matured compensated absences payable	55,404	-	55,404
Undistributed monies	24,342	-	24,342
Total liabilities	4,502,917	1,232,524	5,735,441
<u>Deferred inflows of resources:</u>			
Property taxes	23,507,759	1,350,950	24,858,709
Unavailable revenue	90,124	284,901	375,025
Unavailable revenue - delinquent property taxes	313,600	19,081	332,681
Total deferred inflows of resources	23,911,483	1,654,932	25,566,415
<u>Fund balances:</u>			
Restricted	-	3,184,811	3,184,811
Committed	11,000	-	11,000
Assigned	2,643,388	-	2,643,388
Unassigned (deficit)	15,482,822	(67,547)	15,415,275
Total fund balances	18,137,210	3,117,264	21,254,474
Total liabilities, deferred inflows of resources and fund balances	\$ 46,551,610	\$ 6,004,720	\$ 52,556,330

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, 2023**

Total governmental funds balances		\$ 21,254,474
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.		28,072,530
Other long-term assets that are not available to pay for current-period expenditures and therefore are unavailable revenue in the funds:		
Property taxes	\$ 332,681	
Intergovernmental	284,901	
Tuition and fees	90,124	
Total	707,706	707,706
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.		(41,567)
The net pension and net OPEB liability are not due and payable in the current period; the net OPEB asset is not a financial resource; therefore, the asset, liability and related deferred inflows/outflows are not reported in the funds:		
Deferred outflows - pension	\$ 11,256,156	
Deferred inflows - pension	(5,363,169)	
Net pension liability	(43,578,235)	
Deferred outflows - OPEB	1,011,314	
Deferred inflows - OPEB	(5,956,095)	
Net OPEB asset	4,054,254	
Net OPEB liability	(2,317,941)	
Total	(40,893,716)	(40,893,716)
Long-term liabilities that are not due and payable in the current period and therefore are not reported in the funds:		
Compensated absences	\$ (2,658,030)	
Refunding general obligation bonds	(11,428,715)	
Refunding certificates of participation	(1,600,000)	
Financed purchases	(671,074)	
Total	(16,357,819)	(16,357,819)
Net position (deficit) of governmental activities		\$ (7,258,392)

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, 2023

	General	All Other Governmental Funds	Total Governmental Funds
<u>Revenues:</u>			
Taxes	\$ 37,734,135	\$ 2,212,594	\$ 39,946,729
Intergovernmental	8,816,471	2,739,284	11,555,755
Interest	454,501	27,486	481,987
Tuition and fees	879,907	-	879,907
Extracurricular activities	235,557	690,146	925,703
Gifts and donations	73,740	173,936	247,676
Charges for services	-	738,194	738,194
Miscellaneous	386,338	13,516	399,854
Total revenues	<u>48,580,649</u>	<u>6,595,156</u>	<u>55,175,805</u>
<u>Expenditures:</u>			
Current:			
Instruction:			
Regular	19,679,708	261,955	19,941,663
Special	6,681,010	460,275	7,141,285
Vocational	287,752	-	287,752
Other	839,643	97,094	936,737
Support services:			
Pupils	2,911,987	315,579	3,227,566
Instructional staff	1,564,748	105,656	1,670,404
Board of education	178,579	-	178,579
Administration	2,786,483	192,367	2,978,850
Fiscal	1,254,551	32,771	1,287,322
Business	193,112	-	193,112
Operation and maintenance of plant	3,342,465	31,949	3,374,414
Pupil transportation	2,165,311	246	2,165,557
Central	118,953	-	118,953
Operation of non-instructional services:			
Food service operations	-	1,040,202	1,040,202
Extracurricular activities	897,060	851,134	1,748,194
Capital outlay	53,017	599,268	652,285
Debt service:			
Principal retirement	443,396	1,770,696	2,214,092
Interest and fiscal charges	441	292,931	293,372
Total expenditures	<u>43,398,216</u>	<u>6,052,123</u>	<u>49,450,339</u>
Excess of revenues over expenditures	5,182,433	543,033	5,725,466
<u>Other financing sources (uses):</u>			
Transfers in	15,030	53,969	68,999
Transfers out	<u>(53,969)</u>	<u>(15,030)</u>	<u>(68,999)</u>
Total other financing sources (uses)	<u>(38,939)</u>	<u>38,939</u>	<u>-</u>
Net change in fund balances	5,143,494	581,972	5,725,466
Fund balances beginning of year	<u>12,993,716</u>	<u>2,535,292</u>	<u>15,529,008</u>
Fund balances end of year	<u>\$ 18,137,210</u>	<u>\$ 3,117,264</u>	<u>\$ 21,254,474</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, 2023

Net change in fund balances - total governmental funds \$ 5,725,466

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense.

In the current period, these amounts are:

Capital asset additions	\$ 652,285	
Depreciation expense	(1,157,204)	
Excess of depreciation over capital asset additions		(504,919)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. These activities consist of:

Property taxes	\$ (286,457)	
Intergovernmental	243,755	
Tuition and fees	7,254	
Net change in deferred inflows of resources during the year		(35,448)

Contractually required contributions are reported as expenditures in the governmental funds; however, the statement of activities reports these amounts as deferred outflows.

Pension		4,122,837
OPEB		108,925

Except for amounts reported as deferred inflows/outflows, changes in the net pension liability and net OPEB asset/liability are reported as pension and OPEB expense in the statement of activities.

Pension		(4,462,448)
OPEB		900,742

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

2,214,092

Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

Decrease in compensated absences	\$ 571,350	
Decrease in accrued interest	1,142	
Amortization of:		
Premium	38,155	
Total additional expenditures		<u>610,647</u>

Change in net position of governmental activities

\$ 8,679,894

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, 2023

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes	\$ 32,140,937	\$ 32,643,590	\$ 32,707,177	\$ 63,587
Intergovernmental	8,617,136	8,794,131	8,817,380	23,249
Interest	59,337	460,386	460,386	-
Tuition and fees	725,578	818,208	794,621	(23,587)
Rent	273	-	-	-
Extracurricular activities	79,440	71,365	71,365	-
Gifts and donations	10,601	-	-	-
Miscellaneous	143,999	201,004	260,950	59,946
Total revenues	<u>41,777,301</u>	<u>42,988,684</u>	<u>43,111,879</u>	<u>123,195</u>
Expenditures:				
Current:				
Instruction:				
Regular	20,770,025	20,482,311	19,995,359	486,952
Special	6,804,405	6,870,861	6,799,307	71,554
Vocational	285,914	280,955	279,403	1,552
Other	1,038,696	1,025,932	1,008,390	17,542
Support services:				
Pupils	2,993,806	3,056,227	3,015,143	41,084
Instructional staff	1,510,117	1,875,088	1,650,852	224,236
Board of education	196,073	201,879	197,513	4,366
Administration	2,908,387	2,895,922	2,859,057	36,865
Fiscal	1,113,049	1,169,441	1,142,415	27,026
Business	197,733	224,273	209,831	14,442
Operation and maintenance of plant	3,579,160	3,712,207	3,658,007	54,200
Pupil transportation	2,146,178	2,340,881	2,273,823	67,058
Central	30,454	139,321	131,145	8,176
Extracurricular activities	900,753	1,014,273	905,880	108,393
Capital outlay	1,000	1,000	1,000	-
Debt service:				
Principal retirement	419,000	419,000	419,000	-
Total expenditures	<u>44,894,750</u>	<u>45,709,571</u>	<u>44,546,125</u>	<u>1,163,446</u>
Excess of revenues over (under) expenditures	<u>(3,117,449)</u>	<u>(2,720,887)</u>	<u>(1,434,246)</u>	<u>1,286,641</u>
Other financing sources (uses):				
Proceeds from the sale of capital assets	6,695	-	-	-
Refund of prior year expenditures	124,576	24,814	24,814	-
Refund of prior year receipts	-	(1,379)	(1,379)	-
Advances in	259,360	439,360	439,360	-
Advances out	(369,360)	(937,060)	(937,060)	-
Transfers in	-	24,799	24,799	-
Transfers out	(40,599)	(64,799)	(64,799)	-
Total other financing sources (uses)	<u>(19,328)</u>	<u>(514,265)</u>	<u>(514,265)</u>	<u>-</u>
Net change in fund balance	(3,136,777)	(3,235,152)	(1,948,511)	1,286,641
Fund balances at beginning of year	13,692,900	13,692,900	13,692,900	-
Prior year encumbrances appropriated	304,709	304,709	304,709	-
Fund balances at end of year	<u>\$ 10,860,832</u>	<u>\$ 10,762,457</u>	<u>\$ 12,049,098</u>	<u>\$ 1,286,641</u>

See accompanying notes to the basic financial statements.

**AURORA CITY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

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 164 classified employees and 229 certificated full-time teaching employees which includes 12 administrative employees. These personnel provide services to approximately 2,844 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
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

Ohio School Building Leasing Corporation During fiscal year 2000, the 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 13.

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
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

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 fund 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 custodial 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 custodial fund is used 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
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

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.

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 custodial 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.

