



**CITY OF AURORA
PORTAGE COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED DECEMBER 31, 1999



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**CITY OF AURORA
PORTAGE COUNTY**

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INDEPENDENT ACCOUNTANTS' REPORT

City of Aurora
Portage County
Members of Council
130 South Chillicothe Road
Aurora, Ohio 44202-6802

To the City Council:

We have audited the accompanying general-purpose financial statements of the City of Aurora, Portage County, (the City) as of and for the year ended December 31, 1999, as listed in the table of contents. These general-purpose financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Aurora, Portage County, as of December 31, 1999, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 20, 2001 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations and contracts. 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

July 20, 2001

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**THE CITY OF AURORA, OHIO
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
DECEMBER 31, 1999**

	<i>Governmental Fund Types</i>			<i>Proprietary Fund Type</i>	<i>Fiduciary Fund Types</i>	<i>Account Groups</i>		Totals (Memorandum Only)	
	General Fund	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Enterprise Funds	Trust and Agency Funds	General Fixed Assets		General Long-Term Obligations
Assets and Other Debits:									
Assets:									
Cash and Cash Equivalents	\$520,654	\$1,122,213	\$1,344,670	\$2,086,065	\$5,908,337	\$774,277	\$0	\$0	\$11,756,216
Investments	1,728,175	0	3,552,213	1,094,820	3,983,201	0	0	0	10,358,409
Receivables (net of allowance for doubtful accounts):									
Income Taxes	278,489	0	0	75,000	0	0	0	0	353,489
Property Taxes	822,591	958,939	845,528	0	0	0	0	0	2,627,058
Accounts	0	0	0	0	582,584	91,658	0	0	674,242
Interest	90,238	0	37,471	5,590	76,737	0	0	0	210,036
Special Assessments	0	0	1,159,431	0	0	0	0	0	1,159,431
Due from Other Funds	180,076	30,711	0	0	0	12,495	0	0	223,282
Interfund Receivable	0	0	0	51,000	820,000	0	0	0	871,000
Inventory of Supplies at Cost	2,475	0	0	0	0	0	0	0	2,475
Prepaid Items	102,826	0	0	0	777	0	0	0	103,603
Restricted Assets:									
Investments	5,919	0	0	0	0	0	0	0	5,919
Fixed Assets (net of accumulated depreciation)	0	0	0	0	29,544,648	0	16,519,945	0	46,064,593
Construction in Progress	0	0	0	0	0	0	97,921	0	97,921
Other Debits:									
Amount Available in Debt Service	0	0	0	0	0	0	0	4,869,668	4,869,668
Amount to be Provided for General Long-Term Obligations	0	0	0	0	0	0	0	8,910,920	8,910,920
Total Assets and Other Debits	\$3,731,443	\$2,111,863	\$6,939,313	\$3,312,475	\$40,916,284	\$878,430	\$16,617,866	\$13,780,588	\$88,288,262

(Continued)

**THE CITY OF AURORA, OHIO
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
DECEMBER 31, 1999**

	<i>Governmental Fund Types</i>			<i>Proprietary Fund Type</i>	<i>Fiduciary Fund Types</i>	<i>Account Groups</i>		Totals (Memorandum Only)	
	General Fund	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Enterprise Funds	Trust and Agency Funds	General Fixed Assets		General Long-Term Obligations
Liabilities, Equity and Other Credits:									
Liabilities:									
Accounts Payable	\$28,898	\$37,025	\$56,686	\$373,774	\$120,022	\$0	\$0	\$0	\$616,405
Accrued Wages and Benefits	331,660	7,061	0	0	42,247	0	0	0	380,968
Due to Other Funds	43,206	0	0	0	0	180,076	0	0	223,282
Interfund Payable	0	43,000	8,000	820,000	0	0	0	0	871,000
Due to Others	0	0	0	0	0	698,354	0	0	698,354
Claims Payable	39,648	0	0	0	0	0	0	0	39,648
Deferred Revenue	822,033	958,939	2,004,959	0	0	0	0	0	3,785,931
Compensated Absences Payable	0	0	0	0	29,850	0	0	292,685	322,535
Ohio Water Development Authority Loan Payable	0	0	0	0	9,770,981	0	0	0	9,770,981
Long-Term Debt	0	0	0	0	771,998	0	0	13,487,903	14,259,901
Total Liabilities	1,265,445	1,046,025	2,069,645	1,193,774	10,735,098	878,430	0	13,780,588	30,969,005
Equity and Other Credits:									
Investment in General Fixed Assets	0	0	0	0	0	0	16,617,866	0	16,617,866
Contributed Capital	0	0	0	0	20,468,432	0	0	0	20,468,432
Retained Earnings - Unreserved	0	0	0	0	9,712,754	0	0	0	9,712,754
Fund Balances:									
Reserved for Supplies Inventory	2,475	0	0	0	0	0	0	0	2,475
Reserved for Prepaid Items	102,826	0	0	0	0	0	0	0	102,826
Reserved for Debt Service	0	0	4,869,668	0	0	0	0	0	4,869,668
Unreserved:									
Undesignated	2,360,697	1,065,838	0	2,118,701	0	0	0	0	5,545,236
Total Equity and Other Credits	2,465,998	1,065,838	4,869,668	2,118,701	30,181,186	0	16,617,866	0	57,319,257
Total Liabilities, Equity and Other Credits	\$3,731,443	\$2,111,863	\$6,939,313	\$3,312,475	\$40,916,284	\$878,430	\$16,617,866	\$13,780,588	\$88,288,262

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

THE CITY OF AURORA, OHIO
COMBINED STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1999

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	General Fund	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	
<u>Revenues:</u>					
Taxes	\$7,302,697	\$972,994	\$1,074,054	\$600,000	\$9,949,745
Intergovernmental Revenues	715,693	581,371	94,127	170,000	1,561,191
Charges for Services	232,835	0	0	0	232,835
Licenses and Permits	349,375	0	0	0	349,375
Investment Earnings	649,973	0	235,781	57,556	943,310
Fines and Forfeitures	35,366	3,576	0	0	38,942
Special Assessments	0	0	3,740	0	3,740
All Other Revenues	113,616	3,946	0	72,960	190,522
Total Revenues	<u>9,399,555</u>	<u>1,561,887</u>	<u>1,407,702</u>	<u>900,516</u>	<u>13,269,660</u>
<u>Expenditures:</u>					
<i>Current:</i>					
Security of Persons and Property	3,578,125	450,116	0	0	4,028,241
Leisure Time Activities	247,942	4,450	0	0	252,392
Community Environment	863,483	0	0	0	863,483
Transportation	1,555,404	284,548	0	0	1,839,952
General Government	1,618,736	33,410	22,411	0	1,674,557
Capital Outlay	0	396,302	0	6,052,316	6,448,618
<i>Debt Service:</i>					
Principal Retirement	0	0	1,103,957	0	1,103,957
Interest and Fiscal Charges	0	0	703,909	20,500	724,409
Total Expenditures	<u>7,863,690</u>	<u>1,168,826</u>	<u>1,830,277</u>	<u>6,072,816</u>	<u>16,935,609</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,535,865	393,061	(422,575)	(5,172,300)	(3,665,949)
<u>Other Financing Sources (Uses):</u>					
Operating Transfers In	0	0	680,000	695,000	1,375,000
Operating Transfers Out	<u>(1,171,000)</u>	<u>(330,000)</u>	<u>(140,000)</u>	<u>(205,000)</u>	<u>(1,846,000)</u>
Total Other Financing Sources (Uses)	<u>(1,171,000)</u>	<u>(330,000)</u>	<u>540,000</u>	<u>490,000</u>	<u>(471,000)</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	364,865	63,061	117,425	(4,682,300)	(4,136,949)
Fund Balance Beginning of Year	2,110,988	1,002,777	4,752,243	6,801,001	14,667,009
Decrease in Inventory Reserve	(9,855)	0	0	0	(9,855)
Fund Balance End of Year	<u>\$2,465,998</u>	<u>\$1,065,838</u>	<u>\$4,869,668</u>	<u>\$2,118,701</u>	<u>\$10,520,205</u>

