



Dave Yost • Auditor of State

**CITY OF AURORA
PORTAGE COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position	17
Statement of Activities.....	18
Fund Financial Statements:	
Balance Sheet – Governmental Funds	20
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities	21
Statement of Revenues, Expenditures, and Changes In Fund Balances – Governmental Funds.....	22
Reconciliation of the Statement of Revenues, Expenditures, and Changes In Fund Balances of Governmental Funds to the Statement of Activities.....	23
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) – General Fund.....	24
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) – Fire Paramedic Levy Fund	25
Statement of Net Position – Proprietary Funds	26
Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds	27
Statement of Cash Flows – Proprietary Funds	28
Statement of Fiduciary Assets and Liabilities – Fiduciary Fund	30
Notes to the Basic Financial Statements	31
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	65

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Honorable Mayor and City Council:

Report on the Financial Statements

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, 2012, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the City of Aurora, Portage County, Ohio, as of December 31, 2012, 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 thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 3 to the financial statements, during the year ended December 31, 2012, the City adopted the provisions of Governmental Accounting Standard No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and No. 65, *Items Previously Reported as Assets and Liabilities*. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2013, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Dave Yost
Auditor of State

Columbus, Ohio

June 27, 2013

CITY OF AURORA, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2012 (UNAUDITED)

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, 2012. 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 2012 are as follows:

- The City restated net position at December 31, 2011 for both the governmental activities and business-type activities as described in Note 3.A to the basic financial statements. The total net position of the City increased \$3,698,780. Net position of governmental activities increased \$3,255,565 or 4.08% from 2011 and net position of business-type activities increased \$443,215 or 1.12% from 2011.
- General revenues accounted for \$17,092,668 or 85.12% of total governmental activities revenue. Program specific revenues accounted for \$2,988,519 or 14.88% of total governmental activities revenue.
- The City had \$16,665,622 in expenses related to governmental activities; \$2,988,519 of these expenses were offset by program specific charges for services, grants or contributions. The remaining expenses of the governmental activities of \$13,677,103 were offset by general revenues (primarily property taxes, income taxes and unrestricted grants and entitlements) of \$17,092,668.
- The City's major governmental funds are the general fund, fire paramedic levy fund and road programs fund. The general fund had revenues of \$14,621,031 and expenditures and other financing uses of \$12,836,277 during 2012. The net increase in fund balance for the general fund was \$1,784,754 or 25.17%.
- The fire paramedic levy fund had revenues of \$910,964 and expenditures of \$820,222 during 2012. The net increase in fund balance for the fire paramedic levy fund was \$90,742 or 13.53%.
- The road programs fund had revenues and other financing sources of \$178,278 and expenditures of \$907,014 during 2012. The net decrease in fund balance for the road programs fund was \$728,736 or 153.66%, resulting in a fund deficit of \$254,495.
- Business-type activities include operations of the City's water, sewer, and cemetery enterprise funds. Net position of the business-type activities totaled \$39,997,008 at December 31, 2012. General revenues accounted for \$26,213 or 0.46% of total business-type activities revenues while program specific revenues accounted for \$5,685,766 or 99.54% of total business-type activities revenues.

Using the Basic Financial Statements (BFS)

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 position 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. In the case of the City, the general fund, fire paramedic levy fund, and road programs fund were all reported as major governmental funds. The water fund and sewer fund are both reported as major enterprise funds.

CITY OF AURORA, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2012 (UNAUDITED)

Reporting the City as a Whole

Statement of Net Position 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 2012?" The statement of net position and the statement of activities answer this question. These statements include all assets, deferred outflows, liabilities, deferred inflows, 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 position and changes in net position. The change in net position 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 position 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 position and statement of activities can be found on pages 17-19 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 City's major governmental funds are the general fund, fire paramedic levy fund, and road programs fund. The City's major enterprise funds are the water fund and sewer fund. 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, 2012 (UNAUDITED)

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, fire paramedic levy fund, and road programs 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 20-25 of this report.

Proprietary Funds

The City maintains 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 26-29 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 statements 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 30 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 31-63 of this report.

CITY OF AURORA, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012
(UNAUDITED)

Government-Wide Financial Analysis

The statement of net position provides the perspective of the City as a whole. Certain asset, deferred outflow, liability, deferred inflow, and net position classifications have been restated by the City for 2011 to conform to 2012 presentation in accordance with GASB Statement No. 63 and GASB Statement No. 65. The net position of the City was restated at December 31, 2011 as described in Note 3.A to the basic financial statements. The table below provides a summary of the City's net position at December 31, 2012 and December 31, 2011.

	Net Position					
	(Restated)		(Restated)		Total	(Restated) Total
	Governmental Activities 2012	Governmental Activities 2011	Business-type Activities 2012	Business-type Activities 2011		
<u>Assets</u>						
Current and other assets	\$ 24,531,838	\$ 23,341,453	\$ 4,973,915	\$ 4,683,975	\$ 29,505,753	\$ 28,025,428
Capital assets, net	<u>72,452,589</u>	<u>71,114,245</u>	<u>40,493,763</u>	<u>40,944,818</u>	<u>112,946,352</u>	<u>112,059,063</u>
Total assets	<u>96,984,427</u>	<u>94,455,698</u>	<u>45,467,678</u>	<u>45,628,793</u>	<u>142,452,105</u>	<u>140,084,491</u>
<u>Deferred Outflows</u>						
	<u>353,172</u>	<u>159,327</u>	<u>13,111</u>	<u>15,509</u>	<u>366,283</u>	<u>174,836</u>
<u>Liabilities</u>						
Current and other liabilities	1,305,517	1,347,281	546,975	437,110	1,852,492	1,784,391
Long-term liabilities outstanding	<u>9,586,145</u>	<u>9,970,642</u>	<u>4,936,806</u>	<u>5,653,399</u>	<u>14,522,951</u>	<u>15,624,041</u>
Total liabilities	<u>10,891,662</u>	<u>11,317,923</u>	<u>5,483,781</u>	<u>6,090,509</u>	<u>16,375,443</u>	<u>17,408,432</u>
<u>Deferred Inflows</u>						
	<u>3,386,316</u>	<u>3,493,046</u>	-	-	<u>3,386,316</u>	<u>3,493,046</u>
<u>Net Position</u>						
Net investment in capital assets	64,225,731	62,199,398	35,593,721	35,328,800	99,819,452	97,528,198
Restricted	4,428,062	4,594,761	-	-	4,428,062	4,594,761
Unrestricted	<u>14,405,828</u>	<u>13,009,897</u>	<u>4,403,287</u>	<u>4,224,993</u>	<u>18,809,115</u>	<u>17,234,890</u>
Total net position	<u>\$ 83,059,621</u>	<u>\$ 79,804,056</u>	<u>\$ 39,997,008</u>	<u>\$ 39,553,793</u>	<u>\$ 123,056,629</u>	<u>\$ 119,357,849</u>

Over time, net position can serve as a useful indicator of a government's financial position. At December 31, 2012, the City's assets and deferred outflows exceeded liabilities and deferred inflows by \$123,056,629.

Capital assets reported on the government-wide statements represent the largest portion of the City's assets. At year-end, capital assets represented 79.29% of total assets. Capital assets include land, easements, right of ways, land improvements, buildings and improvements, equipment, infrastructure and construction in progress. The City's net investment in capital assets at December 31, 2012, was \$99,819,452. 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 position, \$4,428,062, represents resources that are subject to external restriction on how they may be used. In the governmental activities, the remaining balance of unrestricted net position of \$14,405,828 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, 2012
(UNAUDITED)**

The net position of the City was restated at December 31, 2011 as described in Note 3.A to the basic financial statements. The table below shows the changes in net position for 2012 and 2011.

	Change in Net Position						
	Governmental Activities	(Restated)	Business-type Activities	(Restated)	2012 Total	(Restated)	
		Governmental		Business-type		2011	2011
		Activities		Activities		Total	Total
2012	2011	2012	2011	Total	Total		
Revenues:							
Program revenues:							
Charges for services	\$ 820,167	\$ 697,487	\$ 5,685,766	\$ 5,212,626	\$ 6,505,933	\$ 5,910,113	
Operating grants and contributions	1,052,360	999,928	-	-	1,052,360	999,928	
Capital grants and contributions	1,115,992	3,905,558	-	949,957	1,115,992	4,855,515	
Total program revenues	<u>2,988,519</u>	<u>5,602,973</u>	<u>5,685,766</u>	<u>6,162,583</u>	<u>8,674,285</u>	<u>11,765,556</u>	
General revenues:							
Property taxes	4,708,144	4,618,591	-	-	4,708,144	4,618,591	
Income taxes	11,609,902	10,570,714	-	-	11,609,902	10,570,714	
Grants and entitlements	598,423	797,423	-	-	598,423	797,423	
Investment earnings	73,314	103,557	-	-	73,314	103,557	
Miscellaneous	102,885	60,010	26,213	26,876	129,098	86,886	
Total general revenues	<u>17,092,668</u>	<u>16,150,295</u>	<u>26,213</u>	<u>26,876</u>	<u>17,118,881</u>	<u>16,177,171</u>	
Program expenses:							
General government	2,240,378	2,680,164	-	-	2,240,378	2,680,164	
Security of persons and property	7,938,796	7,460,765	-	-	7,938,796	7,460,765	
Transportation	3,544,840	3,148,354	-	-	3,544,840	3,148,354	
Community environment	1,002,954	852,540	-	-	1,002,954	852,540	
Leisure time activities	1,567,671	1,434,279	-	-	1,567,671	1,434,279	
Interest and fiscal charges	261,813	434,172	-	-	261,813	434,172	
Bond issuance costs	109,170	-	-	-	109,170	-	
Other	-	1,012	-	-	-	1,012	
Water	-	-	3,009,763	2,244,122	3,009,763	2,244,122	
Sewer	-	-	2,365,468	2,396,267	2,365,468	2,396,267	
Other business-type activities	-	-	53,533	44,584	53,533	44,584	
Total program expenses	<u>16,665,622</u>	<u>16,011,286</u>	<u>5,428,764</u>	<u>4,684,973</u>	<u>22,094,386</u>	<u>20,696,259</u>	
Change in net position before transfers	3,415,565	5,741,982	283,215	1,504,486	3,698,780	7,246,468	
Transfers	<u>(160,000)</u>	<u>(162,947)</u>	<u>160,000</u>	<u>162,947</u>	<u>-</u>	<u>-</u>	
Change in net position	3,255,565	5,579,035	443,215	1,667,433	3,698,780	7,246,468	
Net position at beginning of year (restated)	<u>79,804,056</u>	<u>74,225,021</u>	<u>39,553,793</u>	<u>37,886,360</u>	<u>119,357,849</u>	<u>112,111,381</u>	
Net position at end of year	<u>\$ 83,059,621</u>	<u>\$ 79,804,056</u>	<u>\$ 39,997,008</u>	<u>\$ 39,553,793</u>	<u>\$ 123,056,629</u>	<u>\$ 119,357,849</u>	

CITY OF AURORA, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012
(UNAUDITED)**

Governmental Activities

Governmental activities net position increased \$3,255,565 in 2012. The three primary general revenue sources of governmental activities are property taxes, municipal income taxes, and unrestricted grants and entitlements. These revenue sources increased overall in 2012 primarily due to a significant increase in income tax receipts made during the year as well as an increase in the amount of income taxes receivable by the City at year end according to the Regional Income Tax Agency (RITA). The governmental activities also experienced a significant decrease in capital grants and contributions during 2012 as a result of right of ways and streets donated by outside sources during 2011 as well as significant land acquisitions made on behalf of the City in the prior year. The governmental activities 2012 expenses remained comparable to 2011.

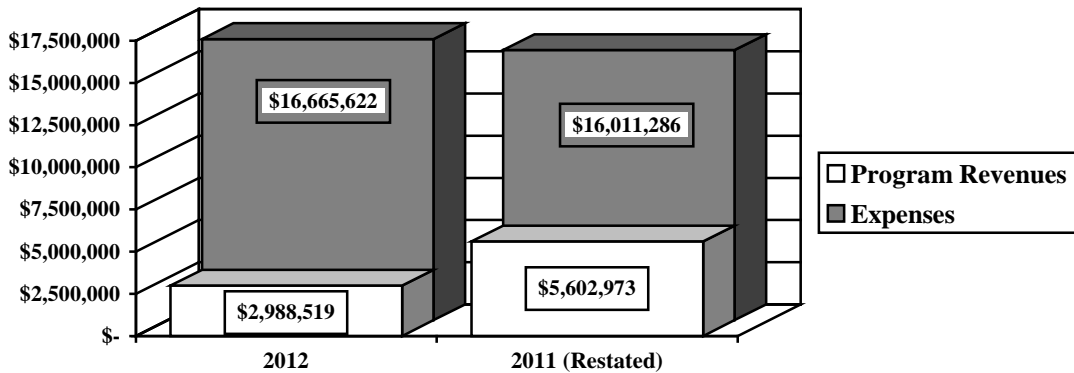
Security of persons and property, which primarily supports the operations of the police and fire departments, accounted for \$7,938,796 of the total expenses of the City. These expenses were partially funded by \$4,098 in direct charges to users of the services. Transportation expenses are also significant, totaling \$3,544,840.