**AURORA CITY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

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 assets 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 pension and other postemployment benefits (OPEB) reported in the government-wide statement of net position. The deferred outflows of resources related to pension and OPEB are explained in Note 9.

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 assets 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, pension, OPEB, and unavailable revenues. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2023, but which were levied to finance year 2024 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, intergovernmental grants, tuition and fees, and rent. These amounts are deferred and recognized as inflows of resources in the period the amounts become available. Deferred inflows of resources related to pension and OPEB are reported on the government-wide statement of net position.

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 custodial 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 2023. 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.

**AURORA CITY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

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 instruments of government sponsored mortgage-backed securities, negotiable certificates of deposit, a mutual fund money market, commercial paper and an interest in STAR Ohio, the State Treasurer's Investment Pool. These investments are stated at cost, which approximates market value (fair value).

The School District's investment in the State Treasury Asset Reserve of Ohio (STAR Ohio) is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company and is recognized as an external investment pool by the School District. The School District measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides a NAV per share that approximates fair value.

For the fiscal year 2023, there were no limitation or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice is appreciated 24 hours in advance of all deposits and withdrawals exceeding \$100 million. STAR Ohio reserves the right to limit the transaction to \$250 million, requiring the excess amount to be transacted the following business day(s), but only to the \$250 million limit. All accounts of the participant will be combined for these purposes.

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 expended when used.

H. Capital Assets and Depreciation

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

**AURORA CITY SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

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 acquisition value 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

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. 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.

L. Pension and other postemployment benefits (OPEB)

For purposes of measuring the net pension/OPEB liability or asset, deferred outflows of resources and deferred inflows of resources related to pensions/OPEB, and pension/OPEB expense, information about the fiduciary net position of the pension/OPEB plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension/OPEB plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension/OPEB plans report investments at fair value.

**AURORA CITY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
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The current accounting standard requires school districts to report their proportionate share of the net pension/OPEB liability or asset using the earning approach to pension and OPEB accounting instead of the funding approach as previously used. The funding approach limited pension and postemployment costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's net pension/OPEB liability. Under the new standards, the net pension/OPEB liability or asset equals the School District's proportionate share of each plan's collective present value of estimated future pension/OPEB benefits attributable to active and inactive employees' past service minus plan assets available to pay these benefits.

Pension and OPEB obligations, whether funded or unfunded, are part of the employment exchange. The employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. The unfunded portion of this benefit of exchange is a liability of the School District. However, the School District is not responsible for key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Benefit provisions and both employer and employee contribution rates are determined by State statute. The employee and employer enter the employment exchange with the knowledge that the exchange is limited by law. The pension system is responsible for the administration of the pension and OPEB plans.

There is no repayment schedule for the net pension liability or the net OPEB liability. The School District has no control over the changes in the benefits, contribution rates, and return on investments affecting the balance of the liabilities. In the event that contributions, investment returns, and other changes are insufficient to keep up with required payments, State statute does not identify the responsible party for the unfunded portion. Due to the unique nature of how the pension liability and the OPEB liability are satisfied, these liabilities are separately identified within the long-term liability section 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 "matured 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.

**AURORA CITY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

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, and compensated absences 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. Net pension/OPEB liability should be recognized in the governmental funds to the extent that benefit payments are due and payable and the pension/OPEB plan's fiduciary net position is not sufficient for payment of those benefits.

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.

**AURORA CITY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
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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.

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:

**AURORA CITY SCHOOL DISTRICT
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Fund Balances	<u>General</u>	Other Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
<u>Restricted for</u>			
Various student activities	\$ -	\$ 261,381	\$ 261,381
Special education	-	1,846	1,846
Instructional programs	-	466,709	466,709
Professional development	-	125,381	125,381
Technology	-	8,395	8,395
Scholarships	-	10,463	10,463
Emergency relief	-	76,743	76,743
Capital improvements	-	1,424,004	1,424,004
Debt service payments	-	809,889	809,889
Total restricted	<u>-</u>	<u>3,184,811</u>	<u>3,184,811</u>
<u>Committed</u>			
Underground storage tanks	<u>11,000</u>	<u>-</u>	<u>11,000</u>
<u>Assigned</u>			
Public school support	200,943	-	200,943
Encumbrances	421,614	-	421,614
Next fiscal year budget	<u>2,020,831</u>	<u>-</u>	<u>2,020,831</u>
Total assigned	<u>2,643,388</u>	<u>-</u>	<u>2,643,388</u>
Unassigned	<u>15,482,822</u>	<u>(67,547)</u>	<u>15,415,275</u>
Total fund balances	<u>\$ 18,137,210</u>	<u>\$ 3,117,264</u>	<u>\$ 21,254,474</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).

**AURORA CITY SCHOOL DISTRICT
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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	\$ 5,143,494
Net adjustment for revenue accruals	(4,995,963)
Advances in	439,360
Net adjustment for expenditure accruals	(980,546)
Advances out	(937,060)
Encumbrances (Budget basis) outstanding at year-end	(525,806)
Perspective differences from funds budgeted as special revenue funds:	
Revenues	(438,224)
Transfers from the general fund	10,830
Expenditures	335,404
Budget basis	<u>\$ (1,948,511)</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, unless the investment is matched to a specific obligation or debt of the School District and the investment is not a commercial paper note, a banker's acceptance or a repurchase agreement:

**AURORA CITY SCHOOL DISTRICT
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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, including, but not limited to, Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. 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);
7. Commercial paper notes, limited to 40% (5% for a single issuer) in total of the interim monies available for investment at any one time and for a period not to exceed two hundred seventy days; and
8. Bankers acceptances, limited to 40% of the interim monies available for investment at any one time and for a period not to exceed one hundred eighty days.

According to state law, public depositories must provide security for the repayment of all public deposits. These institutions shall give security for all public funds on deposit in excess of those funds that are insured by the Federal Deposit Insurance Corporation (FDIC). The security for these deposits will be made under an agreement using a surety bond and/or by means of pledging allowable securities as collateral to be held by a qualified trustee. The pledged collateral can be held for each public depositor or in a pool for multiple public depositors and must have a market value of at least 105% of the total value of public monies on deposit at the institution. If the institution participates in the Ohio Pooled Collateral System (OPCS), the total market value of the securities pledged can be 102% or lower if permitted by the Treasurer of State. The School District's financial institution participates in the OPCS and was approved for a reduced collateral floor of 50 %.

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. As of June 30, \$338,264 of the School District's bank balance of \$1,920,455 was exposed to custodial credit risk because those deposits were uninsured and uncollateralized.

**AURORA CITY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

Investments:

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

<u>Investment Type</u>	<u>Investment Maturities</u>				<u>Percentage of Investments</u>
	<u>Fair Value</u>	<u>Less than 1 Year</u>	<u>1 - 2 Years</u>	<u>More Than 2 Years</u>	
Federal Home Loan Bank	\$ 285,877	\$ 122,291	\$ -	\$ 163,586	1.94%
Federal Farm Credit Bank	1,338,389	592,381	355,945	390,063	9.10%
Federal National Mortgage Assn.	100,212	-	-	100,212	0.68%
Federal Agricultural Mortgage Corp.	198,056	-	-	198,056	1.35%
U.S. Treasury Notes	2,689,713	891,856	1,083,088	714,769	18.29%
Negotiable CDs	525,610	344,573	181,037	-	3.57%
First American Treasury Obligation	218,878	218,878	-	-	1.49%
Star Ohio	9,352,018	9,352,018	-	-	63.58%
Total investments	<u>\$ 14,708,753</u>	<u>\$ 11,521,997</u>	<u>\$ 1,620,070</u>	<u>\$ 1,566,686</u>	<u>100.00%</u>

The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs. The above tables identify the School District's recurring fair value measurement as of June 30, 2023. Other investments of the School District are valued using Level 2 inputs using valuation techniques that incorporate market data for similar investments, broker quotes and inactive transactions prices.

Custodial credit risk for an investment is the risk that in the event of failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The investments in Federal Home Loan Mortgage Corporation (FHLMC), Federal Home Loan Bank (FHLB), and Federal Farm Credit Bank (FFCB) are held by the counterparty's trust department or agent and not in the School District's name. The School District's policy is to invest money with financial institutions that are able to abide by the laws governing insurance and collateral of public funds. See note above concerning negotiable certificates of deposit.

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. The School District's investment policy requires certain credit ratings for some investments as allowed by state law.

Concentration of credit risk is the possibility of loss attributed to the magnitude of the School District's investment in a single issuer. These investments are presented in the table above. Investments in FFCB exceeded 5%. The School District's policy places no limit on the amount that may be invested in any one issuer.

**AURORA CITY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
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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 2023 amounted to \$454,501 which includes \$47,456 assigned from other School District funds. For 2023, interest income reported in the general fund flipped to a positive amount resulting from fluctuations in reporting investments at fair value from last year.

