



Mary Taylor, CPA
Auditor of State

**CITY OF AURORA
PORTAGE COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

City of Aurora
Portage County
130 South Chillicothe Road
Aurora, Ohio 44202

To the Honorable Mayor and City Council:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Aurora, Portage County, Ohio (the City), as of and for the year ended December 31, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Aurora, Portage County, Ohio, as of December 31, 2008, and the respective changes in financial position and where applicable, cash flows, thereof and the respective budgetary comparisons for the General and Fire Paramedic Levy Funds 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 December 10, 2009, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Mary Taylor, CPA
Auditor of State

December 10, 2009

CITY OF AURORA, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2008

The management's discussion and analysis of the City of Aurora's (the "City") financial performance provides an overall review of the City's financial activities for the year ended December 31, 2008. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the City's financial performance.

Financial Highlights

Key financial highlights for 2008 are as follows:

- The total net assets of the City increased \$5,027,765. Net assets of governmental activities increased \$4,540,402 or 7.03% over 2007 and net assets of business-type activities increased \$487,363 or 1.35%.
- General revenues accounted for \$17,675,070 or 82.25% of total governmental activities revenue. Program specific revenues accounted for \$3,813,667 or 17.75 % of total governmental activities revenue.
- The City had \$16,409,609 in expenses related to governmental activities; \$3,813,667 of these expenses was offset by program specific charges for services, grants or contributions. The remaining expenses of the governmental activities of \$12,595,942 were offset by general revenues (primarily property taxes, income taxes and unrestricted grants and entitlements) of \$17,675,070.
- The general fund had revenues of \$14,108,332 and expenditures of \$11,248,979 during 2008. In addition the general fund had transfers-out of \$2,828,000 and transfers-in of \$13,476. The net increase in fund balance for the general fund was \$44,829 or .64%.
- The fire paramedic levy fund had revenues of \$965,669 and expenditures of \$822,089 during 2008. The net increase in fund balance for the fire paramedic levy fund was \$143,580 or 38.02%.
- The debt service fund had revenues of \$1,317,713 and expenditures of \$1,893,225 during 2008. The net decrease in fund balance for the debt service fund was \$575,512 or 14.09%.
- Business-type activities include operations of the City's water, sewer, and cemetery enterprise funds. Net assets of the business-type activities totaled \$36,459,260 at December 31, 2008. General revenues accounted for \$236,849 or 4.47% of total business-type activities revenues while program specific revenues accounted for \$5,063,934 or 95.53% of total business-type activities revenues.

Using this Annual Financial Report

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

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

CITY OF AURORA, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2008

Reporting the City as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains a large number of funds used by the City to provide programs and activities, the view of the City as a whole looks at all financial transactions and asks the question, "How did we do financially during 2008?" The statement of net assets and the statement of activities answer this question. These statements include all assets, liabilities, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the City's net assets and changes in those assets. This change in net assets is important because it tells the reader that, for the City as a whole, the financial position of the City has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the City's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required community programs and other factors.

In the statement of net assets and the statement of activities, the City is divided into two distinct kinds of activities:

Governmental activities - Most of the City's programs and services are reported here including police, fire, street maintenance, parks and recreation and general administration. These services are funded primarily by property and income taxes and intergovernmental revenues including federal and State grants and other shared revenues.

Business-type activities - These services are provided on a charge for goods or services basis to recover all or a significant portion of the expenses of the goods or services provided. The City's water, sewer, and cemetery operations are reported here.

The City's statement of net assets and statement of activities can be found on pages 16-18 of this report.

Reporting the City's Most Significant Funds

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other State and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

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

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the year. Such information may be useful in evaluating a government's near-term financing requirements.

CITY OF AURORA, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2008

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, the readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains a multitude of individual governmental funds. The City has segregated these funds into major funds and nonmajor funds. The City's major governmental funds are the general fund, the fire paramedic levy fund and debt service fund. Information for major funds is presented separately in the governmental fund balance sheet and in the governmental statement of revenues, expenditures, and changes in fund balances. Data from the other governmental funds are combined into a single, aggregated presentation. The basic governmental fund financial statements can be found on pages 19-24 of this report.

Proprietary Funds

The City maintains one type of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water operations, sewer operations and cemetery activity. The City reports the water fund and sewer fund as major enterprise funds. These major funds are presented separately in the proprietary fund financial statements. The cemetery and perpetual care fund is considered a nonmajor fund and is combined into a single, aggregated presentation in the proprietary fund financial statements. The basic proprietary fund financial statements can be found on pages 25-28 of this report.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. Agency funds are the City's only fiduciary fund type. The basic fiduciary fund financial statement can be found on page 29 of this report.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 30-57 of this report.

CITY OF AURORA, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2008**

Government-Wide Financial Analysis

The statement of net assets provides the perspective of the City as a whole. The table below provides a summary of the City's net assets for 2008 compared to 2007:

	Governmental Activities 2008	Governmental Activities 2007	Business-Type Activities 2008	Business-Type Activities 2007	Total 2008	Total 2007
<u>Assets</u>						
Current and other assets	\$ 23,920,010	\$ 23,741,497	\$ 6,282,855	\$ 7,397,558	\$ 30,202,865	\$ 31,139,055
Capital assets	<u>62,647,070</u>	<u>59,712,235</u>	<u>38,381,629</u>	<u>36,906,458</u>	<u>101,028,699</u>	<u>96,618,693</u>
Total assets	<u>86,567,080</u>	<u>83,453,732</u>	<u>44,664,484</u>	<u>44,304,016</u>	<u>131,231,564</u>	<u>127,757,748</u>
<u>Liabilities</u>						
Current and other liabilities	5,438,031	5,476,796	498,328	295,873	5,936,359	5,772,669
Long-term liabilities:						
Due within one year	1,349,058	1,585,729	668,175	643,210	2,017,233	2,228,939
Due in more than one year	<u>10,616,870</u>	<u>11,768,488</u>	<u>7,038,721</u>	<u>7,393,036</u>	<u>17,655,591</u>	<u>19,161,524</u>
Total liabilities	<u>17,403,959</u>	<u>18,831,013</u>	<u>8,205,224</u>	<u>8,332,119</u>	<u>25,609,183</u>	<u>27,163,132</u>
<u>Net Assets</u>						
Invested in capital						
assets, net of related debt	51,396,949	47,048,621	30,720,635	28,902,815	82,117,584	75,951,436
Restricted	9,859,013	9,882,333	-	-	9,859,013	9,882,333
Unrestricted	<u>7,907,159</u>	<u>7,691,765</u>	<u>5,738,625</u>	<u>7,069,082</u>	<u>13,645,784</u>	<u>14,760,847</u>
Total net assets	<u>\$ 69,163,121</u>	<u>\$ 64,622,719</u>	<u>\$ 36,459,260</u>	<u>\$ 35,971,897</u>	<u>\$ 105,622,381</u>	<u>\$ 100,594,616</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At December 31, 2008, the City's assets exceeded liabilities by \$105,622,381.

Capital assets reported on the government-wide statements represent the largest portion of the City's assets. At year-end, capital assets represented 76.99% of total assets. Capital assets include land, land improvements, buildings and improvements, machinery and equipment, infrastructure and construction in progress. Capital assets, net of related debt to acquire the assets at December 31, 2008, were \$82,117,584. These capital assets are used to provide services to citizens and are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the City's net assets, \$9,859,013, represents resources that are subject to external restriction on how they may be used. In the governmental activities, the remaining balance of unrestricted net assets of \$7,907,159 may be used to meet the government's ongoing obligations to citizens and creditors.

CITY OF AURORA, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2008**

The table below shows the changes in net assets for 2008 and 2007.

	Change in Net Assets					
	Governmental	Governmental	Business-type	Business-type	2008	2007
	Activities	Activities	Activities	Activities	<u>2008</u>	<u>2007</u>
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>Total</u>	<u>Total</u>
Revenues						
Program revenues:						
Charges for services	\$ 893,803	\$ 899,782	\$ 4,328,729	\$ 4,457,661	\$ 5,222,532	\$ 5,357,443
Operating grants and contributions	886,385	1,069,109	-	-	886,385	1,069,109
Capital grants and contributions	<u>2,033,479</u>	<u>2,503,912</u>	<u>735,205</u>	<u>1,724,615</u>	<u>2,768,684</u>	<u>4,228,527</u>
Total program revenues	<u>3,813,667</u>	<u>4,472,803</u>	<u>5,063,934</u>	<u>6,182,276</u>	<u>8,877,601</u>	<u>10,655,079</u>
General revenues:						
Property taxes	4,856,273	5,194,030	-	-	4,856,273	5,194,030
Income taxes	11,287,757	10,852,990	-	-	11,287,757	10,852,990
Grants and entitlements	880,924	691,280	36,885	-	917,809	691,280
Investment earnings	499,246	885,587	199,964	308,278	699,210	1,193,865
Miscellaneous	<u>150,870</u>	<u>51,358</u>	<u>-</u>	<u>-</u>	<u>150,870</u>	<u>51,358</u>
Total general revenues	<u>17,675,070</u>	<u>17,675,245</u>	<u>236,849</u>	<u>308,278</u>	<u>17,911,919</u>	<u>17,983,523</u>
Program expenses:						
General government	2,726,578	2,311,328	-	-	2,726,578	2,311,328
Security of persons and property	7,398,220	6,677,362	-	-	7,398,220	6,677,362
Transportation	2,940,874	3,368,572	-	-	2,940,874	3,368,572
Community environment	1,153,742	1,251,883	-	-	1,153,742	1,251,883
Leisure time activities	1,572,656	1,404,780	-	-	1,572,656	1,404,780
Interest and fiscal charges	595,273	664,878	-	-	595,273	664,878
Other	22,266	22,397	-	-	22,266	22,397
Water	-	-	2,703,682	2,834,604	2,703,682	2,834,604
Sewer	-	-	2,589,663	2,631,704	2,589,663	2,631,704
Other nonmajor	<u>-</u>	<u>-</u>	<u>58,801</u>	<u>52,206</u>	<u>58,801</u>	<u>52,206</u>
Total program expenses	<u>16,409,609</u>	<u>15,701,200</u>	<u>5,352,146</u>	<u>5,518,514</u>	<u>21,761,755</u>	<u>21,219,714</u>
Change in net assets before transfers	5,079,128	6,446,848	(51,363)	972,040	5,027,765	7,418,888
Transfers	<u>(538,726)</u>	<u>(1,016,606)</u>	<u>538,726</u>	<u>1,016,606</u>	<u>-</u>	<u>-</u>
Change in net assets	4,540,402	5,430,242	487,363	1,988,646	5,027,765	7,418,888
Net assets at beginning of year	<u>64,622,719</u>	<u>59,192,477</u>	<u>35,971,897</u>	<u>33,983,251</u>	<u>100,594,616</u>	<u>93,175,728</u>
Net assets at end of year	<u>\$ 69,163,121</u>	<u>\$ 64,622,719</u>	<u>\$ 36,459,260</u>	<u>\$ 35,971,897</u>	<u>\$ 105,622,381</u>	<u>\$ 100,594,616</u>

CITY OF AURORA, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2008**

Governmental Activities

Governmental activities net assets increased \$4,540,402 in 2008. The three primary revenue sources of governmental activities are property taxes, municipal income taxes, and unrestricted grants and entitlements. These revenue sources increased overall in 2008 and they are sufficient to provide for the City's expenses. 2008 expenses remained comparable to 2007.

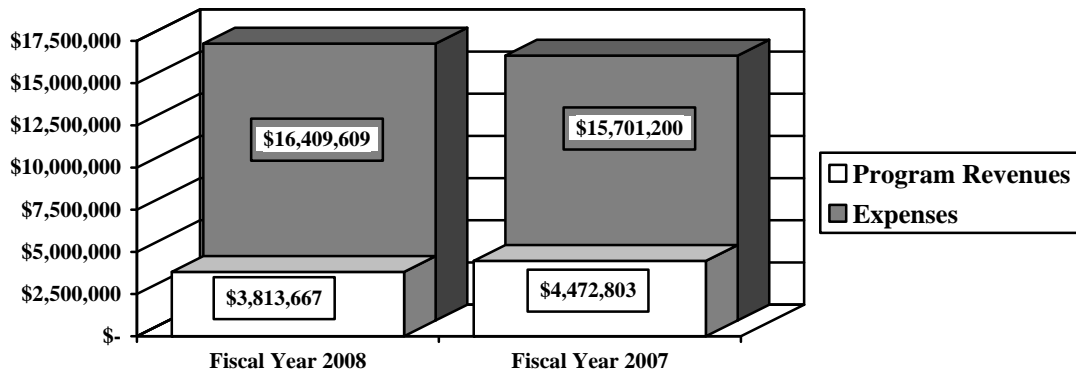
Security of persons and property, which primarily supports the operations of the police and fire departments accounted for \$7,398,220 of the total expenses of the City. These expenses were partially funded by \$36,150 in direct charges to users of the services. Transportation expenses totaled \$2,940,874. Transportation expenses were partially funded by \$37,485 in direct charges to users of the services.