The State and federal government contributed to the City a total of \$1,052,360 in operating grants and contributions and \$1,115,992 in capital grants and contributions. These revenues are restricted to a particular program or purpose. Of the total operating grants and contributions, \$49,321 subsidized security of persons and property, \$754,815 subsidized transportation programs, \$247,724 subsidized community environment, and \$500 subsidized leisure time activities. The entire amount of capital grants and contributions subsidized transportation programs.

General revenues totaled \$17,092,668, and amounted to 85.12% of total governmental revenues. These revenues primarily consist of property and income tax revenue of \$16,318,046. The other primary source of general revenues is grants and entitlements not restricted to specific programs, including local government, and property tax reimbursements, totaling \$598,423.

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 for 2012 and 2011. That is, it identifies the cost of these services supported by general revenues (such as 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. The net position of the City was restated at December 31, 2011 as described in Note 3.A to the basic financial statements.

Governmental Activities – Program Revenues vs. Total Expenses



CITY OF AURORA, OHIO

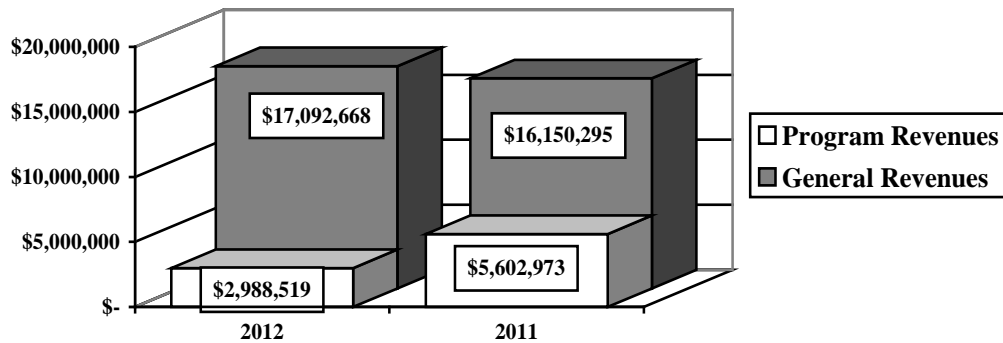
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012
(UNAUDITED)**

	Governmental Activities			
	Total Cost of Services 2012	Net Cost of Services 2012	(Restated) Total Cost of Services 2011	(Restated) Net Cost of Services 2011
Program expenses:				
General government	\$ 2,240,378	\$ 1,786,476	\$ 2,680,164	\$ 2,327,871
Security of persons and property	7,938,796	7,885,377	7,460,765	7,415,452
Transportation	3,544,840	1,674,033	3,148,354	1,097,676
Community environment	1,002,954	755,230	852,540	(1,959,329)
Leisure time activity	1,567,671	1,205,004	1,434,279	1,091,459
Interest and fiscal charges	261,813	261,813	434,172	434,172
Bond issuance costs	109,170	109,170	-	-
Other	-	-	1,012	1,012
Total	\$ 16,665,622	\$ 13,677,103	\$ 16,011,286	\$ 10,408,313

The variance in net cost of services for community environment is a result of significant capital contributions made by outside sources in 2011 that were not replicated in 2012. The dependence upon general revenues for governmental activities is apparent, with 82.07% of expenses supported through taxes and other general revenues.

The chart below illustrates the City's program revenues versus general revenues for 2012 and 2011.

Governmental Activities – General and Program Revenues



Business-type Activities

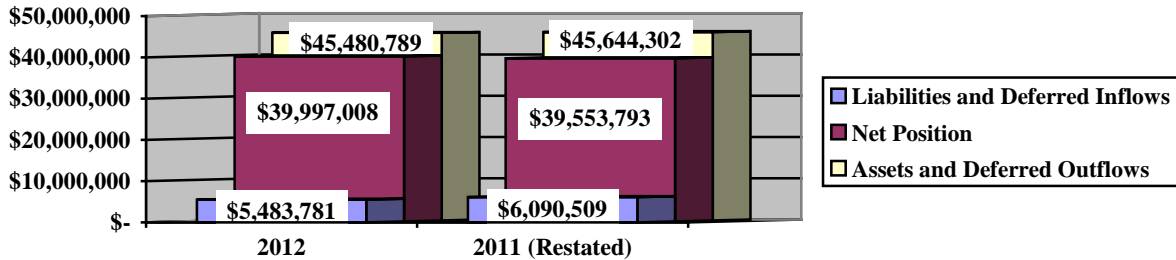
Business-type activities consist of water, sewer and cemetery operations. These programs had revenues of \$5,711,979, transfers in of \$160,000 and expenses of \$5,428,764 during 2012. The water operations had expenses of \$3,009,763 and program revenues of \$3,058,872. This resulted in an increase to net position for the year of \$49,109. The sewer operations had expenses of \$2,365,468, program revenues of \$2,596,162, general revenues of \$26,213 and transfers in of \$160,000. This resulted in an increase to net position for the year of \$416,907. The other business-type activities had expenses of \$53,533 and program revenues of \$30,732. This resulted in a decrease in net position for the year of \$22,801. In 2012, capital grants and contributions of the business-type activities decreased mainly due to grant revenue received in the water fund during 2011 that was restricted to capital asset acquisition and 2011 asset contributions from outside entities that were not available to the City in 2012. Expenses related to water fund operations increased primarily due to an increase in contractual services. Management assesses the performance of each of these activities to ensure that they are run efficiently.

CITY OF AURORA, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012
(UNAUDITED)**

The net position of the City was restated at December 31, 2011 as described in Note 3.A to the basic financial statements. The graph below illustrates the City's business-type assets and deferred outflows, liabilities and deferred inflows, and net position at December 31, 2012 and December 31, 2011.

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.

The City's governmental funds (as presented on the balance sheet on page 20) reported a combined fund balance of \$16,912,466, which is \$991,104 more than last year's total of \$15,921,362. The schedule below indicates the fund balances and the total change in fund balances as of December 31, 2012 and December 31, 2011 for all major and nonmajor governmental funds.

	Fund Balances (Deficit) 12/31/12	Fund Balances 12/31/11	Increase/ (Decrease)	Percentage Change
Major funds:				
General	\$ 8,875,450	\$ 7,090,696	\$ 1,784,754	25.17 %
Fire paramedic levy fund	761,187	670,445	90,742	13.53 %
Road programs fund	(254,495)	474,241	(728,736)	(153.66) %
Other nonmajor governmental funds	<u>7,530,324</u>	<u>7,685,980</u>	<u>(155,656)</u>	(2.03) %
Total	<u>\$ 16,912,466</u>	<u>\$ 15,921,362</u>	<u>\$ 991,104</u>	6.22 %

CITY OF AURORA, OHIO

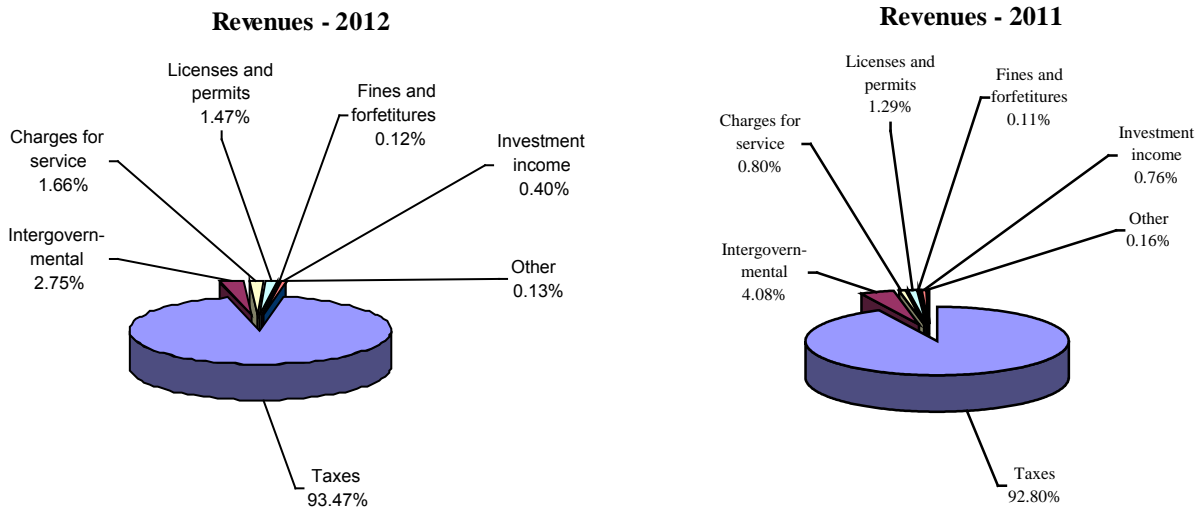
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012
(UNAUDITED)**

General Fund

The City's general fund balance increased \$1,784,754, which is primarily due to increases in municipal income tax revenue and other local tax revenue collected during the year as well as total revenues continuing to outpace expenditures. The table that follows assists in illustrating the revenues of the general fund.

	<u>2012 Amount</u>	<u>2011 Amount</u>	<u>Percentage Change</u>
Revenues			
Taxes	\$ 13,666,028	\$ 12,612,135	8.36 %
Intergovernmental	400,847	554,695	(27.74) %
Charges for services	243,431	109,273	122.77 %
Licenses and permits	215,605	175,937	22.55 %
Fines and forfeitures	17,715	14,383	23.17 %
Investment income	58,062	102,876	(43.56) %
Other	<u>19,343</u>	<u>21,068</u>	(8.19) %
Total	<u>\$ 14,621,031</u>	<u>\$ 13,590,367</u>	7.58 %

Tax revenue represents 93.47% of all general fund revenue. Taxes increased \$1,053,893 or 8.36% mainly due to an increase in other local tax receipts during the year and improved income tax collections during 2012 versus the prior year. Intergovernmental revenue decreased \$153,848 or 27.74% primarily due to a decline in receipts from the State of Ohio related to local government funding. Charges for services increased \$134,158 or 122.77% due to an increase in miscellaneous reimbursements received by the City during 2012. The total revenues related to miscellaneous reimbursements when combining 2011 and 2012 amounts closely reflects the total combined budgeted revenues for miscellaneous reimbursements in the general fund for 2011 and 2012. Investment income decreased \$44,814 or 43.56% due to low interest rates on deposits and investments. All other revenue classifications remained comparable to 2011.