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

THE CITY OF AURORA, OHIO
COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1999

	<u>General Fund</u>			<u>Special Revenue Funds</u>		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:						
Taxes	\$6,830,100	\$7,427,197	\$597,097	\$882,200	\$972,994	\$90,794
Intergovernmental Revenues	563,300	715,693	152,393	574,479	636,102	61,623
Charges for Services	170,900	232,835	61,935	0	0	0
Licenses and Permits	250,000	349,375	99,375	0	0	0
Investment Earnings	253,000	676,495	423,495	0	0	0
Special Assessments	0	0	0	0	0	0
Fines and Forfeitures	45,000	39,258	(5,742)	8,100	3,956	(4,144)
All Other Revenues	36,050	68,350	32,300	4,000	3,946	(54)
Total Revenues	<u>8,148,350</u>	<u>9,509,203</u>	<u>1,360,853</u>	<u>1,468,779</u>	<u>1,616,998</u>	<u>148,219</u>
Expenditures:						
<i>Current:</i>						
Security of Persons and Property	3,441,609	3,441,609	0	620,972	620,972	0
Leisure Time Activities	266,919	266,919	0	4,450	4,450	0
Community Environment	878,592	878,592	0	0	0	0
Transportation	1,608,290	1,608,290	0	333,594	333,594	0
General Government	2,039,565	2,039,565	0	35,176	35,176	0
Capital Outlay	0	0	0	417,205	417,205	0
<i>Debt Service:</i>						
Principal Retirement	0	0	0	0	0	0
Interest and Fiscal Charges	0	0	0	0	0	0
Total Expenditures	<u>8,234,975</u>	<u>8,234,975</u>	<u>0</u>	<u>1,411,397</u>	<u>1,411,397</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(86,625)	1,274,228	1,360,853	57,382	205,601	148,219
Other Financing Sources (Uses):						
Operating Transfers In	0	0	0	0	0	0
Operating Transfers Out	(1,171,000)	(1,171,000)	0	(330,000)	(330,000)	0
Advances In	0	0	0	43,000	43,000	0
Advances Out	0	0	0	0	0	0
Total Other Financing Sources (Uses)	<u>(1,171,000)</u>	<u>(1,171,000)</u>	<u>0</u>	<u>(287,000)</u>	<u>(287,000)</u>	<u>0</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(1,257,625)	103,228	1,360,853	(229,618)	(81,399)	148,219
Fund Balance at Beginning of Year	1,481,460	1,481,460	0	682,363	682,363	0
Prior Year Encumbrances	219,347	219,347	0	400,767	400,767	0
Fund Balance at End of Year	<u>\$443,182</u>	<u>\$1,804,035</u>	<u>\$1,360,853</u>	<u>\$853,512</u>	<u>\$1,001,731</u>	<u>\$148,219</u>

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

THE CITY OF AURORA, OHIO
COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1999

<i>Debt Service Funds</i>			<i>Capital Projects Funds</i>			<i>Totals (Memorandum Only)</i>		
Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
\$1,066,710	\$1,074,054	\$7,344	\$600,000	\$600,000	\$0	\$9,379,010	\$10,074,245	\$695,235
99,910	94,127	(5,783)	337,000	170,000	(167,000)	1,574,689	1,615,922	41,233
0	0	0	0	0	0	170,900	232,835	61,935
0	0	0	0	0	0	250,000	349,375	99,375
175,000	237,386	62,386	0	64,027	64,027	428,000	977,908	549,908
0	3,740	3,740	0	0	0	0	3,740	3,740
0	0	0	0	0	0	53,100	43,214	(9,886)
0	0	0	20,000	72,960	52,960	60,050	145,256	85,206
<u>1,341,620</u>	<u>1,409,307</u>	<u>67,687</u>	<u>957,000</u>	<u>906,987</u>	<u>(50,013)</u>	<u>11,915,749</u>	<u>13,442,495</u>	<u>1,526,746</u>
0	0	0	0	0	0	4,062,581	4,062,581	0
0	0	0	0	0	0	271,369	271,369	0
0	0	0	0	0	0	878,592	878,592	0
0	0	0	0	0	0	1,941,884	1,941,884	0
22,411	22,411	0	0	0	0	2,097,152	2,097,152	0
0	0	0	6,879,439	6,879,439	0	7,296,644	7,296,644	0
1,131,959	1,131,959	0	0	0	0	1,131,959	1,131,959	0
742,057	742,057	0	0	0	0	742,057	742,057	0
<u>1,896,427</u>	<u>1,896,427</u>	<u>0</u>	<u>6,879,439</u>	<u>6,879,439</u>	<u>0</u>	<u>18,422,238</u>	<u>18,422,238</u>	<u>0</u>
(554,807)	(487,120)	67,687	(5,922,439)	(5,972,452)	(50,013)	(6,506,489)	(4,979,743)	1,526,746
741,000	741,000	0	695,000	695,000	0	1,436,000	1,436,000	0
(140,000)	(140,000)	0	(205,000)	(205,000)	0	(1,846,000)	(1,846,000)	0
8,000	8,000	0	820,000	820,000	0	871,000	871,000	0
0	0	0	(51,000)	(51,000)	0	(51,000)	(51,000)	0
<u>609,000</u>	<u>609,000</u>	<u>0</u>	<u>1,259,000</u>	<u>1,259,000</u>	<u>0</u>	<u>410,000</u>	<u>410,000</u>	<u>0</u>
54,193	121,880	67,687	(4,663,439)	(4,713,452)	(50,013)	(6,096,489)	(4,569,743)	1,526,746
4,783,737	4,783,737	0	6,373,363	6,373,363	0	13,320,923	13,320,923	0
0	0	0	409,728	409,728	0	1,029,842	1,029,842	0
<u>\$4,837,930</u>	<u>\$4,905,617</u>	<u>\$67,687</u>	<u>\$2,119,652</u>	<u>\$2,069,639</u>	<u>(\$50,013)</u>	<u>\$8,254,276</u>	<u>\$9,781,022</u>	<u>\$1,526,746</u>

THE CITY OF AURORA, OHIO
COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS
ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 1999

	Enterprise Funds
<u>Operating Revenues:</u>	
Charges for Services	\$4,438,630
Other Charges for Services	99,590
Total Operating Revenues	4,538,220
<u>Operating Expenses:</u>	
Personal Services	840,933
Materials and Supplies	273,504
Contractual Services	1,948,697
Utility Costs	19,772
Depreciation	652,573
Other Operating Expenses	25,859
Total Operating Expenses	3,761,338
Operating Income	776,882
<u>Nonoperating Revenues (Expenses):</u>	
Investment Earnings	373,656
Interest and Fiscal Charges	(327,838)
Total Nonoperating Revenues (Expenses)	45,818
Income Before Operating Transfers	822,700
<u>Operating Transfers:</u>	
Operating Transfers In	731,000
Operating Transfers Out	(260,000)
Total Operating Transfers	471,000
Net Income	1,293,700
Retained Earnings at Beginning of Year	8,419,054
Retained Earnings at End of Year	\$9,712,754

