



Dave Yost • Auditor of State

**CITY OF AURORA
PORTAGE COUNTY**

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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, 2013, 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, 2013, 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.

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*, 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 September 12, 2014, 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

September 12, 2014

CITY OF AURORA, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2013 (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, 2013. 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 2013 are as follows:

- The total net position of the City increased \$13,657,342. The net position of governmental activities increased \$12,171,010 or 14.65% from 2012 and the net position of business-type activities increased \$1,486,332 or 3.72% from 2012. The significant increase in the net position of governmental activities is primarily due to an increase in capital contributions in the form of grants and donated assets resulting from cooperative contracts.
- General revenues accounted for \$17,288,823 or 57.31% of total governmental activities revenue. Program specific revenues accounted for \$12,879,501 or 42.69% of total governmental activities revenue.
- The City had \$18,424,859 in expenses related to governmental activities; \$12,879,501 of these expenses were offset by program specific charges for services, grants or contributions. The remaining expenses of the governmental activities of \$5,545,358 were offset by general revenues (primarily property taxes, income taxes and unrestricted grants and entitlements) of \$17,288,823.
- The City's major governmental funds are the general fund, fire paramedic levy fund and capital improvements fund. The general fund had revenues of \$14,972,351 and expenditures and other financing uses of \$15,617,874 during 2013. The net decrease in fund balance for the general fund was \$645,523 or 7.27%.
- The fire paramedic levy fund had revenues of \$867,626 and expenditures of \$1,301,338 during 2013. The net decrease in fund balance for the fire paramedic levy fund was \$433,712 or 56.98%.
- The capital improvements fund had revenues and other financing sources of \$5,573,496 and expenditures of \$5,004,420 during 2013. The net increase in fund balance for the capital improvements fund was \$569,076 or 64.79%.
- Business-type activities include operations of the City's water, sewer, and cemetery enterprise funds. The net position of the business-type activities totaled \$41,483,340 at December 31, 2013. General revenues accounted for \$27,098 or 0.41% of total business-type activities revenues, while program specific revenues accounted for \$6,528,275 or 99.59% 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 capital improvements 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, 2013 (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 2013?" The statement of net position and the statement of activities answer this question. These statements include all assets, deferred outflows of resources, liabilities, deferred inflows of resources, 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 capital improvements 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, 2013 (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 capital improvements 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, 2013
(UNAUDITED)**

Government-Wide Financial Analysis

The statement of net position provides the perspective of the City as a whole. The table below provides a summary of the City's net position at December 31, 2013 and December 31, 2012.

Net Position

	Governmental Activities 2013	Governmental Activities 2012	Business-type Activities 2013	Business-type Activities 2012	Total 2013	Total 2012
<u>Assets</u>						
Current and other assets	\$ 26,280,648	\$ 24,531,838	\$ 6,573,413	\$ 4,973,915	\$ 32,854,061	\$ 29,505,753
Capital assets, net	82,376,042	72,452,589	39,585,375	40,493,763	121,961,417	112,946,352
Total assets	108,656,690	96,984,427	46,158,788	45,467,678	154,815,478	142,452,105
<u>Deferred Outflows of Resources</u>	313,898	353,172	10,714	13,111	324,612	366,283
<u>Liabilities</u>						
Current and other liabilities	1,201,027	1,305,517	272,369	546,975	1,473,396	1,852,492
Long-term liabilities outstanding	9,134,751	9,586,145	4,413,793	4,936,806	13,548,544	14,522,951
Total liabilities	10,335,778	10,891,662	4,686,162	5,483,781	15,021,940	16,375,443
<u>Deferred Inflows of Resources</u>	3,404,179	3,386,316	-	-	3,404,179	3,386,316
<u>Net Position</u>						
Net investment in capital assets	74,683,557	64,225,731	35,181,286	35,593,721	109,864,843	99,819,452
Restricted	4,846,845	4,428,062	-	-	4,846,845	4,428,062
Unrestricted	15,700,229	14,405,828	6,302,054	4,403,287	22,002,283	18,809,115
Total net position	\$ 95,230,631	\$ 83,059,621	\$ 41,483,340	\$ 39,997,008	\$ 136,713,971	\$ 123,056,629

Over time, net position can serve as a useful indicator of a government's financial position. At December 31, 2013, the City's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$136,713,971.

Capital assets reported on the government-wide statements represent the largest portion of the City's assets. At year-end, capital assets represented 78.78% 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, 2013, was \$109,864,843. 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. During 2013, the City's capital assets and net investment in capital assets increased primarily due to an increase in capital contributions in the form of grants and donated assets resulting from cooperative contracts.

A portion of the City's net position, \$4,846,845, 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 \$15,700,229 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, 2013
(UNAUDITED)**

The table below shows the changes in net position for 2013 and 2012.