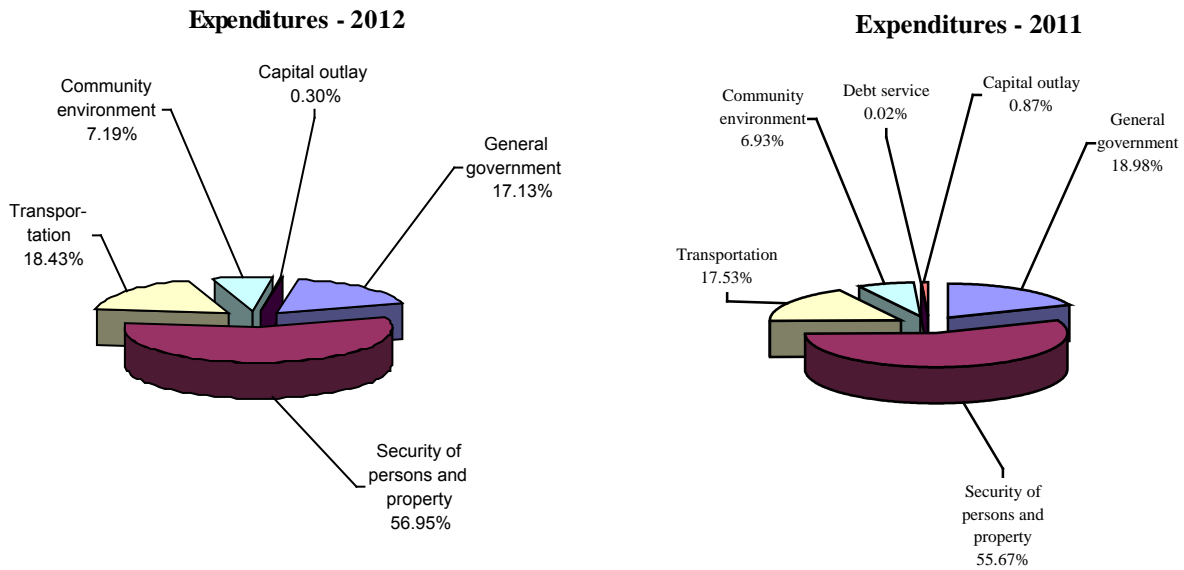
CITY OF AURORA, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012
(UNAUDITED)**

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

	<u>2012</u> <u>Amount</u>	<u>2011</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Expenditures</u>			
General government	\$ 1,880,538	\$ 2,047,293	(8.15) %
Security of persons and property	6,251,722	6,002,382	4.15 %
Transportation	2,023,388	1,891,021	7.00 %
Community environment	788,741	746,862	5.61 %
Capital outlay	32,993	94,078	(64.93) %
Debt service	-	2,696	(100.00) %
Total	<u>\$ 10,977,382</u>	<u>\$ 10,784,332</u>	1.79 %

Capital outlay expenditures decreased \$61,085 or 64.93% primarily due to a reduction in ash tree removal and restoration activity during 2012. Debt service expenditures were not made in 2012 because the City retired the capital lease obligation attributable to the general fund during 2011. The modest changes in general government, security of persons and property, transportation and community environment expenditures are a result of the City's effort to remain fiscally responsible.



Fire Paramedic Levy Fund

The fire paramedic levy fund had revenues of \$910,964 and expenditures of \$820,222 during 2012. The net increase in fund balance for the fire paramedic levy fund was \$90,742 or 13.53%. This increase is a result of steady property tax revenue and intergovernmental revenue continuing to outpace conservative spending in the fund.

CITY OF AURORA, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012
(UNAUDITED)

Road Programs Fund

The road programs fund had revenues and other financing sources of \$178,278 and expenditures of \$907,014 during 2012. The net decrease in fund balance for the road programs fund was \$728,736 or 153.66%, resulting in a fund deficit of \$254,495. This decrease is a result of expenditures made on road program projects prior to receipt of grant and loan proceeds associated with those capital projects.

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 budgeted revenues and other financing sources were \$13,687,592, which matched exactly to the final budgeted revenues and other financing sources. Actual revenues and other financing sources of \$14,452,106 were \$764,514 more than final budgeted revenues and other financing sources. All revenue categories were greater than or equal to budget estimates. The original and final budgeted expenditures and other financing uses were \$13,775,336 and \$16,286,396, respectively. Actual expenditures and other financing uses of \$14,806,729 were \$1,479,667 less than final budgeted expenditures and other financing uses.

Capital Assets and Debt Administration

Capital Assets

At the end of 2012, the City had \$112,946,352 (net of accumulated depreciation) invested in land, easements, right of ways, land improvements, buildings and improvements, equipment, infrastructure and construction in progress. Of this total, \$72,452,589 was reported in governmental activities and \$40,493,763 was reported in business-type activities. See Note 7 in the basic financial statements for additional capital asset disclosure. The following table shows December 31, 2012 balances compared to December 31, 2011.

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

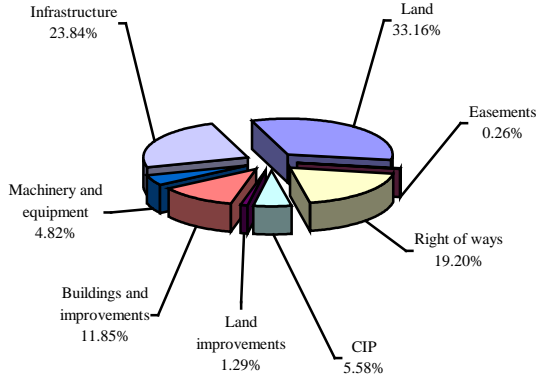
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Land	\$ 24,029,412	\$ 24,029,412	\$ 1,253,550	\$ 1,253,550	\$ 25,282,962	\$ 25,282,962
Easements	189,920	189,920	27,677	27,677	217,597	217,597
Right of ways	13,907,818	13,907,818	-	-	13,907,818	13,907,818
Construction in progress	4,042,269	3,125,812	-	1,209,740	4,042,269	4,335,552
Land improvements	1,633,148	1,622,840	389,658	389,658	2,022,806	2,012,498
Buildings and improvements	13,235,993	13,235,993	16,603,695	16,603,695	29,839,688	29,839,688
Equipment	8,497,058	7,960,945	1,983,666	1,786,185	10,480,724	9,747,130
Infrastructure	21,923,282	20,981,574	37,075,391	35,355,346	58,998,673	56,336,920
Less: accumulated depreciation	<u>(15,006,311)</u>	<u>(13,940,069)</u>	<u>(16,839,874)</u>	<u>(15,681,033)</u>	<u>(31,846,185)</u>	<u>(29,621,102)</u>
Totals	<u>\$ 72,452,589</u>	<u>\$ 71,114,245</u>	<u>\$ 40,493,763</u>	<u>\$ 40,944,818</u>	<u>\$ 112,946,352</u>	<u>\$ 112,059,063</u>

CITY OF AURORA, OHIO

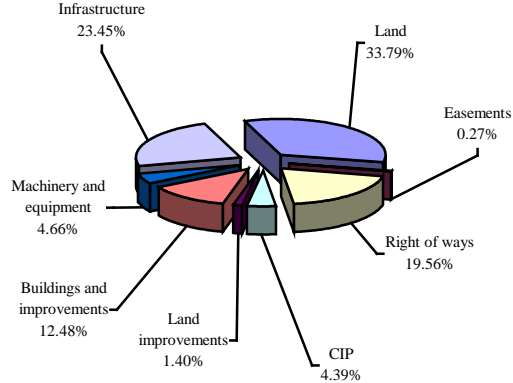
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012
(UNAUDITED)**

The following graphs show the breakdown of governmental and business-type capital assets by category at December 31, 2012 and December 31, 2011.

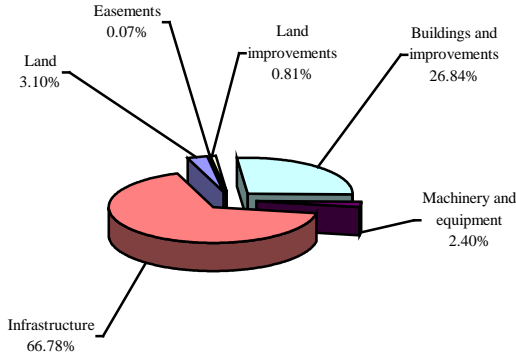
Capital Assets - Governmental Activities 2012



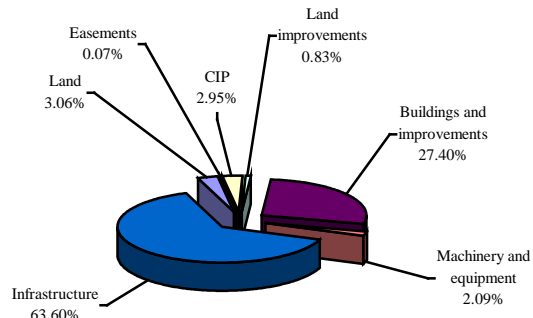
Capital Assets - Governmental Activities 2011



Capital Assets - Business-type Activities 2012



Capital Assets - Business-type Activities 2011



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.

CITY OF AURORA, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012
(UNAUDITED)**

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

Certain long-term obligation classifications have been restated by the City for 2011 to conform to 2012 presentation in accordance with GASB Statement No. 63 and GASB Statement No. 65. The City had the following long-term obligations outstanding at December 31, 2012 and December 31, 2011.

	Governmental Activities		Business-type Activities		Total	
	<u>2012</u>	<u>2011 (Restated)</u>	<u>2012</u>	<u>2011 (Restated)</u>	<u>2012</u>	<u>2011 (Restated)</u>
General obligation bonds	\$ 8,176,011	\$ 8,607,245	\$ 589,674	\$ 644,814	\$ 8,765,685	\$ 9,252,059
OWDA loans	-	-	4,075,979	4,689,213	4,075,979	4,689,213
OPWC loans	340,937	384,712	247,500	297,500	588,437	682,212
Capital lease	63,082	82,217	-	-	63,082	82,217
Compensated absences	<u>1,006,115</u>	<u>896,468</u>	<u>23,653</u>	<u>21,872</u>	<u>1,029,768</u>	<u>918,340</u>
Total long-term obligations	<u>\$ 9,586,145</u>	<u>\$ 9,970,642</u>	<u>\$ 4,936,806</u>	<u>\$ 5,653,399</u>	<u>\$ 14,522,951</u>	<u>\$ 15,624,041</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 year 2012 witnessed a recovery in income tax collections as well as significant estate tax revenues for the City. The combination of these two produced a significant general fund surplus from operations. The Aurora City Council wisely reserved \$500,000 to cover future medical expenses that may occur in excess of annual expected claims. Another \$1,000,000 was directed to the capital improvements fund for later determination as to its spending. Unfortunately, 2012 will be the last year for full estate tax collections as this tax has been eliminated. Although this loss will exert pressure on the budget, most of the impact will be covered by the reserve established at year end and noted above. The year 2013 has begun and as noted above the encouraging improvement in income tax collections continued through the first few months of 2013. The City's 2013 budget was balanced with a very modest increase in expenditures. A new water capital fee was added to quarterly utility billings to address the City's long range capital needs in that area. The City remains committed to not only balancing its budget and maintaining a level of reserves necessary for its operations and financial security, but also to anticipating and responding currently to future operational and infrastructure demands.

Contacting the City's Financial Management

This financial report is designed to provide our citizens, 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 POSITION
DECEMBER 31, 2012

	Governmental Activities	Business-type Activities	Total
Assets:			
Equity in pooled cash and cash equivalents	\$ 16,010,734	\$ 3,994,899	\$ 20,005,633
Receivables:			
Municipal income taxes.	3,173,771	-	3,173,771
Real and other taxes	3,506,967	-	3,506,967
Other local taxes.	97,902	-	97,902
Accounts.	29,459	1,076,986	1,106,445
Internal balance	129,669	(129,669)	-
Special assessments	22,388	-	22,388
Accrued interest	16,671	-	16,671
Loans.	450,466	-	450,466
Due from other governments.	1,016,639	-	1,016,639
Prepayments	40,156	31,699	71,855
Materials and supplies inventory.	37,016	-	37,016
Capital assets:			
Non-depreciable capital assets.	42,169,419	1,281,227	43,450,646
Depreciable capital assets, net.	30,283,170	39,212,536	69,495,706
Total capital assets.	72,452,589	40,493,763	112,946,352
Total assets	96,984,427	45,467,678	142,452,105
Deferred outflows of resources:			
Unamortized deferred charges on debt refunding	353,172	13,111	366,283
Total deferred outflows of resources	353,172	13,111	366,283
Liabilities:			
Accounts payable.	230,698	67,314	298,012
Retainage payable	137,953	-	137,953
Accrued wages and benefits.	314,911	33,438	348,349
Due to other governments	427,838	417,274	845,112
Unearned revenue	667	14,227	14,894
Accrued interest payable	21,579	2,930	24,509
Claims payable.	171,871	11,792	183,663
Long-term liabilities:			
Due within one year	809,954	737,847	1,547,801
Due in more than one year.	8,776,191	4,198,959	12,975,150
Total liabilities	10,891,662	5,483,781	16,375,443
Deferred inflows of resources:			
Real and other taxes levied for the next fiscal year.	3,386,316	-	3,386,316
Total deferred inflows of resources	3,386,316	-	3,386,316
Net position:			
Net investment in capital assets.	64,225,731	35,593,721	99,819,452
Restricted for:			
Debt service	568,379	-	568,379
Transportation projects	1,516,370	-	1,516,370
Security of persons and property.	1,524,034	-	1,524,034
Other purposes.	819,279	-	819,279
Unrestricted.	14,405,828	4,403,287	18,809,115
Total net position	\$ 83,059,621	\$ 39,997,008	\$ 123,056,629