The State and federal government contributed to the City a total of \$886,385 in operating grants and contributions and \$2,033,479 in capital grants and contributions. These revenues are restricted to a particular program or purpose. Of the total operating grants and contributions, \$40,449 subsidized security of persons and property and \$839,962 subsidized transportation programs. Of the total capital grants and contributions, \$1,937,707 subsidized transportation programs.

General revenues totaled \$17,675,070, and amounted to 82.25% of total governmental revenues. These revenues primarily consist of property and income tax revenue of \$16,144,030. The other primary source of general revenues is grants and entitlements not restricted to specific programs, including local government, and local government revenue assistance revenue making up \$600,000.

The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements. The graph below illustrates the City's dependence upon general revenues as program revenues are not sufficient to cover total governmental expenses.

Governmental Activities – Program Revenues vs. Total Expenses



CITY OF AURORA, OHIO

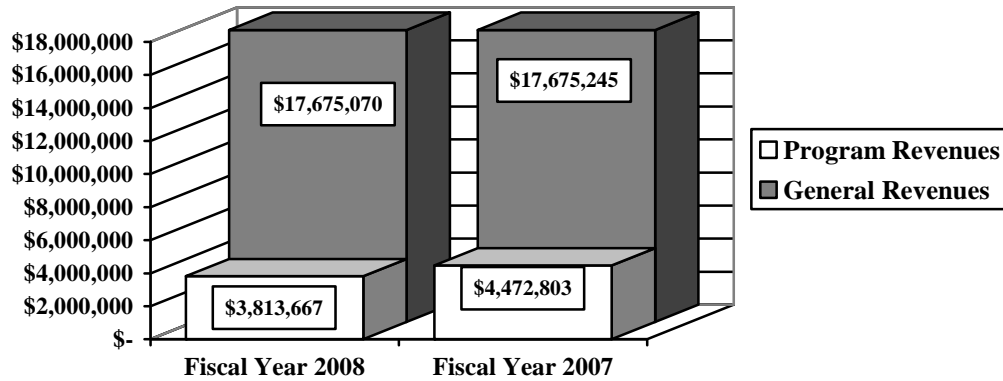
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2008**

Governmental Activities

	Total Cost of Services <u>2008</u>	Net Cost of Services <u>2008</u>	Total Cost of Services <u>2007</u>	Net Cost of Services <u>2007</u>
Program Expenses:				
General government	\$ 2,726,578	\$ 2,204,017	\$ 2,311,328	\$ 1,766,251
Security of persons and property	7,398,220	7,321,621	6,677,362	6,471,805
Transportation	2,940,874	125,720	3,368,572	(32,097)
Community environment	1,153,742	1,150,980	1,251,883	1,240,063
Leisure time activity	1,572,656	1,176,065	1,404,780	1,095,100
Interest and fiscal charges	595,273	595,273	664,878	664,878
Other	22,266	22,266	22,397	22,397
Total	\$ 16,409,609	\$ 12,595,942	\$ 15,701,200	\$ 11,228,397

The dependence upon general revenues for governmental activities is apparent, with 76.76% of expenses supported through taxes and other general revenues. The chart below illustrates the City's program revenues versus general revenues for 2008 and 2007:

Governmental Activities – General and Program Revenues

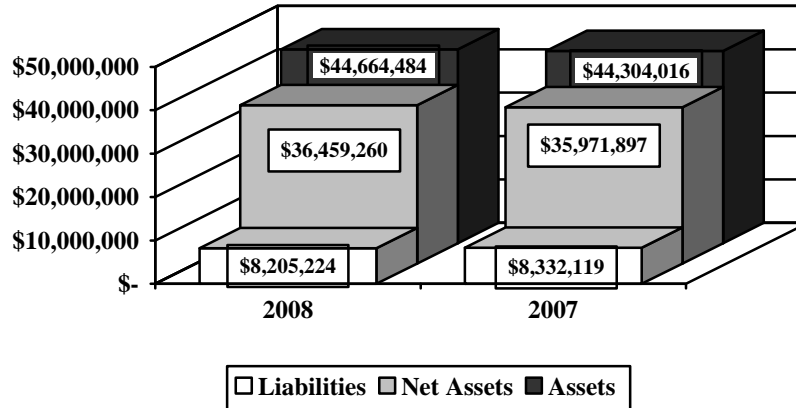


Business-Type Activities

Business-type activities consist of water, sewer and cemetery operations (a non-major fund). These programs had revenues of \$5,300,783, transfers in of \$538,726, and expenses of \$5,352,146 for 2008. The water operations had expenses of \$2,703,682, program revenues of \$2,909,854 and general revenues of \$101,890. This resulted in an increase to net assets for the year of \$308,062. The sewer operations had expenses of \$2,589,663, program revenues of \$2,128,140, general revenues of \$124,258, and transfers-in of \$457,845. This resulted in an increase to net assets for the year of \$120,580. The other enterprise fund had expenses of \$58,801, program revenues of \$25,940, general revenues of \$10,701, and transfers-in of \$80,881. This resulted in an increase of net assets for the year of \$58,721. Management assesses the performance of each of these funds to ensure that they are run efficiently.

CITY OF AURORA, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2008

Net Assets in Business – Type Activities



Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance serves as a useful measure of the City's net resources available for spending at year-end.

The City's governmental funds (as presented on the balance sheet on page 19) reported a combined fund balance of \$16,262,053 which is \$117,295 lower than last year's total of \$16,379,348. The schedule below indicates the fund balances and the total change in fund balances as of December 31, 2008 and 2007 for all major and nonmajor governmental funds.

	Fund Balances <u>12/31/08</u>	Fund Balances <u>12/31/07</u>	Increase (Decrease)	Percentage Change
Major funds:				
General	\$ 7,003,790	\$ 6,958,961	\$ 44,829	0.64 %
Fire paramedic levy fund	521,177	377,597	143,580	38.02 %
Debt service	3,508,675	4,084,187	(575,512)	(14.09) %
Other nonmajor governmental funds	<u>5,228,411</u>	<u>4,958,603</u>	<u>269,808</u>	5.44 %
Total	<u>\$ 16,262,053</u>	<u>\$ 16,379,348</u>	<u>\$ (117,295)</u>	(0.72) %

CITY OF AURORA, OHIO

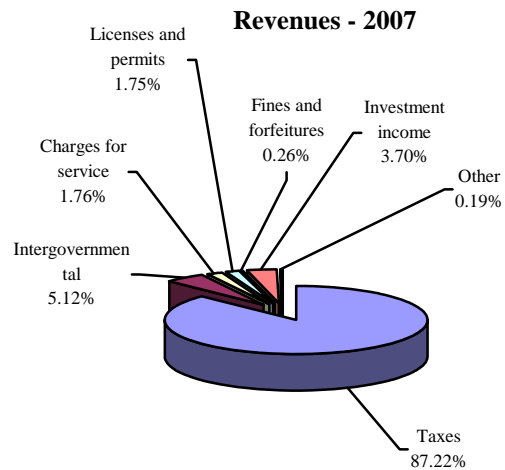
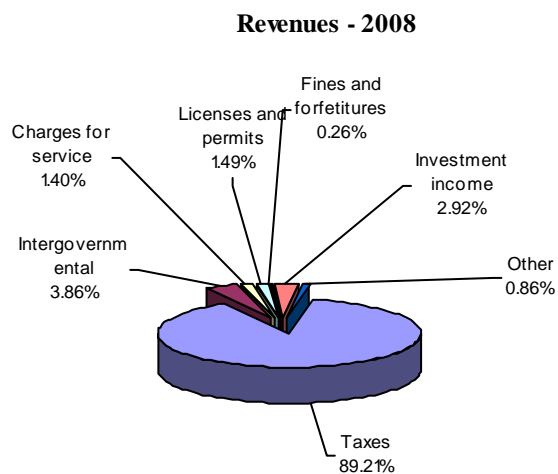
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2008**

General Fund

The City's general fund balance increased \$44,829, which is primarily due to an increase in the collection of other revenues. Other revenues increased due to an increase in reimbursements. The table that follows assists in illustrating the revenues of the general fund.

	<u>2008</u> <u>Amount</u>	<u>2007</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Revenues</u>			
Taxes	\$ 12,585,666	\$ 12,602,256	(0.13) %
Intergovernmental	545,991	740,272	(26.24) %
Charges for services	197,433	254,397	(22.39) %
Licenses and permits	209,551	252,930	(17.15) %
Fines and forfeitures	37,372	37,272	0.27 %
Investment income	411,344	533,900	(22.95) %
Other	<u>120,975</u>	<u>28,141</u>	329.89 %
Total	<u>\$ 14,108,332</u>	<u>\$ 14,449,168</u>	(2.36) %

Tax revenue represents 89.21% of all general fund revenue. Tax revenue decreased by .13% under prior year. The decrease in intergovernmental revenue is due to a decrease in the number of grants the City received. The decrease in investment income is primarily due to a decrease in 2008 interest rates and smaller amount of investments by the City. All other revenue remained comparable to 2007.



CITY OF AURORA, OHIO

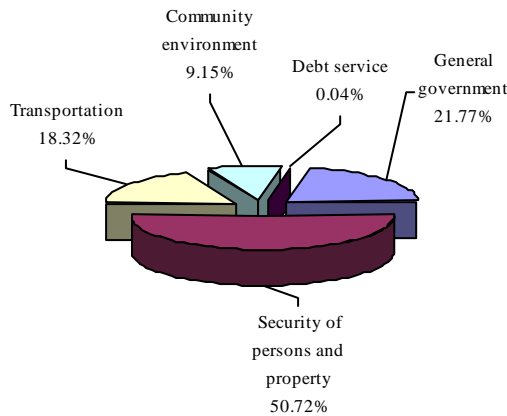
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2008**

The table that follows assists in illustrating the expenditures of the general fund.

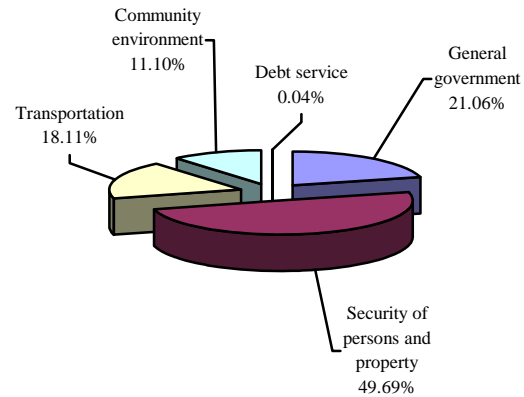
	<u>2008</u> <u>Amount</u>	<u>2007</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Expenditures</u>			
General government	\$ 2,448,373	\$ 2,240,087	9.30 %
Security of persons and property	5,706,425	5,286,741	7.94 %
Transportation	2,060,325	1,926,930	6.92 %
Community environment	1,029,812	1,181,185	(12.82) %
Debt service	<u>4,044</u>	<u>4,044</u>	- %
 Total	 <u>\$ 11,248,979</u>	 <u>\$ 10,638,987</u>	 5.73 %

The City did not have any new capital leases in 2008 or in 2007, and debt service payments remained the same. General government, security of persons and property, and transportation expenditures increased in part due to normal and customary wage and salary increases.

Expenditures - 2008



Expenditures - 2007



Fire Paramedic Levy Fund

The fire paramedic levy fund had revenues of \$965,669 in 2008. The expenditures of the fire paramedic levy fund totaled \$822,089 in 2008. The net increase in fund balance for the fire paramedic levy fund was \$143,580 or 38.02%.

Debt Service Fund

The debt service fund had revenues of \$1,317,713 in 2008. The expenditures of the debt service fund totaled \$1,893,225 in 2008. The net decrease in fund balance for the debt service fund was \$575,512 or 14.09%.

CITY OF AURORA, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2008**

Budgeting Highlights

The City's budgeting process is prescribed by the Ohio Revised Code (ORC). Essentially the budget is the City's appropriations which are restricted by the amounts of anticipated revenues certified by the County Budget Commission in accordance with the ORC. Therefore, the City's plans or desires cannot be totally reflected in the original budget. If budgeted revenues are adjusted due to actual activity then the appropriations can be adjusted accordingly.