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 2023 represents collections of calendar year 2022 taxes. Real property taxes received in calendar year 2023 were levied after April 1, 2022, on the assessed value listed as of January 1, 2022, 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 2023 represents collections of calendar year 2022 taxes. Public utility real and tangible personal property taxes received in calendar year 2023 became a lien December 31, 2021, were levied after April 1, 2022 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, 2023, are available to finance fiscal year 2023 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property and public utility property taxes which are measurable as of June 30, 2023 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 \$9,036,559 in the general fund, \$205,242 in the permanent improvement capital projects fund, and \$328,987 in the bond retirement debt service fund and is recognized as revenue.

**AURORA CITY SCHOOL DISTRICT
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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>	2023 <u>Assessed Value</u>	2022 <u>Assessed Value</u>
<u>Real Property</u>		
Residential and Agricultural	\$ 739,952,290	\$ 725,438,460
Commercial and Industrial and Minerals	108,810,270	107,104,100
Public Utilities	124,770	107,890
<u>Tangible Personal Property</u>		
Public Utilities	<u>20,633,490</u>	<u>18,924,360</u>
Total	<u>\$ 869,520,820</u>	<u>\$ 851,574,810</u>

NOTE 6 - RECEIVABLES

Receivables at year-end consisted of taxes, accounts (tuition), interfund, intergovernmental grants, entitlements and accrued interest. 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, 2023 consisted of:

<u>Governmental Activities</u>	<u>Amount</u>
Special revenue funds:	
ESSER	\$ 606,262
IDEA-B	71,919
Title III	5,411
Title I	12,412
Preschool grant for the handicapped	8,258
Title II-A	4,244
Title IV-A	1,569
Data communications	<u>230</u>
	<u>\$ 710,305</u>

**AURORA CITY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 7 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2023 was as follows:

<u>Governmental activities</u>	Balance <u>6/30/22</u>	<u>Additions</u>	<u>Disposals</u>	Balance <u>6/30/23</u>
Capital assets, not being depreciated:				
Land	\$ 1,717,627	\$ -		\$ 1,717,627
Construction in progress	<u>43,165</u>	<u>6,368</u>	-	<u>49,533</u>
Total capital assets, not being depreciated	<u>1,760,792</u>	<u>6,368</u>	-	<u>1,767,160</u>
Capital assets, being depreciated:				
Land improvements	4,741,998	-	-	4,741,998
Buildings	49,022,034	70,088	-	49,092,122
Furniture and equipment	2,448,262	528,279	-	2,976,541
Vehicles	<u>3,595,070</u>	<u>47,550</u>	-	<u>3,642,620</u>
Total capital assets, being depreciated	<u>59,807,364</u>	<u>645,917</u>	-	<u>60,453,281</u>
Less: Accumulated depreciation				
Land improvements	(1,817,153)	(194,936)	-	(2,012,089)
Buildings	(27,210,043)	(715,385)	-	(27,925,428)
Furniture and equipment	(1,551,339)	(135,125)	-	(1,686,464)
Vehicles	<u>(2,412,172)</u>	<u>(111,758)</u>	-	<u>(2,523,930)</u>
Total accumulated depreciation	<u>(32,990,707)</u>	<u>(1,157,204)</u>	-	<u>(34,147,911)</u>
Total capital assets being depreciated, net	<u>26,816,657</u>	<u>(511,287)</u>	-	<u>26,305,370</u>
Capital assets, net	<u>\$ 28,577,449</u>	<u>\$ (504,919)</u>	<u>\$ -</u>	<u>\$ 28,072,530</u>

Depreciation expense charged to governmental functions for the year ending June 30, 2023 is as follows:

Instruction:	
Regular	\$ 349,091
Special	18,463
Vocational	4,613
Support services:	
Pupils	3,618
Instructional staff	94,667
Administration	44,020
Business	6,785
Operation and maintenance of plant	391,221
Pupil transportation	105,435
Food service operations	46,635
Extracurricular activities	<u>92,656</u>
	<u>\$ 1,157,204</u>

**AURORA CITY SCHOOL DISTRICT
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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 \$2,000,000 in the aggregate with a \$4,000,000 umbrella. Property is insured from \$1,000,000 to \$118,291,351 with deductibles up to \$5,000. 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.

NOTE 9 - DEFINED BENEFIT PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS

Net Pension Liability/Net OPEB Liability (Asset)

Pensions and OPEB are a component of exchange transactions between an employer and its employees of salaries and benefits for employee services. Pensions/OPEB are provided to an employee on a deferred-payment basis as part of the total compensation package offered by an employer for employee services each financial period.

The net pension/OPEB liability (asset) represent the District's proportionate share of each pension/OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension/OPEB plan's fiduciary net position. The net pension/OPEB liability (asset) calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting these estimates annually.

Ohio Revised Code limits the District's obligation for this liability to annually required payments. The District cannot control benefit terms or the manner in which pensions/OPEB are financed; however, the District does receive the benefit of employees' services in exchange for compensation including pension and OPEB.

**AURORA CITY SCHOOL DISTRICT
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GASB 68/75 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires funding to come from these employers. All pension contributions to date have come solely from these employers (which also includes pension costs paid in the form of withholdings from employees). The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits. In addition, health care plan enrollees pay a portion of the health care costs in the form of a monthly premium. State statute requires the retirement systems to amortize unfunded pension liabilities within 30 years. If the pension amortization period exceeds 30 years, each retirement system’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB liability (asset). Resulting adjustments to the net pension/OPEB liability (asset) would be effective when the changes are legally enforceable. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients.

A. DEFINED BENEFIT PENSION PLANS

School Employees Retirement System (SERS)

Plan Description – School District non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS’ fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before <u>August 1, 2017 *</u>	Eligible to Retire on or after <u>August 1, 2017</u>
Full benefits	Age 65 with 5 years of service; or Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially reduced benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on years of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

An individual whose benefit effective date is before April 1, 2018, is eligible for a cost-of-living adjustment (COLA) on the first anniversary date of the benefit. Beginning April 1, 2018, new benefit recipients must wait until the fourth anniversary of their benefit for COLA eligibility. The COLA is added each year to the base benefit amount on the anniversary date of the benefit. A three-year COLA suspension was in effect for all benefit recipients for the years 2018, 2019, and 2020. Upon resumption of the COLA, it will be indexed to the percentage increase in the CPI-W, not to exceed 2.5 percent and with a floor of 0 percent. In 2022, the Board of Trustees approved a 2.5 percent cost-of-living adjustment (COLA) for eligible retirees and beneficiaries in 2023.

**AURORA CITY SCHOOL DISTRICT
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Funding Policy - Plan members are required to contribute 10.00 percent of their annual covered salary and the District is required to contribute 14.00 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10.00 percent for plan members and 14.00 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2023, the allocation to pension, death benefits, and Medicare B was 14.00 percent. For fiscal year 2023, the Retirement Board did not allocate any employer contribution to the Health Care Fund.

The School District's contractually required contribution to SERS was \$946,017 for fiscal year 2023. Of this amount \$83,327 is reported as an intergovernmental payable.

State Teachers Retirement System (STRS)

Plan Description – School District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at www.strsoh.org.

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307.

The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.20 percent of final average salary for the five highest years of earnings multiplied by all years of service. Eligibility changes will be phased in until August 1, 2023, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

Eligibility changes for DB Plan members who retire with actuarially reduced benefits will be phased in until August 1, 2023 when retirement eligibility will be five years of qualifying service credit and age 60, or 30 years of service credit regardless of age.

The DC Plan allows members to place all of their member contributions and 9.53 percent of the 14 percent employer contributions into an investment account. The member determines how to allocate the member and employer money among various investment choices offered by STRS Ohio. The remaining 4.47 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. 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 DB Plan and the DC Plan. In the Combined Plan, 12 percent of the 14 percent member rate goes to the DC Plan and the remaining 2 percent is applied to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity after termination of employment at age 50 and after termination of employment.

**AURORA CITY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
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New members who choose the DC Plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service, who is determined to be disabled, may qualify for a disability benefit. New members, on or after July 1, 2013, must have at least ten years of qualifying service credit to apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. Eligible survivors of members who die before service retirement may qualify for monthly benefits. 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 – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The fiscal year 2023 employer and employee contribution rate of 14 percent was equal to the statutory maximum rates. For fiscal year 2023, the full employer contribution was allocated to pension

The School District's contractually required contribution to STRS was \$3,176,820 for fiscal year 2023. Of this amount \$435,282 is reported as an intergovernmental payable.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the net pension liability - prior measurement date	0.16422320%	0.16763780%	
Proportion of the net pension liability - current measurement date	<u>0.16216910%</u>	<u>0.15657522%</u>	
Change in proportionate share	<u>-0.00205410%</u>	<u>-0.01106258%</u>	
Proportionate share of the net pension liability	\$8,771,366	\$34,806,869	\$43,578,235
Pension expense	\$573,002	\$3,889,446	\$4,462,448