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF AURORA, OHIO

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental activities:				
General government.	\$ 2,240,378	\$ 453,902	\$ -	\$ -
Security of persons and property	7,938,796	4,098	49,321	-
Transportation.	3,544,840	-	754,815	1,115,992
Community environment	1,002,954	-	247,724	-
Leisure time activity.	1,567,671	362,167	500	-
Interest and fiscal charges.	261,813	-	-	-
Bond issuance costs.	109,170	-	-	-
Total governmental activities	<u>16,665,622</u>	<u>820,167</u>	<u>1,052,360</u>	<u>1,115,992</u>
Business-type activities:				
Water.	3,009,763	3,058,872	-	-
Sewer	2,365,468	2,596,162	-	-
Other business-type activities:				
Cemetery/Perpetual Care.	<u>53,533</u>	<u>30,732</u>	<u>-</u>	<u>-</u>
Total business-type activities	<u>5,428,764</u>	<u>5,685,766</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 22,094,386</u>	<u>\$ 6,505,933</u>	<u>\$ 1,052,360</u>	<u>\$ 1,115,992</u>

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 position	
Net position at beginning of year (restated)	
Net position at end of year.	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**Net (Expense) Revenue
and Changes in Net Position**

Governmental Activities	Business-type Activities	Total
\$ (1,786,476)	\$ -	\$ (1,786,476)
(7,885,377)	-	(7,885,377)
(1,674,033)	-	(1,674,033)
(755,230)	-	(755,230)
(1,205,004)	-	(1,205,004)
(261,813)	-	(261,813)
(109,170)	-	(109,170)
(13,677,103)	-	(13,677,103)
-	49,109	49,109
-	230,694	230,694
-	(22,801)	(22,801)
-	257,002	257,002
(13,677,103)	257,002	(13,420,101)
4,306,011	-	4,306,011
402,133	-	402,133
11,009,902	-	11,009,902
600,000	-	600,000
598,423	-	598,423
73,314	-	73,314
102,885	26,213	129,098
17,092,668	26,213	17,118,881
(160,000)	160,000	-
3,255,565	443,215	3,698,780
79,804,056	39,553,793	119,357,849
\$ 83,059,621	\$ 39,997,008	\$ 123,056,629

CITY OF AURORA, OHIO

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2012

	<u>General</u>	<u>Fire Paramedic Levy Fund</u>	<u>Road Programs Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:					
Equity in pooled cash and cash equivalents	\$ 7,618,124	\$ 824,864	\$ 672,581	\$ 6,895,165	\$ 16,010,734
Receivables:					
Municipal income taxes	3,023,771	-	-	150,000	3,173,771
Real and other taxes	1,427,525	888,467	-	1,190,975	3,506,967
Other local taxes	97,902	-	-	-	97,902
Accounts	25,805	-	-	3,654	29,459
Accrued interest	16,671	-	-	-	16,671
Special assessments	-	-	-	22,388	22,388
Interfund loans	825,000	-	-	-	825,000
Loans	-	-	-	450,466	450,466
Advances to other funds	-	-	-	129,669	129,669
Due from other governments	216,864	52,310	260,376	487,089	1,016,639
Prepayments	38,213	177	-	1,766	40,156
Materials and supplies inventory	37,016	-	-	-	37,016
Total assets	<u>\$ 13,326,891</u>	<u>\$ 1,765,818</u>	<u>\$ 932,957</u>	<u>\$ 9,331,172</u>	<u>\$ 25,356,838</u>
Liabilities:					
Accounts payable	\$ 139,139	\$ 2,223	\$ -	\$ 89,336	\$ 230,698
Retainage payable	-	-	137,953	-	137,953
Accrued wages and benefits	276,504	20,319	-	18,088	314,911
Interfund loans payable	-	-	800,000	25,000	825,000
Due to other governments	367,683	39,675	-	20,480	427,838
Unearned revenue	667	-	-	-	667
Claims payable	160,287	4,137	-	7,447	171,871
Total liabilities	<u>944,280</u>	<u>66,354</u>	<u>937,953</u>	<u>160,351</u>	<u>2,108,938</u>
Deferred inflows of resources:					
Real and other taxes levied for the next fiscal year	1,379,198	858,344	-	1,148,774	3,386,316
Income tax revenue not available	1,848,430	-	-	75,000	1,923,430
Delinquent property tax revenue not available	48,327	30,123	-	42,201	120,651
Accrued interest not available	16,671	-	-	-	16,671
Special assessments revenue not available	-	-	-	22,388	22,388
Intergovernmental revenue not available	199,396	49,810	249,499	352,134	850,839
Miscellaneous revenue not available	15,139	-	-	-	15,139
Total deferred inflows of resources	<u>3,507,161</u>	<u>938,277</u>	<u>249,499</u>	<u>1,640,497</u>	<u>6,335,434</u>
Fund balances:					
Nonspendable	133,965	177	-	1,766	135,908
Restricted	-	761,010	-	3,216,475	3,977,485
Committed	781,609	-	-	1,557,066	2,338,675
Assigned	223,775	-	-	2,771,389	2,995,164
Unassigned (deficit)	7,736,101	-	(254,495)	(16,372)	7,465,234
Total fund balances (deficit)	<u>8,875,450</u>	<u>761,187</u>	<u>(254,495)</u>	<u>7,530,324</u>	<u>16,912,466</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 13,326,891</u>	<u>\$ 1,765,818</u>	<u>\$ 932,957</u>	<u>\$ 9,331,172</u>	<u>\$ 25,356,838</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF AURORA, OHIO

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2012

Total governmental fund balances		\$	16,912,466
<i>Amounts reported for governmental activities on the statement of net position are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			72,452,589
Other long-term assets are not available to pay for current period expenditures and therefore are deferred inflows in the funds.			
Income taxes receivable	\$	1,923,430	
Real and other taxes receivable		120,651	
Other local taxes receivable		14,294	
Accounts receivable		845	
Accrued interest receivable		16,671	
Special assessments receivable		22,388	
Intergovernmental receivable		850,839	
Total		850,839	2,949,118
Unamortized deferred charges are not recognized in the funds.			353,172
Unamortized premiums on bond issuances are not recognized in the funds.			(431,937)
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.			(21,579)
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		(7,744,074)	
Loans payable		(340,937)	
Compensated absences		(1,006,115)	
Capital lease payable		(63,082)	
Total		(9,154,208)	(9,154,208)
Net position of governmental activities		\$	83,059,621

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 YEAR ENDED DECEMBER 31, 2012

	<u>General</u>	<u>Fire Paramedic Levy Fund</u>	<u>Road Programs Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:					
Municipal income taxes	\$ 10,801,097	\$ -	\$ -	\$ 600,000	\$ 11,401,097
Real and other taxes	1,263,566	786,932	-	1,098,736	3,149,234
Other local taxes	1,601,365	-	-	-	1,601,365
Charges for services	243,431	-	-	362,542	605,973
Licenses and permits	215,605	-	-	-	215,605
Fines and forfeitures	17,715	-	-	3,723	21,438
Intergovernmental	400,847	104,139	167,401	1,168,920	1,841,307
Investment income	58,062	-	-	9,208	67,270
Rental income	7,200	-	-	-	7,200
Contributions and donations	-	7,200	-	8,956	16,156
Other	12,143	12,693	-	78,049	102,885
Total revenues	14,621,031	910,964	167,401	3,330,134	19,029,530
Expenditures:					
Current:					
General government	1,880,538	16,295	-	31,729	1,928,562
Security of persons and property	6,251,722	710,343	-	296,450	7,258,515
Transportation	2,023,388	-	-	682,852	2,706,240
Community environment	788,741	-	-	142,599	931,340
Leisure time activity	-	-	-	1,394,527	1,394,527
Capital outlay	32,993	93,584	907,014	1,556,380	2,589,971
Debt service:					
Principal retirement	-	-	-	806,120	806,120
Interest and fiscal charges	-	-	-	274,028	274,028
Bond issuance costs	-	-	-	109,170	109,170
Total expenditures	10,977,382	820,222	907,014	5,293,855	17,998,473
Excess (deficiency) of revenues over (under) expenditures	3,643,649	90,742	(739,613)	(1,963,721)	1,031,057
Other financing sources (uses):					
Proceeds of refunding bonds	-	-	-	4,675,000	4,675,000
Payment to refunded bond escrow agent	-	-	-	(4,906,900)	(4,906,900)
Premium on refunding bonds	-	-	-	341,070	341,070
Loan issuance	-	-	10,877	-	10,877
Transfers in	-	-	-	1,698,895	1,698,895
Transfers out	(1,858,895)	-	-	-	(1,858,895)
Total other financing sources (uses)	(1,858,895)	-	10,877	1,808,065	(39,953)
Net change in fund balances	1,784,754	90,742	(728,736)	(155,656)	991,104
Fund balances at beginning of year	7,090,696	670,445	474,241	7,685,980	15,921,362
Fund balances (deficit) at end of year	\$ 8,875,450	\$ 761,187	\$ (254,495)	\$ 7,530,324	\$ 16,912,466

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 YEAR ENDED DECEMBER 31, 2012

Net change in fund balances - total governmental funds	\$	991,104
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental 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	\$ 2,254,176	
Depreciation expense	<u>(1,289,666)</u>	
Total		964,510
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	714,181	
Disposals, net	<u>(340,347)</u>	
Total		373,834
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Income taxes	208,805	
Real and other taxes	(25,213)	
Other local taxes	(17,242)	
Charges for services	(39,155)	
Investment income	6,044	
Special assessments	9,106	
Intergovernmental	<u>195,131</u>	
Total		337,476
Proceeds of refunding bonds and loan issuances are reported as other financing sources in the governmental funds, however, in the statement of activities, they are not reported as revenues as they increase the liabilities on the statement of net position.		
Refunding bonds	(4,675,000)	
Loans	<u>(10,877)</u>	
Total		(4,685,877)
Payment to refunded bond escrow agent for the retirement of bonds is an other financing use in the governmental funds, but the payment reduces long-term liabilities on the statement of net position. Deferred charges related to bond refundings are amortized over the life of the issuance in the statement of activities.		
		4,906,900
Premiums on debt issuances are recognized as other financing sources in the governmental funds, however, they are amortized over the life of the issuance in the statement of activities.		
		(341,070)
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in less interest being reported in the statement of activities.		
Decrease in accrued interest payable	10,299	
Amortization of bond premiums	39,971	
Amortization of deferred charges on refundings	<u>(38,055)</u>	
Total		12,215
Repayment of general obligation 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 position.		
		806,120
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.		
		<u>(109,647)</u>
Change in net position of governmental activities	\$	<u><u>3,255,565</u></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)
 GENERAL FUND
 FOR THE YEAR ENDED DECEMBER 31, 2012

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues:				
Municipal income taxes	\$ 10,035,095	\$ 10,035,095	\$ 10,595,601	\$ 560,506
Real and other taxes.	1,196,724	1,196,724	1,263,566	66,842
Other local taxes	1,486,520	1,486,520	1,569,549	83,029
Charges for services.	211,367	211,367	223,173	11,806
Licenses and permits	204,200	204,200	215,605	11,405
Fines and forfeitures	16,570	16,570	17,496	926
Intergovernmental.	424,708	424,708	448,430	23,722
Investment income.	87,558	87,558	92,448	4,890
Rental income	6,819	6,819	7,200	381
Other	4,610	4,610	4,868	258
Total revenues	13,674,171	13,674,171	14,437,936	763,765
Expenditures:				
Current:				
General government	2,477,714	2,432,571	2,137,531	295,040
Security of persons and property	6,486,710	6,686,840	6,424,777	262,063
Transportation	2,198,528	2,298,581	2,036,464	262,117
Community environment	834,021	884,146	791,069	93,077
Other	-	475,000	-	475,000
Capital outlay	125,363	125,363	32,993	92,370
Total expenditures	12,122,336	12,902,501	11,422,834	1,479,667
Excess of revenues over expenditures	1,551,835	771,670	3,015,102	2,243,432
Other financing sources (uses):				
Sale of capital assets.	5,732	5,732	6,052	320
Advances out.	-	(825,000)	(825,000)	-
Transfers in	7,689	7,689	8,118	429
Transfers out.	(1,653,000)	(2,558,895)	(2,558,895)	-
Total other financing sources (uses)	(1,639,579)	(3,370,474)	(3,369,725)	749
Net change in fund balance.	(87,744)	(2,598,804)	(354,623)	2,244,181
Fund balance at beginning of year	6,369,130	6,369,130	6,369,130	-
Prior year encumbrances appropriated	499,084	499,084	499,084	-
Fund balance at end of year	\$ 6,780,470	\$ 4,269,410	\$ 6,513,591	\$ 2,244,181