Change in Net Position

	Governmental Activities <u>2013</u>	Governmental Activities <u>2012</u>	Business-type Activities <u>2013</u>	Business-type Activities <u>2012</u>	2013 <u>Total</u>	2012 <u>Total</u>
Revenues:						
Program revenues:						
Charges for services	\$ 820,692	\$ 820,167	\$ 6,106,540	\$ 5,685,766	\$ 6,927,232	\$ 6,505,933
Operating grants and contributions	1,580,261	1,052,360	-	-	1,580,261	1,052,360
Capital grants and contributions	<u>10,478,548</u>	<u>1,115,992</u>	<u>421,735</u>	<u>-</u>	<u>10,900,283</u>	<u>1,115,992</u>
Total program revenues	<u>12,879,501</u>	<u>2,988,519</u>	<u>6,528,275</u>	<u>5,685,766</u>	<u>19,407,776</u>	<u>8,674,285</u>
General revenues:						
Property taxes	4,065,948	4,708,144	-	-	4,065,948	4,708,144
Income taxes	12,522,590	11,609,902	-	-	12,522,590	11,609,902
Grants and entitlements	544,234	598,423	-	-	544,234	598,423
Investment earnings	71,171	73,314	-	-	71,171	73,314
Miscellaneous	<u>84,880</u>	<u>102,885</u>	<u>27,098</u>	<u>26,213</u>	<u>111,978</u>	<u>129,098</u>
Total general revenues	<u>17,288,823</u>	<u>17,092,668</u>	<u>27,098</u>	<u>26,213</u>	<u>17,315,921</u>	<u>17,118,881</u>
Program expenses:						
General government	3,086,636	2,240,378	-	-	3,086,636	2,240,378
Security of persons and property	8,644,447	7,938,796	-	-	8,644,447	7,938,796
Transportation	3,929,250	3,544,840	-	-	3,929,250	3,544,840
Community environment	915,505	1,002,954	-	-	915,505	1,002,954
Leisure time activities	1,589,667	1,567,671	-	-	1,589,667	1,567,671
Interest and fiscal charges	257,702	261,813	-	-	257,702	261,813
Bond issuance costs	-	109,170	-	-	-	109,170
Other	1,652	-	-	-	1,652	-
Water	-	-	2,206,759	3,009,763	2,206,759	3,009,763
Sewer	-	-	2,382,279	2,365,468	2,382,279	2,365,468
Other business-type activities	<u>-</u>	<u>-</u>	<u>52,458</u>	<u>53,533</u>	<u>52,458</u>	<u>53,533</u>
Total program expenses	<u>18,424,859</u>	<u>16,665,622</u>	<u>4,641,496</u>	<u>5,428,764</u>	<u>23,066,355</u>	<u>22,094,386</u>
Change in net position before transfers	11,743,465	3,415,565	1,913,877	283,215	13,657,342	3,698,780
Transfers	<u>427,545</u>	<u>(160,000)</u>	<u>(427,545)</u>	<u>160,000</u>	<u>-</u>	<u>-</u>
Change in net position	12,171,010	3,255,565	1,486,332	443,215	13,657,342	3,698,780
Net position at beginning 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>
Net position at end of year	<u>\$ 95,230,631</u>	<u>\$ 83,059,621</u>	<u>\$ 41,483,340</u>	<u>\$ 39,997,008</u>	<u>\$ 136,713,971</u>	<u>\$ 123,056,629</u>

The capital grants and contributions of the governmental and business-type activities increased significantly during 2013. This is partially attributable to the City's acquisition of capital assets related to the Aurora Country Club, which required the use of Water Resource Restoration Sponsor Program (WRRSP) grant funding. The remainder of the increase is primarily due to the contribution of infrastructure from outside entities that resulted from cooperative contracts and donations. The general government, security of persons and property, and transportation expenses of the governmental activities increased during 2013, which was mostly attributable to increases in the cash outlays necessary to provide these services. The expenses of the water fund decreased during 2013 mainly because of a reduction in costs incurred during the year related to contracted services.

CITY OF AURORA, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2013
(UNAUDITED)**

Governmental Activities

Governmental activities net position increased \$12,171,010 in 2013. The three primary general revenue sources of governmental activities are property taxes, municipal income taxes, and unrestricted grants and entitlements. These revenue sources increased only slightly overall during 2013, which was mainly a result of an increase in income tax revenue that helped offset a decline in the City's property tax revenue.

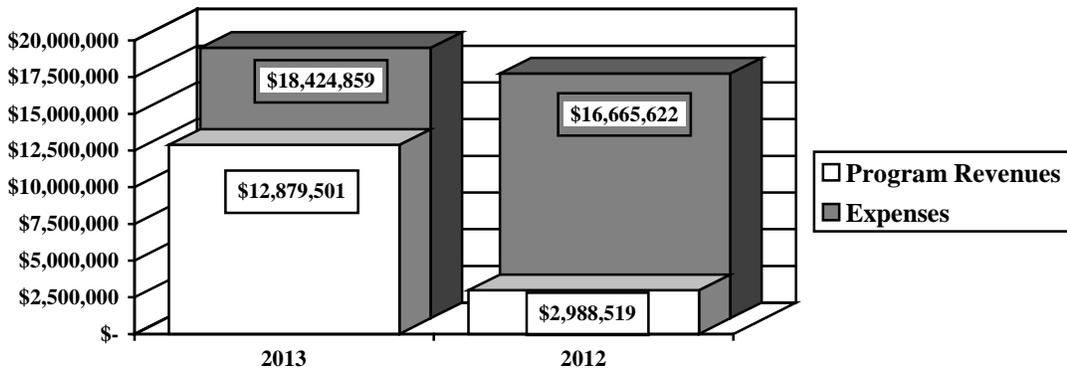
Security of persons and property, which primarily supports the operations of the police and fire departments, accounted for \$8,644,447 of the total expenses of the City. These expenses were partially funded by \$5,882 in direct charges to users of the services. Transportation expenses were also significant, totaling \$3,929,250.

The State and federal government contributed to the City a total of \$1,580,261 in operating grants and contributions and \$10,478,548 in capital grants and contributions. These revenues are restricted to a particular program or purpose. Of the total operating grants and contributions, \$46,044 subsidized security of persons and property, \$973,464 subsidized transportation programs, \$560,253 subsidized community environment, and \$500 subsidized leisure time activities. Of the total capital grants and contributions, \$63,930 subsidized general government operations, \$31,427 subsidized security of persons and property, \$6,456,835 subsidized transportation programs, and \$3,926,356 subsidized community environment.