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

THE CITY OF AURORA, OHIO
COMBINED STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 1999

	<i>Enterprise Funds</i>
<u>Cash Flows from Operating Activities:</u>	
Cash Received from Customers	\$4,526,502
Cash Payments for Goods and Services	(2,249,167)
Cash Payments to Employees	(907,436)
Net Cash Provided by Operating Activities	1,369,899
<u>Cash Flows from Noncapital Financing Activities:</u>	
Transfers In from Other Funds	731,000
Transfers Out to Other Funds	(260,000)
Advances Out to Other Funds	(820,000)
Net Cash Used for Noncapital Financing Activities	(349,000)
<u>Cash Flows from Capital and Related Financing Activities:</u>	
Proceeds from Ohio Water Development Authority Loan	211,781
Acquisition and Construction of Assets	(1,333,269)
Principal Paid on Ohio Water Development Authority Loans	(258,445)
Principal Paid on General Obligation Bonds	(28,002)
Interest Paid on All Debt	(327,838)
Net Cash Used for Capital and Related Financing Activities	(1,735,773)
<u>Cash Flows from Investing Activities:</u>	
Receipts of Interest	353,497
Purchase of Investments	(3,992,994)
Net Cash Used for Investing Activities	(3,639,497)
Net Decrease in Cash and Cash Equivalents	(4,354,371)
Cash and Cash Equivalents at Beginning of Year	10,262,708
Cash and Cash Equivalents at End of Year	\$5,908,337
<u>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</u>	
Operating Income	\$776,882
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation Expense	652,573
Changes in Assets and Liabilities:	
Increase in Accounts Receivable	(11,718)
Decrease in Prepaid Items	15,895
Increase in Accounts Payable	2,770
Increase in Accrued Wages and Benefits	8,622
Decrease in Compensated Absences	(75,125)
Total Adjustments	593,017
Net Cash Provided by Operating Activities	\$1,369,899

Schedule of Noncash Investing, Capital and Financing Activities:

During 1999, the Sewer and Recreation Funds had outstanding liabilities of \$59,654 and \$14,058, respectively, for certain capital assets. During 1999, the Water and Sewer Funds received \$1,208,900 and \$698,354, respectively, of fixed assets which were recorded as Contributed Capital. During 1999 the fair value of investments decreased by \$2,621 and \$7,172 in the Water and Sewer Funds respectively.

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

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THE CITY OF AURORA, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLITICS

A. Reporting Entity

The City of Aurora, Ohio (the City) operates as a Home Rule City in accordance with Article XVIII of the Ohio Constitution under a Mayor - Council form of government.

The accompanying general purpose financial statements of the City present the financial position of the various fund types and account groups, the results of operations of the various fund types, and the cash flows of the proprietary funds. The financial statements are presented as of December 31, 1999, and for the year then ended and have been prepared in conformity with generally accepted accounting principles (GAAP) applicable to local governments. The Governmental Accounting Standards Board (GASB) is the standard-setting body for establishing governmental accounting and financial reporting principles, which are primarily set forth in the GASB's Codification of Governmental Accounting and Financial Reporting Standards (GASB Codification).

The accompanying general purpose financial statements comply with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 14, "*The Financial Reporting Entity*", in that the financial statements include all organizations, activities, functions and component units for which the City (the reporting entity) is financially accountable. Financial accountability is defined as the appointment of a voting majority of a legally separate organization's governing body and either (1) the City's ability to impose its will over the organization or (2) the possibility that the organization will provide a financial benefit to or impose a financial burden on the City. There were no potential component units that met the criteria imposed by GASB 14 to be included in the City's reporting entity.

Based on the foregoing, the reporting entity of the City includes the following services as authorized by its Charter: public safety, recreation, public improvements, planning and zoning, highway and streets and general administrative services. In addition, the City owns and operates a water treatment and distribution system, a sewage treatment and collection system, a cemetery and recreation program which are reported as enterprise funds.

B. Basis of Presentation

The accounting system is organized and operated on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures (expenses). The various funds are summarized by type in the general purpose financial statements. The following fund types and account groups are used by the City:

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLITICS (Continued)**B. Basis of Presentation** (Continued)

Governmental Funds - are primarily accounted for on a spending measurement focus. Only current assets and current liabilities are generally included on their balance sheet. Their operating statements present sources (revenues and other financing sources) and uses (expenditures and other financing uses) of "available expendable resources" - during a period.

General Fund - the general operating fund of the City; used to account for all revenues and expenditures except those required to be accounted for in another fund.

Special Revenue Funds - used to account for revenue from specific sources (other than capital projects) which require separate accounting because of legal restrictions requiring that expenditures be for specified purposes.

Debt Service Fund - to account for the accumulation of resources for, and the payment of, general long-term liabilities including principal and interest.

Capital Projects Funds - used to account for revenues and expenditures related to the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

Proprietary Funds - All proprietary funds are accounted for on an "economic measurement" focus. This measurement focus provides that all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net assets) is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

Enterprise Funds - used to account for operations where the intention is to finance such operations primarily through user charges, or where the City has decided that the periodic determination of revenues, expenses and net income is appropriate.

The cost of goods or services provided by one department to another within the City are charged directly to the department receiving the goods or services and are generally not material. The City does not provide any significant services to other governmental units. Accordingly, internal service funds are not used.

Fiduciary Funds

Trust and Agency Funds - These funds are used to account for assets held by a governmental unit in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The City maintains one expendable trust fund and several agency funds. The expendable trust fund is accounted for and reported similarly to governmental funds. The agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLITICS (Continued)**B. Basis of Presentation** (Continued)

Account Groups - are used to establish accounting control and accountability for the City's general fixed assets and general long-term liabilities.

General Fixed Assets - to account for capital assets used in general government operations with a useful life of greater than one year (other than those accounted for in proprietary funds).

General Long-Term Obligations - used to account for all long-term obligations of the City, except for those accounted for in proprietary funds. These obligations are secured by the credit of the City as a whole and are payable from general government resources or assessments against property owners.

C. Total (Memorandum Only) Columns

The Totals (Memorandum Only) columns on the General Purpose Financial Statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. The summation includes fund types and account groups that use different bases of accounting, both restricted and unrestricted amounts, Interfund transactions which have not been eliminated, and the caption "amount to be provided" which is not considered an asset.

Such information should not be considered comparable to a consolidation and does not represent total resources available or total revenues and expenditures/expenses of the City.

D. Budgetary Process

The City follows these procedures in establishing and legally adopting the budgetary information for the general, special revenue and capital projects funds reflected in the financial statements:

The Administration prepares the annual budget and submits it to the city council for adoption. This budget is based upon estimated receipts and expenditures, including encumbrances.

Prior to holding a public hearing on the proposed budget, it is made available for review at the office of the Finance Director.

City Council holds a public hearing on the proposed budget.

City Council adopts the budget, on a total fund basis, for the following year by ordinance on or before July 15 of each year.