Budgetary information is presented for the general fund. In the general fund, the original and final budgeted revenues and other financing sources were \$12,844,839 and \$12,911,104, respectively. Actual revenues and other financing sources of \$14,131,712 exceeded final budgeted revenues and other financing sources by \$1,220,608. All revenue categories exceeded budget estimates. The other significant change was between the final budgeted expenditures and original budgeted expenditures. Original budgeted expenditures and other financing sources were increased \$776,536 in the final budgeted expenditures.

Capital Assets and Debt Administration

Capital Assets

At the end of 2008, the City had \$101,028,699 (net of accumulated depreciation) invested in land, land improvements, buildings and improvements, machinery and equipment, infrastructure and construction in progress. Of this total, \$62,647,070 was reported in governmental activities and \$38,381,629 was reported in business-type activities. See Note 7 in the basic financial statements for additional capital asset disclosure. The following table shows 2008 balances compared to 2007:

**Capital Assets at December 31
(Net of Depreciation)**

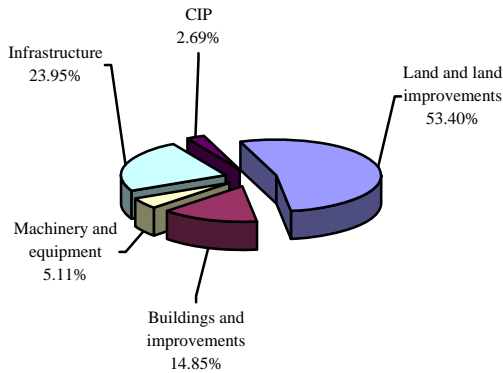
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Land and land improvements	\$ 33,820,294	\$ 31,946,702	\$ 1,454,106	\$ 1,325,810	\$ 35,274,400	\$ 33,272,512
Construction in progress	1,687,742	1,184,797	1,653,728	409,079	3,341,470	1,593,876
Buildings and improvements	12,915,028	12,888,099	15,775,198	15,775,198	28,690,226	28,663,297
Machinery and equipment	7,016,097	6,577,778	1,506,181	1,370,300	8,522,278	7,948,078
Infrastructure	18,140,932	17,086,553	30,326,505	29,397,425	48,467,437	46,483,978
Less: accumulated depreciation	<u>(10,933,023)</u>	<u>(9,971,694)</u>	<u>(12,334,089)</u>	<u>(11,371,354)</u>	<u>(23,267,112)</u>	<u>(21,343,048)</u>
Totals	<u>\$ 62,647,070</u>	<u>\$ 59,712,235</u>	<u>\$ 38,381,629</u>	<u>\$ 36,906,458</u>	<u>\$ 101,028,699</u>	<u>\$ 96,618,693</u>

CITY OF AURORA, OHIO

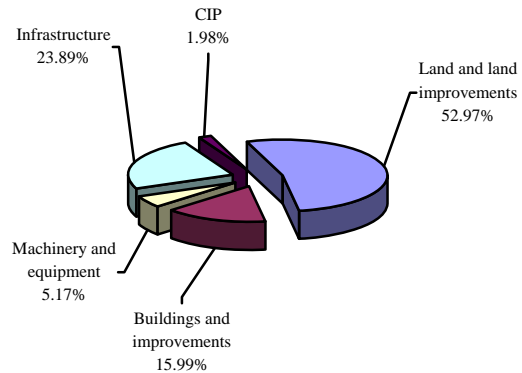
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2008**

The following graphs show the breakdown of governmental capital assets by category for 2008 and 2007.

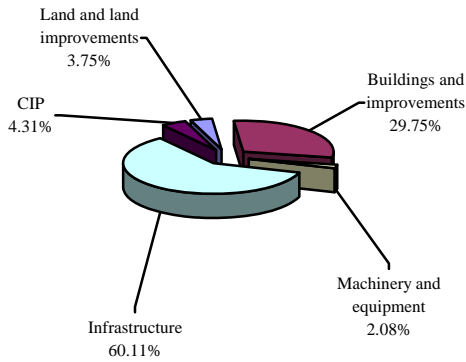
Capital Assets - Governmental Activities 2008



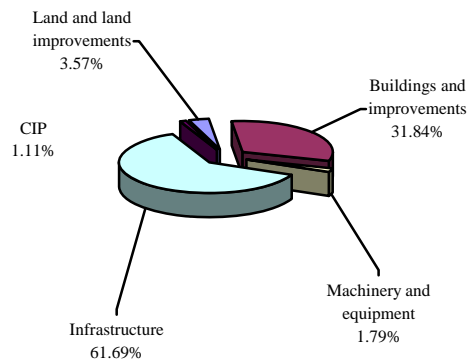
Capital Assets - Governmental Activities 2007



Capital Assets - Business-Type Activities 2008



Capital Assets - Business-Type Activities 2007



The City has an aggressive stance on maintaining its assets, including infrastructure, in excellent condition. Equipment such as fire trucks and ambulances are planned for well in advance by the respective department heads and a scheduled maintenance and replacement timetable is followed to provide peak performance for the maximum time frame. Police cars are replaced every 4 years on a rotational basis. The older vehicles are either traded in to the dealers or sold to the highest bidder at auction.

With regards to the infrastructure, the City's engineering department maintains a comprehensive listing of all the streets, culverts, water lines, sewer lines, and storm sewers in the City. As part of the City's annual road maintenance program, the Engineer evaluates the condition of each street after each winter and prepares a list of streets to be either resurfaced or crack-sealed and in the case of concrete roads, either replaced or repaired. After approval from council, the projects are bid in early to late spring to get the best possible pricing from contractors. This program is paid for out of the capital improvement fund and levy funds of the City. Capital assets for business-type activities increased by \$1,475,171 due to the City's continuous work on water, sewer and storm sewer lines, as well as new street dedications.

CITY OF AURORA, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2008**

The City is committed to a long-term goal of meeting the needs of its infrastructure and facilities. The City has a five-year capital plan in place that provides for street improvements and adding additional facilities to complement the current structures.

Debt Administration

The City had the following long-term obligations outstanding at December 31, 2008 and 2007:

	Governmental Activities		Business-type Activities		Total	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
General obligation bonds	\$ 11,004,271	\$ 12,302,044	\$ 770,727	\$ 512,955	\$ 11,774,998	\$ 12,814,999
OWDA loans	-	-	6,343,602	6,861,349	6,343,602	6,861,349
OPWC loans	-	-	447,500	497,500	447,500	497,500
Loans payable	277,500	382,316	-	-	277,500	382,316
Capital lease	68,171	89,598	109,312	142,548	177,483	232,146
Compensated absences	<u>653,694</u>	<u>613,861</u>	<u>29,813</u>	<u>26,332</u>	<u>683,507</u>	<u>640,193</u>
Total long-term obligations	<u>\$ 12,003,636</u>	<u>\$ 13,387,819</u>	<u>\$ 7,700,954</u>	<u>\$ 8,040,684</u>	<u>\$ 19,704,590</u>	<u>\$ 21,428,503</u>

See Note 9 for more detail on the City's long-term obligations.

Economic Conditions and Next Year's General Fund Budget Outlook

The City of Aurora remains strong financially. In addition, the City of Aurora's systems of budgeting and internal controls are well regarded and the City is well prepared to meet the challenges of the future. For 2009, the City has not budgeted to the level of prior year's annual income and has maintained a higher level of general fund cash than the four months rainy day reserve set by City Council. These actions should keep the general fund in a stable position for 2009. In conclusion, management has been committed to provide the residents of the City of Aurora with full disclosure of the financial position of the City.

Contacting the City's Financial Management

This financial report is designed to provide our citizen's, taxpayers, and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Mr. Robert Paul, Finance Director, City of Aurora, 130 S. Chillicothe Road, Aurora, Ohio 44202.

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CITY OF AURORA, OHIO

STATEMENT OF NET ASSETS
DECEMBER 31, 2008

	Governmental Activities	Business-type Activities	Total
Assets:			
Equity in pooled cash and cash equivalents	\$ 15,226,802	\$ 5,260,303	\$ 20,487,105
Receivables:			
Municipal income taxes	2,872,015	-	2,872,015
Real and other taxes	4,466,551	-	4,466,551
Other local taxes	48,238	-	48,238
Accounts	95,384	921,833	1,017,217
Special assessments	71	-	71
Accrued interest	191,843	59,162	251,005
Due from other governments	887,520	-	887,520
Prepayments	34,294	25,468	59,762
Materials and supplies inventory.	35,179	-	35,179
Unamortized bond issue costs	62,113	16,089	78,202
Capital assets:			
Land and construction in progress.	34,158,377	2,944,088	37,102,465
Depreciable capital assets, net	28,488,693	35,437,541	63,926,234
Total capital assets.	62,647,070	38,381,629	101,028,699
 Total assets.	 86,567,080	 44,664,484	 131,231,564
 Liabilities:			
Accounts payable.	207,518	335,427	542,945
Retainage payable	14,764	72,570	87,334
Accrued wages and benefits	219,943	27,889	247,832
Due to other governments	477,531	62,442	539,973
Unearned revenue.	4,376,484	-	4,376,484
Accrued interest payable.	44,143	-	44,143
Claims payable.	49,779	-	49,779
Judgements payable	45,000	-	45,000
Due to others	2,869	-	2,869
Long-term liabilities:			
Due within one year.	1,349,058	668,175	2,017,233
Due in more than one year	10,616,870	7,038,721	17,655,591
 Total liabilities	 17,403,959	 8,205,224	 25,609,183
 Net assets:			
Invested in capital assets, net of related debt	51,396,949	30,720,635	82,117,584
Restricted for:			
Capital projects.	3,539,269	-	3,539,269
Debt service	3,592,636	-	3,592,636
Transportation projects	1,187,524	-	1,187,524
Other purposes	1,539,584	-	1,539,584
Unrestricted.	7,907,159	5,738,625	13,645,784
 Total net assets	 \$ 69,163,121	 \$ 36,459,260	 \$ 105,622,381

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF AURORA, OHIO

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2008

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
General government	\$ 2,726,578	\$ 447,106	\$ 501	\$ 74,954
Security of persons and property.	7,398,220	36,150	40,449	-
Transportation	2,940,874	37,485	839,962	1,937,707
Community environment.	1,153,742	-	2,762	-
Leisure time activity	1,572,656	373,062	2,711	20,818
Other	22,266	-	-	-
Interest and fiscal charges	595,273	-	-	-
Total governmental activities.	16,409,609	893,803	886,385	2,033,479
Business-Type Activities:				
Water.	2,703,682	2,514,284	-	395,570
Sewer.	2,589,663	1,788,505	-	339,635
Other business-type activities:				
Cemetery/Perpetual Care.	58,801	25,940	-	-
Total business-type activities	5,352,146	4,328,729	-	735,205
Total primary government	\$ 21,761,755	\$ 5,222,532	\$ 886,385	\$ 2,768,684

General Revenues:

Property and other local taxes levied for:	
General purposes	
Debt service	
Municipal income taxes levied for:	
General purposes	
Capital projects	
Grants and entitlements not restricted to specific programs	
Investment earnings	
Miscellaneous	
 Total general revenues.	
 Transfers.	
 Change in net assets	
 Net assets at beginning of year.	
 Net assets at end of year	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Net (Expense) Revenue and Changes in Net Assets

Governmental Activities	Business-type Activities	Total
\$ (2,204,017)	\$ -	\$ (2,204,017)
(7,321,621)	-	(7,321,621)
(125,720)	-	(125,720)
(1,150,980)	-	(1,150,980)
(1,176,065)	-	(1,176,065)
(22,266)	-	(22,266)
(595,273)	-	(595,273)
<u>(12,595,942)</u>	<u>-</u>	<u>(12,595,942)</u>
-	206,172	206,172
-	(461,523)	(461,523)
<u>-</u>	<u>(32,861)</u>	<u>(32,861)</u>
-	(288,212)	(288,212)
<u>(12,595,942)</u>	<u>(288,212)</u>	<u>(12,884,154)</u>
3,785,487	-	3,785,487
1,070,786	-	1,070,786
10,687,757	-	10,687,757
600,000	-	600,000
880,924	36,885	917,809
499,246	199,964	699,210
150,870	-	150,870
<u>17,675,070</u>	<u>236,849</u>	<u>17,911,919</u>
<u>(538,726)</u>	<u>538,726</u>	<u>-</u>
4,540,402	487,363	5,027,765
<u>64,622,719</u>	<u>35,971,897</u>	<u>100,594,616</u>
<u>\$ 69,163,121</u>	<u>\$ 36,459,260</u>	<u>\$ 105,622,381</u>