General revenues totaled \$17,288,823, and amounted to 57.31% of total governmental revenues. These revenues primarily consist of property and income tax revenue of \$16,588,538. The other primary source of general revenues is grants and entitlements not restricted to specific programs, including local government, and property tax reimbursements, totaling \$544,234.

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 2013 and 2012. 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.

Governmental Activities – Program Revenues vs. Total Expenses



CITY OF AURORA, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2013
(UNAUDITED)

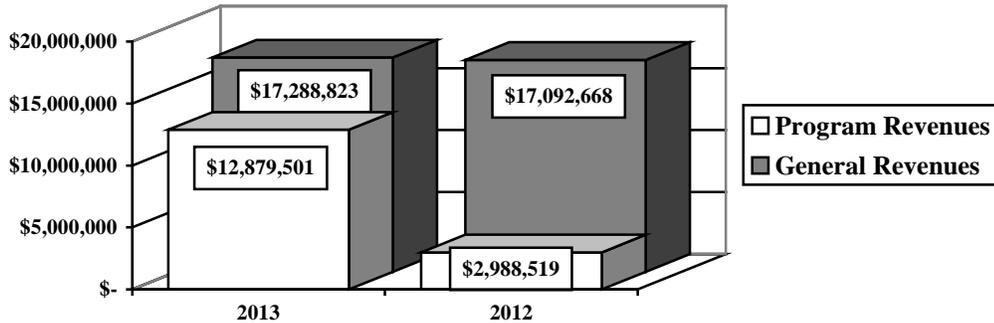
Governmental Activities

	Total Cost of Services 2013	Net Cost of Services 2013	Total Cost of Services 2012	Net Cost of Services 2012
Program expenses:				
General government	\$ 3,086,636	\$ 2,565,974	\$ 2,240,378	\$ 1,786,476
Security of persons and property	8,644,447	8,561,094	7,938,796	7,885,377
Transportation	3,929,250	(3,501,049)	3,544,840	1,674,033
Community environment	915,505	(3,571,104)	1,002,954	755,230
Leisure time activity	1,589,667	1,231,089	1,567,671	1,205,004
Interest and fiscal charges	257,702	257,702	261,813	261,813
Bond issuance costs	-	-	109,170	109,170
Other	1,652	1,652	-	-
Total	\$ 18,424,859	\$ 5,545,358	\$ 16,665,622	\$ 13,677,103

The dependence upon program revenues for governmental activities is apparent, with only 30.10% of expenses supported through taxes and other general revenues.

The chart below illustrates the City's program revenues versus general revenues for 2013 and 2012.

Governmental Activities – General and Program Revenues



Business-type Activities

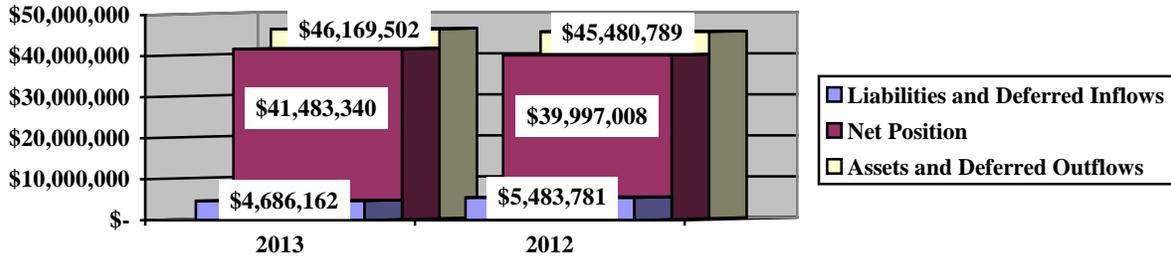
Business-type activities consist of water, sewer and cemetery operations. These programs had revenues of \$6,555,373, expenses of \$4,641,496, and transfers out of \$427,545 (including a loss on disposal of capital assets in the amount of \$642,029) during 2013. The water operations had expenses of \$2,206,759 and program revenues of \$3,847,274. This resulted in an increase in net position for the year of \$1,640,515. This increase is partially attributable to a water capital fee that added to quarterly utility billings revenue beginning in 2012. The sewer operations had expenses of \$2,382,279, program revenues of \$2,646,138, general revenues of \$27,098, and net transfers out of \$427,545 (including a loss on disposal of capital assets in the amount of \$642,029). This resulted in a decrease in net position for the year of \$136,588. The other business-type activities had expenses of \$52,458 and program revenues of \$34,863. This resulted in a decrease in net position for the year of \$17,595. Management assesses the performance of each of these activities to ensure that they are running efficiently.

CITY OF AURORA, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2013
(UNAUDITED)

The graph below illustrates the City's business-type activities assets and deferred outflows of resources, liabilities and deferred inflows of resources, and net position at December 31, 2013 and December 31, 2012.

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 \$18,624,398, which is \$1,711,932 more than last year's total of \$16,912,466. The schedule below indicates the fund balances and the total change in fund balances as of December 31, 2013 and December 31, 2012 for all major and nonmajor governmental funds.