**AURORA CITY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
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At June 30, 2023, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred outflows of resources			
Differences between expected and actual experience	\$ 355,247	\$ 445,573	\$ 800,820
Changes of assumptions	86,549	4,165,336	4,251,885
Net difference between projected and actual earnings on pension plan investments	-	1,211,203	1,211,203
Changes in proportionate share and difference between School District contributions and proportionate share of contributions	82,693	786,718	869,411
School District contributions subsequent to the measurement date	<u>946,017</u>	<u>3,176,820</u>	<u>4,122,837</u>
Total deferred outflows of resources	<u>\$ 1,470,506</u>	<u>\$ 9,785,650</u>	<u>\$ 11,256,156</u>
Deferred inflows of resources			
Differences between expected and actual experience	\$ 57,582	\$ 133,147	\$ 190,729
Changes of assumptions	-	3,135,301	3,135,301
Net difference between projected and actual earnings on pension plan investments	306,081	-	306,081
Changes in proportionate share and difference between School District contributions and proportionate share of contributions	<u>76,403</u>	<u>1,654,655</u>	<u>1,731,058</u>
Total deferred inflows of resources	<u>\$ 440,066</u>	<u>\$ 4,923,103</u>	<u>\$ 5,363,169</u>

\$4,122,837 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Fiscal Year	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
2024	\$ 80,180	\$ (67,082)	\$ 13,098
2025	(67,170)	(428,042)	(495,212)
2026	(437,243)	(1,349,131)	(1,786,374)
2027	508,656	3,529,982	4,038,638
Total	<u>\$ 84,423</u>	<u>\$ 1,685,727</u>	<u>\$ 1,770,150</u>

Actuarial Assumptions - SERS

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

**AURORA CITY SCHOOL DISTRICT
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Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations. Future benefits for all current plan members were projected through 2137.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2022, are presented below:

Wage inflation:	
Current measurement date	2.4 percent
Prior measurement date	2.4 percent
Future salary increases, including inflation:	
Current measurement date	3.25 percent to 13.58 percent
Prior measurement date	3.25 percent to 13.58 percent
COLA or Ad Hoc COLA:	
Current measurement date	2.0 percent
Prior measurement date	2.0 percent
Investment rate of return:	
Current measurement date	7.0 percent net of system expense
Prior measurement date	7.0 percent net of system expense
Discount rate:	
Current measurement date	7.0 percent
Prior measurement date	7.0 percent
Actuarial cost method	Entry age normal

In 2022, mortality rates were based on the PUB-2010 General Employee Amount Weight Below Median Healthy Retiree mortality table projected to 2017 with ages set forward 1 year and adjusted 94.20 percent for males and set forward 2 years and adjusted 81.35 percent for females. Mortality among disabled members were based upon the PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward 5 years and adjusted 103.3 percent for males and set forward 3 years and adjusted 106.8 percent for females. Future improvement in mortality rates is reflected by applying the MP-2020 projection scale generationally.

In the prior measurement date, mortality rates were based on the PUB-2010 General Employee Amount Weight Below Median Healthy Retiree mortality table projected to 2017 with ages set forward 1 year and adjusted 94.20 percent for males and set forward 2 years and adjusted 81.35 percent for females. Mortality among disabled members were based upon the PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward 5 years and adjusted 103.3 percent for males and set forward 3 years and adjusted 106.8 percent for females. Future improvement in mortality rates is reflected by applying the MP-2020 projection scale generationally.

The most recent experience study was completed for the five-year period ended June 30, 2020.

**AURORA CITY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
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The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Cash	2.00 %	(0.45) %
US equity	24.75	5.37
International equity developed	13.50	6.22
International equity emerging	6.75	8.22
Fixed income/Global bonds	19.00	1.20
Private equity	11.00	10.05
Real estate/Real assets	16.00	4.87
Multi-asset strategies	4.00	3.39
Private debt/Private credit	<u>3.00</u>	5.38
Total	<u>100.00</u> %	

Discount Rate The total pension liability was calculated using the discount rate of 7.0 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.00 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.00 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent), or one percentage point higher (8.00 percent) than the current rate.

	1% Decrease <u>(6.00%)</u>	Current discount rate <u>(7.00%)</u>	1% Increase <u>(8.00%)</u>
School District's proportionate share of the net pension liability	\$ 12,911,033	\$8,771,366	\$5,283,754

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2022 actuarial valuation, compared with June 30, 2021 actuarial valuation, are presented below:

**AURORA CITY SCHOOL DISTRICT
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	<u>June 30, 2022</u>	<u>June 30, 2021</u>
Inflation	2.5 percent	2.5 percent
Projected salary increases	Varies by service from 2.5 percent to 8.5 percent	12.5 percent at age 20 to 2.5 percent at age 65
Investment rate of return	7.0 percent, net of investment expenses, including inflation	7.0 percent, net of investment expenses, including inflation
Discount rate of return	7.0 percent	7.0 percent
Payroll increases	3.0 percent	3.0 percent
Cost-of-Living Adjustment (COLA)	0.0 percent	0.0 percent

For the June 30, 2022 actuarial valuation, post-retirement mortality rates are based on the Pub-2010 Teachers Healthy Annuitant Mortality Table, adjusted 110 percent for males, projected forward generationally using mortality improvement scale MP-2020. Pre-retirement mortality rates are based on Pub-2010 Teachers Employee Table adjusted 95 percent for females, projected forward generationally using mortality improvement scale MP-2020. Post-retirement disabled mortality rates are based on Pub-2010 Teachers Disable Annuitant Table projected forward generationally using mortality improvement scale MP-2020.

For the prior measurement date, post-retirement mortality rates are based on the RP-2014 Annuitant Mortality Tables with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Tables, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Tables with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the June 30, 2022 valuation are based on the results of an actuarial experience for the period July 1, 2015 through June 30, 2021. An actuarial experience study is done on a quinquennial basis.

STRS' investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

Asset class	Target allocation *	Long term expected real rate of return**
Domestic equity	26.00 %	6.60 %
International equity	22.00	6.80
Alternatives	19.00	7.38
Fixed income	22.00	1.75
Real estate	10.00	5.75
Liquidity reserves	<u>1.00</u>	1.00
Total	<u>100.00 %</u>	

* Target allocation percentage is effective as of July 1, 2022. Target weights were phased in over a 3-month period concluding on October 1, 2022.

**Over a 30 year period, STRS's investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

**AURORA CITY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

Discount Rate The discount rate used to measure the total pension liability was 7.00 percent as of June 30, 2022. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2022. Therefore, the long-term expected rate of return on pension plan investments of 7.00 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2022.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the School District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.00 percent, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.00 percent) or one-percentage-point higher (8.00 percent) than the current rate:

	1% Decrease <u>(6.00%)</u>	Current discount rate <u>(7.00%)</u>	1% Increase <u>(8.00%)</u>
School District's proportionate share of the net pension liability	\$ 52,580,507	\$34,806,869	\$19,775,873

Changes Between Measurement Date and Reporting Date - STRS approved a one-time 1.00 percent cost-of-living adjustment to eligible benefit recipients effective July 1, 2023. It is unknown what effect this change will have on the net pension liability.

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, 2023, 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.

B. DEFINED BENEFIT OPEB PLANS

School Employee Retirement System (SERS)

Health Care Plan Description - The School District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS' Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS' health care coverage. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS' health care coverage. Most retirees and dependents choosing SERS' health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by statute. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

**AURORA CITY SCHOOL DISTRICT
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Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Active employee members do not contribute to the Health Care Plan. The SERS Retirement Board established the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2023, no allocation was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2023, this amount was \$25,000. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2023, the District's surcharge obligation was \$108,925.

The surcharge, added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The School District's contractually required contribution to SERS was \$108,925 for fiscal year 2023. Of this amount \$108,925 is reported as a pension obligation payable.

State Teachers Retirement System (STRS)

Plan Description – The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Medicare Part B premium reimbursements will be discontinued effective January 1, 2020. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2023, STRS did not allocate any employer contributions to post-employment health care.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The net OPEB liability or asset was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability or asset was determined by an actuarial valuation as of that date. The School District's proportion of the net OPEB liability or asset was based on the School District's share of contributions to the respective retirement systems relative to the contributions of all participating entities.