CITY OF AURORA, OHIO

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2008

	<u>General</u>	<u>Fire Paramedic Levy Fund</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:					
Equity in pooled cash and cash equivalents	\$ 5,912,605	\$ 540,930	\$ 3,508,480	\$ 5,264,787	\$ 15,226,802
Receivables:					
Municipal income taxes.	2,722,015	-	-	150,000	2,872,015
Real and other taxes.	1,505,061	941,172	1,229,133	791,185	4,466,551
Other local taxes.	48,238	-	-	-	48,238
Accounts	94,079	-	-	1,305	95,384
Accrued interest	134,237	-	31,351	26,255	191,843
Special assessments.	-	-	-	71	71
Due from other funds	69,482	-	-	-	69,482
Due from other governments	283,510	70,758	72,345	460,907	887,520
Prepayments.	34,294	-	-	-	34,294
Materials and supplies inventory	35,179	-	-	-	35,179
Total assets	<u>\$ 10,838,700</u>	<u>\$ 1,552,860</u>	<u>\$ 4,841,309</u>	<u>\$ 6,694,510</u>	<u>\$ 23,927,379</u>
Liabilities:					
Accounts payable.	\$ 144,291	\$ 8,253	\$ -	\$ 54,974	\$ 207,518
Retainage payable.	5,264	-	-	9,500	14,764
Accrued wages and benefits payable	193,588	13,326	-	13,029	219,943
Due to other funds	-	-	-	69,482	69,482
Due to other governments	412,334	30,499	-	34,698	477,531
Deferred revenue	1,509,632	57,717	128,033	506,574	2,201,956
Unearned revenue	1,475,022	921,888	1,204,601	774,973	4,376,484
Claims payable	49,779	-	-	-	49,779
Judgements payable	45,000	-	-	-	45,000
Due to others	-	-	-	2,869	2,869
Total liabilities	<u>3,834,910</u>	<u>1,031,683</u>	<u>1,332,634</u>	<u>1,466,099</u>	<u>7,665,326</u>
Fund Balances:					
Reserved for encumbrances.	238,203	134,053	-	909,141	1,281,397
Reserved for prepayments	34,294	-	-	-	34,294
Reserved for materials and supplies inventory	35,179	-	-	-	35,179
Reserved for debt service.	-	-	3,508,675	-	3,508,675
Unreserved, undesignated, reported in:					
General fund.	6,696,114	-	-	-	6,696,114
Special revenue funds	-	387,124	-	1,732,356	2,119,480
Capital projects funds	-	-	-	2,586,914	2,586,914
Total fund balances.	<u>7,003,790</u>	<u>521,177</u>	<u>3,508,675</u>	<u>5,228,411</u>	<u>16,262,053</u>
Total liabilities and fund balances	<u>\$ 10,838,700</u>	<u>\$ 1,552,860</u>	<u>\$ 4,841,309</u>	<u>\$ 6,694,510</u>	<u>\$ 23,927,379</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF AURORA, OHIO

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2008

Total governmental fund balances		\$ 16,262,053
<i>Amounts reported for governmental activities on the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		62,647,070
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.		
Income taxes receivable	\$ 1,173,550	
Property and other taxes receivable	90,067	
Accrued interest receivable	190,649	
Special assessments receivable	71	
Intergovernmental receivable	<u>747,619</u>	
Total		2,201,956
Unamortized bond issuance costs are not recognized in the funds.		62,113
Unamortized deferred charges are not recognized in the funds.		242,337
Unamortized premiums on bond issuance is not recognized in the funds.		(204,629)
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.		(44,143)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
General obligation bonds	(11,004,271)	
Loans payable	(277,500)	
Compensated absences	(653,694)	
Capital lease payable	<u>(68,171)</u>	
Total		<u>(12,003,636)</u>
Net assets of governmental activities		<u><u>\$ 69,163,121</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF AURORA, OHIO

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2008

	<u>General</u>	<u>Fire Paramedic Levy Fund</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:					
Municipal income taxes	\$ 10,458,103	\$ -	\$ -	\$ 525,000	\$ 10,983,103
Property and other taxes	1,390,149	862,542	1,072,793	800,638	4,126,122
Other local taxes	737,414	-	-	-	737,414
Charges for services	197,433	-	-	384,361	581,794
Licenses and permits	209,551	-	-	37,485	247,036
Fines and forfeitures	37,372	-	-	24,851	62,223
Intergovernmental	545,991	103,127	131,666	1,290,077	2,070,861
Investment income	411,344	-	113,254	92,444	617,042
Rental income	7,800	-	-	-	7,800
Contributions and donations	-	-	-	500	500
Other	113,175	-	-	40,457	153,632
Total revenues	<u>14,108,332</u>	<u>965,669</u>	<u>1,317,713</u>	<u>3,195,813</u>	<u>19,587,527</u>
Expenditures:					
Current:					
General government	2,448,373	30,959	-	14,773	2,494,105
Security of persons and property	5,706,425	575,030	-	281,624	6,563,079
Transportation	2,060,325	-	-	481,344	2,541,669
Community environment	1,029,812	-	-	29,432	1,059,244
Leisure time activity	-	-	-	1,374,392	1,374,392
Capital outlay	-	216,100	-	3,269,644	3,485,744
Other	-	-	21,831	435	22,266
Debt service:					
Principal retirement	2,582	-	1,297,773	273,661	1,574,016
Interest and fiscal charges	1,462	-	573,621	15,224	590,307
Total expenditures	<u>11,248,979</u>	<u>822,089</u>	<u>1,893,225</u>	<u>5,740,529</u>	<u>19,704,822</u>
Excess of revenues over (under) expenditures	<u>2,859,353</u>	<u>143,580</u>	<u>(575,512)</u>	<u>(2,544,716)</u>	<u>(117,295)</u>
Other financing sources (uses):					
Issuance of loan	-	-	-	150,000	150,000
Transfers in	13,476	-	-	3,173,000	3,186,476
Transfers out	(2,828,000)	-	-	(508,476)	(3,336,476)
Total other financing sources (uses)	<u>(2,814,524)</u>	<u>-</u>	<u>-</u>	<u>2,814,524</u>	<u>-</u>
Net change in fund balances	44,829	143,580	(575,512)	269,808	(117,295)
Fund balances at beginning of year	<u>6,958,961</u>	<u>377,597</u>	<u>4,084,187</u>	<u>4,958,603</u>	<u>16,379,348</u>
Fund balances at end of year	<u>\$ 7,003,790</u>	<u>\$ 521,177</u>	<u>\$ 3,508,675</u>	<u>\$ 5,228,411</u>	<u>\$ 16,262,053</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF AURORA, OHIO

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2008

Net change in fund balances - total governmental funds \$ (117,295)

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

Government funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period.

Capital outlays	\$ 2,707,189	
Depreciation expense	(1,142,039)	
Total		1,565,150

Miscellaneous transactions involving capital assets (i.e. sales, trade-ins, and donations) are not reflected in the governmental funds, however they had the following effect in the statement of activities:

Capital contributions	1,548,245	
Disposals, net	(178,560)	
Total		1,369,685

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

Income taxes	304,654	
Real and other taxes	(7,263)	
Investment income	(18,264)	
Special assessments	(5,050)	
Intergovernmental	81,280	
Total		355,357

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.

Decrease in accrued interest payable	5,557	
Amortization of bond premiums	48,182	
Amortization of deferred charges on refundings	(44,076)	
Amortization of bond issue costs	(14,629)	
Total		(4,966)

Proceeds from issuance of loans are recorded as an other financing source in the funds, however, in the statement of activities, they are not reported as revenues as they increase liabilities on the statement of net assets. (150,000)

Repayment of general obligation bonds, special assessment bonds, long-term loans, and capital lease obligations are expenditures in the governmental funds, but the repayments reduce long-term liabilities on the statement of net assets. 1,574,016

Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. (51,545)

Change in net assets of governmental activities \$ 4,540,402

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF AURORA, OHIO

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 GENERAL FUND
 FOR THE FISCAL YEAR ENDED DECEMBER 31, 2008

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Municipal income taxes	\$ 9,514,313	\$ 9,563,396	\$ 10,467,514	\$ 904,118
Property and other taxes	1,263,558	1,270,077	1,390,149	120,072
Other local tax	684,556	688,088	753,139	65,051
Charges for services	205,258	206,317	225,822	19,505
Licenses and permits.	190,469	191,451	209,551	18,100
Fines and forfeitures.	32,959	33,129	36,261	3,132
Intergovernmental	495,738	498,295	545,404	47,109
Investment income	416,031	418,178	457,712	39,534
Rental income	7,090	7,126	7,800	674
Other	9,946	9,997	10,942	945
Total revenues.	<u>12,819,918</u>	<u>12,886,054</u>	<u>14,104,294</u>	<u>1,218,240</u>
Expenditures:				
Current:				
General government	2,688,825	2,840,774	2,817,550	23,224
Security of persons and property	5,370,988	5,674,512	5,628,122	46,390
Transportation	1,967,339	2,078,517	2,061,525	16,992
Community environment	1,015,206	1,072,577	1,063,809	8,768
Total expenditures	<u>11,042,358</u>	<u>11,666,380</u>	<u>11,571,006</u>	<u>95,374</u>
Excess of revenues over expenditures	<u>1,777,560</u>	<u>1,219,674</u>	<u>2,533,288</u>	<u>1,313,614</u>
Other financing sources (uses):				
Sale of capital assets	12,672	12,738	13,942	1,204
Transfers in.	12,249	12,312	13,476	1,164
Transfers out	(2,698,796)	(2,851,310)	(2,828,000)	23,310
Total other financing sources (uses)	<u>(2,673,875)</u>	<u>(2,826,260)</u>	<u>(2,800,582)</u>	<u>25,678</u>
Net change in fund balance	(896,315)	(1,606,586)	(267,294)	1,339,292
Fund balance at beginning of year	5,396,421	5,396,421	5,396,421	-
Prior year encumbrances appropriated	<u>434,373</u>	<u>434,373</u>	<u>434,373</u>	<u>-</u>
Fund balance at end of year.	<u>\$ 4,934,479</u>	<u>\$ 4,224,208</u>	<u>\$ 5,563,500</u>	<u>\$ 1,339,292</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF AURORA, OHIO

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 FIRE PARAMEDIC LEVY FUND
 FOR THE FISCAL YEAR ENDED DECEMBER 31, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Property and other taxes	\$ 816,624	\$ 823,437	\$ 862,542	\$ 39,105
Intergovernmental	97,637	98,451	103,127	4,676
Total revenues.	<u>914,261</u>	<u>921,888</u>	<u>965,669</u>	<u>43,781</u>
Expenditures:				
Current:				
General government	17,572	13,944	15,832	(1,888)
Security of persons and property	639,627	507,572	576,302	(68,730)
Capital outlay.	406,052	322,220	365,852	(43,632)
Total expenditures	<u>1,063,251</u>	<u>843,736</u>	<u>957,986</u>	<u>(114,250)</u>
Net change in fund balance	(148,990)	78,152	7,683	(70,469)
Fund balance at beginning of year	306,687	306,687	306,687	-
Prior year encumbrances appropriated	<u>27,935</u>	<u>27,935</u>	<u>27,935</u>	<u>-</u>
Fund balance at end of year.	<u>\$ 185,632</u>	<u>\$ 412,774</u>	<u>\$ 342,305</u>	<u>\$ (70,469)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF AURORA, OHIO

STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS
 DECEMBER 31,2008

	Business Type Activities - Enterprise Funds			
	Water	Sewer	Other Nonmajor	Total
Assets:				
Current Assets:				
Equity in pooled cash and cash equivalents	\$ 2,486,203	\$ 2,481,739	\$ 292,361	\$ 5,260,303
Receivables:				
Accounts	542,114	379,719	-	921,833
Accrued interest.	26,983	28,790	3,389	59,162
Prepayments.	13,340	12,128	-	25,468
Unamortized bond issuance costs	-	16,089	-	16,089
Total current assets	<u>3,068,640</u>	<u>2,918,465</u>	<u>295,750</u>	<u>6,282,855</u>
Noncurrent Assets:				
Capital assets:				
Land and construction in progress	1,297,449	1,644,449	2,190	2,944,088
Depreciable capital assets, net	7,953,312	27,313,679	170,550	35,437,541
Total capital assets	<u>9,250,761</u>	<u>28,958,128</u>	<u>172,740</u>	<u>38,381,629</u>
Total noncurrent assets	<u>9,250,761</u>	<u>28,958,128</u>	<u>172,740</u>	<u>38,381,629</u>
Total assets	<u>12,319,401</u>	<u>31,876,593</u>	<u>468,490</u>	<u>44,664,484</u>
Liabilities:				
Current Liabilities:				
Accounts payable.	274,417	60,672	338	335,427
Retainage payable.	72,570	-	-	72,570
Accrued wages and benefits	11,423	15,757	709	27,889
Compensated absences.	-	930	-	930
Due to other governments	24,213	36,676	1,553	62,442
Capital lease obligations	-	34,788	-	34,788
G.O. bonds payable - current.	-	43,672	-	43,672
OPWC loans payable - current	10,000	40,000	-	50,000
OWDA loans payable - current.	-	538,785	-	538,785
Total current liabilities	<u>392,623</u>	<u>771,280</u>	<u>2,600</u>	<u>1,166,503</u>
Long-term liabilities:				
Compensated absences	17,723	11,160	-	28,883
Capital lease obligations	-	74,524	-	74,524
G.O. bonds payable	-	732,997	-	732,997
OPWC loans payable	140,000	257,500	-	397,500
OWDA loans payable	-	5,804,817	-	5,804,817
Total long-term liabilities	<u>157,723</u>	<u>6,880,998</u>	<u>-</u>	<u>7,038,721</u>
Total liabilities	<u>550,346</u>	<u>7,652,278</u>	<u>2,600</u>	<u>8,205,224</u>
Net assets:				
Invested in capital assets, net of related debt.	9,100,761	21,447,134	172,740	30,720,635
Unrestricted	<u>2,668,294</u>	<u>2,777,181</u>	<u>293,150</u>	<u>5,738,625</u>
Total net assets	<u>\$ 11,769,055</u>	<u>\$ 24,224,315</u>	<u>\$ 465,890</u>	<u>\$ 36,459,260</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF AURORA, OHIO

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2008

	Business-Type Activities - Enterprise Funds			
	Water	Sewer	Other Nonmajor	Total
Operating revenues:				
Charges for services	2,513,964	1,778,396	25,940	4,318,300
Other	320	10,109	-	10,429
Total operating revenues	<u>2,514,284</u>	<u>1,788,505</u>	<u>25,940</u>	<u>4,328,729</u>
Operating expenses:				
Personal services	651,470	804,180	36,901	1,492,551
Contract services	1,648,143	546,632	-	2,194,775
Materials and supplies	155,017	155,490	14,284	324,791
Depreciation	247,783	778,624	7,616	1,034,023
Other	215	-	-	215
Total operating expenses.	<u>2,702,628</u>	<u>2,284,926</u>	<u>58,801</u>	<u>5,046,355</u>
Operating loss	<u>(188,344)</u>	<u>(496,421)</u>	<u>(32,861)</u>	<u>(717,626)</u>
Nonoperating revenues (expenses):				
Interest expense and fiscal charges	-	(301,042)	-	(301,042)
Loss on disposal of capital assets	(1,054)	(3,695)	-	(4,749)
Interest revenue.	101,890	87,373	10,701	199,964
Intergovernmental	-	36,885	-	36,885
Total nonoperating revenues (expenses)	<u>100,836</u>	<u>(180,479)</u>	<u>10,701</u>	<u>(68,942)</u>
Net (loss) before contributions and transfers	<u>(87,508)</u>	<u>(676,900)</u>	<u>(22,160)</u>	<u>(786,568)</u>
Capital contributions.	395,570	647,480	80,881	1,123,931
Transfers in.	-	150,000	-	150,000
Changes in net assets	308,062	120,580	58,721	487,363
Net assets at beginning of year	<u>11,460,993</u>	<u>24,103,735</u>	<u>407,169</u>	<u>35,971,897</u>
Net assets at end of year.	<u>\$ 11,769,055</u>	<u>\$ 24,224,315</u>	<u>\$ 465,890</u>	<u>\$ 36,459,260</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF AURORA, OHIO

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 FOR THE FISCAL YEAR ENDED DECEMBER 31, 2008

	Business-Type Activities - Enterprise Funds			
	Water	Sewer	Other Nonmajor	Total
Cash flows from operating activities:				
Cash received from customers	\$ 2,494,940	\$ 1,749,086	\$ 25,940	\$ 4,269,966
Cash received from other operations	320	10,109	-	10,429
Cash payments for personal services	(642,449)	(787,048)	(36,323)	(1,465,820)
Cash payments for contract services	(1,767,452)	(513,239)	-	(2,280,691)
Cash payments for materials and supplies	(151,868)	(152,105)	(14,296)	(318,269)
Cash payments for other expenses	(215)	-	-	(215)
Net cash provided by (used in) operating activities	(66,724)	306,803	(24,679)	215,400
Cash flows from noncapital financing activities:				
Cash received from operating grants	-	36,885	-	36,885
Cash payments from other funds	500,000	45,000	-	545,000
Cash payments to other funds	(500,000)	(45,000)	-	(545,000)
Cash received from transfers in	-	150,000	-	150,000
Net cash provided by noncapital financing activities	-	186,885	-	186,885
Cash flows from capital and related financing activities:				
Bond issue	-	300,000	-	300,000
Premium on bond issue	-	10,165	-	10,165
Bond issuance costs	-	(10,635)	-	(10,635)
Principal payments on OWDA loans	-	(517,747)	-	(517,747)
Principal payments on OPWC loans	(10,000)	(40,000)	-	(50,000)
Principal payments on G.O. bonds	-	(42,228)	-	(42,228)
Principal payments on capital lease obligation	-	(33,236)	-	(33,236)
Acquisition of capital assets	(724,936)	(360,200)	(10,605)	(1,095,741)
Interest and fiscal charges	-	(300,010)	-	(300,010)
Net cash used in capital and related financing activities	(734,936)	(993,891)	(10,605)	(1,739,432)
Cash flows from investing activities:				
Interest received	109,499	96,333	11,291	217,123
Net cash provided by investing activities	109,499	96,333	11,291	217,123
Net (decrease) in cash and cash equivalents	(692,161)	(403,870)	(23,993)	(1,120,024)
Cash and cash equivalents at beginning of year	3,178,364	2,885,609	316,354	6,380,327
Cash and cash equivalents at end of year	\$ 2,486,203	\$ 2,481,739	\$ 292,361	\$ 5,260,303

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CITY OF AURORA, OHIO

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS (CONTINUED)
 FOR THE FISCAL YEAR ENDED DECEMBER 31, 2008

	Business-Type Activities - Enterprise Funds			
	Water	Sewer	Other Nonmajor	Total
Reconciliation of operating loss to net cash provided by (used in) operating activities:				
Operating loss	\$ (188,344)	\$ (496,421)	\$ (32,861)	\$ (717,626)
Adjustments:				
Depreciation	247,783	778,624	7,616	1,034,023
Changes in assets and liabilities:				
Increase in accounts receivable	(19,024)	(29,310)	-	(48,334)
Increase in prepayments.	(635)	(578)	-	(1,213)
Increase (decrease) in accounts payable.	(117,407)	35,228	(134)	(82,313)
Increase in accrued wages and benefits	3,191	4,326	196	7,713
Increase in due to other governments	5,569	13,596	504	19,669
Increase in compensated absences payable	2,143	1,338	-	3,481
Net cash provided by (used in) operating activities . . .	<u>\$ (66,724)</u>	<u>\$ 306,803</u>	<u>\$ (24,679)</u>	<u>\$ 215,400</u>

Non Cash Transactions

During 2008, the Water fund purchased capital assets on account of \$335,162. During 2007, the Water and Sewer funds purchased capital assets on account of \$5,960 and \$34,931.

The Water, Sewer and nonmajor enterprise funds received \$395,570, \$647,480 and \$80,881 in capital contributions.

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF AURORA, OHIO

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
DECEMBER 31, 2008

	<u>Agency</u>
Assets:	
Equity in pooled cash and cash equivalents	\$ 416,780
Receivables:	
Real and other taxes.	5,702
Accounts	<u>6,923</u>
Total assets	<u>\$ 429,405</u>
Liabilities:	
Accounts payable	\$ 5,703
Due to others.	475
Due to other governments	<u>423,227</u>
Total liabilities	<u>\$ 429,405</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF AURORA, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2008

NOTE 1 - DESCRIPTION OF THE CITY

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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements (BFS) of the City have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial principles. The City also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental and business-type activities and its proprietary funds provided they do not conflict with or contradict GASB pronouncements. The City has the option to also apply FASB Statements and Interpretations issued after November 30, 1989 to its business-type activities and enterprise funds, subject to this same limitation. The City has elected not to apply these FASB Statements and Interpretations. The City's significant accounting policies are described below.

A. Reporting Entity

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the City consists of all funds, departments, boards and agencies that are not legally separate from the City. For the City, this includes police and fire protection, parks and recreation, water and sewer service, street maintenance and repairs and general administrative services.

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's Governing Board and (1) the City is able to significantly influence the programs or services performed or provided by the organizations; or (2) the City is legally entitled to or can otherwise access the organization's resources; or (3) the City is legally obligated or has otherwise assumed the responsibility to finance deficits of or provide financial support to the organization; or (4) the City is obligated for the debt of the organization. Component units may also include organizations for which the City approves the budget, the issuance of debt, or the levying of taxes. The City has no component units.

B. Basis of Presentation - Fund Accounting

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

Government-wide Financial Statements - The statement of net assets and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the City that are governmental and those that are considered business-type activities.

CITY OF AURORA, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The statement of net assets presents the financial condition of the governmental and business-type activities of the City at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental activities and for the business-type activities of the City. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental functions are self-financing or draw from the general revenues of the City.

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. The principal operating revenues of the City's proprietary funds are charges for services. Operating expenses for the enterprise funds include personnel and other expenses related to sewer and water operations. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

The agency funds do not report a measurement focus as they do not report operations.

C. Fund Accounting

The City uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary.

Governmental Funds - Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the City's major governmental funds:

General fund - The general fund accounts for all financial resources except those required to be accounted for in another fund. The general fund balance is available to the City for any purpose provided it is expended or transferred according to the charter of the City and/or the general laws of Ohio.

CITY OF AURORA, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Fire paramedic levy fund - The fire paramedic levy fund accounts for tax monies and expenditures related to fire activities.

Debt service fund - The debt service fund is used to account for monies used for the purpose of retiring principal and interest on debt.

The other governmental funds of the City account for grants and other resources whose use is restricted to a particular purpose.

Proprietary Funds - Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position and cash flows. Proprietary funds are classified as either enterprise or internal service. The City has no internal service funds.

Enterprise funds - The enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The following are the City's major enterprise funds:

Water - The water fund accounts for the purchase of water from Portage County and distributes and bills residents and commercial users located within the City.

Sewer - The sewer fund accounts for the provision of sanitary sewer service to the residents and commercial users located within the City.

The nonmajor enterprise funds are used to account for cemetery and perpetual care operations.

Fiduciary Funds - Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the City under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the City's own programs. The City has no trust funds. The agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The City has several agency funds.

D. Measurement Focus and Basis of Accounting

Government-wide Financial Statements - The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the City are included on the statement of net assets. The statement of activities presents increases (e.g. revenues) and decreases (e.g. expenses) in total net assets.

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

CITY OF AURORA, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Like the government-wide statements, all proprietary funds are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of net assets. The statement of changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in total net assets. The statement of cash flows provides information about how the City finances and meets the cash flow needs of its proprietary activities.

E. Basis of Accounting

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

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

Nonexchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. On an accrual basis, revenue from income taxes is recognized in the period in which the income is earned (see Note 6). Revenue from property taxes is recognized in the year for which the taxes are levied (see Note 6). Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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 6.B.). 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.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: income tax, State-levied locally shared taxes (including gasoline tax, local government funds and permissive tax), fines and forfeitures, interest and grants.

CITY OF AURORA, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Unearned Revenue and Deferred Revenue - Unearned revenue and deferred revenue arise when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of December 31, 2008, but which were levied to finance year 2009 operations, and other revenues received in advance of the fiscal year for which they were intended to finance, have been recorded as unearned revenue. Income taxes and special assessments not received within the available period, grants and entitlements received before the eligibility requirements are met and delinquent property taxes due at December 31, 2008, are recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have been reported as deferred revenue.

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred.

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

F. Budgetary Process

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

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.

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.