	Fund Balances December 31, 2013	Fund Balances December 31, 2012	Increase/ (Decrease)	Percentage Change
Major funds:				
General	\$ 8,229,927	\$ 8,875,450	\$ (645,523)	(7.27) %
Fire paramedic levy fund	327,475	761,187	(433,712)	(56.98) %
Capital improvements fund	1,447,460	878,384	569,076	64.79 %
Nonmajor governmental funds	<u>8,619,536</u>	<u>6,397,445</u>	<u>2,222,091</u>	34.73 %
Total	<u>\$ 18,624,398</u>	<u>\$ 16,912,466</u>	<u>\$ 1,711,932</u>	10.12 %

CITY OF AURORA, OHIO

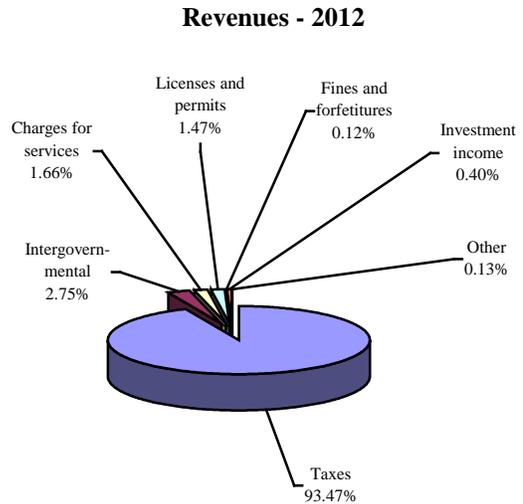
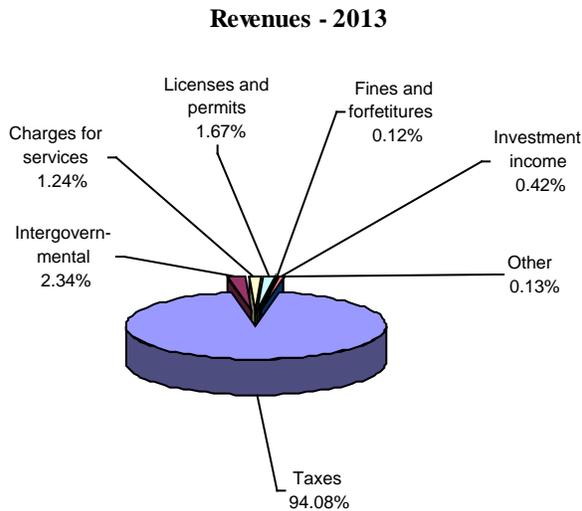
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2013
(UNAUDITED)**

General Fund

The City's general fund balance decreased \$645,523, which is primarily due to significant transfers made by the general fund to other funds during 2013. The table that follows assists in illustrating the revenues of the general fund.

	<u>2013</u> <u>Amount</u>	<u>2012</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
Revenues			
Taxes	\$ 14,086,014	\$ 13,666,028	3.07 %
Intergovernmental	351,205	400,847	(12.38) %
Charges for services	185,491	243,431	(23.80) %
Licenses and permits	250,235	215,605	16.06 %
Fines and forfeitures	17,587	17,715	(0.72) %
Investment income	62,314	58,062	7.32 %
Other	<u>19,505</u>	<u>19,343</u>	0.84 %
Total	<u>\$ 14,972,351</u>	<u>\$ 14,621,031</u>	2.40 %

Tax revenue represents 94.08% of all general fund revenue. Taxes increased \$419,986 or 3.07% mainly due to an increase in income tax collections attributable to 2013, which offset the decline in other local tax revenue that occurred from a reduction in estate tax collections during the year. Intergovernmental revenue decreased \$49,642 or 12.38% primarily due to a decline in receipts from the State of Ohio related to local government funding. Charges for services decreased \$57,940 or 23.80% due to a decrease in miscellaneous reimbursements received by the City during 2013. All other revenue classifications remained comparable to 2012.



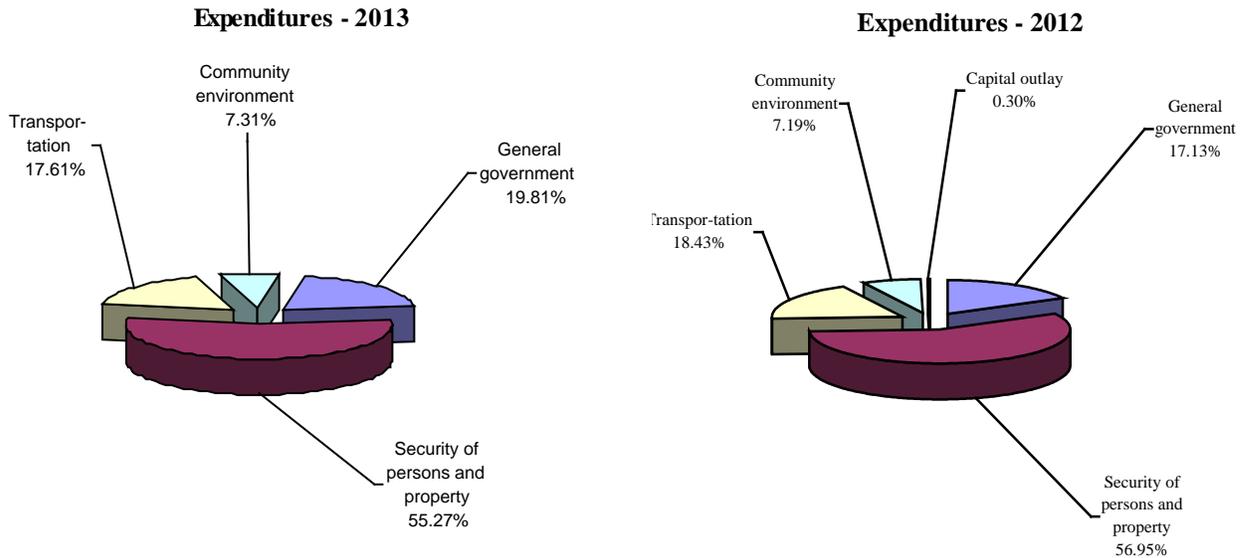
CITY OF AURORA, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2013
(UNAUDITED)**