After adoption, the budget is certified to the County Budget Commission by July 20 for the period January 1 to December 31 of the following year. The Commission conducts another hearing and determines if the budget fairly represents the needs of the City.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLITICS (Continued)

D. Budget Process (Continued)

The Commission certifies its actions to the City by September 1. As part of this examination, the City receives the official certificate of estimated resources which projects receipts of each fund.

The City accepts and levies the Commission's estimated necessary tax rate for the ensuing tax year. Their acceptance must be certified to the County Auditor by October 1.

On or about January 1, the Finance Director files an amendment to the certificate of estimated resources and expenditures to include the fund balances at the end of the preceding year.

A temporary appropriation measure may be passed by Council on or before January 1 for the period January 1 to March 31. An annual appropriation measure must be passed by April 1 for the period January 1 to December 31. The level at which expenditures cannot legally exceed appropriation is at the fund level. The budgeted amounts by department or expenditure category reflected in the financial statements and supplemental schedules include this initial appropriation measure and all revisions thereto for the year, as described below.

The Finance Director is authorized to transfer budgeted amounts within expenditure categories within any department; however, all other transfers or other revisions that effect the total appropriation measure for any fund must be authorized by City Council.

At the close of each fiscal year, the unencumbered balance of each appropriation lapses, reverts to the fund from which it was appropriated, and is subject to future appropriation.

Budgets for the General, Special Revenue, Capital Projects and Special Assessment Funds are adopted on a non-GAAP basis as more fully described in Note 11.

E. Basis of Accounting

The modified accrual basis of accounting is used for governmental and agency funds. Revenues are recorded when susceptible to accrual (i.e. both measurable and available). Available is defined as collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the liability is incurred, except for interest on general long-term obligations which is recorded when due in conformity with generally accepted accounting principles.

The accrual basis of accounting is used for the proprietary funds. Pursuant to GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting," the City follows GASB guidance as applicable to proprietary funds and FASB Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989 that do not conflict with or contradict GASB pronouncements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLITICS (Continued)

E. Basis of Accounting (Continued)

Revenue Recognition:

Portage County ("the County") is responsible for assessing, collecting and remitting to the City property taxes related to applicable property located in the City (See Note 7). Property tax revenues are recognized when received because the collections made by the County are not remitted to the City within the current period or soon enough thereafter to be used to pay liabilities of the current period. Delinquent property taxes are reported as deferred revenue at the end of the year and recognized as revenue when available.

Income taxes are collected by the Regional Income Tax Agency ("RITA") and remitted to the City net of collection costs on the tenth working day of the month following collection. Revenues are susceptible to accrual and are so recorded at year-end (see Note 8). These revenues are designated by City Council for use in the General Fund and Capital Improvement Fund. All collection costs and related income retained are reflected in the general fund.

Most other taxes are recorded when deemed available to the City. Generally, this is when the revenue is actually received.

In applying the susceptible to accrual concept to intergovernmental revenues (grants, subsidies and shared revenues), the legal and contractual requirements of the numerous individual programs are used as guidance. There are, however, essentially two types of these revenues. In one, monies are virtually unrestricted as to purpose of expenditure and nearly irrevocable, i.e., revocable only for failure to comply with prescribed compliance requirements, e.g., equal employment opportunity. These resources are reflected as revenues at the time of receipt or earlier if they meet the criterion of availability.

Interest revenue is allocated to certain funds, as authorized by City Council, based on preceding month-end cash balances.

Special assessments are recorded as deferred revenue when levied and recognized as revenue to the extent the related installment payments are deemed available to be used to pay liabilities of the current period.

Unbilled water and sewer utility service revenues are accrued in the period in which such services are rendered. The amount accrued is based on subsequent billings.

Installation and connection fees are recognized as revenue since they approximate the related costs.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLITICS (Continued)**E. Basis of Accounting** (Continued)*Deferred Revenues:*

Deferred revenues are those revenues where asset recognition criteria have been met (legal right to receive exists), but where revenue recognition criteria have not been met. The City has recorded \$822,033 of accrued property taxes within the General Fund as deferred revenue. Deferred revenue of \$2,004,959 has been recorded within the Debt Service Fund of which \$1,159,431 is for special assessments levied but not currently due and \$845,528 is for property taxes. All such amounts have been deemed to be measurable but not available. Deferred Revenue of \$958,939 has been recorded within the Special Revenue Funds which reflects levied 1999 taxes to be collected in 2000.

F. Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits as well as short-term certificates of deposit. The certificates of deposit are considered cash equivalents because they are highly liquid investments with maturity dates of three months or less.

The City pools its cash for investment and resource management purposes. Each fund's equity in pooled cash and investments represents the balance on hand as if each maintains its own cash and investment account. For purposes of the statement of cash flows, the proprietary funds' share of equity in pooled certificates of deposit are considered to be cash equivalents. See Note 3, "Cash, Cash Equivalents and Investments."

G. Investments

Investment procedures and interest allocations are restricted by provisions of the Ohio Constitution and the Ohio Revised Code. In accordance with GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools", the City reports its investments at fair value, except for nonparticipating investment contracts (certificates of deposit) which are reported at cost.

The City has invested funds in the STAR Ohio during 1999. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on December 31, 1999. See Note 3, "Cash, Cash Equivalents and Investments."

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLITICS (Continued)**H. Inventories**

Inventory is stated at cost (first-in, first-out) in the governmental funds, and at the lower of cost (first-in, first-out) or market in the proprietary fund. The costs of inventory items are recorded as expenditures in the Governmental and Expendable Trust Funds when purchased and expenses in the proprietary funds when used.

I. General Fixed Assets

General fixed assets, which consist of property and equipment acquired through expenditures of governmental funds, are recorded at cost or estimated historical cost, or with respect to donated assets, fair market value at date of donation. Public domain infrastructure assets, which include improvements such as roads, bridges, curbs, gutters and sidewalks, are not capitalized.

J. Compensated Absences

In accordance with GASB Statement No. 16, "Accounting for Compensated Absences," vacation and compensatory time are accrued as liabilities when an employee's right to receive compensation is attributable to services already rendered and it is probable that the employee will be compensated through paid time off or some other means, such as cash payments at termination or retirement. Leave time that has been earned but is unavailable for use as paid time off or as some other form of compensation because an employee has not met the minimum service time requirement, is accrued to the extent that it is considered to be probable that the conditions for compensation will be met in the future.

Sick leave is accrued using the vesting method, whereby the liability is recorded on the basis of leave accumulated by employees who are eligible to receive termination payments as of the balance sheet date, and on leave balances accumulated by other employees who are expected to become eligible in the future to receive such payments.

For governmental funds, that portion of unpaid compensated absences that is expected to be paid using expendable, available resources is reported as an expenditure in the fund from which the individual earning the leave is paid, and a corresponding liability is reflected in the account "Accrued Wages and Benefits." The long-term portion of the liability is reported in the General Long-Term Obligations Account Group.

Compensated absences are expensed in the water, sewer and recreation enterprise funds when earned, and the related liability is reported within the fund.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLITICS (Continued)**K. Property and Equipment - Enterprise Funds**

Property and Equipment owned by the enterprise funds which was purchased is stated at cost, or estimated historical cost. donated assets are recorded at their fair market value at date of donation. Depreciation is provided over the estimated useful lives using the straight-line method. Estimated useful lives are as follows:

<u>Description</u>	<u>Estimated Lives (in Years)</u>
Land Improvements	20
Buildings	15 to 45
Equipment	4 to 50

L. Encumbrances

As part of formal budgetary control, purchase orders, contracts and other commitments for expenditures are encumbered and recorded as the equivalent of expenditures (budget basis) in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. However, on the GAAP basis of accounting, encumbrances do not constitute expenditures or liabilities and are reported as reservations of fund balances for governmental funds in the accompanying general purpose financial statements.