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 YEAR ENDED DECEMBER 31, 2012

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Real and other taxes.	\$ 777,142	\$ 777,142	\$ 786,932	\$ 9,790
Intergovernmental.	100,375	100,375	101,639	1,264
Contributions and donations.	7,110	7,110	7,200	90
Other	12,535	12,535	12,693	158
Total revenues	<u>897,162</u>	<u>897,162</u>	<u>908,464</u>	<u>11,302</u>
Expenditures:				
Current:				
General government	15,194	21,405	19,563	1,842
Security of persons and property	571,768	805,519	736,184	69,335
Capital outlay	464,092	653,823	597,545	56,278
Total expenditures	<u>1,051,054</u>	<u>1,480,747</u>	<u>1,353,292</u>	<u>127,455</u>
Net change in fund balance.	(153,892)	(583,585)	(444,828)	138,757
Fund balance at beginning of year	718,637	718,637	718,637	-
Prior year encumbrances appropriated	15,413	15,413	15,413	-
Fund balance at end of year	<u>\$ 580,158</u>	<u>\$ 150,465</u>	<u>\$ 289,222</u>	<u>\$ 138,757</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF AURORA, OHIO

STATEMENT OF NET POSITION
 PROPRIETARY FUNDS
 DECEMBER 31, 2012

	Business-type Activities - Enterprise Funds			
	Water	Sewer	Other Nonmajor	Total
Assets:				
Current assets:				
Equity in pooled cash and cash equivalents	\$ 1,347,254	\$ 2,357,780	\$ 289,865	\$ 3,994,899
Receivables:				
Accounts	558,109	518,877	-	1,076,986
Prepayments	16,079	15,312	308	31,699
Total current assets	<u>1,921,442</u>	<u>2,891,969</u>	<u>290,173</u>	<u>5,103,584</u>
Noncurrent assets:				
Capital assets:				
Non-depreciable capital assets	23,749	1,255,288	2,190	1,281,227
Depreciable capital assets, net	12,398,068	26,681,141	133,327	39,212,536
Total capital assets	<u>12,421,817</u>	<u>27,936,429</u>	<u>135,517</u>	<u>40,493,763</u>
Total noncurrent assets	<u>12,421,817</u>	<u>27,936,429</u>	<u>135,517</u>	<u>40,493,763</u>
Total assets	<u>14,343,259</u>	<u>30,828,398</u>	<u>425,690</u>	<u>45,597,347</u>
Deferred outflows of resources:				
Unamortized deferred charges on debt refunding	-	13,111	-	13,111
Total deferred outflows of resources	<u>-</u>	<u>13,111</u>	<u>-</u>	<u>13,111</u>
Liabilities:				
Current liabilities:				
Accounts payable	35,364	31,950	-	67,314
Accrued wages and benefits	11,733	20,954	751	33,438
Compensated absences	107	1,007	-	1,114
Due to other governments	383,611	32,926	737	417,274
Advances from other funds	129,669	-	-	129,669
Unearned revenue	14,227	-	-	14,227
Accrued interest payable	-	2,930	-	2,930
Claims payable	4,758	6,827	207	11,792
G.O. bonds payable - current	-	54,889	-	54,889
OPWC loans payable - current	10,000	40,000	-	50,000
OWDA loans payable - current	-	631,844	-	631,844
Total current liabilities	<u>589,469</u>	<u>823,327</u>	<u>1,695</u>	<u>1,414,491</u>
Long-term liabilities:				
Compensated absences	22,539	-	-	22,539
G.O. bonds payable	-	534,785	-	534,785
OPWC loans payable	100,000	97,500	-	197,500
OWDA loans payable	-	3,444,135	-	3,444,135
Total long-term liabilities	<u>122,539</u>	<u>4,076,420</u>	<u>-</u>	<u>4,198,959</u>
Total liabilities	<u>712,008</u>	<u>4,899,747</u>	<u>1,695</u>	<u>5,613,450</u>
Net position:				
Net investment in capital assets	12,311,817	23,146,387	135,517	35,593,721
Unrestricted	1,319,434	2,795,375	288,478	4,403,287
Total net position	<u>\$ 13,631,251</u>	<u>\$ 25,941,762</u>	<u>\$ 423,995</u>	<u>\$ 39,997,008</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF AURORA, OHIO

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012

	Business-type Activities - Enterprise Funds			
	Water	Sewer	Other Nonmajor	Total
Operating revenues:				
Charges for services	\$ 3,050,615	\$ 2,594,170	\$ 30,732	\$ 5,675,517
Other	8,257	1,992	-	10,249
Total operating revenues.	<u>3,058,872</u>	<u>2,596,162</u>	<u>30,732</u>	<u>5,685,766</u>
Operating expenses:				
Personal services	463,538	739,957	28,128	1,231,623
Contract services.	2,050,916	379,810	-	2,430,726
Materials and supplies.	106,490	179,304	15,086	300,880
Depreciation.	345,566	854,181	9,898	1,209,645
Other	8,898	1,026	421	10,345
Total operating expenses.	<u>2,975,408</u>	<u>2,154,278</u>	<u>53,533</u>	<u>5,183,219</u>
Operating income (loss)	<u>83,464</u>	<u>441,884</u>	<u>(22,801)</u>	<u>502,547</u>
Nonoperating revenues (expenses):				
Interest expense and fiscal charges	(8,840)	(210,860)	-	(219,700)
Loss on sale of capital assets	(25,515)	(330)	-	(25,845)
Special assessments.	-	26,213	-	26,213
Total nonoperating revenues (expenses).	<u>(34,355)</u>	<u>(184,977)</u>	<u>-</u>	<u>(219,332)</u>
Net income (loss) before transfers	49,109	256,907	(22,801)	283,215
Transfers in	-	160,000	-	160,000
Change in net position	49,109	416,907	(22,801)	443,215
Net position at beginning of year (restated)	<u>13,582,142</u>	<u>25,524,855</u>	<u>446,796</u>	<u>39,553,793</u>
Net position at end of year	<u>\$ 13,631,251</u>	<u>\$ 25,941,762</u>	<u>\$ 423,995</u>	<u>\$ 39,997,008</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF AURORA, OHIO

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2012

	Business-type Activities - Enterprise Funds			
	Water	Sewer	Other Nonmajor	Total
Cash flows from operating activities:				
Cash received from customers	\$ 3,032,821	\$ 2,589,185	\$ 30,732	\$ 5,652,738
Cash received from other operations.	8,257	2,087	-	10,344
Cash payments for personal services	(456,667)	(732,025)	(28,015)	(1,216,707)
Cash payments for contract services	(1,731,884)	(375,193)	-	(2,107,077)
Cash payments for materials and supplies	(108,133)	(179,414)	(15,087)	(302,634)
Cash payments for other expenses.	(8,898)	(1,026)	(421)	(10,345)
Net cash provided by (used in) operating activities	<u>735,496</u>	<u>1,303,614</u>	<u>(12,791)</u>	<u>2,026,319</u>
Cash flows from noncapital financing activities:				
Cash payments to other funds.	(60,142)	-	-	(60,142)
Cash received from transfers in	-	160,000	-	160,000
Cash received from special assessments.	-	26,213	-	26,213
Net cash provided by (used in) noncapital financing activities	<u>(60,142)</u>	<u>186,213</u>	<u>-</u>	<u>126,071</u>
Cash flows from capital and related financing activities:				
Principal payments on OWDA loans	-	(613,234)	-	(613,234)
Principal payments on OPWC loans	(10,000)	(40,000)	-	(50,000)
Principal payments on G.O. bonds	-	(52,667)	-	(52,667)
Acquisition of capital assets.	(955,784)	(67,039)	-	(1,022,823)
Interest and fiscal charges.	(8,840)	(213,027)	-	(221,867)
Net cash used in capital and related financing activities	<u>(974,624)</u>	<u>(985,967)</u>	<u>-</u>	<u>(1,960,591)</u>
Net increase (decrease) in cash and cash equivalents . .	(299,270)	503,860	(12,791)	191,799
Cash and cash equivalents at beginning of year	<u>1,646,524</u>	<u>1,853,920</u>	<u>302,656</u>	<u>3,803,100</u>
Cash and cash equivalents at end of year.	<u><u>\$ 1,347,254</u></u>	<u><u>\$ 2,357,780</u></u>	<u><u>\$ 289,865</u></u>	<u><u>\$ 3,994,899</u></u>

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CITY OF AURORA, OHIO

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS (CONTINUED)
 FOR THE YEAR ENDED DECEMBER 31, 2012

	Business-type Activities - Enterprise Funds			
	Water	Sewer	Other Nonmajor	Total
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	\$ 83,464	\$ 441,884	\$ (22,801)	\$ 502,547
Adjustments:				
Depreciation	345,566	854,181	9,898	1,209,645
Changes in assets and liabilities:				
(Increase) in accounts receivable	(32,021)	(4,890)	-	(36,911)
(Increase) in prepayments.	(546)	(538)	(4)	(1,088)
(Decrease) in accounts payable	(3,247)	(8,484)	-	(11,731)
Increase in accrued wages and benefits.	2,751	4,233	76	7,060
Increase (decrease) in due to other governments	318,936	10,228	(167)	328,997
Increase in unearned revenue.	14,227	-	-	14,227
Increase in claims payable.	4,758	6,827	207	11,792
Increase in compensated absences payable	1,608	173	-	1,781
Net cash provided by (used in) operating activities	<u>\$ 735,496</u>	<u>\$ 1,303,614</u>	<u>\$ (12,791)</u>	<u>\$ 2,026,319</u>

Non-Cash Transactions

During 2012 and 2011, the water fund purchased capital assets on account in the amount of \$33,761 and \$270,786, respectively.

During 2011, the sewer fund purchased capital assets on account in the amount of \$1,363.

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF AURORA, OHIO

**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUND
DECEMBER 31, 2012**

	<u>Agency</u>
Assets:	
Equity in pooled cash and cash equivalents.	\$ 539,857
Cash in segregated accounts.	19,873
Receivables:	
Real and other taxes.	9,136
Accounts.	<u>10,823</u>
Total assets	<u>\$ 579,689</u>
Liabilities:	
Accounts payable	\$ 32,884
Due to others.	19,873
Due to other governments.	<u>526,932</u>
Total liabilities.	<u>\$ 579,689</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, 2012

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's significant accounting policies are described below.

A. Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units". 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 position and a statement of activities and fund financial statements which provide a more detailed level of financial information.

Government-wide Financial Statements - The statement of net position and the statement of activities display information about the 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, 2012

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

The statement of net position 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, deferred outflows, liabilities and deferred inflows is reported as fund balance. The following are the City's major governmental funds:

General fund - The general fund is used to account for and report all financial resources not accounted for and reported in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the general laws of Ohio.

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

CITY OF AURORA, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

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

Road programs fund - The road programs fund accounts for Issue II monies and City matching funds restricted for capital projects related to road improvements.

Other governmental funds of the City are used to account for (a) financial resources that are restricted, committed, or assigned to expenditures for capital outlays including the acquisition or construction of capital facilities and other capital assets, (b) specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects and (c) financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

Proprietary Funds - Proprietary fund reporting focuses on the determination of operating income, changes in net position, 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 position and changes in net position. 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, which are combined into one on the basic financial statements.

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, deferred outflows, liabilities and deferred inflows associated with the operation of the City are included on the statement of net position. The statement of activities presents increases (e.g. revenues) and decreases (e.g. expenses) in total net position.

Fund Financial Statements - All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and deferred outflows and current liabilities and deferred inflows are generally 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, 2012

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, deferred outflows, liabilities and deferred inflows associated with the operation of these funds are included on the statement of net position. The statement of changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position. 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 inflows and deferred outflows, and in the presentation of expenses versus expenditures.

Revenues - Exchange and Nonexchange Transactions - Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, are recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available. Available means that the resources will be collected within the current 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 the accrual basis, revenue from income taxes is recognized in the period in which the income is earned (See Note 6.B). Revenue from property taxes is recognized in the year for which the taxes are levied (See Note 6.A). 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 the 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 intended for use in the general fund and capital improvements fund (a nonmajor governmental fund) by City Council. 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, 2012

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

Deferred Inflows of Resources and Deferred Outflows of Resources - A deferred inflow of resources is an acquisition of net position by the City that is applicable to a future reporting period. A deferred outflow of resources is a consumption of net position by the City that is applicable to a future reporting period.

