AURORA ACADEMY
LUCAS COUNTY

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 2000

JIM PETRO
AUDITOR OF STATE
STATE OF OHIO

AURORA ACADEMY
LUCAS COUNTY

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REPORT OF INDEPENDENT ACCOUNTANTS

Aurora Academy
Lucas County
541 Utah Street
Toledo, Ohio 43605-2295

To the Governing Board:

We have audited the Balance Sheet of Aurora Academy, Lucas County, (Aurora) as of June 30, 2000, and the related Statement of Revenues, Expenses, and Changes in Retained Earnings, and the Statement of Cash Flows for the fiscal year ended June 30, 2000. These financial statements are the responsibility of Aurora's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Aurora as of June 30, 2000, and the results of operations and its cash flows for the fiscal year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 9, 2001 on our consideration of Aurora's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Jim Petro
Auditor of State

January 9, 2001

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AURORA ACADEMY
LUCAS COUNTY

BALANCE SHEET
AS OF JUNE 30, 2000

Assets	
Current Assets	
Cash and Cash Equivalents with Fiscal Agent	$457,659
Intergovernmental Receivables	394,004
Prepaid Items	10,422
Total Current Assets	862,085
Non-Current Assets	
Fixed Assets (Net of Accumulated Depreciation)	66,674
Total Assets	$928,759
Liabilities and Fund Equity	
Current Liabilities	
Accounts Payable	$11,152
Accrued Wages	17,895
Intergovernmental Payable	13,300
Capital Leases Payable	3,263
Total Current Liabilities	45,610
Long-Term Liabilities	
Capital Leases Payable	7,964
Total Liabilities	53,574
Fund Equity	
Retained Earnings	
Unreserved	875,185
Total Liabilities and Fund Equity	$928,759

The notes to the financial statements are an integral part of this statement.

AURORA ACADEMY
LUCAS COUNTY

STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN RETAINED EARNINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

Operating Revenues	
Foundation Payments	$804,480
Disadvantaged Public Impact Aid	715,212
Food Services	4,553
Extracurricular Activities	100
Classroom Materials and Fees	1,098
Total Operating Revenues	1,525,443
Operating Expenses	
Salaries	669,958
Fringe Benefits	189,129
Purchased Services	187,928
Materials and Supplies	78,778
Depreciation	19,713
Other Operating Expenses	12,202
Total Operating Expenses	1,157,708
Operating Income	367,735
Non-Operating Revenues (Expenses)	
Operating Grants - State	11,369
Operating Grants - Federal	226,400
Interest Earnings	10,123
Interest and Fiscal Charges	(646)
Miscellaneous Non-Operating Revenue	1,062
Total Non-Operating Revenues (Expenses)	248,308
Net Income	616,043
Retained Earnings at Beginning of Year	259,142
Retained Earnings at End of Year	$875,185

The notes to the financial statements are an integral part of this statement.

AURORA ACADEMY
LUCAS COUNTY

STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

Increase (Decrease) in Cash and Cash Equivalents	
Cash Flows from Operating Activities	
Cash Received from Food Services	$4,553
Cash Received from Extracurricular Activities	675
Cash Received from Classroom Materials and Fees	3,959
Cash Received from State Foundation and Disadvantaged Public Impact Aid	1,424,834
Cash Received from Other Sources	1,881
Cash Payments to Suppliers for Goods and Services	(285,056)
Cash Payments to Employees for Services	(654,254)
Cash Payments for Employee Benefits	(184,601)
Net Cash Provided by Operating Activities	311,991
Cash Flows from Noncapital Financing Activities	
Operating Grants Received - State	11,369
Operating Grants Received - Federal	90,082
Miscellaneous Non-operating Revenue	1,062
Net Cash Provided by Noncapital Financing Activities	102,513
Cash Flows from Capital and Related Financing Activities	
Interest Payments	(646)
Payments for Capital Acquisitions	(37,673)
Net Cash Used by Capital and Related Financing Activities	(38,319)
Cash Flows from Investing Activities	
Cash Received from Interest on Investments	10,123
Net Cash Provided by Investing Activities	10,123
Net Increase in Cash and Cash Equivalents	386,308
Cash and Cash Equivalents at the Beginning of the Year	71,351
Cash and Cash Equivalents at the End of the Year	$457,659

(Continued)