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Following is information related to the proportionate share and OPEB expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the net OPEB liability - prior measurement date	0.16529250%	0.16763780%	
Proportion of the net OPEB liability - current measurement date	<u>0.16509430%</u>	<u>0.15657522%</u>	
Change in proportionate share	<u>-0.00019820%</u>	<u>-0.01106258%</u>	
Proportionate share of the net OPEB liability (asset)	\$2,317,941	(\$4,054,254)	(\$1,736,313)
OPEB expense	(\$173,609)	(\$727,133)	(\$900,742)

At June 30, 2023, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred outflows of resources			
Differences between expected and actual experience	\$ 19,486	\$ 58,772	\$ 78,258
Changes of assumptions	368,698	172,698	541,396
Net difference between projected and actual earnings on pension plan investments	12,047	70,575	82,622
Changes in proportionate share and difference between School District contributions and proportionate share of contributions	158,025	42,088	200,113
School District contributions subsequent to the measurement date	<u>108,925</u>	<u>-</u>	<u>108,925</u>
Total deferred outflows of resources	<u>\$ 667,181</u>	<u>\$ 344,133</u>	<u>\$1,011,314</u>
Deferred inflows of resources			
Differences between expected and actual experience	\$1,482,725	\$ 608,871	\$2,091,596
Changes of assumptions	951,532	2,874,856	3,826,388
Changes in proportionate share and difference between School District contributions and proportionate share of contributions	<u>28,149</u>	<u>9,962</u>	<u>38,111</u>
Total deferred inflows of resources	<u>\$2,462,406</u>	<u>\$3,493,689</u>	<u>\$5,956,095</u>

\$108,925 reported as deferred outflows of resources related to OPEB resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

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Fiscal Year	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
2024	\$ (439,813)	\$ (926,410)	\$ (1,366,223)
2025	(426,199)	(902,294)	(1,328,493)
2026	(367,930)	(429,025)	(796,955)
2027	(233,663)	(179,023)	(412,686)
2028	(163,298)	(235,404)	(398,702)
Thereafter	<u>(273,247)</u>	<u>(477,400)</u>	<u>(750,647)</u>
Total	<u>\$(1,904,150)</u>	<u>\$(3,149,556)</u>	<u>\$(5,053,706)</u>

Actuarial Assumptions - SERS

The total OPEB liability is determined by SERS' actuaries in accordance with GASB Statement No. 74, as part of their annual actuarial valuation for each retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment terminations). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases, actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2022, are presented below:

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Wage inflation:	
Current measurement date	2.40 percent
Prior measurement date	2.40 percent
Future salary increases, including inflation:	
Current measurement date	3.25 percent to 13.58 percent
Prior measurement date	3.25 percent to 13.58 percent
Investment rate of return:	
Current measurement date	7.00 percent net of system expense, including inflation
Prior measurement date	7.00 percent net of system expense expense, including inflation
Municipal Bond Index Rate:	
Current measurement date	3.69 percent
Prior Measurement Date	1.92 percent
Single Equivalent Interest Rate, net of plan investment expense, including price inflation:	
Current measurement date	4.08 percent
Prior Measurement Date	2.27 percent
Medical Trend Assumption:	
Current measurement date	7.00 to 4.40 percent
Prior measurement date	
Medicare	5.125 to 4.40 percent
Pre-Medicare	6.75 to 4.40 percent

In 2022, mortality rates were based on the PUB-2010 General Employee Amount Weight Below Median Healthy Retiree mortality table projected to 2017 with ages set forward 1 year and adjusted 94.20 percent for males and set forward 2 years and adjusted 81.35 percent for females. Mortality among disabled members were based upon the PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward 5 years and adjusted 103.3 percent for males and set forward 3 years and adjusted 106.8 percent for females. Future improvement in mortality rates is reflected by applying the MP-2020 projection scale generationally.

In the prior measurement date, mortality rates were based on the PUB-2010 General Employee Amount Weighted Below Median Healthy Retiree mortality table projected to 2017 with ages set forward 1 year and adjusted 94.20 percent for males and set forward 2 years and adjusted 81.35 percent for females. Mortality among disabled members were based upon the PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward 5 years and adjusted 103.3 percent for males and set forward 3 years and adjusted 106.8 percent for females. Future improvement in mortality rates is reflected by applying the MP-2020 projection scale generationally.

The most recent experience study was completed for the five-year period ended June 30, 2020.

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The long-term expected rate of return on plan assets is reviewed as part of the actuarial 5-year experience study. The most recent study covers fiscal years 2016 through 2020, and was adopted by the Board in 2021. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a long-normal distribution analysis in which best-estimate ranges of expected future real rates of return were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.00 percent, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a e inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The SERS health care plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 9 A.

Discount Rate - The discount rate used to measure the total OPEB liability at June 30, 2022, was 4.08 percent. The discount rate used to measure total OPEB liability prior to June 30, 2022, was 2.27 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the contribution rate of 1.50 percent of projected covered payroll each year, which includes a 1.50 percent payroll surcharge and no contributions from the basic benefits plan. Based on these assumptions, the OPEB plan’s fiduciary net position was projected to become insufficient to make all projected future benefit payments of current System members by SERS actuaries. The Municipal Bond Index Rate is used in the determination of the SEIR for both the June 30, 2022 and the June 30, 2021 total OPEB liability. The Municipal Bond Index rate is the single rate that will generate a present value of benefit payments equal to the sum of the present value determined by the long-term expected rate of return, and the present counting those benefits after the date of depletion. The Municipal Bond Index Rate is 3.69 percent at June 30, 2022 and 1.92 percent at June 30, 2021.

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates - The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability, what the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (3.08 percent) and higher (5.08 percent) than the current discount rate (4.08 percent). Also shown is what the net OPEB liability would be based on health care cost trend rates that point lower (6.00 percent decreasing to 3.40 percent) and higher (8.00 percent decreasing to 5.40 percent) than the current rate (7.00 percent decreasing to 4.40 percent).

	<u>1% Decrease</u>	<u>Current discount rate</u>	<u>1% Increase</u>
School District's proportionate share of the net OPEB liability	\$ 2,878,918	\$2,317,941	\$1,865,081
		<u>Current trend rate</u>	<u>1% Increase</u>
School District's proportionate share of the net OPEB liability	\$ 1,787,534	\$2,317,941	\$3,010,720

**AURORA CITY SCHOOL DISTRICT
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Actuarial Assumptions – STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2022 actuarial valuation, compared with June 30, 2021 actuarial valuation, are presented below:

	<u>June 30, 2022</u>	<u>June 30, 2021</u>
Inflation	2.50 percent	2.50 percent
Projected salary increases	Varies by service from 2.50 percent to 8.50 percent	12.50 percent at age 20 to 2.50 percent at age 65
Investment rate of return	7.00 percent, net of investment expenses, including inflation	7.00 percent, net of investment expenses, including inflation
Discount rate of return	7.00 percent	7.00 percent
Payroll increases	3.00 percent	3.00 percent
Cost-of-Living Adjustment (COLA)	0.00 percent	0.00 percent
Blended discount rate of return	n/a	n/a
Health care cost trends		

	<u>Initial</u>	<u>Ultimate</u>	<u>Initial</u>	<u>Ultimate</u>
Medical				
Pre-Medicare	7.50 percent	3.94 percent	7.50 percent	4.00 percent
Medicare	-68.78 percent	3.94 percent	-16.18 percent	4.00 percent
Prescription Drug				
Pre-Medicare	9.00 percent	3.94 percent	6.50 percent	4.00 percent
Medicare	-5.47 percent	3.94 percent	29.98 percent	4.00 percent

Projections of benefits include the historical pattern of sharing benefit costs between the employers and retired plan members.

For the June 30, 2022 actuarial valuation, for healthy retirees the post-retirement mortality rates are based on the Pub- 2010 Teachers Healthy Annuitant Mortality Table, adjusted 110 percent for males, projected forward generationally using mortality improvement scale MP-2020; pre-retirement mortality rates are based on Pub-2010 Teachers Employee Table adjusted 95 percent for females, projected forward generationally using mortality improvement scale MP-2020. For disabled retirees, mortality rates are based on the Pub-2010 Teachers Disabled Annuitant Table projected forward generationally using mortality improvement scale MP-2020.

For the prior measurement date, for healthy retirees the mortality rates are based on the RP-2014 Annuitant Mortality Tables with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. For disabled retirees, mortality rates are based on the RP-2014 Disabled Mortality Tables with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the June 30, 2022 valuation are based on the results of an actuarial experience study for the period July 1, 2015 through June 30, 2021. An actuarial experience study is done on a quinquennial basis.

**AURORA CITY SCHOOL DISTRICT
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Assumption Changes Since the Prior Measurement Date - The discount rate remained unchanged at 7.00 percent for the June 30, 2022 valuation.

Benefit Term Changes Since the Prior Measurement Date - Salary increase rates were updated based on the actuarial experience study for the period July 1, 2015 through June 30, 2021 and were changed from age based to service based.

The STRS health care plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 9 A.

Discount Rate - The discount rate used to measure the total OPEB liability was 7.00 percent as of June 30, 2022. The projection of cash flows used to determine the discount rate assumed STRS Ohio continues to allocate no employer contributions to the health care fund. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2022. Therefore, the long-term expected rate of return on health care fund investments of 7.00 percent was applied to all periods of projected health care costs to determine the total OPEB liability as of June 30, 2022.