CITY OF AURORA, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

A temporary appropriation measure may be passed by City 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, department and object level for all funds. The budgeted amounts by department or expenditure category reflected in the financial statements include this initial appropriation measure and all revisions thereto for the year.

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

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

G. Cash and Investments

To improve cash management, cash received by the City is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the City's records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents".

During 2008, investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio).

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, 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 shares price which is the price the investment could be sold for on December 31, 2008.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the general fund during 2008 amounted to \$411,344 which includes \$188,743 assigned from other City funds.

Investments with an original maturity of three months or less at the time of purchase and investments of the cash management pool are presented on the financial statements as cash equivalents.

An analysis of the City's investment account at year-end is provided in Note 4.

H. Materials and Supplies Inventory

Inventory is stated at cost (first-in, first-out) in the governmental fund types, 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 funds when purchased and expenses in the proprietary funds when used.

CITY OF AURORA, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

I. Capital Assets

General capital assets are capital assets which are associated with and generally arise from governmental activities. They generally result from expenditures in the governmental funds. General capital assets are reported in the governmental activities column of the government-wide statement of net assets, but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net assets and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The City maintains a capitalization threshold of \$2,000. The City's infrastructure consists of roads, storm sewers, and water and sewer lines. 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. Interest incurred during the construction of proprietary fund capital assets is also capitalized.

All capital assets are depreciated except for land and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the City's historical records of necessary improvements and replacement. Depreciation is computed using the straight-line method with one-half year convention and a 5% salvage value over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>	
	<u>Government-Type</u>	<u>Business-Type</u>
Land improvements	15 to 45 years	15 to 45 years
Buildings	15 to 45 years	45 years
Machinery and equipment	5 to 26 years	3 to 20 years
Infrastructure	15 to 30 years	-
Roads	25 to 50 years	-
Water lines	-	45 to 55 years
Sewer lines	-	45 to 55 years
Stormwater lines	-	45 to 55 years

J. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employee's rights to receive compensation are attributable to services already rendered and it is probable that the City will compensate the employees for the benefits through paid time off or some other means. The City records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the City has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees wage rates at year end, taking into consideration any limits specified in the City's termination policy. The City records a liability for accumulated unused sick leave for employees after 10 years of service with the City.

CITY OF AURORA, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

K. Prepaid Items

Payments made to vendors for services that will benefit beyond December 31, 2008, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditures/expense in the year in which the services are consumed.

L. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

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

M. Unamortized Issuance Costs/Bond Premium and Discount/Accounting Gain or Loss

On government-wide financial statements, bond issuance costs are deferred and amortized over the term of the bonds using the straight-line method. Unamortized bond issuance costs are reported as a separate line item on the statement of net assets.

Bond premiums and discounts are deferred and amortized over the term of the bonds using the straight-line method, which approximates the effective interest method. Bond premiums are presented as an addition to the face amount of the bonds. Bond discounts are presented as a reduction to the face amount of the bonds.

For advance refundings resulting in the defeasance of debt reported in the government-wide financial statements and in the proprietary funds, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as a component of interest expense. This accounting gain or loss is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter and is presented as an addition to or reduction from the face amount of the new debt.

On the governmental fund financial statements, issuance costs and bond premiums and discounts are recognized in the current period. The reconciliation between the bonds face value and the amount reported on the statement of net assets is presented in Note 9.

N. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "due from/to other funds." These amounts are eliminated in the governmental and business-type activities columns of the statement of net assets, except for any net residual amounts due between governmental and business-type activities, which are presented as internal balances.

CITY OF AURORA, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

O. Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

P. Contributions of Capital

Contributions of capital in proprietary fund financial statements arise from outside contributions of capital assets, or from grants or outside contributions of resources restricted to capital acquisition and construction. During 2008, the water, sewer and other nonmajor enterprise funds received \$1,123,931 in capital contributions which consisted of assets purchased by governmental funds and assets contributed by developers and other outside sources.

Q. Fund Balance Reserves

The City reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent expendable resources and therefore are not available for appropriation or expenditures. As a result, encumbrances, materials and supplies inventory, prepayments and debt service are recorded as a reservation of fund balance in the governmental fund financial statements.

R. Estimates

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

S. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City Administration and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2008.

T. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net assets restricted for other purposes consist primarily of permissive taxes, motor vehicle taxes and programs to enhance the security of persons and property and the general government.

The City applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

CITY OF AURORA, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2008

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

Change in Accounting Principles

For 2008, the City has implemented GASB Statement No. 45, "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions", GASB Statement No. 49, "Accounting and Financial Reporting for Pollution Remediation Obligations" and GASB Statement No. 50, "Pension Disclosures".

GASB Statement No. 45 establishes uniform standards of financial reporting for other postemployment benefits and increases the usefulness and improves the faithfulness of representations in the financial reports. The implementation of GASB Statement No. 45 did not have an effect on the financial statements of the City; however, certain disclosures related to postemployment benefits (see Note 13) have been modified to conform to the new reporting requirements.

GASB Statement No. 49 addresses accounting and financial reporting standards for pollution remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. The implementation of GASB Statement No. 49 did not have an effect on the financial statements of the City.

GASB Statement No. 50 establishes standards that more closely align the financial reporting requirements for pensions with those of other postemployment benefits. The implementation of GASB Statement No. 50 did not have an effect on the financial statements of the City.

NOTE 4 - DEPOSITS AND INVESTMENTS

State statutes classify monies held by the City into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the City treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the City Council has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use, but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

Interim monies may be deposited or invested in the following securities:

1. 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 and interest by the United States;
2. 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;

CITY OF AURORA, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

3. 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;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool State Treasury Asset Reserve of Ohio (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the City, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Finance Director or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

A. Cash on Hand

At year-end, the City had \$1,985 in undeposited cash on hand which is included on the financial statements of the City as part of "equity in pooled cash and cash equivalents."

B. Deposits with Financial Institutions

At December 31, 2008, the carrying amount of all City deposits was \$20,636,614. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of December 31, 2008, \$17,415,411 of the City's bank balance of \$18,751,801 was exposed to custodial risk as discussed below, while \$1,336,390 was covered by the Federal Deposit Insurance Corporation.

CITY OF AURORA, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Custodial credit risk is the risk that, in the event of bank failure, the City's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the City. The City has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the City to a successful claim by the FDIC.

C. Investments

As of December 31, 2008, the City had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturity 6 months or less</u>
STAR Ohio	\$ 265,286	\$ 265,286
Total	<u>\$ 265,286</u>	<u>\$ 265,286</u>

Interest Rate Risk: As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the City's investment policy limits investment portfolio maturities to five years or less.

Credit Risk: Standard & Poor's has assigned STAR Ohio an AAA money market rating.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The City's investment policy does not specifically address custodial credit risk beyond the adherence to all relevant sections of the Ohio Revised Code.

Concentration of Credit Risk: The City places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the City at December 31, 2008:

<u>Investment type</u>	<u>Fair Value</u>	<u>% to Total</u>
STAR Ohio	\$ 265,286	100.00
Total	<u>\$ 265,286</u>	<u>100.00</u>

CITY OF AURORA, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

D. Reconciliation of Cash and Investments to the Statement of Net Assets

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net assets as of December 31, 2008:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 20,636,614
Investments	265,286
Cash on hand	<u>1,985</u>
Total	<u>\$ 20,903,885</u>
 <u>Cash and investments per statement of net assets</u>	
Governmental activities	\$ 15,226,802
Business-type activities	5,260,303
Agency funds	<u>416,780</u>
Total	<u>\$ 20,903,885</u>

NOTE 5 - INTERFUND TRANSACTIONS

A. Interfund transfers for the year ended December 31, 2008, consisted of the following, as reported on the fund financial statements:

Transfers from general fund to:	
Sewer fund	\$ 150,000
Nonmajor governmental funds	<u>2,678,000</u>
Total	<u>\$ 2,828,000</u>
Transfers from nonmajor governmental fund to:	
General fund	\$ 13,476
Nonmajor governmental funds	<u>495,000</u>
Total	<u>\$ 508,476</u>

Transfers are used to (1) move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Transfers between governmental funds are eliminated on the government-wide financial statements. Transfers between governmental funds and enterprise funds (business-type activities) are reported as transfers on the statement of activities.

CITY OF AURORA, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

NOTE 5 - INTERFUND TRANSACTIONS - (Continued)

- B.** Due from/to other funds consisted of the following at December 31, 2008, as reported on the fund financial statements:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General fund	Nonmajor governmental funds	\$ 69,482

Amounts due from/to other funds represent unclaimed monies collected and due to the general fund.

Amounts due from/to other funds between governmental funds are eliminated on the government-wide financial statements.

NOTE 6 - RECEIVABLES

Receivables at December 31, 2008, consisted primarily of municipal income taxes, real and other taxes, other local taxes, special assessments, accounts, accrued interest and intergovernmental receivables arising from grants, entitlements, and shared revenues. All receivables are deemed collectible in full.

No allowance for doubtful accounts has been recorded because uncollectible amounts are expected to be insignificant.

A. Property Taxes

Property taxes include amounts levied against all real, public utility and tangible personal property located in the City. Taxes collected from real property taxes (other than public utility) in one calendar year are levied in the preceding calendar year on the assessed value as of January 1 of that preceding year, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. All property is required to be revaluated every six years. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

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. Public utility tangible personal property is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2008 public utility property taxes became a lien December 31, 2007, are levied after October 1, 2008, and are collected in 2009 with real property taxes. Public utility property taxes are payable on the same dates as real property taxes described previously.

Tangible personal property tax revenues received in 2008 (other than public utility property) represent the collection of 2008 taxes. Tangible personal property taxes received in 2008 were levied after October 1, 2007, on the true value as of December 31, 2007. Tangible personal property tax is being phased out - the assessment percentage for property, including inventory, is 6.25% for 2008. This percentage will be reduced to zero for 2009. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

CITY OF AURORA, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

NOTE 6 - RECEIVABLES - (Continued)

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property will be eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the City due to the phasing out of the tax. In calendar years 2008-2010, the City will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

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. Property taxes receivable represents real and tangible personal property taxes, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2008 and for which there is an enforceable legal claim. In the governmental funds, the current portion receivable has been offset by unearned revenue since the current taxes were not levied to finance 2008 operations and the collection of delinquent taxes has been offset by deferred revenue since the collection of the taxes during the available period is not subject to reasonable estimation. On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on a modified accrual basis the revenue is deferred.

The full tax rate for all City operations for the year ended December 31, 2008 was \$8.84 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2008 property tax receipts were based are as follows:

Real property tax	\$ 602,459,560
Public utility tangible personal property	7,360,550
Tangible personal property	<u>912,674</u>
Total assessed valuation	<u>\$ 610,732,784</u>

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 0.884% (8.84 mils) of assessed value.

B. Municipal Income Taxes

The City levies an income tax of 2% on substantially all income earned within the City with a 100% credit allowed for income taxed paid to other municipalities. Collection fees charged by RITA of \$337,603 in 2008 are reflected in the financial statements as general government expenditures in the general fund. See Note 2.E. (Revenue Recognition) for distribution of income taxes by fund.