AURORA ACADEMY
LUCAS COUNTY

STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)

Reconciliation of Operating Income to	
Net Cash Provided by Operating Activities	
Operating Income	$367,735
Adjustments to Reconcile Operating Income to	
Net Cash Provided by Operating Activities	
Depreciation	19,713
Changes in Assets and Liabilities:	
(Increase) in Prepaid Items	(10,422)
(Increase) in Intergovernmental Receivable	(90,567)
Increase in Accounts Payable	9,045
(Decrease) in Contracts Payable	(641)
Increase in Accrued Wages Payable	15,704
Increase in Intergovernmental Payable	4,528
(Decrease) in Capital Leases Payable	(3,104)
Total Adjustments	(55,744)
Net Cash Provided by Operating Activities	$311,991

The notes to the financial statements are an integral part of this statement.

1. DESCRIPTION OF THE SCHOOL AND REPORTING ENTITY

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

Aurora was approved for operation under a contract with the Lucas County Educational Service Center (the Sponsor) for a period of five years commencing August 17, 1998. The Sponsor is responsible for evaluating the performance of Aurora and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration. The sponsorship agreement states the Treasurer of Lucas County Educational Service Center shall serve as the Chief Financial Officer of Aurora, (see note 12).

Aurora operates under the direction of an eight-member Governing Board. The Governing Board is responsible for carrying out the provisions of the contract which include, but are not limited to, state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers. The Governing Board controls Aurora's one instructional/support facility staffed by 22 non-certified and 20 certificated full time teaching personnel who provide services to 280 students.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Aurora have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental nonprofit organizations. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Aurora also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, provided they do not conflict with or contradict GASB pronouncements. The more significant of Aurora's accounting policies are described below.

A. Basis of Presentation

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by its measurement focus. Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included on the balance sheet. Equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

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

The accrual basis of accounting is used for reporting purposes. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

C. Budgetary Process

Unlike other public schools located in the state of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Revised Code Chapter 5705, unless specifically provided in Aurora's contract with its Sponsor. The contract between Aurora and its Sponsor does prescribe an annual budget requirement in addition to preparing a 5-year forecast which is to be updated on an annual basis.

D. Cash and Cash Equivalents

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

During fiscal year 2000, investments were limited to repurchase agreements, which are valued at cost.

For purposes of the statement of cash flows and for presentation on the balance sheet, investments with a maturity of three months or less at the time they are purchased by Aurora are considered to be cash equivalents.

E. Fixed Assets and Depreciation

Fixed assets are capitalized at cost and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market value as of the dates received. Aurora does not possess any infrastructure.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Depreciation of furniture and equipment and leasehold improvements are computed using the straight-line method over an estimated useful life of five years.

F. Intergovernmental Revenues

Aurora currently participates in the State Foundation Program, the State Disadvantaged Pupil Impact Aid (DPIA) Program, and the State Special Education Program. Revenues from these programs are recognized as operating revenues in the accounting period in which they are earned and become measurable.

Commodities, grants and entitlements are recognized as non-operating revenues in the accounting period in which they are earned and became measurable.

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2000, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expense in the year the services are consumed.

3. DEPOSITS AND INVESTMENTS

The following information classifies deposits and investment by categories of risk as defined in GASB Statement No. 3, “Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements”.

At June 30, 2000, the carrying amount of Aurora’s deposits was $1,749 and the bank balance was $52,539. The bank balance was covered by federal depository insurance.

Aurora’s investments are categorized to give an indication of the level of risk assumed by Aurora at fiscal year end. Category 1 includes investments that are insured or registered for which the securities are held by Aurora or its agent in Aurora’s name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty’s trust department or agent in Aurora’s name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in Aurora’s name. Aurora’s investments totaling $455,910 (reported amount and fair value), which are maintained in a Ready Resource Savings Account (repurchase agreement) are included in Category 2.

4. RECEIVABLES

Receivables at June 30, 2000, consisted of intergovernmental (e.g., foundation, DPIA, and miscellaneous grant) receivables. All intergovernmental receivables are considered collectible in full, due to the stable condition of State programs, and the current year guarantee of federal funds.

5. FIXED ASSETS

A summary of Aurora's fixed assets at June 30, 2000, follows:

Furniture and Equipment	$81,330
Leasehold Improvements	17,235
	$98,565
Less: accumulated depreciation	(31,891)
Net Fixed Assets	$66,674

6. RISK MANAGEMENT

A. Property and Liability

Aurora is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For the fiscal year 2000, Aurora contracted with Nationwide Insurance for property and general liability insurance.