Property taxes for which there is an enforceable legal claim as of December 31, 2012, but which were levied to finance 2013 operations, have been recorded as deferred inflows on both the government-wide and fund financial statements. 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, 2012, are recorded as deferred inflows on the governmental fund financial statements.

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

Unearned Revenues - Revenues received during 2012 resulting from exchange transactions for which the City has yet to provide the requisite services as of December 31, 2012 have been recorded as unearned revenue on both the government-wide and fund financial statements.

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.

CITY OF AURORA, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012**

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

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

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

A temporary appropriation measure may be passed by 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 and department 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".

The City has segregated bank accounts for monies held separate from the City's central bank account. These depository accounts are presented on the basic financial statements as "cash in segregated accounts" since it is not required to be deposited into the City treasury. The City maintains segregated depository accounts for medical claims and flexible spending.

During 2012, investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio) and nonnegotiable certificates of deposit. Investments are reported at fair value, except for nonnegotiable certificates of deposit, which are reported at cost. Fair value is based on quoted market prices.

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, 2012.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the general fund during 2012 amounted to \$58,062 which includes \$33,658 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.

CITY OF AURORA, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

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

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 funds. The costs of inventory items are recorded as expenditures in the governmental funds when purchased and expenses in the proprietary funds when used.

On the governmental fund financial statements, reported materials and supplies inventory is equally offset by nonspendable fund balance in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of current net position.

Inventory consists of expendable supplies held for consumption.

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 position, 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 position and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and deductions 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 capitalized. Interest incurred during the construction of proprietary fund capital assets is also capitalized.

All reported capital assets are depreciated except for land, easements, right of ways 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 50 years	20 to 45 years
Buildings and improvements	10 to 45 years	10 to 45 years
Equipment	5 to 26 years	3 to 20 years
Infrastructure	15 to 30 years	-
Roads	25 to 50 years	-
Water lines	-	15 to 55 years
Sewer lines	-	15 to 55 years
Stormwater lines	-	45 years

CITY OF AURORA, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

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

J. Compensated Absences

In accordance with GASB Statement No. 16, "Accounting for Compensated Absences", vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the 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.

K. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2012, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which the services are consumed. Prepaid items are equally offset by nonspendable fund balance in the governmental funds which indicates that they do not constitute available spendable resources even though they are a component of current net position.

L. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported on 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 liabilities on 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 liabilities on the governmental fund financial statements when due.

On the government-wide financial statements and proprietary fund financial statements, bond premiums are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of applicable bond premiums.

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

On the government-wide financial statements and proprietary fund financial statements, issuance costs are expensed during the year in which they are incurred.

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.

CITY OF AURORA, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012**

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

For advance refundings resulting in the defeasance of debt reported on 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 a deferred outflow of resources on the statement of net position on the government-wide financial statements and in the proprietary funds.

On the governmental-wide financial statements and proprietary fund financial statements bond premiums are recognized in the current period. The reconciliation between the bonds face value and the amount reported on the statement of net position is presented in Note 9.

N. Interfund Balances

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the year are referred to as either “interfund loans receivable/payable” for the current portion of interfund loans or “advances to/from other funds” for the non-current portion of interfund loans. These amounts are eliminated in the governmental and business-type activities columns of the statement of net position, except for any net residual amounts due between governmental and business-type activities, which are presented as “internal balances”.

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 and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the basic financial statements.

P. Capital Contributions

Capital contributions on the proprietary fund financial statements arise from contributions from governmental activities, from outside contributions of capital assets, from grants, or from outside contributions of resources restricted to capital acquisition and construction. During 2012, the City’s proprietary funds did not receive any capital contributions.

Q. Fund Balance

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

Nonspendable - The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.

CITY OF AURORA, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012**

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

Restricted - Fund balance is reported as restricted when constraints are placed on the use of resources that are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

Committed - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (ordinance) of City Council (the highest level of decision making authority). Those committed amounts cannot be used for any other purpose unless City Council removes or changes the specified use by taking the same type of action (ordinance) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned - Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted nor committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of City Council, which includes giving the Finance Director the authority to constrain monies for intended purposes.

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

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

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 2012.

CITY OF AURORA, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

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

T. Net Position

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. The net position component “net investment in capital assets,” 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. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation or through external restrictions imposed by creditors, grantors, laws, or regulations of other governments. Net position restricted for other purposes consists primarily of programs to enhance the security of persons and property and the community environment.

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

U. Loans Receivable

Loans receivable represent the right to receive repayment for certain loans made by the City. These loans are based upon written agreements between the City and the various loan recipients. Reported loans receivable is offset by restricted fund balance in the governmental funds.

V. Retainage Payable

Retainage payable represents the portion of the agreed upon contract price for the City’s Crackel Road improvement project withheld by the City as of December 31, 2012 until the related work is substantially complete. Retainage payable is reported on both the government-wide financial statements and the fund financial statements as part of the road programs fund.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For 2012, the City has implemented GASB Statement No. 60, “Accounting and Financial Reporting for Service Concession Arrangements”, GASB Statement No. 62, “Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA pronouncements”, GASB Statement No. 63, “Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position”, and GASB Statement No. 65, “Items Previously Reported as Assets and Liabilities”.

GASB Statement No. 60 addresses issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. An SCA is an arrangement between a transferor (a government) and an operator (governmental or nongovernmental entity) in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (a “facility”) in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties. The implementation of GASB Statement No. 60 did not have an effect on the financial statements of the City.

GASB Statement No. 62 codifies accounting and financial reporting guidance contained in pre-November 30, 1989 FASB and AICPA pronouncements in an effort to codify all sources of GAAP for State and local governments so that they derive from a single source. The implementation of GASB Statement No. 62 did not have an effect on the financial statements of the City.

CITY OF AURORA, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

GASB Statement No. 63 provides financial and reporting guidance for *deferred outflows of resources* and *deferred inflows of resources* which are financial statement elements that are distinct from assets and liabilities. GASB Statement No. 63 standardizes the presentation of deferred outflows or resources and deferred inflows of resources and their effects on a government's *net position*. The implementation of GASB Statement No. 63 has changed the presentation of the City's financial statements to incorporate the concepts of net position, deferred outflows of resources and deferred inflows of resources.

GASB Statement No. 65 establishes accounting and financial reporting standards that reclassify, as *deferred outflows of resources* or *deferred inflows of resources*, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. GASB Statement No. 65 also provides other financial reporting guidance related to the impact of the financial statement elements *deferred outflows of resources* and *deferred inflows of resources*, such as changes in the determination of the major fund calculations and limiting the use of the term *deferred* in financial statement presentations. The implementation of GASB Statement No. 65 had the following effect on the financial statements of the City:

	Governmental Activities	Business-type Activities	Sewer Fund
Net assets as previously reported	\$ 79,843,769	\$ 39,566,516	\$ 25,537,578
Removal of unamortized bond issuance costs	(39,713)	(12,723)	(12,723)
Net position at January 1, 2012	\$ 79,804,056	\$ 39,553,793	\$ 25,524,855

B. Deficit Fund Balances

Fund balances at December 31, 2012 included the following individual fund deficits:

<u>Major governmental fund</u>	<u>Deficit</u>
Road programs fund	\$ 254,495
<u>Nonmajor governmental fund</u>	
Save Sunny Lake	16,372

The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances resulted from adjustments for accrued liabilities and the reporting of short-term interfund loans as a liability rather than as an other financing source.

CITY OF AURORA, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

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;
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 (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.

CITY OF AURORA, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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. Cash in Segregated Accounts

At December 31, 2012, the City had \$19,873 in segregated accounts for medical claims and flexible spending. These accounts were covered by the FDIC or pooled collateral held by the depository institution. These amounts are not included in the City's depository balance below.

C. Deposits with Financial Institutions

At December 31, 2012, the carrying amount of all City deposits was \$16,634,940. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of December 31, 2012, \$652,852 of the City's bank balance of \$17,061,789 was exposed to custodial credit risk as discussed below, while \$16,408,937 was covered by the FDIC.

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.

CITY OF AURORA, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

D. Investments

As of December 31, 2012, the City had the following investment and maturity:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturity 6 months or less</u>
STAR Ohio	\$ 3,908,565	\$ 3,908,565

Interest Rate Risk: Interest rate risk arises as potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. 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 AAAM money market rating. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The City has no investment policy dealing with investment credit risk beyond the requirements in State statutes.

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, 2012:

<u>Investment type</u>	<u>Fair Value</u>	<u>% to Total</u>
STAR Ohio	\$ 3,908,565	100.00

E. Reconciliation of Cash and Investments to the Statement of Net Position

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 position as of December 31, 2012:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 16,634,940
Investments	3,908,565
Cash in segregated accounts	19,873
Cash on hand	<u>1,985</u>
Total	<u>\$ 20,565,363</u>

CITY OF AURORA, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

<u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 16,010,734
Business-type activities	3,994,899
Agency funds	<u>559,730</u>
Total	<u>\$ 20,565,363</u>

NOTE 5 - INTERFUND TRANSACTIONS

- A. Interfund transfers for the year ended December 31, 2012, consisted of the following, as reported on the fund financial statements:

<u>Transfers from general fund to:</u>	
Sewer fund	\$ 160,000
Nonmajor governmental funds	<u>1,698,895</u>
Total	<u>\$ 1,858,895</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.

- B. Interfund loans payable/receivable at December 31, 2012 as reported on the fund financial statements, consisted of the following:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General	Road programs fund	\$ 800,000
General	Nonmajor governmental fund	<u>25,000</u>
Total		<u>\$ 825,000</u>

The primary purpose of the interfund balances is to cover costs in specific funds where revenues were not received by December 31. These interfund balances will be repaid once the anticipated revenues are received.

Interfund loans between governmental funds are eliminated on the government-wide financial statements.

CITY OF AURORA, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 5 - INTERFUND TRANSACTIONS - (Continued)

- C. Long-term advances to/from other funds at December 31, 2012 as reported on the fund financial statements, consisted of the following:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
Nonmajor governmental fund	Water fund	<u>\$ 129,669</u>

Principal and interest requirements to retire the long-term advances outstanding at December 31, 2012 are as follows:

<u>Year Ending</u> <u>December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 63,219	\$ 5,763	\$ 68,982
2014	<u>66,450</u>	<u>2,532</u>	<u>68,982</u>
Total	<u>\$ 129,669</u>	<u>\$ 8,295</u>	<u>\$ 137,964</u>

Advances between governmental funds and business-type activities are reported as an internal balance on the government-wide statement of net position.

NOTE 6 - RECEIVABLES

Receivables at December 31, 2012, consisted of municipal income taxes, real and other taxes, other local taxes, special assessments, accounts, accrued interest, loans 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 and public utility 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. 2012 public utility property taxes became a lien December 31, 2011, are levied after October 1, 2012, and are collected in 2013 with real property taxes. Public utility property taxes are payable on the same dates as real property taxes described previously.

CITY OF AURORA, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 6 - RECEIVABLES - (Continued)

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 property taxes, public utility taxes, delinquent tangible personal property taxes and other outstanding delinquencies which are measurable as of December 31, 2012 and for which there is an enforceable legal claim. In the governmental funds, the current portion receivable has been offset by a deferred inflow since the current taxes were not levied to finance 2012 operations and the collection of delinquent taxes has been offset by a deferred inflow 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 considered a deferred inflow.

The full tax rate for all City operations for the year ended December 31, 2012 was \$7.68 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2012 property tax receipts were based are as follows:

Real property tax	\$ 565,607,530
Public utility tangible personal property	<u>9,058,410</u>
Total assessed value	<u>\$ 574,665,940</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 0.24% (2.4 mills) of assessed value.

B. Municipal Income Taxes

The City levies an income tax of 2% on substantially all earned income in the City with a 100% credit up to 2% allowed for income taxes paid to other municipalities. Collection fees charged by RITA of \$332,677 in 2012 are reflected in the financial statements as general government expenditures in the general fund. See Note 2.E (Revenues - Exchange and Nonexchange Transactions) for distribution of income taxes by fund.