CITY OF AURORA, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

NOTE 6 - RECEIVABLES - (Continued)

C. Intergovernmental Receivables

A summary of the principal items of intergovernmental receivables (due from other governments) follows:

<u>Governmental activities</u>	<u>Amounts</u>
Local government and revenue assistance	\$ 30,230
Homestead and rollback	226,078
State income tax	131,480
Gasoline and excise tax	278,258
Motor vehicle license fees	74,477
Permissive motor vehicle license tax	58,373
County fines and forfeitures	2,848
State fines and forfeitures	88
State grant	33,425
State sales tax	43,246
State permissive auto tax	<u>9,017</u>
Total	<u>\$ 887,520</u>

CITY OF AURORA, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

NOTE 7 - CAPITAL ASSETS

A. Governmental activities: capital asset activity for the year ended December 31, 2008, was as follows:

<u>Governmental activities:</u>	<u>Balance</u> <u>12/31/07</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>12/31/08</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 30,881,411	\$ 1,589,224	\$ -	\$ 32,470,635
Construction in progress	<u>1,184,797</u>	<u>578,446</u>	<u>(75,501)</u>	<u>1,687,742</u>
Total capital assets, not being depreciated	<u>32,066,208</u>	<u>2,167,670</u>	<u>(75,501)</u>	<u>34,158,377</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	1,065,291	284,368	-	1,349,659
Buildings and improvements	12,888,099	32,059	(5,130)	12,915,028
Equipment	6,577,778	593,928	(155,609)	7,016,097
Infrastructure	<u>17,086,553</u>	<u>1,252,910</u>	<u>(198,531)</u>	<u>18,140,932</u>
Total capital assets, being depreciated	<u>37,617,721</u>	<u>2,163,265</u>	<u>(359,270)</u>	<u>39,421,716</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(315,637)	(54,701)	-	(370,338)
Buildings and improvements	(3,342,258)	(272,186)	650	(3,613,794)
Equipment	(3,490,142)	(450,880)	128,568	(3,812,454)
Infrastructure	<u>(2,823,657)</u>	<u>(364,272)</u>	<u>51,492</u>	<u>(3,136,437)</u>
Total accumulated depreciation	<u>(9,971,694)</u>	<u>(1,142,039)</u>	<u>180,710</u>	<u>(10,933,023)</u>
Total capital assets, being depreciated, net	<u>27,646,027</u>	<u>1,021,226</u>	<u>(178,560)</u>	<u>28,488,693</u>
Governmental activities capital assets, net	<u>\$ 59,712,235</u>	<u>\$ 3,188,896</u>	<u>\$ (254,061)</u>	<u>\$ 62,647,070</u>

Depreciation expense was charged to governmental activities as follows:

General government	\$ 141,974
Security of persons and property	301,598
Transportation	579,887
Community environment	16,637
Leisure time activity	<u>101,943</u>
Total depreciation expense - governmental activities	<u>\$ 1,142,039</u>

CITY OF AURORA, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

NOTE 7 - CAPITAL ASSETS - (Continued)

B. Business-type activities: capital asset activity for the year ended December 31, 2008, was as follows:

<u>Business-type activities:</u>	<u>Balance</u> <u>12/31/07</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>12/31/08</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 1,253,550	\$ 36,810	\$ -	\$ 1,290,360
Construction in progress	<u>409,079</u>	<u>1,244,649</u>	<u>-</u>	<u>1,653,728</u>
Total capital assets, not being depreciated	<u>1,662,629</u>	<u>1,281,459</u>	<u>-</u>	<u>2,944,088</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	72,260	91,486	-	163,746
Buildings and improvements	15,775,198	-	-	15,775,198
Equipment	1,370,300	211,918	(76,037)	1,506,181
Infrastructure	<u>29,397,425</u>	<u>929,080</u>	<u>-</u>	<u>30,326,505</u>
Total capital assets, being depreciated	<u>46,615,183</u>	<u>1,232,484</u>	<u>(76,037)</u>	<u>47,771,630</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(7,319)	(5,564)	-	(12,883)
Buildings and improvements	(4,024,437)	(332,880)	-	(4,357,317)
Equipment	(709,868)	(70,049)	71,288	(708,629)
Infrastructure	<u>(6,629,730)</u>	<u>(625,530)</u>	<u>-</u>	<u>(7,255,260)</u>
Total accumulated depreciation	<u>(11,371,354)</u>	<u>(1,034,023)</u>	<u>71,288</u>	<u>(12,334,089)</u>
Total capital assets, being depreciated, net	<u>35,243,829</u>	<u>198,461</u>	<u>(4,749)</u>	<u>35,437,541</u>
Business-type activities capital assets, net	<u>\$ 36,906,458</u>	<u>\$ 1,479,920</u>	<u>\$ (4,749)</u>	<u>\$ 38,381,629</u>

Depreciation expense was charged to the enterprise funds as follows:

<u>Business-type activities:</u>	
Water	\$ 247,783
Sewer	778,624
Other nonmajor	<u>7,616</u>
Total depreciation expense - business-type activities	<u>\$ 1,034,023</u>

CITY OF AURORA, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

NOTE 8 - CAPITAL LEASES

In prior years, the City entered into capital lease agreements for copier equipment and a sewer cleaner. The copier equipment has been capitalized in the governmental activities. The sewer cleaner has been capitalized on a basis of one-third in the heavy equipment replacement fund (a non-major governmental fund) and two-thirds in the sewer fund, because the asset will be used by both funds. These lease agreements meet the criteria of a capital lease as defined by FASB Statement No. 13 "Accounting for Leases", which defines a capital lease as one which transfers benefits and risks of ownership to the lessee.

The amount in governmental activities of \$107,836 represents the present value of the minimum lease payments at the time of acquisition and the amount of \$182,440 represents the present value of the minimum lease payments at the time of acquisition for the sewer fund. As of December 31, 2008, accumulated depreciation was \$18,701 in governmental activities, resulting in a carrying value of \$89,135. A corresponding liability was recorded in the governmental activities long-term obligations. As of December 31, 2008, accumulated depreciation was \$14,443 in the sewer fund, resulting in a carrying value of \$167,997. A corresponding liability was recorded in the sewer fund. Principal payments in 2008 totaled \$21,427 in governmental activities and \$33,236 in the sewer enterprise fund.

The following is a schedule of the future long-term minimum lease payments required under the capital lease agreements and the present value of the minimum lease payments as of December 31, 2008:

Year Ending <u>December 31, 2008</u>	<u>Governmental Funds</u>		<u>Enterprise</u>
	<u>General</u>	<u>Nonmajor governmental</u>	<u>Sewer</u>
2009	\$ 4,044	\$ 24,476	\$ 39,892
2010	4,044	24,476	39,893
2011	<u>2,696</u>	<u>20,746</u>	<u>39,892</u>
Total	10,784	69,698	119,677
Less: amount representing interest	<u>(2,766)</u>	<u>(9,545)</u>	<u>(10,365)</u>
Present value of net minimum lease payments	<u>\$ 8,018</u>	<u>\$ 60,153</u>	<u>\$ 109,312</u>

CITY OF AURORA, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

NOTE 9 - LONG-TERM OBLIGATIONS

Long-term bonds and loans outstanding for the governmental and business-type activities at December 31, 2008 included the following:

<u>Purpose (Description)</u>	<u>Principal Original Issuance</u>	<u>Interest Rate</u>	<u>Date of Final Installment</u>	<u>Amount Balance at 12/31/08</u>
<u>Governmental activities</u>				
Voted general obligation bonds to be repaid by property tax revenues:				
Land acquisition improvement	\$ 6,500,000	2.00-5.125%	December 1, 2027	\$ 5,470,000
Various purpose refunding bonds, Series 2005 (Unlimited Tax Bonds)	2,090,000	3.00-5.00%	December 1, 2009	<u>710,000</u>
Total voted debt				<u>\$ 6,180,000</u>
Unvoted general obligation bonds:				
Various purpose refunding bonds, Series 2005 (Limited Tax Bonds)	4,910,826	3.00-5.00%	December 1, 2018	<u>\$ 4,824,271</u>
Total unvoted debt				<u>\$ 4,824,271</u>
Long-term loans payable:				
OWPC Loan - CG19G	150,000	0.00%	July 1, 2017	\$ 127,500
OWPC Loan - CG16L	150,000	0.00%	January 1, 2019	<u>150,000</u>
Total long-term loans				<u>\$ 277,500</u>
Total governmental activities bonds and loans				<u>\$ 11,281,771</u>
<u>Business-type activities</u>				
Unvoted general obligations bonds:				
Various purpose refunding bonds Series 2005 (Limited Tax Bonds)	479,175	3.00-5.00%	December 1, 2018	\$ 470,727
Weston Woods Subdivision bonds, series 2008	300,000	5.50-5.75%	December 1, 2028	<u>300,000</u>
Total unvoted debt				<u>\$ 770,727</u>
Long-term loans payable:				
OWDA loans to be repaid from user fees:				
Central wastewater treatment facility	10,762,206	3.98-4.04%	January 1, 2021	\$ 6,343,602
OWPC loans:				
Weston Woods sanitary sewer	150,000	0.00%	January 1, 2018	135,000
CC sanitary sewer improvement project	212,500	0.00%	July 1, 2015	162,500
SR 43/SR 306 waterline	200,000	0.00%	January 1, 2024	<u>150,000</u>
Total long-term loans				<u>\$ 6,791,102</u>
Total business-type activities bonds and loans				<u>\$ 7,561,829</u>

CITY OF AURORA, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

The changes in the City's long-term obligations during the year consist of the following:

	Balance			Balance	Amounts
	<u>12/31/07</u>	<u>Issued</u>	<u>Retired</u>	<u>12/31/08</u>	<u>Due in</u>
					<u>One Year</u>
<u>Governmental activities:</u>					
General obligation bonds	\$ 12,302,044	\$ -	\$ (1,297,773)	\$ 11,004,271	\$ 1,296,328
Loans payable	382,316	150,000	(254,816)	277,500	30,000
Capital lease	89,598	-	(21,427)	68,171	22,601
Compensated absences	<u>613,861</u>	<u>51,545</u>	<u>(11,712)</u>	<u>653,694</u>	<u>129</u>
Total governmental long-term liabilities	<u>\$ 13,387,819</u>	<u>\$ 201,545</u>	<u>\$ (1,585,728)</u>	12,003,636	<u>\$ 1,349,058</u>
				Add: Unamortized premium on bond issue	204,629
				Less: Deferred amount on refunding	<u>(242,337)</u>
				Total: Reported on the statement of net assets	<u>\$ 11,965,928</u>
<u>Business-type activities:</u>					
General obligation bonds	\$ 512,955	\$ 300,000	\$ (42,228)	\$ 770,727	\$ 43,672
OWDA loans	6,861,349	-	(517,747)	6,343,602	538,785
OPWC loans	497,500	-	(50,000)	447,500	50,000
Capital lease	142,548	-	(33,236)	109,312	34,788
Compensated absences	<u>26,332</u>	<u>3,481</u>	<u>-</u>	<u>29,813</u>	<u>930</u>
Total business-type long-term liabilities	<u>\$ 8,040,684</u>	<u>\$ 303,481</u>	<u>\$ (643,211)</u>	7,700,954	<u>\$ 668,175</u>
				Add: Unamortized premium on bond issue	28,643
				Less: Deferred amount on refunding	<u>(22,701)</u>
				Total reported on the statement of net assets	<u>\$ 7,706,896</u>

Capital lease obligations are described in Note 8.

Compensated absences will be paid from the fund from which the employee is paid. For governmental activities, this is primarily the general fund. For business-type activities, this is the water and sewer fund.

Refunding Bonds

On May 19, 2005, the City issued \$5,390,000 general obligation various purpose refunding bonds. The bonds bear interest at rates ranging from 3.00 percent to 5.00 percent per annum and mature in various installments through December 1, 2018. The proceeds of the bonds were used to advance refund a portion of the City's governmental-activities and enterprise funds various purpose 1998 general obligation bonds by purchasing SLGS that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of the refunded debt. The amounts refunded were \$4,769,540 and \$465,460, in the governmental activities and business-type activities, respectively. The refunded bonds were not included in the City's outstanding debt since the City has satisfied its obligations through the advance refunding and the assets held in trust as a result of the advance refunding are not included in the accompanying financial statements.

CITY OF AURORA, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

The reacquisition price exceeded the net carrying amount of the old debt by \$320,173 in governmental activities and \$31,165 in the enterprise funds. The City also received a premium on the issue allocated to governmental-activities and enterprise funds in the amounts of \$262,923 and \$25,654 respectively. These amounts are being netted against the new debt and amortized over the remaining life of the refunded debt, which is equal to the life of the new debt issued.

The bond issue also resulted in \$155,000 in new money which the City used to help pay costs incurred related to the refunding.

On May 19, 2005, the City issued \$2,090,000 in general obligation various purpose refunding bonds to currently refund the callable portion of the Westerly wastewater treatment plant facilities bond (principal \$2,381,516). The refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net assets. The principal balance of the general obligation various purpose refunding bonds at December 31, 2008 was \$710,000.

The reacquisition price exceeded the net carrying amount of the old debt by \$77,788. The City also received a premium on the issue in the amount of \$111,830. These amounts are being netted against the new debt and amortized over the remaining life of the refunded debt, which is equal to the life of the new debt issued.