Professional liability is protected by Nationwide Insurance with a $2,000,000 single occurrence limit and $5,000,000 aggregate and no deductible.

B. Workers' Compensation

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

C. Employee Medical, Dental, and Vision Benefits

Aurora has contracted with its Sponsor, to provide employee medical, dental, and vision insurance to its full time employees who work 40 or more hours per week.

7. DEFINED BENEFIT PENSION PLANS

A. 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 System. As of June 30, 2000, Aurora has no employees or members of the governing board which contribute to the Social Security System.

7. DEFINED BENEFIT PENSION PLANS (Continued)

B. School Employees Retirement System

Aurora contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan administered by the School Employees Retirement Board. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and Aurora is required to contribute an actuarially determined rate. The current rate is 14 percent of annual covered payroll; 5.5 percent was the portion used to fund pension obligations for fiscal year 2000. For fiscal year 1999, 7.7 percent was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. Aurora's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2000 and 1999 was $14,687 and $12,139, respectively; 83.93 percent has been contributed for fiscal year 2000 and 100 percent for fiscal year 1999. The unpaid contribution for fiscal year 2000, in the amount of $892 is recorded as a liability.

C. State Teachers Retirement System

Aurora contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

Plan members are required to contribute 9.3 percent of their annual covered salary and Aurora is required to contribute 14 percent; 6 percent was the portion used to fund pension obligations for fiscal year 2000. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Aurora's required contribution for pension obligations to STRS for fiscal years ended June 30, 2000 and 1999 were $56,305 and $32,586, respectively; 96.28 percent has been contributed for fiscal year 2000 and 100 percent for fiscal year 1999. The unpaid contribution for fiscal year 2000, in the amount of $2,095 is recorded as a liability.

8. POSTEMPLOYMENT BENEFITS

Aurora provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired classified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligation to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For fiscal year 2000, the Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund. For Aurora, this amount equaled $30,977 for fiscal year 2000.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was $2,783 million at June 30, 1999 (the latest information available). For the fiscal year ended June 30, 1999, net health care costs paid by STRS were $249,929,000, and STRS had 95,796 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, disability, and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit, must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

For this fiscal year, employer contributions to fund health care benefits were 8.5 percent of covered payroll, an increase from 6.3 percent for fiscal year 1999. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2000, the minimum pay has been established at $12,400. For Aurora, the amount to fund health care benefits, including the surcharge, was $29,603 for fiscal year 2000.

9. STATE SCHOOL FUNDING DECISION

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in the system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to Aurora. During the fiscal period ended June 30, 2000, Aurora received $804,480 of school foundation support.

9. STATE SCHOOL FUNDING DECISION (Continued)

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State General Assembly in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County has reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. On May 11, 2000, the Ohio Supreme Court rendered an opinion on this issue. The Court concluded, "...the mandate of the [Ohio] Constitution has not been fulfilled." The Court's majority recognized efforts by the Ohio General Assembly taken in response to the Court's March 24, 1997 decision, however, if found seven "...major areas warrant further attention, study, and development by the General Assembly...," including the State's reliance on local property tax funding, the State's basic aid formula, the school foundation program, as discussed above, the mechanism for, and adequacy of, funding for school facilities, and the existence of the State's School Solvency Assistance Fund, which the Court found took the place of the unconstitutional emergency school loan assistance program.

The Court decided to maintain jurisdiction over these issues and continued the case at least until June 15, 2001.

As of the date of these financial statements, Aurora is unable to determine what effect, if any, this ongoing litigation will have on its future State funding under this program and on its financial operations.

10. CONTINGENCIES

Grants

Aurora received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of Aurora at June 30, 2000.

11. CAPITALIZED LEASES - LESSEE DISCLOSURE

During fiscal year 1999, Aurora entered into a capitalized lease for a copying machine. The lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. The capital lease has been recorded at the present value of the future minimum lease payments as of the inception date.

11. CAPITALIZED LEASES - LESSEE DISCLOSURE (Continued)

The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the minimum lease payments as of June 30, 2000.