C. Intergovernmental Receivables

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

<u>Governmental activities</u>	<u>Amounts</u>
Homestead and rollback	\$ 199,239
State income tax	29,611
Gasoline and excise tax	289,722
Motor vehicle license fees	55,201
Permissive motor vehicle license tax	57,646
County fines and forfeitures	1,737
Loan proceeds	10,877
Grants	271,907
State sales tax	<u>100,699</u>
Total	<u>\$ 1,016,639</u>

CITY OF AURORA, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 6 - RECEIVABLES - (Continued)

D. Loans Receivable

Loans receivable represent loans for housing repair and rehabilitation projects granted to eligible City property owners under the Community Housing Improvement Program (CHIP). During 2012, new loans were issued by the City in the amount of \$133,160. As of December 31, 2012, one loan in the amount of \$3,876 was paid off by the property owner and \$21,749 in loans receivable were written off for various property owners. The loans outstanding at December 31, 2012 total \$450,466 and are to be repaid in accordance with the loan agreement upon the sale or abandonment of the various properties.

NOTE 7 - CAPITAL ASSETS

A. Capital asset activity of the governmental activities is as follows:

<u>Governmental activities:</u>	<u>12/31/11</u>	<u>Additions</u>	<u>Deductions</u>	<u>12/31/12</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 24,029,412	\$ -	\$ -	\$ 24,029,412
Easements and right of ways	14,097,738	-	-	14,097,738
Construction in progress	<u>3,125,812</u>	<u>1,116,829</u>	<u>(200,372)</u>	<u>4,042,269</u>
Total capital assets, not being depreciated	<u>41,252,962</u>	<u>1,116,829</u>	<u>(200,372)</u>	<u>42,169,419</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	1,622,840	10,308	-	1,633,148
Buildings and improvements	13,235,993	-	-	13,235,993
Equipment	7,960,945	672,301	(136,188)	8,497,058
Infrastructure	<u>20,981,574</u>	<u>1,369,291</u>	<u>(427,583)</u>	<u>21,923,282</u>
Total capital assets, being depreciated	<u>43,801,352</u>	<u>2,051,900</u>	<u>(563,771)</u>	<u>45,289,481</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(627,437)	(70,554)	-	(697,991)
Buildings and improvements	(4,357,103)	(292,473)	-	(4,649,576)
Equipment	(4,650,165)	(466,743)	109,106	(5,007,802)
Infrastructure	<u>(4,305,364)</u>	<u>(459,896)</u>	<u>114,318</u>	<u>(4,650,942)</u>
Total accumulated depreciation	<u>(13,940,069)</u>	<u>(1,289,666)</u>	<u>223,424</u>	<u>(15,006,311)</u>
Total capital assets, being depreciated, net	<u>29,861,283</u>	<u>762,234</u>	<u>(340,347)</u>	<u>30,283,170</u>
Governmental activities capital assets, net	<u>\$ 71,114,245</u>	<u>\$ 1,879,063</u>	<u>\$ (540,719)</u>	<u>\$ 72,452,589</u>

CITY OF AURORA, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 7 - CAPITAL ASSETS - (Continued)

Depreciation expense was charged to governmental activities as follows:

General government	\$ 168,974
Security of persons and property	295,160
Transportation	707,407
Community environment	10,892
Leisure time activity	<u>107,233</u>
Total depreciation expense - governmental activities	<u>\$ 1,289,666</u>

B. Capital asset activity of the business-type activities is as follows:

<u>Business-type activities:</u>	<u>12/31/11</u>	<u>Additions</u>	<u>Deductions</u>	<u>12/31/12</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 1,253,550	\$ -	\$ -	\$ 1,253,550
Easements	27,677	-	-	27,677
Construction in progress	<u>1,209,740</u>	<u>-</u>	<u>(1,209,740)</u>	<u>-</u>
Total capital assets, not being depreciated	<u>2,490,967</u>	<u>-</u>	<u>(1,209,740)</u>	<u>1,281,227</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	389,658	-	-	389,658
Buildings and improvements	16,603,695	-	-	16,603,695
Equipment	1,786,185	204,081	(6,600)	1,983,666
Infrastructure	<u>35,355,346</u>	<u>1,790,094</u>	<u>(70,049)</u>	<u>37,075,391</u>
Total capital assets, being depreciated	<u>54,134,884</u>	<u>1,994,175</u>	<u>(76,649)</u>	<u>56,052,410</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(49,140)	(13,955)	-	(63,095)
Buildings and improvements	(5,385,907)	(348,931)	-	(5,734,838)
Equipment	(931,710)	(87,907)	6,270	(1,013,347)
Infrastructure	<u>(9,314,276)</u>	<u>(758,852)</u>	<u>44,534</u>	<u>(10,028,594)</u>
Total accumulated depreciation	<u>(15,681,033)</u>	<u>(1,209,645)</u>	<u>50,804</u>	<u>(16,839,874)</u>
Total capital assets, being depreciated, net	<u>38,453,851</u>	<u>784,530</u>	<u>(25,845)</u>	<u>39,212,536</u>
Business-type activities capital assets, net	<u>\$ 40,944,818</u>	<u>\$ 784,530</u>	<u>\$(1,235,585)</u>	<u>\$ 40,493,763</u>

CITY OF AURORA, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 7 - CAPITAL ASSETS - (Continued)

Depreciation expense was charged to the enterprise funds as follows:

Business-type activities:

Water	\$ 345,566
Sewer	854,181
Other nonmajor	<u>9,898</u>
Total depreciation expense - business-type activities	<u>\$ 1,209,645</u>

NOTE 8 - CAPITAL LEASES

In a prior year, the City entered into a capital lease agreement for a wheel loader. The wheel loader has been capitalized in the governmental activities. This lease agreement meets the criteria of a capital lease as defined by generally accepted accounting principles, which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the financial statements for the governmental funds.

The cost of the capital assets resulting from the capital lease in the governmental activities totals \$123,550, which represents the present value of the minimum lease payments at the time of acquisition. As of December 31, 2012, accumulated depreciation was \$30,888, resulting in a carrying value of \$92,662. A corresponding liability was recorded in the governmental activities long-term obligations. Principal payments in 2012 totaled \$19,135. The capital lease payments on the wheel loader were made from the capital improvements fund (a nonmajor governmental fund).

The following is a schedule of the future long-term minimum lease payments required under the capital lease agreement and the present value of the minimum lease payments as of December 31, 2012:

<u>Year Ending</u> <u>December 31,</u>	<u>Amount</u>
2013	\$ 23,074
2014	23,073
2015	<u>23,073</u>
Total	69,220
Less: amount representing interest	<u>(6,138)</u>
Present value of net minimum lease payments	<u>\$ 63,082</u>

CITY OF AURORA, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 9 - LONG-TERM OBLIGATIONS

Long-term bonds and loans outstanding for the governmental and business-type activities at December 31, 2012 included the following:

<u>Purpose (Description)</u>	<u>Principal Original Issuance</u>	<u>Interest Rate</u>	<u>Date of Final Installment</u>	<u>Balance at 12/31/12</u>
<u>Governmental activities</u>				
Voted general obligation bonds to be repaid by property tax revenues:				
Land acquisition improvement refunding bonds	\$ 4,675,000	1.375-3.75%	December 1, 2027	\$ 4,595,000
Total voted debt				<u>\$ 4,595,000</u>
Unvoted general obligation bonds:				
Various purpose refunding bonds, Series 2005 (Limited Tax Bonds)	4,910,826	3.00-5.00%	December 1, 2018	\$ 3,149,074
Total unvoted debt				<u>\$ 3,149,074</u>
Long-term loans payable:				
OPWC Loan - CG19G	150,000	0.00%	July 1, 2017	\$ 67,500
OPWC Loan - CG16L	150,000	0.00%	January 1, 2019	90,000
OPWC Loan - CG28M	246,514	0.00%	January 1, 2020	172,560
OPWC Loan - CG32O	10,877	0.00%	January 1, 2022	10,877
Total long-term loans				<u>\$ 340,937</u>
Total governmental activities bonds and loans				<u>\$ 8,085,011</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	\$ 305,924
Weston Woods Subdivision bonds, series 2008	300,000	5.50-5.75%	December 1, 2028	265,000
Total unvoted debt				<u>\$ 570,924</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	\$ 4,053,504
Sunny Lake Park	N/A	N/A	N/A	22,475
OWPC loans:				
Weston Woods sanitary sewer	150,000	0.00%	January 1, 2018	75,000
CC sanitary sewer improvement project	212,500	0.00%	July 1, 2015	62,500
SR 43/SR 306 waterline	200,000	0.00%	January 1, 2024	110,000
Total long-term loans				<u>\$ 4,323,479</u>
Total business-type activities bonds and loans				<u>\$ 4,894,403</u>

CITY OF AURORA, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

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

	<u>Balance</u>			<u>Balance</u>	<u>Amounts</u>
	<u>12/31/11</u>	<u>Additions</u>	<u>Reductions</u>	<u>12/31/12</u>	<u>Due in</u>
					<u>One Year</u>
<u>Governmental activities:</u>					
General obligation bonds	\$ 8,476,407	\$ 4,675,000	\$ (5,407,333)	\$ 7,744,074	\$ 735,111
OPWC loans	384,712	10,877	(54,652)	340,937	54,651
Capital leases	82,217	-	(19,135)	63,082	20,052
Compensated absences	<u>896,468</u>	<u>109,647</u>	<u>-</u>	<u>1,006,115</u>	<u>140</u>
Total governmental long-term liabilities	<u>\$ 9,839,804</u>	<u>\$ 4,795,524</u>	<u>\$ (5,481,120)</u>	9,154,208	<u>\$ 809,954</u>
				Add: Unamortized premiums on bond issues	<u>431,937</u>
				Total reported on the statement of net position	<u>\$ 9,586,145</u>
<u>Business-type activities:</u>					
General obligation bonds	\$ 623,591	\$ -	\$ (52,667)	\$ 570,924	\$ 54,889
OWDA loans	4,689,213	-	(613,234)	4,075,979	631,844
OPWC loans	297,500	-	(50,000)	247,500	50,000
Compensated absences	<u>21,872</u>	<u>2,615</u>	<u>(834)</u>	<u>23,653</u>	<u>1,114</u>
Total business-type long-term liabilities	<u>\$ 5,632,176</u>	<u>\$ 2,615</u>	<u>\$ (716,735)</u>	4,918,056	<u>\$ 737,847</u>
				Add: Unamortized premiums on bond issues	<u>18,750</u>
				Total reported on the statement of net position	<u>\$ 4,936,806</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.

Various Purpose Refunding Bonds, Series 2005

On May 19, 2005, the City issued \$5,390,000 in 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.

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 amortized over the remaining life of the refunded debt, which is equal to the life of the new debt issued.

CITY OF AURORA, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

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

Land Acquisition Improvement Refunding Bonds, Series 2012

On February 1, 2012, the City issued \$4,675,000 in land acquisition improvement general obligation refunding bonds. The bonds bear interest at rates ranging from 1.375 percent to 3.75 percent per annum and mature on December 1, 2027. A portion of the proceeds of the bonds were used to purchase U.S. Treasury Securities and to provide cash that was placed in an escrow account to advance refund the City's land acquisition improvement general obligation bonds. The refunded bonds were originally issued for real estate acquisition and were paid down by \$210,000 to the refunded balance of \$4,675,000 during 2012. The refunded bonds were not included in the City's outstanding debt since the City has satisfied its obligations through the 2012 principal payment and the subsequent advance refunding.

The reacquisition price exceeded the net carrying amount of the old debt by \$231,900. The City also received a premium on the issue of \$341,070. These amounts are being amortized over the remaining life of the refunded debt, which is equal to the life of the new debt issued. The advance refunding was undertaken to reduce the combined total debt service payments over the 15 year period by \$1,058,601 and resulted in an economic gain of \$914,823.

Weston Woods Subdivision Bonds, Series 2008

On July 16, 2008, the City issued \$300,000 in general obligation bonds attributable to the sewer fund for projects completed in the Weston Woods Subdivision. The bonds bear interest at rates ranging from 5.5 percent to 5.75 percent per annum and mature on December 1, 2028.

Ohio Water Development Authority (OWDA) Loans

The City has pledged future sewer revenues to repay OWDA loans. The loans are payable solely from sewer fund revenues and are payable through 2020. Annual principal and interest payments on the loans are expected to require 60.82 percent of net revenues and 30.37 percent of total revenues. The total principal and interest remaining to be paid on the loans is \$4,638,972. Principal and interest paid for the current year was \$788,328, total net revenues were \$1,296,065 and total revenues were \$2,596,162.

Ohio Public Works Commission (OPWC) Loans

The City has OPWC loans for various construction projects. The loans are zero interest loans and are payable through 2023 by the road and bridge levy fund (a nonmajor governmental fund), water fund and sewer fund. The loans in the water fund are payable from water fund revenues and the loans in the sewer fund are payable from sewer fund revenues.