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

	<u>2013</u> <u>Amount</u>	<u>2012</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Expenditures</u>			
General government	\$ 2,365,727	\$ 1,880,538	25.80 %
Security of persons and property	6,600,810	6,251,722	5.58 %
Transportation	2,103,683	2,023,388	3.97 %
Community environment	873,364	788,741	10.73 %
Capital outlay	-	32,993	(100.00) %
Total	\$ 11,943,584	\$ 10,977,382	8.80 %

General government expenditures increased \$485,189 or 25.80% primarily due to increases in costs associated with the Mayor's Office and the City's finance and legal departments. Community environment expenditures increased \$84,623 or 10.73% mainly due to an increase in expenditures related to the planning, zoning, and building department. The general fund did not report any capital outlay expenditures during 2013, but all other expenditure classifications remained comparable to 2012.



Fire Paramedic Levy Fund

The fire paramedic levy fund had revenues of \$867,626 and expenditures of \$1,301,338 during 2013. The net decrease in fund balance for the fire paramedic levy fund was \$433,712 or 56.98%. This decrease in fund balance is mainly attributable to an increase in capital outlay expenditures incurred during 2013.

CITY OF AURORA, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2013
(UNAUDITED)

Capital Improvements Fund

The capital improvements fund had revenues and other financing sources of \$5,573,496 and expenditures of \$5,004,420 during 2013. The net increase in fund balance for the capital improvements fund was \$569,076 or 64.79%. This increase in fund balance is mainly attributable to capital lease transactions and transfers in occurring in the capital improvements fund during 2013.

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 and major special revenue funds. In the general fund, the original budgeted revenues and other financing sources were \$13,732,643, which matched exactly to the final budgeted revenues and other financing sources. Actual revenues and other financing sources of \$15,999,008 were \$2,266,365 more than final budgeted revenues and other financing sources. All actual revenue categories were greater than final budget estimates. The original and final budgeted expenditures and other financing uses were \$13,927,393 and \$16,464,478, respectively. Actual expenditures and other financing uses of \$15,974,025 were \$490,453 less than final budgeted expenditures and other financing uses.

Capital Assets and Debt Administration

Capital Assets

At the end of 2013, the City had \$121,961,417 (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, \$82,376,042 was reported in governmental activities and \$39,585,375 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, 2013 balances compared to December 31, 2012.

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

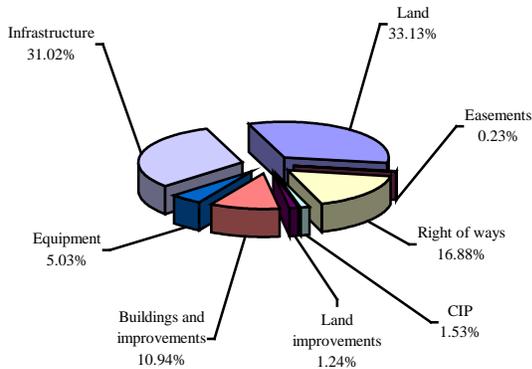
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Land	\$ 27,283,268	\$ 24,029,412	\$ 611,521	\$ 1,253,550	\$ 27,894,789	\$ 25,282,962
Easements	189,920	189,920	27,677	27,677	217,597	217,597
Right of ways	13,907,818	13,907,818	-	-	13,907,818	13,907,818
Construction in progress	1,260,813	4,042,269	494,569	-	1,755,382	4,042,269
Land improvements	1,789,450	1,633,148	389,658	389,658	2,179,108	2,022,806
Buildings and improvements	13,963,156	13,235,993	16,603,695	16,603,695	30,566,851	29,839,688
Equipment	9,521,325	8,497,058	1,988,347	1,983,666	11,509,672	10,480,724
Infrastructure	30,696,890	21,923,282	37,456,190	37,075,391	68,153,080	58,998,673
Less: accumulated depreciation	<u>(16,236,598)</u>	<u>(15,006,311)</u>	<u>(17,986,282)</u>	<u>(16,839,874)</u>	<u>(34,222,880)</u>	<u>(31,846,185)</u>
Totals	<u>\$ 82,376,042</u>	<u>\$ 72,452,589</u>	<u>\$ 39,585,375</u>	<u>\$ 40,493,763</u>	<u>\$ 121,961,417</u>	<u>\$ 112,946,352</u>

CITY OF AURORA, OHIO

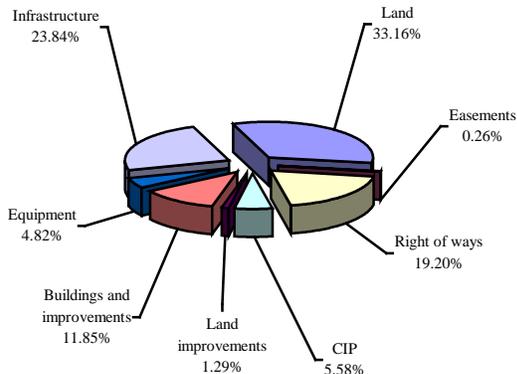
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2013
(UNAUDITED)**

The following graphs show the breakdown of governmental activities and business-type activities capital assets by category at December 31, 2013 and December 31, 2012.