M. Reservations of Fund Balance

Reserves indicate that a portion of fund balance is not available for expenditure or is legally segregated for a specific future use. Fund balances are reserved for inventories of supplies and materials, prepaid items and encumbrances (excluding encumbered amounts reflected as payables).

N. Contributed Capital

Proprietary fund type contributed capital is recorded at the fair market value of the related assets at the date received. Depreciation on contributed fixed assets resulting from grants, entitlements and shared revenues is recorded as an operating expense and closed along with other operating expenses directly to retained earnings.

NOTE 2 - COMPLIANCE AND ACCOUNTABILITY

Deficit Fund Equities - The fund deficits at December 31, 1999 of \$6,799 in the COPS More Grant Fund (special revenue fund), \$14,273 in the Wason Street Improvement Fund (debt service fund) and \$335,070 in the Capital Improvement Fund (capital projects fund) arise from the recognition of expenditures on a modified accrual basis of accounting which are greater than expenditures on the budgetary basis of accounting. The accumulated deficits of \$638,235 in the Water Fund and \$394,959 in the Sewer Fund (enterprise funds) result from the recognition of expenses on the accrual basis which are greater than those on the cash basis. Deficits do not exist under the budgetary/cash basis of accounting. The General Fund provides operating transfers, upon City Council's approval when cash is required not when accruals occur.

NOTE 3 - CASH, CASH EQUIVALENTS AND INVESTMENTS

Statutes require the classification of funds held by the City into three categories:

Category 1 consists of "active" funds - those funds required to be kept in "cash" or "near cash" status for immediate use by the City. Such funds must be maintained either as cash in the City Treasury or in depository accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts.

Category 2 consists of "inactive" funds - those funds not required for use within the current two year period of designation of depositories. Inactive funds may be deposited or invested only as certificates of deposit maturing no later than the end of the current period of designation of depositories.

Category 3 consists of "interim" funds - those funds not needed for immediate use but needed before the end of the current period of designation of depositories. Interim funds may be invested or deposited in the following securities:

- United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal or interest by the United States;
- Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the 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;
- Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
- Interim deposits in eligible institutions applying for interim funds;
- Bonds and other obligations of the State of Ohio;
- No-load money market mutual funds consisting exclusively of obligations described in the first two bullets of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions, and
- The State Treasury Asset Reserve of Ohio (STAR Ohio).

NOTE 3 - CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

Ohio law requires that deposits be placed in eligible banks or savings and loan associations located in Ohio. Any public depository in which the City places deposits must pledge as collateral, eligible securities of aggregate market value equal to the excess of deposits not insured by the Federal Deposit Insurance Corporation (FDIC). The securities pledged as collateral are pledged to a pool for each individual financial institution in amounts equal to at least 110% of the carrying value of all public deposits held by each institution. Obligations that may be pledged as collateral are limited to obligations of the United States and its agencies and obligations of any state, county, municipal corporation or other legally constituted authority of any other state, or any instrumentality of such county, municipal corporation or other authority. Based upon criteria described in GASB Statement No. 3, "*Deposits With Financial Institutions, Investments (including Repurchase Agreements) and Reverse Repurchase Agreements*," collateral held in single financial institution collateral pools with securities being held by the pledging financial institution's agent in the pool's name are classified as Category 3.

The GASB has established risk categories for deposits and investments as follows:

Deposits:

- Category 1 Insured or collateralized with securities held by the City or by its agent in the City's name.
- Category 2 Collateralized with securities held by the pledging financial institution's trust department or agent in the City's name.
- Category 3 Collateralized with securities held by the pledging financial institution's trust department or agent, but not in the City's name.

Investments:

- Category 1 Insured or registered with securities held by the City or its agent in the City's name.
- Category 2 Uninsured and unregistered with securities held by the counterparty's trust department or agent in the City's name.
- Category 3 Uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the City's name.

A. Deposits

At year-end, the carrying amount of the City's deposits was \$8,850,366 and the bank balance was \$9,632,847, of which \$1,261,314 was covered by federal depository insurance, by collateral held by the City or by collateral held by a qualified third party trustee in the name of the City. The remainder, \$8,371,533 was covered by collateral held by third party trustees pursuant to Section 135.181, Revised Code, in collateral pools securing all public funds on deposit with specific depository institution in the financial institution's name. All statutory requirements for the deposit of money have been followed. Non-compliance with federal requirements could potentially subject the City to a successful claim by the FDIC.

NOTE 3 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

B. Investments

The City's investments are categorized below to give an indication of the level of risk assumed by the entity at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the City. Category 2 includes uninsured and unregistered investments for which the securities are held by the broker's in dealer's trust department or agent in the City's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer or by its trust department but not in the City's name.

<u>Categorized Investments</u>	<u>Category 1</u>	<u>Category 2</u>	<u>Carrying Value</u>	<u>Fair Value</u>
City of Aurora Bonds	\$5,919	\$0	\$5,919	\$5,919
U.S.Treasury Bills	0	4,986,876	4,986,876	4,986,876
Total Categorized Investments	5,919	4,986,876	4,992,795	4,992,795
<u>Non-Categorized Investments</u>				
STAR Ohio	N/A	N/A	8,277,383	8,277,383
Total Investments	\$5,919	\$4,986,876	\$13,270,178	\$13,270,178

C. Reconciliation of Cash, Cash Equivalents and Investments

The classification of cash, cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9. Repurchase agreements, treasury bills and certificates of deposit with an original maturity of three months or less are treated as cash and cash equivalents. The classification of cash and cash equivalents (deposits) for purposes of this note is based on criteria set forth in GASB Statement No. 3.

A reconciliation between classifications of cash and investments on the combined financial statements and the classifications per items A and B of this note are as follows:

	<u>Cash and Cash Equivalents</u>	<u>Investments</u>
Per Combined Balance Sheet	\$11,756,216	\$10,364,328
Investments:		
Certificates of Deposit (with original maturities greater than 90 days)	5,371,533	(5,371,533)
STAR Ohio	(8,277,383)	8,277,383
Per GASB Statement No. 3	<u>\$8,850,366</u>	<u>\$13,270,178</u>

NOTE 4 - PROPERTY AND EQUIPMENT**A. General Fixed Assets**

Activity with respect to general fixed assets during 1999 follows:

Category	December 31, 1998	Additions	Deletions	December 31, 1999
Land/Land Improvements	\$2,097,617	\$91,008	\$0	\$2,188,625
Buildings	4,607,555	4,977,580	(78,000)	9,507,135
Equipment	3,814,060	1,085,154	(75,029)	4,824,185
Construction in Progress	144,115	97,921	(144,115)	97,921
Totals	\$10,663,347	\$6,251,663	(\$297,144)	\$16,617,866

B. Proprietary Fixed Assets

Activity with respect to property and equipment in the enterprise funds during 1999 follows:

Category	December 31, 1998	Additions	Deletions	December 31, 1999
Land/Land Improvements	\$2,220,082	\$0	\$0	\$2,220,082
Buildings	15,195,466	3,278,434	0	18,473,900
Equipment	652,485	31,452	0	683,937
Water Lines	5,774,338	1,208,900	0	6,983,238
Sewer Lines	3,194,465	536,700	0	3,731,165
Storm Water Lines	2,183,123	1,097,507	0	3,280,630
Totals	29,219,959	6,152,993	0	35,372,952
Less: Accumulated				
Depreciation	(5,175,731)	(652,573)	0	(5,828,304)
Sub-total	24,044,228	5,500,420	0	29,544,648
Construction in Progress	2,838,758	0	(2,838,758)	0
Net	\$26,882,986	\$5,500,420	(\$2,838,758)	\$29,544,648

NOTE 5 - RECEIVABLES

The City's receivables at December 31, 1999 by fund type consisted of the following:

Description	General Fund	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Enterprise Funds	Trust and Agency Funds
Income Taxes	\$278,489	\$0	\$0	\$75,000	\$0	\$0
Property Taxes	822,591	958,939	845,528	0	0	0
Accounts	0	0	0	0	0	91,658
Interest	90,238	0	37,471	5,590	76,737	0
Utility Billings	0	0	0	0	582,584	0
Special Assessment	0	0	1,159,431	0	0	0
Totals	<u>\$1,191,318</u>	<u>\$958,939</u>	<u>\$2,042,430</u>	<u>\$80,590</u>	<u>\$659,321</u>	<u>\$91,658</u>

NOTE 6 - LONG-TERM OBLIGATIONS

In accordance with State of Ohio law ("State law"), the City may not incur general long-term indebtedness in excess of 10-1/2% of the total value of all property listed as assessed for taxation and 5-1/2% of such value without voter approval (see Note 7). The interest rate on any issue of notes or long-term debt cannot exceed the Federal Reserve discount rate less 1%, also in accordance with State law.

A summary of long-term obligation transactions for the year ended December 31, 1999 follows:

	General Long-Term Debt	OWDA Debt	Compensated Absences	Totals
Balance at January 1, 1999	\$15,391,860	\$9,817,645	\$729,290	\$25,938,795
Issued	0	211,781	0	211,781
Retired	(1,131,959)	(258,445)	(436,605)	(1,827,009)
Balance at December 31, 1999	<u>\$14,259,901</u>	<u>\$9,770,981</u>	<u>\$292,685</u>	<u>\$24,323,567</u>

NOTE 6 - LONG-TERM OBLIGATIONS (Continued)

Long-term debt outstanding (by individual fund) at December 31, 1999 was compromised of the following:

Purpose (Description)	Interest Rate	Date of Final Installment	Amount
Bonds to be repaid by Special Assessment:			
Street Improvement Bonds	7.000%	December 1, 2007	\$1,120,000
Street/Water Main Improvement Bonds East Pioneer Trail-Eldridge Road	10.000%	December 1, 2001	24,000
Sanitary Sewer Improvement Bonds	7.375%	December 1, 2000	5,000
Cherry Park Improvement Bonds	7.000%	December 1, 2009	<u>5,918</u>
Subtotal			1,154,918
Voted General Obligation Bonds to be repaid by Property Tax Revenues:			
Westerly Wastewater Treatment Plant Facilities Bond	7.000% - 15.625%	December 1, 2009	4,204,983
Water Tower Bonds	3.500%	December 1, 2004	10,000
Library Addition Bond	3.830%	December 1, 2001	<u>205,000</u>
Subtotal			4,419,983
Unvoted General Obligation Bonds			
Various Purpose 1998	3.750% -	December 1, 2018	<u>8,685,000</u>
Subtotal	4.90%		<u>8,685,000</u>
OWDA Loans to be repaid from user fees:			
Central Wastewater Treatment Facility	3.980% - 4.040%	January 1, 2018	<u>9,770,981</u>
Total			<u><u>\$24,030,882</u></u>

Remaining commitments under these bonds and loans are as follows:

Years	General Long-Term Debt	OWDA Debt	Total
2000	\$1,867,182	\$565,616	\$2,432,798
2001	1,845,858	565,616	2,411,474
2002	1,708,292	565,616	2,273,908
2003	1,704,247	565,616	2,269,863
2004	1,689,413	565,616	2,255,029
2005-2009	7,959,625	2,262,471	10,222,096
2010-2014	3,353,087	2,671,079	6,024,166
2015-2035	<u>2,706,595</u>	<u>2,492,033</u>	<u>5,198,628</u>
Subtotal	22,834,299	10,253,663	33,087,962
Less Amounts			
Representing Interest	<u>(8,574,398)</u>	<u>(482,682)</u>	<u>(9,057,080)</u>
Totals	<u><u>\$14,259,901</u></u>	<u><u>\$9,770,981</u></u>	<u><u>\$24,030,882</u></u>

NOTE 7 - PROPERTY TAXES

Property taxes include amounts levied against all real estate and public utility property, and tangible personal property located in the City and used in business. Real property taxes (other than public utility) collected during 1999 were levied after October 1, 1998 on assessed values as of January 1, 1998, the lien date. Assessed values were established by the County Auditor at 35 percent of appraised market value. All property is required to be reappraised every six years and equalization adjustments made in the third year following reappraisal. The last revaluation was completed in 1997. Real property taxes are payable annually or semi-annually. The first payment is due January 20; the remainder payable by June 20.

Taxes collected from tangible personal property (other than public utility) in one calendar year are levied in the prior calendar year on assessed values during and at the close of the most recent fiscal year of the taxpayer that ended on or before March 31 of that calendar year, and at the tax rates determined in the preceding year. Tangible personal property used in business (except for public utilities) is currently assessed for ad valorem taxation purposes at 25 percent of its true value. Amounts paid by multi-county taxpayers are due September 20 of the year assessed. Single county taxpayers may pay annually or semi-annually. The first payment is due April 30; the remainder payable by September 20.

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Certain public utility tangible personal property is currently assessed at 100 percent of its true value. Public utility property taxes are payable on the same dates as real property described previously.

The County Treasurer collects property taxes on behalf of all taxing districts in the County including the City of Aurora. The County Auditor periodically remits to the City its portion of the taxes collected. The full tax rate for all City operations for the year ended December 31, 1998 was \$9.32 per \$1,000 of assessed value. The assessed value upon which the 1998 levy was based was \$375,658,485. This amount constitutes \$328,027,330 in real property assessed value, \$13,738,900 in public utility assessed value and \$33,892,255 in tangible personal property assessed value.

Ohio law prohibits taxation of property from all taxing authorities in excess of 1% of assessed value without a vote of the people. Under current procedures, the City's share is 1.0% (10.0 mills) of assessed value.

NOTE 8 - INCOME TAXES

The City levies an income tax of 1% on substantially all income earned within the City. In addition, residents are required to pay city income tax of 1% earned outside the City, however, a 50% credit is allowed for income taxes paid to other municipalities. Collection fees charged by RITA of \$154,072 in 1999 (\$183,953 in 1998) are reflected in the financial statements as general government expenditures in the General Fund. See Note 1E (Revenue Recognition) for distribution of income taxes by fund.

NOTE 9 - DEFINED BENEFIT PENSION PLANS

All of the City's full-time employees participate in one of two separate retirement systems which are cost-sharing multiple employer defined benefit pension plans.

A. Public Employees Retirement System (the "PERS of Ohio")

The following information was provided by the PERS of Ohio to assist the City in complying with GASB Statement No. 27, "Accounting for Pensions by State and Local Government Employers."