Future Debt Service Requirements

Remaining commitments under these bonds and loans are as follows for governmental activities:

Year Ending December 31,	G. O. Bonds			OPWC Loans		
	Principal	Interest	Total	Principal	Interest	Total
2009	\$ 1,296,328	\$ 509,234	\$ 1,805,562	\$ 30,000	\$ -	\$ 30,000
2010	604,995	454,393	1,059,388	30,000	-	30,000
2011	628,217	433,218	1,061,435	30,000	-	30,000
2012	651,884	410,831	1,062,715	30,000	-	30,000
2013	684,661	380,757	1,065,418	30,000	-	30,000
2014 - 2018	3,938,187	1,395,752	5,333,939	127,500	-	127,500
2019 - 2023	1,600,000	663,788	2,263,788	-	-	-
2024 - 2027	1,599,999	210,126	1,810,125	-	-	-
Total	<u>\$ 11,004,271</u>	<u>\$ 4,458,099</u>	<u>\$ 15,462,370</u>	<u>\$ 277,500</u>	<u>\$ -</u>	<u>\$ 277,500</u>

Remaining commitments under these bonds and loans are as follows for business-type activities:

Year Ending December 31,	G. O. Bonds			OWDA Loans			OPWC Loans		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2009	\$ 43,672	\$ 43,829	\$ 87,501	\$ 538,785	\$ 249,543	\$ 788,328	\$ 50,000	\$ -	\$ 50,000
2010	50,005	35,932	85,937	560,679	227,649	788,328	50,000	-	50,000
2011	51,783	33,982	85,765	583,462	204,866	788,328	50,000	-	50,000
2012	53,117	31,969	85,086	607,171	181,157	788,328	50,000	-	50,000
2013	55,339	29,263	84,602	631,844	156,484	788,328	50,000	-	50,000
2014 - 2018	326,811	103,891	430,702	2,961,050	393,368	3,354,418	147,500	-	147,500
2019 - 2023	80,000	46,000	126,000	460,611	23,141	483,752	50,000	-	50,000
2024 - 2028	110,000	19,837	129,837	-	-	-	-	-	-
Total	<u>\$ 770,727</u>	<u>\$ 344,703</u>	<u>\$ 1,115,430</u>	<u>\$ 6,343,602</u>	<u>\$ 1,436,208</u>	<u>\$ 7,779,810</u>	<u>\$ 447,500</u>	<u>\$ -</u>	<u>\$ 447,500</u>

CITY OF AURORA, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2008

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

Legal Debt Margin

The Ohio Revised Code provides that the net debt of a municipal corporation, whether or not approved by the electors, shall not exceed 10.5% of the total value of the property in the municipal corporation as listed and assessed for taxation. In addition, the unvoted net debt of municipal corporations cannot exceed 5.5% of the total taxation value of property. The assessed valuation used in determining the City's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in calculating the City's legal debt margin exceeds tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property and personal property owned or leased by a railroad company and used in railroad operations. The statutory limitations on debt are measured by a direct ratio of net debt to tax valuation and expressed in terms of a percentage. At December 31, 2008, the City's total debt margin was \$62,124,195 and the unvoted debt margin was \$33,940,510.

NOTE 10 - COMPENSATED ABSENCES

Vacation leave is earned at rates, which vary depending upon length of service and standard work week. Vacation leave cannot be accumulated and must be used or will be lost at the end of each year. City employees are paid for earned, unused vacation leave at the time of termination of employment.

A permanent full-time employee working a normal forty-hour average workweek shall accrue sick leave at the rate of 1.25 work days or ten hours for each full calendar month of service. There is no limit as to the accumulation of sick leave days. Upon retirement from the City, each employee working a normal forty-hour workweek shall receive the lesser of sixty working days of pay or a formula established by the City's employee manual. Permanent full-time firefighters working a fifty three hour average work week shall earn sick leave at a rate of fourteen hours for each full calendar month of service.

NOTE 11 - 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 Municipal Insurance Alliance (HCC Companies) for general liability and excess general liability coverage for \$1,000,000 and \$4,000,000 respectively.

Law enforcement liability is provided by HCC with a \$5,000 deductible for \$5,000,000 in coverage for each person/occurrence. Vehicles are also covered by HCC and hold a \$250 deductible for comprehensive and a \$500 deductible for collision, except for fire department vehicles which carry a \$500 deductible for comprehensive and \$1,000 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 Business Administrators and Consultants, Inc., 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.

CITY OF AURORA, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

NOTE 11 - RISK MANAGEMENT - (Continued)

As an integral part of the health insurance program, a reinsurance policy has been purchased covering claims in excess of \$50,000 per individual per year up to a maximum of \$1,000,000 per individual per lifetime. Settled claims have not exceeded the commercial coverage limits in any of the past three years.

Total contributions to the program during 2008 were \$1,703,224. The claims liability of \$49,779 reported in the general fund at December 31, 2008 is based on the requirements of GASB Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues," as amended by GASB Statement No. 30 "Risk Financing Omnibus" 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 for the last two years are:

	Balance at Beginning <u>of Year</u>	Current <u>Claims</u>	Claims <u>Payment</u>	Balance at <u>End of Year</u>
2008	\$ 85,571	\$ (1,739,016)	\$ 1,703,224	\$ 49,779
2007	16,138	(1,402,230)	1,471,663	85,571

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 coverage in any of the past three years.

NOTE 12 - PENSION PLANS

A. Ohio Public Employees Retirement System

Plan Description - The City participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan. The Member-Directed Plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the Combined Plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the Traditional Pension Plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the Member-Directed Plan. While members in the State and local divisions may participate in all three plans, law enforcement (generally sheriffs, deputy sheriffs and township police) and public safety divisions exist only within the traditional pension plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, Attention: Finance Director, 277 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

CITY OF AURORA, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2008

NOTE 12 - PENSION PLANS - (Continued)

Funding Policy - The Ohio Revised Code provides statutory authority for member and employer contributions. For 2008, member and contribution rates were consistent across all three plans. While members in the State and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the Traditional Plan. The 2008 member contribution rates were 10.00% for members in State and local classifications. Public safety and law enforcement members contributed 10.10%.

The City's contribution rate for 2008 was 14.00%, except for those plan members in law enforcement or public safety, for whom the City's contribution was 17.40% of covered payroll. For 2008, a portion equal to 7.00% of covered payroll was allocated to fund the post-employment health care plan.

The City's contribution rate for pension benefits for 2008 was 7.00%, except for those plan members in law enforcement and public safety. For those classifications, the City's pension contributions were 10.40% of covered payroll. The City's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2008, 2007 and 2006 were \$310,278, \$342,633 and \$346,442, respectively; 92.25% has been contributed for 2008 and 100% has been contributed for 2007 and 2006.

B. Ohio Police and Fire Pension Fund

Plan Description - The City contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple-employer defined benefit pension plan. OP&F provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to the OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy - Plan members are required to contribute 10.0% of their annual covered salary, while the City is required to contribute 19.50% and 24.00% for police officers and firefighters, respectively. Contribution rates are established by State statute. For 2008, the portion of the City's contributions to fund pension obligations was 12.75% for police officers and 17.25% for firefighters. The City's required contributions for pension obligations to OP&F for police officers and firefighters were \$236,671 and \$226,268 for the year ended December 31, 2008, \$219,860 and \$216,773 for the year ended December 31, 2007 and \$187,457 and \$186,524, for the year ended December 31, 2006. The full amount has been contributed for 2007 and 2006. 91.59% has been contributed for police and 91.59% has been contributed for firefighters for 2008.

NOTE 13 - POSTRETIREMENT BENEFIT PLANS

A. Ohio Public Employees Retirement System

Plan Description - OPERS maintains a cost-sharing multiple employer defined benefit post-employment healthcare plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

CITY OF AURORA, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2008

NOTE 13 - POSTRETIREMENT BENEFIT PLANS - (Continued)

To qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have ten years or more of qualifying Ohio service credit. The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Disclosures for the healthcare plan are presented separately in the OPERS financial report which may be obtained by writing to OPERS, Attention: Finance Director, 277 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

Funding Policy - The post-employment healthcare plan was established under, and is administrated in accordance with, Internal Revenue Code section 401(h). State statute requires that public employers fund post-employment healthcare through contributions to OPERS. A portion of each employer's contribution to the Traditional or Combined Plans is set aside for the funding of post-employment health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2008, local government employers contributed 14.00% of covered payroll (17.40% for public safety and law enforcement). Each year the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for the funding of the postemployment health care benefits. The amount of the employer contributions which was allocated to fund post-employment healthcare for 2008 was 7.00% of covered payroll.

The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the post-employment healthcare plan.

The City's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2008, 2007, and 2006 were \$310,278, \$225,766 and \$169,456, respectively; 92.25% has been contributed for 2008 and 100% has been contributed for 2007 and 2006.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Board of Trustees on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007 and January 1, 2008, which allowed additional funds to be allocated to the health care plan.

B. Ohio Police and Fire Pension Fund

Plan Description - The City contributes to the OP&F Pension Fund sponsored health care program, a cost-sharing multiple-employer defined postemployment health care plan administered by OP&F. OP&F provides healthcare benefits including coverage for medical, prescription drugs, dental, vision, Medicare Part B Premium and long term care to retirees, qualifying benefit recipients and their eligible dependents.

OP&F provides access to post-employment health care coverage to any person who receives or is eligible to receive a monthly service, disability or survivor benefit check or is a spouse or eligible dependent child of such person.

CITY OF AURORA, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2008

NOTE 13 - POSTRETIREMENT BENEFIT PLANS - (Continued)

The Ohio Revised Code allows, but does not mandate OP&F to provide OPEB benefits. Authority for the OP&F Board of Trustees to provide health care coverage to eligible participants and to establish and amend benefits is codified in Chapter 742 of the Ohio Revised Code.

OP&F issues a publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to the OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy - The OP&F's post-employment healthcare plan was established and is administered as an Internal Revenue Code 401(h) account within the defined benefit pension plan, under the authority granted by the Ohio Revised Code to the OP&F Board of Trustees. The Ohio Revised Code sets the contribution rates for participating employers and for plan members to the OP&F. Participating employers are required to contribute to the pension plan at rates expressed as of the payroll of active pension plan members, currently, 19.50% and 24.00% of covered payroll for police and fire employers, respectively.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan into the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For the year ended December 31, 2008, the employer contribution allocated to the health care plan was 6.75% of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that the pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

The OP&F Board of Trustees also is authorized to establish requirements for contributions to the health care plan by retirees and their eligible dependents, or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the OPEB Plan.

The City's contributions to OP&F which were allocated to fund post-employment healthcare benefits for police officers and firefighters were \$125,296 and \$88,539 for the year ended December 31, 2008, \$116,318 and \$84,719 for the year ended December 31, 2007 and \$123,642 and \$88,958, for the year ended December 31, 2006. The full amount has been contributed for 2007 and 2006. 91.59% has been contributed for police and 91.59% has been contributed for firefighters for 2008.

NOTE 14 - BUDGETARY BASIS OF ACCOUNTING

While the City is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The statement of revenues, expenditures and changes in fund balances - budget and actual (non-GAAP budgetary basis) presented for the general fund and fire paramedic levy fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are as follows:

1. Revenues and other financing sources are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP);
2. Expenditures/expenses and other financing uses are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP);

CITY OF AURORA, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

NOTE 14 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

3. Encumbrances are treated as expenditures (budget) rather than as a reservation of fund balance (GAAP); and,
4. Unreported cash represents amounts received but not included as revenue on the budget basis operating statements. These amounts are included as revenue on the GAAP basis operating statement.

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements (as reported in the fund financial statements) to the budgetary basis statements for the general fund and fire paramedic levy fund:

Net Change in Fund Balance		
	General	Fire Paramedic Levy Fund
Budget basis	\$ (267,294)	\$ 7,683
Net adjustment for revenue accruals	4,038	-
Net adjustment for expenditure accruals	6,337	(6,288)
Net adjustment for other financing sources (uses)	(13,942)	-
Adjustment for encumbrances	315,690	142,185
GAAP basis	\$ 44,829	\$ 143,580

NOTE 15 - CONTINGENCIES

A. Grants

The City received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the City at December 31, 2008.

B. Litigation

At December 31, 2008, the City was party to legal proceedings seeking monetary compensation from the City. A liability of \$45,000 in judgments payable has been reported on the basic financial statements. The City will receive \$45,000 from their insurance carrier to settle the claim, which has been included in the accounts receivable on the basic financial statements.



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLINACE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

City of Aurora
Portage County
130 South Chillicothe Road
Aurora, Ohio 44202

To the Honorable Mayor and City Council:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Aurora, Portage County, Ohio (the City) as of and for the year ended December 31, 2008, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 10, 2009. 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 the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the City's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the City's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the City's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the City's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

Compliance and Other Matters

As part of reasonably assuring whether the City's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a directly and materially affect 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*.

We did note a certain noncompliance or other matter that we reported to the City's management in a separate letter dated December 10, 2009.

We intend this report solely for the information and use of the audit committee, management and City Council. We intend it for no one other than these specified parties.

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

Mary Taylor, CPA
Auditor of State

December 10, 2009



Mary Taylor, CPA
Auditor of State

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
JANUARY 26, 2010