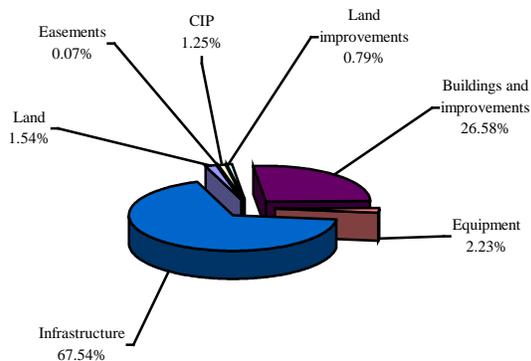
Capital Assets - Governmental Activities 2013



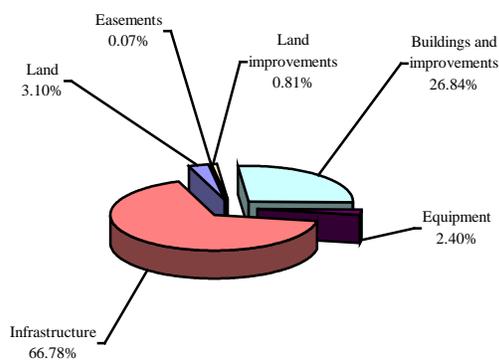
Capital Assets - Governmental Activities 2012



Capital Assets - Business-type Activities 2013



Capital Assets - Business-type Activities 2012



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 four 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 City 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 improvements fund and levy funds of the City.

CITY OF AURORA, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2013
(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

The City had the following long-term obligations outstanding at December 31, 2013 and December 31, 2012.

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
General obligation bonds	\$ 7,399,136	\$ 8,176,011	\$ 532,311	\$ 589,674	\$ 7,931,447	\$ 8,765,685
OWDA loans	-	-	3,445,324	4,075,979	3,445,324	4,075,979
OPWC loans	338,273	340,937	414,573	247,500	752,846	588,437
Capital lease obligations	231,021	63,082	-	-	231,021	63,082
Compensated absences	1,166,321	1,006,115	21,585	23,653	1,187,906	1,029,768
Total long-term obligations	\$ 9,134,751	\$ 9,586,145	\$ 4,413,793	\$ 4,936,806	\$ 13,548,544	\$ 14,522,951

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 2013 witnessed the continuation of the economic recovery for the City of Aurora. The City's income tax collections and estate tax collections exceeded budgeted estimates, which helped the City produce a significant general fund surplus from operations. At the request of the City's administration, City Council transferred \$1,200,000 to the emergency capital fund (a nonmajor governmental fund) for future uses and needs yet to be determined.

The beginning of the year 2014 will see income tax collections continue to increase, with first quarter amounts exceeding budgeted levels by over \$300,000. This trend alone could produce another strong financial year for the City. In addition, estate taxes, budgeted at \$0 for 2014, will see a windfall of \$400,000 during the first quarter.

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, 2013

	Governmental Activities	Business-type Activities	Total
Assets:			
Equity in pooled cash and cash equivalents	\$ 17,670,452	\$ 5,234,040	\$ 22,904,492
Receivables:			
Municipal income taxes.	3,418,478	-	3,418,478
Real and other taxes	3,515,926	-	3,515,926
Other local taxes.	70,355	-	70,355
Accounts.	31,404	1,239,303	1,270,707
Internal balance	66,450	(66,450)	-
Special assessments	19,452	-	19,452
Accrued interest	20,377	-	20,377
Loans.	452,439	-	452,439
Due from other governments.	922,118	126,882	1,049,000
Prepayments	50,449	39,638	90,087
Materials and supplies inventory.	42,748	-	42,748
Capital assets:			
Non-depreciable capital assets.	42,641,819	1,133,767	43,775,586
Depreciable capital assets, net.	39,734,223	38,451,608	78,185,831
Total capital assets.	82,376,042	39,585,375	121,961,417
Total assets	108,656,690	46,158,788	154,815,478
Deferred outflows of resources:			
Unamortized deferred charges on debt refunding	313,898	10,714	324,612
Liabilities:			
Accounts payable.	237,325	40,382	277,707
Retainage payable	37,953	22,595	60,548
Accrued wages and benefits.	361,438	38,372	399,810
Due to other governments	300,945	153,881	454,826
Unearned revenue	667	14,440	15,107
Accrued interest payable	19,804	2,699	22,503
Claims payable.	242,895	-	242,895
Long-term liabilities:			
Due within one year	1,022,039	765,086	1,787,125
Due in more than one year.	8,112,712	3,648,707	11,761,419
Total liabilities	10,335,778	4,686,162	15,021,940
Deferred inflows of resources:			
Real and other taxes levied for the next fiscal year.	3,404,179	-	3,404,179
Net position:			
Net investment in capital assets.	74,683,557	35,181,286	109,864,843
Restricted for:			
Debt service	560,400	-	560,400
Capital projects.	471,889	-	471,889
Transportation projects	1,882,023	-	1,882,023
Security of persons and property.	1,075,597	-	1,075,597
Other purposes.	856,936	-	856,936
Unrestricted.	15,700,229	6,302,054	22,002,283
Total net position	\$ 95,230,631	\$ 41,483,340	\$ 136,713,971