All employees of the City, except full-time uniformed police officers and full-time firefighters, participate in the PERS of Ohio, a cost-sharing multiple employer defined benefit pension plan. The PERS of Ohio provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Chapter 145 of the Ohio Revised Code provides statutory authority to establish and amend benefits. The Public Employees Retirement System of Ohio issues a stand-alone financial report that includes financial statements and required supplementary information for the PERS of Ohio. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 466-2085 or 1-800-222-7377.

The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rate is 8.5%. The 1999 employer contribution rate for local government employer units was 13.55%, of covered payroll, 9.35% to fund the pension and 4.2% to fund health care. The contribution requirements of plan members and the City are established and may be amended by the Public Employees Retirement Board. The City's contributions to the PERS of Ohio for the years ending December 31, 1999, 1998 and 1997 were \$396,543, \$341,673 and \$292,267, respectively, which were equal to the required contributions for each year.

The PERS of Ohio provides postemployment health care benefits to age and service retirants with ten or more years of qualifying Ohio service credit and to primary survivor recipients of such retirants. Health care coverage for disability recipients is also available. A portion of each employer's contribution to the PERS of Ohio is set aside for the funding of post retirement health care. The Ohio Revised Code provides statutory authority requiring public employers to fund postemployment health care through their contributions to the PERS of Ohio. The portion of the 1999 employer contribution rate (identified above) that was used to fund health care for the year 1999 was 4.2% of covered payroll which amounted to \$122,914.

Other Postemployment Benefits (OPEB) are financed through employer contributions and investment earnings thereon. Funding and accounting were on a pay-as-you-go basis. The contributions allocated to retiree health care, along with investment income on allocated assets and periodic adjustments in health care provisions are expected to be sufficient to sustain the program indefinitely. Expenditures for other postemployment benefits during 1999 were \$523,599,349. As of December 31, 1999, the unaudited estimated net assets available for future OPEB payments were \$9,870,285,641. The number of benefit recipients eligible for OPEB at December 31, 1999 was 118,062.

NOTE 9 - DEFINED BENEFIT PENSION PLANS (Continued)**A. Public Employees Retirement System (the "PERS of Ohio")** (Continued)

During 1997, the Retirement Board adopted a new calculation method for determining employer contributions applied to OPEB. Under the new method, effective January 1, 1998, employer contributions, equal to 4.2% of member covered payroll, are used to fund health care expenses. Under the prior method, accrued liabilities and normal cost rates were determined for retiree health care coverage.

B. Ohio Police and Fire Pension Fund (the "OP&F Fund")

All City full-time police officers and full-time firefighters participate in the OP&F Fund, a cost-sharing multiple-employer defined benefit pension plan. The OP&F Fund provides retirement and disability benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries. Contribution requirements and benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. The Ohio Police and Fire Pension Fund issues a stand-alone financial report that includes financial statements and required supplementary information for the OP&F Fund. Interested parties may obtain a copy by making a written request to 140 East Town Street, Columbus, Ohio 43215-5164 or by calling (614) 228-2975.

Plan members are required to contribute 10.0% of their annual covered salary, while employers are required to contribute 19.5% and 24.0% respectively for police officers and firefighters. The City's contributions to the OP&F Fund for the years ending December 31, 1999, 1998 and 1997 were \$200,618, \$185,540 and \$165,468 for police and \$165,474, \$145,365 and \$98,075 for firefighters, respectively, which were equal to the required contributions for each year.

The OP&F Fund provides postemployment health care coverage to any person who received or is eligible to receive a monthly benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school, or under the age of 22 if attending school on a full-time or two-thirds basis. The Ohio Revised Code provides that health care costs paid from the funds of the OP&F Fund shall be included in the employer's contribution rate. The Ohio Revised Code also provides statutory authority allowing the Fund's Board of Trustees to provide postemployment health care coverage to all eligible individuals from the employer's contributions to the OP&F Fund.

The portion of the 1999 covered payroll that was used to fund postemployment health care benefits was \$72,017 representing 7.00% of covered payroll for police and \$48,263 representing 7.00% of covered payroll for fire. Health care funding and accounting was on a pay-as-you-go basis. In addition, since July 1, 1992 most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. As of December 31, 1998, the date of the last actuarial evaluation available, the number of participants eligible to receive health care benefits was 11,424 for police and 9,186 for firefighters. The OP&F Fund does not provide separate data on the funded status and funding progress of postemployment health care benefits. The Fund's total health care expenses for the year ended December 31, 1998 were \$78,596,790, which was net of member contributions of \$5,331,515.

NOTE 10 – COMPENSATED ABSENCES

The City provides a liability for accumulated unpaid sick, vacation, and compensatory time when earned by employees. Accrued employee benefits for governmental funds not currently due and payable at year end are recorded in the General Long-Term Obligations Account Group. The amount decreased from a beginning year balance of \$729,290 to a year end balance of \$292,685, due to a change in policy. Only employees with 10 or more years of service who are expected to retire from the City are considered when determining the amount of compensated absences to accrue. The sick pay, by City ordinance, is now limited to a maximum of 60 days. See Note 1J for additional details of compensated absences.

NOTE 11 - BUDGET RECONCILIATION

The City's budget (budget basis) accounts for certain transactions on a basis which differs from generally accepted accounting principles (GAAP basis). The major differences between the budget basis and the GAAP basis are that:

- Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
- Expenditures are recorded when paid in cash or encumbered (budget) as opposed to when the liability is incurred (GAAP).
- Encumbrances are recorded as expenditures (budget) as opposed to reservation of fund balance (GAAP).
- The Special Assessment activities are budgeted within other fund groups, as explained in Note 1.

A reconciliation of the results of operations for the year on the GAAP basis to the budget basis follows:

	Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses			
	General Fund	Special Revenue Funds	Debt Service Fund	Capital Project Fund
GAAP Basis (as reported)	\$364,865	\$63,061	\$117,425	(\$4,682,300)
Increase (Decrease):				
Accrued Revenues at December 31, 1999	(549,361)	(30,711)	(37,471)	(131,590)
Accrued Revenues at December 31, 1998	788,184	85,822	30,342	84,369
Accrued Expenditures at December 31, 1999 paid during 2000	447,661	87,086	73,420	1,196,466
Accrued Expenditures at December 31, 1998 paid during 1999	(469,734)	(166,175)	(61,836)	(66,459)
1998 Prepaids for 1999	70,523	0	0	0
1999 Prepaids for 2000	(102,826)	0	0	0
Perspective Difference	2,959	0	0	0
Outstanding Encumbrances	(449,043)	(120,482)	0	(1,113,938)
Budget Basis	<u>\$103,228</u>	<u>(\$81,399)</u>	<u>\$121,880</u>	<u>(\$4,713,452)</u>

NOTE 12 - INSURANCE AND RISK MANAGEMENT

The City 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. The City contracted with Twin City Fire Insurance Company for general liability and excess general liability coverage for \$2,000,000 and \$3,000,000 respectively.

Law enforcement liability is protected by National Casualty Company with a \$5,000 deductible for \$4,000,000 in coverage for each person/occurrence. Vehicles are covered by Personal Service Insurance Company and hold a \$100 deductible for comprehensive and a \$250 deductible for collision. Automobile liability has \$5,000,000 combined single limit of liability.

Workers' Compensation claims are covered through the City's participation in the State of Ohio's program. The City pays the State Workers' Compensation System a premium based upon a rate per \$100 of payroll. The rate is determined based on accident history and administrative costs.