Sensitivity of the District's Proportionate Share of the Net OPEB Asset to Changes in the Discount and Health Care Cost Trend Rate The following table represents the net OPEB asset as of June 30, 2021, calculated using the current period discount rate assumption of 7.00 percent, as well as what the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent) or one percentage point higher (8.00 percent) than the current assumption. Also shown is the net OPEB asset as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	<u>1% Decrease</u>	<u>Current discount rate</u>	<u>1% Increase</u>
School District's proportionate share of the net OPEB asset	\$(3,748,051)	(\$4,054,254)	(\$4,316,542)
		<u>Current trend rate</u>	<u>1% Increase</u>
School District's proportionate share of the net OPEB asset	\$(4,205,247)	(\$4,054,254)	(\$3,863,661)

**AURORA CITY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

NOTE 10 - LONG-TERM OBLIGATIONS

Changes in long-term obligations of the School District during fiscal year 2023 were as follows:

	Balance			Balance	Due in
<u>Governmental activities</u>	<u>June 30, 2022</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2023</u>	<u>one year</u>
<u>General Obligation Bonds</u>					
2020 Refunding School Improvement					
Serial Bonds	\$ 6,180,000	\$ -	\$ (485,000)	\$ 5,695,000	\$ 480,000
2019 Refunding School Improvement					
Serial Bonds	6,130,000	-	(560,000)	5,570,000	585,000
Premium	201,870	-	(38,155)	163,715	-
Total bonds	<u>12,511,870</u>	<u>-</u>	<u>(1,083,155)</u>	<u>11,428,715</u>	<u>1,065,000</u>
<u>Certificates of Participation</u>					
2020 Refunding Certificates	<u>2,385,000</u>	<u>-</u>	<u>(785,000)</u>	<u>1,600,000</u>	<u>800,000</u>
<u>Other long-term obligations</u>					
Financed purchases	1,055,166	-	(384,092)	671,074	383,864
Compensated absences	<u>3,229,380</u>	<u>-</u>	<u>(571,350)</u>	<u>2,658,030</u>	<u>423,546</u>
Total other long-term obligations	<u>4,284,546</u>	<u>-</u>	<u>(955,442)</u>	<u>3,329,104</u>	<u>807,410</u>
<u>Net pension liability</u>					
STRS	21,433,999	13,372,870	-	34,806,869	-
SERS	<u>6,059,360</u>	<u>2,712,006</u>	<u>-</u>	<u>8,771,366</u>	<u>-</u>
Total net pension liability	<u>27,493,359</u>	<u>16,084,876</u>	<u>-</u>	<u>43,578,235</u>	<u>-</u>
<u>Net OPEB liability</u>					
SERS	<u>3,128,296</u>	<u>-</u>	<u>(810,355)</u>	<u>2,317,941</u>	<u>-</u>
Total net OPEB liability	<u>3,128,296</u>	<u>-</u>	<u>(810,355)</u>	<u>2,317,941</u>	<u>-</u>
Total long-term obligations	<u>\$ 49,803,071</u>	<u>\$ 16,084,876</u>	<u>\$ (3,633,952)</u>	<u>\$ 62,253,995</u>	<u>\$ 2,672,410</u>

**AURORA CITY SCHOOL DISTRICT
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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>			
2020 Refunding School Improvement	\$ 6,665,000	1.42%	12/1/2033
2019 Refunding School Improvement	6,680,000	2.0 - 5.0%	12/1/2033
<u>Certificates of Participation</u>			
2020 Refunding Certificates	3,180,000	1.01%	12/1/2024

School Improvement Bonds – In October 2020, the School District issued \$6,665,000 in refunding general obligation bonds which include serial bonds. The 2020 Refunding School Improvement Bonds proceeds consisted of bond principal. The net proceeds of \$6,779,618 (after payment of underwriting fees, insurance, and other issuance costs) was deposited in an irrevocable trust with an escrow agent to provide for current refunding debt service payments of the remaining called 2014 School Improvement Bonds. As a result, the bonds are considered to be redeemed and the liability is not reported by the School District. The School District current refunded the old bonds to reduce their total debt service payments over the next fifteen years and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$1,151,233.

In November 2019, the School District issued \$6,680,000 in refunding general obligation bonds which include serial bonds. The 2019 Refunding School Improvement Bonds proceeds consisted of bond principal and \$335,277 of premium. The net proceeds of \$7,205,000 (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 2013 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 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 current refunded the old bonds to reduce their total debt service payments over the next fifteen years and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$1,085,869.

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

**AURORA CITY SCHOOL DISTRICT
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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 were mainly used to construct a new elementary school. In addition, terms of the trust indenture require a portion of the proceeds to be set aside for current and future certificate payments. The current certificate payment account is used to account for resources accumulated for payment over the next twelve months. The reserve account is used solely to make rent payments if a deficiency exists in the current certificate payment account and, if all payments are current, to make payment of the last certificate payments.

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

Refunding Certificates of Participation - In September 2020, the School District issued \$3,180,000 of refunding certificates of participation with an interest rate of 1.01 percent. The certificates were used to current refund \$3,085,000 of outstanding certificates of participation with an average interest rate of 2.0-3.00 percent. The proceeds consisted of principal. The net proceeds of \$3,124,642 (after payment of underwriting fees, insurance and other issuance costs) were deposited in an irrevocable trust with an escrow agent to provide for current refunding debt service payments of the certificates refunded with a call date of December 1, 2020. As a result, the certificates are considered to be redeemed and the liability is not reported by the School District. The School District refunded the old certificates to reduce their total debt service payments over the next ten years and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$98,626.

There is no repayment schedule for the net pension liability and net OPEB liability; however, the School District pays pension and OPEB obligations related to employee compensation from the fund benefitting from their service.

Principal, and interest requirements to retire the general obligation bonds outstanding at June 30, 2023, are as follows:

<u>Governmental Activities</u>				
	<u>School Improvement Bonds</u>		<u>Certificates of Participation</u>	
<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2024	\$ 1,065,000	\$ 210,271	\$ 800,000	\$ 12,120
2025	1,080,000	174,009	800,000	4,040
2026	1,095,000	146,280	-	-
2027	1,100,000	127,230	-	-
2028	1,110,000	108,044	-	-
2029-2033	5,030,000	261,171	-	-
2034	785,000	6,395	-	-
Total	<u>\$ 11,265,000</u>	<u>\$ 1,033,400</u>	<u>\$ 1,600,000</u>	<u>\$ 16,160</u>

**AURORA CITY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

NOTE 11 – PURCHASE AGREEMENTS

During a prior fiscal year, the School District entered into agreements to acquire computers and related software and an agreement to acquire five new buses. These purchase agreement 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 bus purchase agreements have been capitalized as vehicles in the amount of \$471,650. The computers did not meet the capitalization threshold and were not capitalized.

The following is a schedule of the future payments required under the agreements.

Governmental Activities

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2024	\$ 383,864	\$ 27,728
2025	190,055	11,471
2026	<u>97,155</u>	<u>3,002</u>
Total	<u>\$ 671,074</u>	<u>\$ 42,201</u>

NOTE 12 - 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	\$ 755,760
Due to nonmajor governmental fund from:	
Nonmajor governmental fund	\$ 126,474

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, 2023, all interfund loans outstanding are anticipated to be repaid in fiscal year 2024.

**AURORA CITY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

Interfund transfers for the year ended June 30, 2023, consisted of the following:

Transfers from general fund to:		
Nonmajor governmental fund(s)	\$	53,969
Transfers from nonmajor governmental fund:		
General fund	\$	15,030

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, and (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE 13 - JOINTLY GOVERNED ORGANIZATIONS

Stark Portage Area Computer Consortium (SPARCC) is the computer service organization or Data Acquisition Site (DAS) used by the School District. SPARCC is an association of public school districts in a geographic area determined by the Ohio Department of Education. The Stark County Educational Service Center acts as the fiscal agent for the consortium. The purpose of the consortium is to develop and employ a computer system efficiently and effectively for the needs of the member Boards of Education. All 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 \$176,784 to SPARCC.

Portage Area School Consortium is an insurance group-purchasing consortium made up of 25 participating members. All members pay an insurance premium directly to the consortium. The School District paid \$6,565,398 in the form of health care, life insurance premiums and commercial property and liability insurance and to the consortium for the current fiscal year.

The Ohio Schools Council (Council) is a jointly governed organization among 274 school districts, educational service centers, joint vocational school districts, and developmental disabilities boards in thirty-four 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 2023 the School District paid the Council \$81,239 for natural gas purchases and \$4,012 for membership and administrative services. Financial information can be obtained by contacting William Zelei, the Executive Director of the Ohio Schools Council at 6393 Oak Tree Blvd., Suite 377, Independence, Ohio 44131.

**AURORA CITY SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

NOTE 14 - 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.

C. Enrollment Adjustments

School District foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. As of the date of this report, ODE has finalized the impact of enrollment adjustments to the June 30, 2023 foundation funding for the School District. The School District has determined that these adjustments are immaterial."

NOTE 15 - 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, 2022	\$ -
Current year set-aside requirement	635,713
Current year offset	<u>(830,409)</u>
Total	<u>\$ (194,696)</u>
Balance carried forward to future years	<u>\$ -</u>

**AURORA CITY SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

NOTE 16 - ACCOUNTABILITY

As of June 30, 2023, the following funds had deficit fund balances:

	<u>Amount</u>
<u>Nonmajor special revenue funds:</u>	
Food service	\$ 56,340
IDEA, Part B	7,562
Title I	2,519
Title IV-A	338
Title II-A	788

This deficit was caused by the application of general accepted accounting principles. The general fund provides transfers to cover deficit balances in other funds; however, this is done when cash is needed rather than when accruals occur.