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF AURORA, OHIO

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2013

	<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.	\$ 3,086,636	\$ 456,732	\$ -	\$ 63,930
Security of persons and property	8,644,447	5,882	46,044	31,427
Transportation.	3,929,250	-	973,464	6,456,835
Community environment	915,505	-	560,253	3,926,356
Leisure time activity.	1,589,667	358,078	500	-
Other	1,652	-	-	-
Interest and fiscal charges.	257,702	-	-	-
Total governmental activities	<u>18,424,859</u>	<u>820,692</u>	<u>1,580,261</u>	<u>10,478,548</u>
Business-type activities:				
Water.	2,206,759	3,425,539	-	421,735
Sewer	2,382,279	2,646,138	-	-
Other business-type activities:				
Cemetery/Perpetual Care.	52,458	34,863	-	-
Total business-type activities	<u>4,641,496</u>	<u>6,106,540</u>	<u>-</u>	<u>421,735</u>
Total primary government	<u>\$ 23,066,355</u>	<u>\$ 6,927,232</u>	<u>\$ 1,580,261</u>	<u>\$ 10,900,283</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	
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
\$ (2,565,974)	\$ -	\$ (2,565,974)
(8,561,094)	-	(8,561,094)
3,501,049	-	3,501,049
3,571,104	-	3,571,104
(1,231,089)	-	(1,231,089)
(1,652)	-	(1,652)
(257,702)	-	(257,702)
(5,545,358)	-	(5,545,358)
-	1,640,515	1,640,515
-	263,859	263,859
-	(17,595)	(17,595)
-	1,886,779	1,886,779
(5,545,358)	1,886,779	(3,658,579)
3,723,195	-	3,723,195
342,753	-	342,753
11,922,590	-	11,922,590
600,000	-	600,000
544,234	-	544,234
71,171	-	71,171
84,880	27,098	111,978
17,288,823	27,098	17,315,921
427,545	(427,545)	-
12,171,010	1,486,332	13,657,342
83,059,621	39,997,008	123,056,629
\$ 95,230,631	\$ 41,483,340	\$ 136,713,971

CITY OF AURORA, OHIO

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2013

	<u>General</u>	<u>Fire Paramedic Levy Fund</u>	<u>Capital Improvements Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:					
Equity in pooled cash and cash equivalents	\$ 7,766,227	\$ 374,644	\$ 1,309,176	\$ 8,220,405	\$ 17,670,452
Receivables:					
Municipal income taxes	3,268,478	-	150,000	-	3,418,478
Real and other taxes	1,433,749	889,113	-	1,193,064	3,515,926
Other local taxes	70,355	-	-	-	70,355
Accounts	27,509	-	-	3,895	31,404
Accrued interest	19,765	-	-	612	20,377
Special assessments	-	-	-	19,452	19,452
Interfund loans	80,000	-	-	-	80,000
Loans	-	-	-	452,439	452,439
Advances to other funds	-	-	66,450	-	66,450
Due from other governments	183,643	48,575	-	689,900	922,118
Prepayments	47,010	132	2,345	962	50,449
Materials and supplies inventory	42,748	-	-	-	42,748
Total assets	<u>\$ 12,939,484</u>	<u>\$ 1,312,464</u>	<u>\$ 1,527,971</u>	<u>\$ 10,580,729</u>	<u>\$ 26,360,648</u>
Liabilities:					
Accounts payable	\$ 157,852	\$ 3,096	\$ 5,511	\$ 70,866	\$ 237,325
Retainage payable	-	-	-	37,953	37,953
Accrued wages and benefits	315,742	23,087	-	22,609	361,438
Compensated absences payable	125,094	-	-	-	125,094
Interfund loans payable	-	-	-	80,000	80,000
Due to other governments	258,820	21,118	-	21,007	300,945
Unearned revenue	667	-	-	-	667
Claims payable	242,895	-	-	-	242,895
Total liabilities	<u>1,101,070</u>	<u>47,301</u>	<u>5,511</u>	<u>232,435</u>	<u>1,386,317</u>
Deferred inflows of resources:					
Real and other taxes levied for the next fiscal year	1,388,469	860,943	-	1,154,767	3,404,179
Income tax revenue not available	1,979,162	-	75,000	-	2,054,162
Delinquent property tax revenue not available	45,280	28,170	-	38,297	111,747
Other local tax revenue not available	9,526	-	-	-	9,526
Accrued interest not available	19,765	-	-	612	20,377
Special assessments revenue not available	-	-	-	19,452	19,452
Intergovernmental revenue not available	166,057	48,575	-	513,192	727,824
Other revenue not available	228	-	-	2,438	2,666
Total deferred inflows of resources	<u>3,608,487</u>	<u>937,688</u>	<u>75,000</u>	<u>1,728,758</u>	<u>6,349,933</u>
Fund balances:					
Nonspendable	95,094	132	2,345	962	98,533
Restricted	-	327,343	-	3,959,504	4,286,847
Committed	801,389	-	1,445,115	889,835	3,136,339
Assigned	59,806	-	-	3,816,844	3,876,650
Unassigned (deficit)	7,273,638	-	-	(47,609)	7,226,029
Total fund balances	<u>8,229,927</u>	<u>327,475</u>	<u>1,447,460</u>	<u>8,619,536</u>	<u>18,624,398</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 12,939,484</u>	<u>\$ 1,312,464</u>	<u>\$ 1,527,971</u>	<u>\$ 10,580,729</u>	<u>\$ 26,360,648</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, 2013

Total governmental fund balances	\$	18,624,398
<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.		82,376,042
Other long-term assets are not available to pay for current period expenditures and therefore are deferred inflows of resources in the funds.		
Income taxes receivable	\$ 2,054,162	
Real and other taxes receivable	111,747	
Other local taxes receivable	9,526	
Accounts receivable	2,666	
Accrued interest receivable	20,377	
Special assessments receivable	19,452	
Intergovernmental receivable	727,824	
Total	2,945,754	2,945,754
Unamortized deferred charges on debt refundings are not recognized in the funds.		313,898
Unamortized premiums on bond issuances are not recognized in the funds.		(390,171)
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.		(19,804)
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 payable	(7,008,965)	
Loans payable	(338,273)	
Compensated absences payable	(1,041,227)	
Capital lease obligations payable	(231,021)	
Total	(8,619,486)	(8,619,486)
Net position of governmental activities	\$	95,230,631