The City provides a self-funded health insurance program with claims processed by the Legion Insurance Company, on behalf of the City. The City uses the general fund to account for its risk financing and the claims liabilities are reflected within the general fund.

As an integral part of the health insurance program, a reinsurance policy has been purchased covering claims in excess of \$10,000 per individual per year up to a maximum of \$990,000 per individual per lifetime. Settled claims have not exceeded the commercial coverage limits in any of the past three fiscal years.

Total contributions to the program during 1999 were \$721,066. The claims liability of \$39,648 reported in the general fund at December 31, 1999 is based on the requirements of GASB Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues," which requires that a liability for claims be reported if information prior to issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

Changes in the claims liability amount in fiscal 1998 and 1999 were:

Fiscal Year	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claims Payments	Balance at Fiscal Year End
1998	\$102,095	(\$482,484)	\$506,765	\$126,376
1999	126,376	(807,794)	721,066	39,648

The City continues to carry commercial insurance for other risks of loss, including life insurance and accidental death insurance for most employees. Settled claims resulting from these risks have not exceeded commercial insurance coverages in any of the past three fiscal years.

NOTE 13 - INTERFUND RECEIVABLES AND PAYABLES

The following Interfund transactions were recorded as of December 31, 1999:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$180,076	\$43,206
Special Revenue Fund:		
COPS Fast Grant Fund	30,711	0
Expendable Trust Fund:		
Unclaimed Monies	0	22,630
Agency Funds:		
Water Tower Rental	12,495	0
Developers Escrow	<u>0</u>	<u>157,446</u>
Total Agency Funds	<u>12,495</u>	<u>157,446</u>
Totals	<u>\$223,282</u>	<u>\$223,282</u>

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Special Revenue Fund:		
COPS More Grant Fund	\$0	\$43,000
Debt Service Fund:		
Wason Street Improvement Fund	0	8,000
Capital Projects Fund:		
Capital Improvement Fund	51,000	820,000
Enterprise Fund:		
Sewer Utility Fund	<u>820,000</u>	<u>0</u>
Totals	<u>\$871,000</u>	<u>\$871,000</u>

NOTE 14 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The City maintains four basic Enterprise Funds: Water Utility, Sewer Utility, Cemetery Fund, and Recreation. Segment information for the year ended December 31, 1999 follows:

	Water Utility	Sewer Utility	Cemetery	Recreation	Total
Operating Revenues	\$2,190,858	\$2,114,435	\$17,576	\$215,351	\$4,538,220
Operating Expenses	(1,768,274)	(1,470,420)	(16,047)	(506,597)	(3,761,338)
Depreciation Expense	(322,692)	(322,882)	0	(6,999)	(652,573)
Operating Income (loss)	422,584	644,015	1,529	(291,246)	776,882
Nonoperating Revenues (Expenses)	67,580	(34,153)	12,391	0	45,818
Income (Loss) before Operating Transfers	490,164	609,862	13,920	(291,246)	822,700
Operating Transfers In	80,000	255,000	0	396,000	731,000
Operating Transfers Out	(80,000)	(180,000)	0	0	(260,000)
Net Income	490,164	684,862	13,920	104,754	1,293,700
Property, Plant and Equipment:					
Additions	1,217,366	2,078,957	3,855	14,057	3,314,235
Net Working Capital	1,992,732	8,865,515	242,001	109,118	11,209,366
Total Assets	7,671,958	32,833,452	262,429	148,445	40,916,284
Total Equity	7,610,688	22,179,788	261,686	129,024	30,181,186

NOTE 15 - CONTRIBUTED CAPITAL

Assets constructed or acquired by the governmental fund types and transferred to the Enterprise Funds, or assets partially financed through grants to the Enterprise Funds from other governmental entities, represent contributed capital to the enterprise operations.

The following is a summary of additions to contributed capital by fund for the City's Enterprise Funds during 1999:

<u>Contributed Capital</u>	<u>Water Utility</u>	<u>Sewer Utility</u>	<u>Cemetery</u>	<u>Recreation</u>	<u>Total</u>
December 31, 1998	\$5,469,745	\$13,047,524	\$9,053	\$34,856	\$18,561,178
Additions	<u>1,208,900</u>	<u>698,354</u>	<u>0</u>	<u>0</u>	<u>1,907,254</u>
December 31, 1999	<u>\$6,678,645</u>	<u>\$13,745,878</u>	<u>\$9,053</u>	<u>\$34,856</u>	<u>\$20,468,432</u>

NOTE 16 - OPERATING TRANSFERS

A summary of interfund transfers made during 1999 by fund is as follows:

Fund	Transferred To	Transferred From
General Fund	\$0	\$1,171,000
Special Revenue Funds:		
Road and Bridge Levy Fund	0	275,000
Street Construction and Maintenance Fun	0	55,000
Total Special Revenue Funds	0	330,000
Debt Service Funds:		
Bond Retirement 98 Misc Project	680,000	0
Bond Reserve	0	140,000
Total Debt Service Funds	680,000	140,000
Capital Projects Funds:		
Capital Improvements	50,000	155,000
Heavy Equipment Replacement	125,000	0
Building Depreciation	30,000	0
Issue II Mennonite Fund	330,000	0
City Facility	160,000	50,000
Total Capital Projects Funds	695,000	205,000
Enterprise Funds:		
Central WWTP Improvements	0	100,000
Sewer Improvement & Expansion	100,000	0
Sewer	0	80,000
Sewer Depreciation	80,000	0
Water	0	80,000
Water Depreciation	80,000	0
Storm Water Utility	75,000	0
Recreation	396,000	0
Total Enterprise Funds	731,000	260,000
Totals	<u>\$2,106,000</u>	<u>\$2,106,000</u>

NOTE 17 - CONTINGENCIES

The City is a defendant in several lawsuits, the outcome of which cannot presently be determined. It is the opinion of the City's law director that any judgment against the City resulting from these lawsuits would not have a material adverse effect on the City's financial position.

Under the terms of Federal grants, periodic audits are required and certain costs may be questioned as not being appropriate expenditures under the terms of the grants. Such audits could lead to reimbursement to the grantor agencies. City management believes disallowances, if any, will be immaterial.

NOTE 18 – RESTATEMENT OF RETAINED EARNINGS

The retained earnings balances at December 31, 1998 of the, Storm Water/Sanitary Project, the Westerly WWTP, and the Central WWTP Funds were restated from amounts previously reported to correct for the reporting of General Obligation Bonds and Accounts Payable. The change in reporting the General Obligation Bonds also resulted in the General Long-Term Obligations Account Group being restated from the balance previously reported of \$12,726,471 to \$15,326,471, an increase of \$2,600,000.

The restatement resulted in adjustments to December 31, 1999 retained earnings as follows:

Description	Enterprise Funds
Balance at December 31, 1998 (as reported)	\$5,657,753
Restatement of General Obligation Bonds Payable	2,600,000
Restatement of Accounts Payable	161,301
Restated Balance at December 31, 1998	<u>\$8,419,054</u>

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STATE OF OHIO
OFFICE OF THE AUDITOR

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

City of Aurora
Members of Council
130 South Chillicothe Road
Aurora, Ohio 44202-6802

We have audited the financial statements of the City of Aurora, as of and for the year ended December 31, 1999, and have issued our report thereon dated July 20, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of 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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the City in a separate letter dated July 20, 2001.

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

Jim Petro
Auditor of State

July 20, 2001



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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CITY OF AURORA

PORTAGE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
SEPTEMBER 20, 2001**