NOTE 17 – TAX ABATEMENTS

Pursuant to Ohio Revised Code (ORC) Section 3735.67, the City of Aurora (the City) established a Community Reinvestment Area (CRA) program. The CRA program is an economic development tool administered by municipal and county governments that provides real property tax exemptions for property owners who renovate existing or construct new buildings. CRA's are areas of land in which property owners can receive tax incentives for investing in real property improvements. Under the CRA program, local governments petition to the Ohio Development Services Agency (ODSA) for confirmation of a geographical area in which investment in housing is desired. Once an area is confirmed by the ODSA, local governments may offer real property tax exemptions to taxpayers that invest in that area. Property owners in the CRA can receive temporary tax abatements for renovation of existing structures and new construction in these areas. Property owners apply to the local legislative authority for approval to renovate or construct in the CRA. Upon approval and certification of completion, the amount of the abatement is deducted from the individual or entity's property tax bill.

The total value of the School District's share of taxes abated for fiscal year 2023 was approximately \$635,977.

Pursuant to Section 5709.82 of the Ohio Revised Code, the City of Aurora created various Community Reinvestment Area Compensation Agreements. These agreements require municipal income tax revenue sharing with Aurora City School District when new income tax collections exceed \$1 million dollars less a tax offset of 35 percent. The School District received \$175,682 from the City during fiscal year 2023.

NOTE 18 – CONTRACTUAL COMMITMENTS/ENCUMBRANCES

As of June 30, 2023, the School District's general fund reported encumbrances not individually significant, as part of assigned fund balance. Other governmental funds reported outstanding encumbrances at June 30, 2023, none of which are individually significant.

Required Supplementary Information

**AURORA CITY SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
LAST TEN FISCAL YEARS**

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
School Employees Retirement System (SERS) of Ohio				
School District's proportion of the net pension liability	0.162169%	0.164223%	0.158351%	0.156550%
School District's proportionate share of the net pension liability	\$ 8,771,366	\$ 6,059,360	\$ 10,473,649	\$ 9,366,637
School District's covered payroll	\$ 6,057,436	\$ 5,793,107	\$ 5,490,757	\$ 5,424,059
School District's proportionate share of the net pension liability as a percentage of its covered payroll	144.80%	104.60%	190.75%	172.69%
Plan fiduciary net position as a percentage of total pension liability	75.82%	82.86%	68.55%	70.85%
	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
State Teachers Retirement System (STRS) of Ohio				
School District's proportion of the net pension liability	0.1565752%	0.1676378%	0.1641082%	0.1620501%
School District's proportionate share of the net pension liability	\$ 34,806,869	\$ 21,433,999	\$ 39,708,338	\$ 35,836,412
School District's covered payroll	\$ 21,158,121	\$ 20,769,479	\$ 20,255,914	\$ 19,145,171
School District's proportionate share of the net pension liability as a percentage of its covered payroll	164.51%	103.20%	196.03%	187.18%
Plan fiduciary net position as a percentage of total pension liability	78.88%	87.80%	75.50%	77.40%

The amounts presented are as of the School District's measurement date which is the prior fiscal year end.

2019	2018	2017	2016	2015	2014
0.155054%	0.157742%	0.159340%	0.159136%	0.160392%	0.160392%
\$ 8,880,224	\$ 9,424,724	\$ 11,662,232	\$ 9,080,437	\$ 8,117,348	\$ 9,537,997
\$ 5,119,304	\$ 4,996,014	\$ 4,922,350	\$ 4,767,246	\$ 4,631,991	\$ 4,683,244
173.47%	188.64%	236.92%	190.48%	175.25%	203.66%
71.36%	69.50%	62.98%	69.16%	71.70%	65.52%
2019	2018	2017	2016	2015	2014
0.1579652%	0.1564825%	0.1577322%	0.1544142%	0.1517262%	0.1517262%
\$ 34,733,001	\$ 37,159,930	\$ 52,797,725	\$ 42,675,568	\$ 36,905,053	\$ 43,961,058
\$ 17,905,993	\$ 17,400,029	\$ 16,729,636	\$ 16,372,950	\$ 15,707,054	\$ 14,955,754
193.97%	213.56%	315.59%	260.65%	234.96%	293.94%
77.30%	75.30%	66.80%	72.10%	74.70%	69.30%

**AURORA CITY SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF SCHOOL DISTRICT CONTRIBUTIONS - PENSION
LAST TEN YEARS**

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
School Employees Retirement System (SERS) of Ohio					
Contractually required contribution	\$ 946,017	\$ 848,041	\$ 811,035	\$ 768,706	\$ 732,248
Contributions in relation to contractually required contribution	<u>(946,017)</u>	<u>(848,041)</u>	<u>(811,035)</u>	<u>(768,706)</u>	<u>(732,248)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District covered payroll	\$ 6,757,264	\$ 6,057,436	\$ 5,793,107	\$ 5,490,757	\$ 5,424,059
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%	14.00%	13.50%
	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
State Teachers Retirement System (STRS) of Ohio					
Contractually required contribution	\$ 3,176,820	\$ 2,962,137	\$ 2,907,727	\$ 2,835,828	\$ 2,680,324
Contributions in relation to contractually required contribution	<u>(3,176,820)</u>	<u>(2,962,137)</u>	<u>(2,907,727)</u>	<u>(2,835,828)</u>	<u>(2,680,324)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District covered payroll	\$ 22,691,571	\$ 21,158,121	\$ 20,769,479	\$ 20,255,914	\$ 19,145,171
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%	14.00%	14.00%

<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
\$ 691,106	\$ 699,442	\$ 689,129	\$ 628,323	\$ 641,994
<u>(691,106)</u>	<u>(699,442)</u>	<u>(689,129)</u>	<u>(628,323)</u>	<u>(641,994)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 5,119,304	\$ 4,996,014	\$ 4,922,350	\$ 4,767,246	\$ 4,631,991
13.50%	14.00%	14.00%	13.18%	13.86%

<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
\$ 2,506,839	\$ 2,436,004	\$ 2,342,149	\$ 2,292,213	\$ 2,041,917
<u>(2,506,839)</u>	<u>(2,436,004)</u>	<u>(2,342,149)</u>	<u>(2,292,213)</u>	<u>(2,041,917)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 17,905,993	\$ 17,400,029	\$ 16,729,636	\$ 16,372,950	\$ 15,707,054
14.00%	14.00%	14.00%	14.00%	13.00%

**AURORA CITY SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY (ASSET)
LAST SEVEN FISCAL YEARS (1)**

	<u>2023</u>	<u>2022</u>	<u>2021</u>
School Employees Retirement System (SERS) of Ohio			
School District's proportion of the net OPEB liability	0.1650943%	0.1652925%	0.1602614%
School District's proportionate share of the net OPEB liability	\$ 2,317,941	\$ 3,128,296	\$ 3,483,005
School District's covered employee payroll	\$ 6,057,436	\$ 5,793,107	\$ 5,490,757
School District's proportionate share of the net OPEB liability as a percentage of its covered employee payroll	38.27%	54.00%	63.43%
Plan fiduciary net position as a percentage of total OPEB liability	30.34%	24.08%	18.17%
	<u>2023</u>	<u>2022</u>	<u>2021</u>
State Teachers Retirement System (STRS) of Ohio			
School District's proportion of the net OPEB liability or asset	0.1565752%	0.1676378%	0.1641082%
School District's proportionate share of the net OPEB liability (asset)	\$ (4,054,254)	\$ (3,534,506)	\$ (2,884,198)
School District's covered employee payroll	\$ 21,158,121	\$ 20,769,479	\$ 20,255,914
School District's proportionate share of the net OPEB liability (asset) as a percentage of its covered employee payroll	-19.16%	-17.02%	-14.24%
Plan fiduciary net position as a percentage of total OPEB liability or asset	230.73%	174.70%	182.10%

(1) Ten years of information will be presented as information becomes available. Information prior to 2017 is not available. The amounts presented are as of the School District's measurement date which is the prior fiscal year end.