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
2013	\$ 735,111	\$ 258,947	\$ 994,058	\$ 54,651	\$ -	\$ 54,651
2014	757,889	237,655	995,544	54,652	-	54,652
2015	785,221	209,697	994,918	54,651	-	54,651
2016	813,000	180,137	993,137	54,652	-	54,652
2017	845,333	149,705	995,038	47,151	-	47,151
2018 - 2022	2,077,520	461,373	2,538,893	64,303	-	64,303
2023 - 2027	1,730,000	196,838	1,926,838	-	-	-
Total	<u>\$ 7,744,074</u>	<u>\$ 1,694,352</u>	<u>\$ 9,438,426</u>	<u>\$ 330,060</u>	<u>\$ -</u>	<u>\$ 330,060</u>

CITY OF AURORA, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

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
2013	\$ 54,889	\$ 35,161	\$ 90,050	\$ 631,844	\$ 156,484	\$ 788,328	\$ 50,000	\$ -	\$ 50,000
2014	57,111	32,389	89,500	657,519	130,809	788,328	50,000	-	50,000
2015	59,779	29,171	88,950	684,238	104,090	788,328	37,500	-	37,500
2016	67,000	26,400	93,400	712,042	76,286	788,328	25,000	-	25,000
2017	69,667	22,908	92,575	690,206	47,352	737,558	25,000	-	25,000
2018 - 2022	132,478	57,797	190,275	677,655	47,972	725,627	50,000	-	50,000
2023 - 2027	105,000	25,875	130,875	-	-	-	10,000	-	10,000
2028	25,000	1,438	26,438	-	-	-	-	-	-
Total	\$ 570,924	\$ 231,139	\$ 802,063	\$ 4,053,504	\$ 562,993	\$ 4,616,497	\$ 247,500	\$ -	\$ 247,500

The City's OPWC loan in the governmental activities for the Crackel Road Resurfacing project (CG320) was only partially disbursed during 2012 and therefore is not included as part of the future debt service requirements. The balance of this OPWC loan at December 31, 2012 was \$10,877.

The Sunny Lake Park OWDA loan is currently "closed" meaning that final disbursements have been made from the OWDA, but the amortization schedule is not finalized as of December 31, 2012 and therefore the loan is not included as part of the future debt service requirements. The balance of the Sunny Lake Park OWDA loan at December 31, 2012 was \$22,475.

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 excludes 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, 2012, the City's total debt margin was \$57,342,942 and the unvoted debt margin was \$31,606,627.

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 eighty 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.

CITY OF AURORA, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

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 primarily within the general fund at year end.

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 \$1,950,000 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 2012 were \$2,125,566. The claims liability of \$183,663 reported in the government-wide financial statements at December 31, 2012 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:

	<u>Balance at Beginning of Year</u>	<u>Current Claims</u>	<u>Claims Payment</u>	<u>Balance at End of Year</u>
2012	\$ 147,676	\$ (2,089,579)	\$ 2,125,566	\$ 183,663
2011	71,136	(1,589,902)	1,666,442	147,676

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.

CITY OF AURORA, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

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.

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 which may be obtained by visiting <https://www.opers.org/investments/cafr.shtml>, 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 Ohio Revised Code provides statutory authority for member and employer contributions. For 2012, member and contribution rates were consistent across all three plans. The 2012 member contribution rates were 10.00% for members. The City's contribution rate for 2012 was 14.00% of covered payroll.

The City's contribution rate for pension benefits for members in the Traditional Plan for 2012 was 10.00%. The City's contribution rate for pension benefits for members in the Combined Plan for 2012 was 7.95%. The City's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2012, 2011, and 2010 were \$417,703, \$418,494, and \$400,396, respectively; 88.30% has been contributed for 2012 and 100% has been contributed for 2011 and 2010. The remaining 2012 pension liability has been reported as due to other governments/pension obligation payable on the basic financial statements. Contributions to the member-directed plan for 2012 were \$12,456 made by the City and \$8,897 made by the plan members. All City contributions have been paid as required by OPERS.

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 or by visiting the website at www.op-f.org.

CITY OF AURORA, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 12 - PENSION PLANS - (Continued)

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 2012, 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 \$252,147 and \$252,664 for the year ended December 31, 2012, \$251,971 and \$260,890 for the year ended December 31, 2011, and \$237,763 and \$242,674, for the year ended December 31, 2010. The full amount has been contributed for 2011 and 2010. 72.53% has been contributed for police and 72.50% has been contributed for firefighters for 2012. The remaining 2012 pension liability has been reported as due to other governments/pension obligation payable on the basic financial statements. All City contributions have been paid as required by OP&F.

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.

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 visiting <https://www.opers.org/investments/cafr.shtml>, 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 administered 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 2012, local government employers contributed 14.00% of covered payroll. 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 portion of employer contributions allocated to fund post-employment healthcare for members in the Traditional Plan for 2012 was 4.00%. The portion of employer contributions allocated to fund post-employment healthcare for members in the Combined Plan for 2012 was 6.05%.

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.

CITY OF AURORA, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 13 - POSTRETIREMENT BENEFIT PLANS - (Continued)

The City's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2012, 2011, and 2010 were \$170,688, \$171,074, and \$226,732, respectively; 88.30% has been contributed for 2012 and 100% has been contributed for 2011 and 2010. The remaining 2012 post-employment health care benefits liability has been reported as due to other governments/pension obligation payable on the basic financial statements. All City contributions have been paid as required by OPERS.

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under State Bill 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4 percent of the employer contributions toward the health care fund after the end of the transition period.

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.

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 or by visiting the website at www.op-f.org.

Funding Policy - The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F (defined benefit pension plan). Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.50% and 24.00% of covered payroll for police and fire employers, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.50% of covered payroll for police employer units and 24.00% of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

OP&F maintains funds for health care in two separate accounts, one account is for health care benefits under an Internal Revenue Code Section 115 trust and the other account is for Medicare Part B reimbursements administered as an Internal Revenue Code Section 401(h) account, both of which are within the defined benefit pension plan, under the authority granted by the Ohio Revised Code to the OP&F Board of Trustees.

CITY OF AURORA, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 13 - POSTRETIREMENT BENEFIT PLANS - (Continued)

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, 2012, 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.

The City's contributions to OP&F which were allocated to fund post-employment healthcare benefits for police officers and firefighters were \$133,489 and \$98,868 for the year ended December 31, 2012, \$133,396 and \$102,087 for the year ended December 31, 2011, and \$125,875 and \$94,960, for the year ended December 31, 2010. The full amount has been contributed for 2011 and 2010. 72.53% has been contributed for police and 72.50% has been contributed for firefighters for 2012. The remaining 2012 post-employment health care benefits liability has been reported as due to other governments/pension obligation payable on the basic financial statements. All City contributions have been paid as required by OP&F.

NOTE 14 - BUDGETARY BASIS OF ACCOUNTING

While 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 statements of revenues, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented for the general fund and fire paramedic levy fund are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);
- (d) Advances-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis);
- (e) Investments are reported at fair value (GAAP basis) rather than cost (budget basis); and,
- (f) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

CITY OF AURORA, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 14 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

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 all governmental funds for which a budgetary basis statement is presented:

Net Change in Fund Balance

	<u>General Fund</u>	<u>Fire Paramedic Levy Fund</u>
Budget basis	\$ (354,623)	\$ (444,828)
Net adjustment for revenue accruals	182,503	2,500
Net adjustment for expenditure accruals	(576,831)	(2,572)
Net adjustment for other sources/uses	1,510,830	-
Funds budgeted elsewhere	692,474	-
Adjustment for encumbrances	<u>330,401</u>	<u>535,642</u>
GAAP basis	<u>\$ 1,784,754</u>	<u>\$ 90,742</u>

Certain funds that are legally budgeted in separate fund classifications by the City are considered part of the general fund on a GAAP basis. This includes the medical reserve fund and unclaimed monies fund.

NOTE 15 - CONTINGENCIES

A. Grants

The City received financial assistance from federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and 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, 2012.

B. Litigation

At December 31, 2012, the City was not involved in any lawsuits that would have a material adverse effect on the City's financial position.

CITY OF AURORA, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 16 - FUND BALANCE

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

Fund balance	General	Fire Paramedic Levy Fund	Road Programs Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:					
Prepayments	\$ 38,213	\$ 177	\$ -	\$ 1,766	\$ 40,156
Materials and supplies inventory	37,016	-	-	-	37,016
Unclaimed monies	<u>58,736</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>58,736</u>
Total nonspendable	<u>133,965</u>	<u>177</u>	<u>-</u>	<u>1,766</u>	<u>135,908</u>
Restricted:					
Debt service	-	-	-	536,905	536,905
Transportation projects	-	-	-	1,203,495	1,203,495
Security of persons and property	-	761,010	-	679,184	1,440,194
Other purposes	<u>-</u>	<u>-</u>	<u>-</u>	<u>796,891</u>	<u>796,891</u>
Total restricted	<u>-</u>	<u>761,010</u>	<u>-</u>	<u>3,216,475</u>	<u>3,977,485</u>
Committed:					
Capital projects	-	-	-	1,445,619	1,445,619
General government	74,276	-	-	-	74,276
Transportation projects	7,333	-	-	27,735	35,068
Leisure time activities	-	-	-	68,638	68,638
Medical reserve	700,000	-	-	-	700,000
Other purposes	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,074</u>	<u>15,074</u>
Total committed	<u>781,609</u>	<u>-</u>	<u>-</u>	<u>1,557,066</u>	<u>2,338,675</u>
Assigned:					
Capital projects	-	-	-	1,710,276	1,710,276
Debt service	-	-	-	1,061,113	1,061,113
General government	11,252	-	-	-	11,252
Security of persons and property	190,896	-	-	-	190,896
Transportation projects	19,341	-	-	-	19,341
Community environment	<u>2,286</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,286</u>
Total assigned	<u>223,775</u>	<u>-</u>	<u>-</u>	<u>2,771,389</u>	<u>2,995,164</u>
Unassigned (deficit)	<u>7,736,101</u>	<u>-</u>	<u>(254,495)</u>	<u>(16,372)</u>	<u>7,465,234</u>
Total fund balances (deficit)	<u>\$ 8,875,450</u>	<u>\$ 761,187</u>	<u>\$ (254,495)</u>	<u>\$ 7,530,324</u>	<u>\$ 16,912,466</u>

CITY OF AURORA, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 17 - CONTRACTUAL COMMITMENTS

As a result of various capital projects that were in progress at year end, the City had the following outstanding contractual commitments at December 31, 2012:

<u>Vendor</u>	<u>Contract Amount</u>	<u>Amount Expended</u>	<u>Amount Outstanding</u>
Shelly Materials	\$ 948,816	\$ (771,061)	\$ 177,755
Foresight Engineering	<u>133,981</u>	<u>(132,541)</u>	<u>1,440</u>
Total Contractual Commitments	<u>\$ 1,082,797</u>	<u>\$ (903,602)</u>	<u>\$ 179,195</u>

NOTE 18 - OTHER COMMITMENTS

The City utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year end may be reported as part of restricted, committed, or assigned classifications of fund balance. At year end, the City's commitments for encumbrances in the governmental funds were as follows:

<u>Fund</u>	<u>Year-End Encumbrances</u>
General	\$ 305,384
Fire paramedic levy fund	533,419
Road programs fund	469,556
Nonmajor governmental funds	<u>650,626</u>
Total	<u>\$ 1,958,985</u>

NOTE 19 - SIGNIFICANT SUBSEQUENT EVENT

On February 1, 2013, the City officially acquired the Aurora Country Club upon conveyance of the property from the Trust for Public Land (the Trust). The purchase was made by the Trust through the use of Water Resource Restoration Sponsor Program (WRRSP) funds and totaled \$3,914,016. As part of the acquisition, the City was also granted \$775,000 to assist in the completion of restoration of the streams and wetlands located on the property. The restoration project is scheduled to begin in 2013.

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Dave Yost • Auditor of State

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

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

To the Honorable Mayor and City Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the City of Aurora, Portage County, (the City) as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 27, 2013, wherein we noted the City implemented Governmental Accounting Standard Board (GASB) Statement No. 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB Statement No.65 *Items Previously Reported as Assets and Liabilities*.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of reasonably assuring whether the 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 directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

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

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

Dave Yost
Auditor of State

Columbus, Ohio

June 27, 2013



Dave Yost • 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
SEPTEMBER 17, 2013