Fiscal Year Ending	June 30
2001	$3,750
2002	3,750
2003	3,750
2004	937
Total minimum lease payments	12,187
Less: amount representing interest	(960)
Present value of minimum lease payments	$11,227

12. FISCAL AGENT

The sponsorship agreement states the Treasurer of the Lucas County Educational Service Center shall serve as the Chief Financial Officer of Aurora Academy. As part of this agreement, Aurora shall compensate the Lucas County Educational Service Center two percent (2%) of the per pupil allotments paid to Aurora from the State of Ohio.

The Treasurer of the Sponsor shall perform all of the following functions while serving as the Chief Financial Officer of Aurora:

1. Maintain custody of all funds received by the Aurora in segregated accounts separate from the Sponsor's or any other Community School's funds;

2. Maintain all books and accounts of all funds of Aurora;

3. Maintain all financial records of all state funds of Aurora and follow State Auditor procedures for receiving and expending state funds;

4. Assist Aurora in meeting all financial reporting requirements established by the Auditor of Ohio;

5. Invest funds of Aurora in the same manner as the funds of the sponsor are invested, but the Treasurer shall not commingle the funds with any of the Sponsor or any other community school; and

6. Pay obligations incurred by Aurora within a reasonable amount of time, not more than 14 calendar days after receipt of a properly executed voucher signed by the Chief Administrative Officer of the school so long as the proposed expenditure is within the approved budget and funds are available.

13. PURCHASED SERVICE EXPENSES

For the fiscal year ended June 30, 2000, purchased service expenses were payments for services rendered, as follows:

PURCHASED SERVICES

Professional and Technical Services	$57,880
Property Services	119,347
Travel Mileage/Meeting Expense	3,655
Communications	7,046
Total Purchased Services	$187,928

14. OPERATING LEASES

Aurora entered into a lease for the period July 15, 1999 through July 14, 2000 with “Good Shepherd Parish” to lease space to house the Aurora Academy Community School. Payments made totaled $115,761 for the fiscal year. Aurora has the option to renew the lease for an additional one-year term.

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

Aurora Academy
Lucas County
541 Utah Street
Toledo, Ohio 43605-2295

To the Governing Board:

We have audited the financial statements of Aurora Academy, Lucas County, (Aurora) for the fiscal year ended June 30, 2000, and have issued our report thereon dated January 9, 2001. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Aurora's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards.* However, we noted an immaterial instance of noncompliance that we have reported to management of Aurora in a separate letter dated January 9, 2001.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Aurora's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Aurora's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings as item 2000-10148-001.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe item 2000-10148-001 is a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of Aurora in a separate letter dated January 9, 2001.

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

Jim Petro
Auditor of State

January 9, 2001

SCHEDULE OF FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

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

FINDING NUMBER 2000-10148-001

Material Weakness - Fixed Assets

The following control weaknesses over fixed assets exist:

- Aurora has not developed a fixed asset accounting system which maintains total fixed asset listings, by location, with tag identification numbers and other supplemental information.

- Aurora has not accurately developed and implemented procedures to assist in recording assets as additions when purchased, and deletions when disposed of throughout the fiscal year.

- Aurora has not implemented procedures to perform periodic inventory of assets.

- The Governing Board has not developed a fixed asset policy wherein it sets forth the capitalization criteria for Aurora.

Failure to obtain timely records or employ adequate controls over the acquisition and disposal of fixed assets could result in misappropriation of assets and misstatements of recorded assets.

To maintain adequate safeguards over fixed assets, and to reduce the risk that Aurora's assets will be misstated, we recommend:

- The Governing Board develop and implement procedures to be performed throughout the year, for the recording and updating of fixed assets. These procedures should include tagging all assets meeting Aurora's capitalization criteria. Further, addition and disposal forms should be completed by the Aurora and approved by management when assets are acquired or disposed. This information should then be entered on the fixed asset accounting system, recording such information as the tag number, a description of the item, the cost, the acquisition date, location and any other supporting documentation.

- Aurora develop and implement procedures for performing periodic(annual) physical inventories. The physical inventories can be performed by submitting a list of all fixed assets recorded to each location and having individuals responsible for that location perform the inventory of all assets in that location. The assets in each location should be compared to the listing provided, and any assets no longer used should be deleted and any assets included on the listing should be added.

STATE OF OHIO
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AURORA ACADEMY

LUCAS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
FEBRUARY 06, 2001