2020	2019	2018	2017
0.1587807%	0.1563181%	0.1599069%	0.1612850%
\$ 3,968,519	\$ 4,336,686	\$ 4,291,481	\$ 4,597,219
\$ 5,424,059	\$ 5,119,304	\$ 4,996,014	\$ 4,922,350
73.17%	84.71%	85.90%	93.39%
15.57%	13.57%	12.46%	11.49%

2020	2019	2018	2017
0.1620501%	0.1579652%	0.1564825%	0.1577322%
\$ (2,683,939)	\$ (2,538,340)	\$ 6,103,264	\$ 8,435,560
\$ 19,145,171	\$ 17,905,993	\$ 17,400,029	\$ 16,729,636
-14.02%	-14.18%	35.08%	50.42%
174.70%	176.00%	47.10%	37.30%

**AURORA CITY SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF SCHOOL DISTRICT CONTRIBUTIONS - OPEB
LAST TEN FISCAL YEARS**

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
School Employees Retirement System (SERS) of Ohio					
Contractually required contribution (1)	\$ 108,925	\$ 104,107	\$ 88,832	\$ 83,758	\$ 111,137
Contributions in relation to contractually required contribution	<u>(108,925)</u>	<u>(104,107)</u>	<u>(88,832)</u>	<u>(83,758)</u>	<u>(111,137)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District covered payroll	\$ 6,757,264	\$ 6,057,436	\$ 5,793,107	\$ 5,490,757	\$ 5,424,059
Contributions as a percentage of covered payroll	1.61%	1.72%	1.53%	1.53%	2.05%
State Teachers Retirement System (STRS) of Ohio					
Contractually required contribution	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to contractually required contribution	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District covered payroll	\$ 22,691,571	\$ 21,158,121	\$ 20,769,479	\$ 20,255,914	\$ 19,145,171
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%	0.00%

(1) Includes surcharge

<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
\$ 105,675	\$ 86,392	\$ 80,081	\$ 118,689	\$ 82,298
<u>(105,675)</u>	<u>(86,392)</u>	<u>(80,081)</u>	<u>(118,689)</u>	<u>(82,298)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 5,119,304	\$ 4,996,014	\$ 4,922,350	\$ 4,767,246	\$ 4,631,991
2.06%	1.73%	1.63%	2.49%	1.78%

<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
\$ -	\$ -	\$ -	\$ -	\$ 157,071
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(157,071)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 17,905,993	\$ 17,400,029	\$ 16,729,636	\$ 16,372,950	\$ 15,707,054
0.00%	0.00%	0.00%	0.00%	1.00%

AURORA CITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2023

Net Pension Liability

School Employees Retirement System (SERS) of Ohio

Changes in benefit terms: There was no change in benefit terms for fiscal year 2023. See the notes to the basic financial statements for benefit terms.

Changes in assumptions: There was no change in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2023. See the notes to the basic financial statements for the methods and assumptions in this calculation.

State Teachers Retirement System (STRS) of Ohio

Changes in benefit terms: There was no change in benefit terms for fiscal year 2023. See the notes to the basic financial statements for benefit terms.

Changes in assumptions: There was a change in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2023. See the notes to the basic financial statements for the methods and assumptions in this calculation.

Net OPEB Liability

School Employees Retirement System (SERS) of Ohio

Changes in benefit terms: There was no change in benefit terms for fiscal year 2023. See the notes to the basic financial statements for benefit terms.

Changes in assumptions: There was a change in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2023. See the notes to the basic financial statements for the methods and assumptions in this calculation.

State Teachers Retirement System (STRS) of Ohio

Changes in benefit terms: There was no change in benefit terms for fiscal year 2023. See the notes to the basic financial statements for benefit terms.

Changes in assumptions: There was a change in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2023. See the notes to the basic financial statements for the methods and assumptions in this calculation.

**AURORA CITY SCHOOL DISTRICT
PORTAGE COUNTY
FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2023**

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Identifying Entity Number	Federal AL Number	Receipts	Expenditures
U.S. DEPARTMENT OF AGRICULTURE				
<i>Passed Through Ohio Department of Education:</i>				
Child Nutrition Cluster: Non-Cash Assistance: Food Donation Program	N/A	10.555	\$ 51,657	\$ 51,657
Cash Assistance: National School Lunch Program	049171-3L60-23	10.555	252,544	252,544
Total Child Nutrition Cluster			304,201	304,201
COVID-19 P-EBT Administrative Cost Reimbursement	049171-3HF0-23	10.649	628	628
Total U.S. Department of Agriculture			304,829	304,829
U.S. DEPARTMENT OF EDUCATION				
<i>Passed Through Ohio Department of Education:</i>				
Title I, Grants to Local Educational Agencies	049171-3M00-22	84.010	19,770	19,770
Title I, Grants to Local Educational Agencies	049171-3M00-23	84.010	101,608	97,677
Title I, Grants to Local Educational Agencies - Expanded Opportunities	049171-3M00-22	84.010A	6,659	6,659
Total Title I			128,037	124,106
Special Education Cluster:				
Special Education-Grants to States, IDEA-B	049171-3M20-22	84.027	-	4,195
Special Education-Grants to States, IDEA-B	049171-3M20-23	84.027	505,975	515,667
COVID-19 ARP Students w/Disabilities	049171-3IA0-22	84.027X	5,435	5,049
COVID-19 ARP Students w/Disabilities	049171-3IA0-23	84.027X	62,838	66,817
Total Special Education Grants to States			574,248	591,728
Special Education - Preschool Program	049171-3C50-22	84.173	6,494	6,494
Special Education - Preschool Program	049171-3C50-23	84.173	18,940	20,802
COVID-19 ARP Students w/Disabilities - Preschool	049171-3C50-22	84.173X	6,123	4,623
COVID-19 ARP Students w/Disabilities - Preschool	049171-3C50-23	84.173X	819	819
Total Special Education - Preschool Program			32,376	32,738
Total Special Education Cluster			606,624	624,466
Improving Teacher Quality State Grants, Title II-A	049171-3Y60-23	84.367	33,570	32,942
Total Improving Teacher Quality			33,570	32,942
Title IV-A Student Support and Academic Enrichment Program	049171-3HI0-22	84.424A	1,957	1,957
Title IV-A Student Support and Academic Enrichment Program	049171-3HI0-23	84.424A	10,923	10,400
Total Title IV-A			12,880	12,357
COVID-19 Elementary and Secondary School Emergency Relief Fund II	049171-3HS0-22	84.425D	20,816	22,610
COVID-19 Elementary and Secondary School Emergency Relief Fund II	049171-3HS0-23	84.425D	50,219	50,219
COVID-19 Elementary and Secondary School Emergency Relief Fund II - State Supplement	049171-3HS0-23	84.425D	456,658	546,480
COVID-19 ARP Elementary and Secondary School Emergency Relief Fund	049171-3HS0-22	84.425U	221,973	223,264
COVID-19 ARP Elementary and Secondary School Emergency Relief Fund	049171-3HS0-23	84.425U	184,595	173,695
COVID-19 ARP Homeless - Targeted Support	049171-3HZ0-23	84.425W	246	246
Total Educational Stabilization Fund			934,507	1,016,514
<i>Passed Through Northeast Ohio Educational Service Center</i>				
Title III, Limited English Proficiency	2022	84.365	6,453	129
Title III, Limited English Proficiency	2023	84.365	-	3,362
Total Title III, Limited English Proficiency			6,453	3,491
Total U.S. Department of Education			1,722,071	1,813,876
U.S. DEPARTMENT OF TREASURY				
<i>Passed Through Ohio Office of Budget and Management</i>				
COVID-19 Coronavirus State and Local Fiscal Recovery Funds - Ohio K-12 School Safety Grant	5CV3	21.027	250,000	-
Total Federal Financial Assistance			\$ 2,276,900	\$ 2,118,705

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

**AURORA CITY SCHOOL DISTRICT
PORTAGE COUNTY**

**NOTES TO THE SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE YEAR ENDED JUNE 30, 2023**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Aurora City School District (the District) under programs of the federal government for the year ended June 30, 2023. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement.

NOTE C – INDIRECT COST RATE

The District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE D - 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 E – FOOD DONATION PROGRAM

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

NOTE F - TRANSFERS BETWEEN PROGRAM YEARS

Federal regulations require schools to obligate certain federal awards by June 30. However, with ODE's consent, schools can transfer unobligated amounts to the subsequent fiscal year's program. The District transferred the following amounts from 2023 to 2024 programs:

<u>Program Title</u>	<u>AL Number</u>	<u>Amt. Transferred</u>
Title I Grants to Local Educational Agencies	84.010	\$ 1,244
Title II-A Supporting Effective Instruction	84.367A	\$ 323
IDEA-B Special Education	84.027A	\$ 166,350
IDEA Early Childhood Special Education	84.173A	\$ 21,364
ARP ESSER State Activity Supplemental	84.425U	\$ 637,730
ARP ESSER	84.425U	\$ 270,102
ARP Homeless Targeted Support Grant	84.425W	\$ 13,577

OHIO AUDITOR OF STATE KEITH FABER



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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 the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Aurora City School District, Portage County, (the District) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 4, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected, on a timely basis. 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 deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the

financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio

March 4, 2024

OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

Opinion on the Major Federal Program

We have audited Aurora City School District, Portage County, (District) compliance with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on Aurora City School District's major federal program for the year ended June 30, 2023. Aurora City School District's major federal program is identified in the *Summary of Auditor's Results* section of the accompanying schedule of findings.

In our opinion, Aurora City School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2023.

Basis for Opinion on the Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the *Auditor's Responsibilities for the Audit of Compliance* section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

The District's Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the District's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *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 type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type

of compliance requirement of a federal program 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 *Auditor's Responsibilities for the Audit of Compliance* section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of this testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio

March 4, 2024

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**AURORA CITY SCHOOL DISTRICT
PORTAGE COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2023**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material weaknesses in internal control reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under 2 CFR § 200.516(a)?	No
(d)(1)(vii)	Major Programs (list):	AL# 84.425 - Education Stabilization Fund – Elementary and Secondary Education (ESSER)
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee under 2 CFR § 200.520?	Yes

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

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OHIO AUDITOR OF STATE KEITH FABER



AURORA CITY SCHOOL DISTRICT

PORTAGE COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 3/26/2024

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This report is a matter of public record and is available online at
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