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, 2013

	<u>General</u>	<u>Fire Paramedic Levy Fund</u>	<u>Capital Improvements Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:					
Municipal income taxes	\$ 11,791,858	\$ -	\$ 600,000	\$ -	\$ 12,391,858
Real and other taxes	1,219,162	758,359	-	1,027,105	3,004,626
Other local taxes	1,074,994	-	-	-	1,074,994
Charges for services	185,491	-	-	358,328	543,819
Licenses and permits	250,235	-	-	-	250,235
Fines and forfeitures	17,587	-	-	5,632	23,219
Intergovernmental	351,205	101,267	3,913,856	2,274,826	6,641,154
Investment income	62,314	-	5,763	405	68,482
Rental income	7,200	-	-	-	7,200
Contributions and donations	-	8,000	-	8,000	16,000
Other	12,305	-	-	69,909	82,214
Total revenues	<u>14,972,351</u>	<u>867,626</u>	<u>4,519,619</u>	<u>3,744,205</u>	<u>24,103,801</u>
Expenditures:					
Current:					
General government	2,365,727	4,246	-	32,436	2,402,409
Security of persons and property	6,600,810	734,162	-	277,502	7,612,474
Transportation	2,103,683	-	-	785,239	2,888,922
Community environment	873,364	-	-	29,104	902,468
Leisure time activity	-	-	-	1,389,813	1,389,813
Other	-	-	-	1,652	1,652
Capital outlay	-	562,930	4,915,460	947,468	6,425,858
Debt service:					
Principal retirement	-	-	85,938	789,760	875,698
Interest and fiscal charges	-	-	3,022	258,947	261,969
Total expenditures	<u>11,943,584</u>	<u>1,301,338</u>	<u>5,004,420</u>	<u>4,511,921</u>	<u>22,761,263</u>
Excess (deficiency) of revenues over (under) expenditures	<u>3,028,767</u>	<u>(433,712)</u>	<u>(484,801)</u>	<u>(767,716)</u>	<u>1,342,538</u>
Other financing sources (uses):					
Sale of capital assets	-	-	-	223,530	223,530
Capital lease transaction	-	-	253,877	-	253,877
Loan issuance	-	-	-	51,987	51,987
Transfers in	-	-	800,000	2,714,290	3,514,290
Transfers out	(3,674,290)	-	-	-	(3,674,290)
Total other financing sources (uses)	<u>(3,674,290)</u>	<u>-</u>	<u>1,053,877</u>	<u>2,989,807</u>	<u>369,394</u>
Net change in fund balances	(645,523)	(433,712)	569,076	2,222,091	1,711,932
Fund balances at beginning of year	<u>8,875,450</u>	<u>761,187</u>	<u>878,384</u>	<u>6,397,445</u>	<u>16,912,466</u>
Fund balances at end of year	<u>\$ 8,229,927</u>	<u>\$ 327,475</u>	<u>\$ 1,447,460</u>	<u>\$ 8,619,536</u>	<u>\$ 18,624,398</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF AURORA, OHIO

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2013

Net change in fund balances - total governmental funds	\$	1,711,932
<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	\$	5,714,920
Depreciation expense		<u>(1,491,916)</u>
Total		4,223,004
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		6,067,887
Disposals, net		<u>(367,438)</u>
Total		5,700,449
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Income taxes		130,732
Real and other taxes		(8,904)
Other local taxes		(4,768)
Charges for services		(845)
Investment income		3,706
Special assessments		(2,936)
Intergovernmental		(123,015)
Other		<u>2,666</u>
Total		(3,364)
Proceeds of capital lease transactions 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.		
Capital lease transaction		(253,877)
Loan issuance		<u>(51,987)</u>
Total		(305,864)
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		1,775
Amortization of bond premiums		41,766
Amortization of deferred charges on refundings		<u>(39,274)</u>
Total		4,267
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.		
		875,698
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>(35,112)</u>
Change in net position of governmental activities	\$	<u><u>12,171,010</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, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Municipal income taxes	\$ 9,905,605	\$ 9,905,605	\$ 11,622,750	\$ 1,717,145
Real and other taxes.	1,039,043	1,039,043	1,219,162	180,119
Other local taxes	935,588	935,588	1,097,773	162,185
Charges for services.	155,405	155,405	182,344	26,939
Licenses and permits	213,265	213,265	250,235	36,970
Fines and forfeitures	14,819	14,819	17,388	2,569
Intergovernmental.	299,387	299,387	351,286	51,899
Investment income.	63,864	63,864	74,935	11,071
Rental income	6,136	6,136	7,200	1,064
Other	249,644	249,644	292,920	43,276
Total revenues	12,882,756	12,882,756	15,115,993	2,233,237
Expenditures:				
Current:				
General government	2,345,907	2,300,647	2,265,047	35,600
Security of persons and property	6,758,669	6,848,310	6,825,261	23,049
Transportation	2,225,038	2,252,203	2,244,361	7,842
Community environment	837,404	893,226	885,066	8,160
Other	-	112,426	-	112,426
Capital outlay	87,375	14,423	-	14,423
Total expenditures	12,254,393	12,421,235	12,219,735	201,500
Excess of revenues over expenditures	628,363	461,521	2,896,258	2,434,737
Other financing sources (uses):				
Sale of capital assets.	3,887	3,887	4,561	674
Advances in.	703,115	703,115	825,000	121,885
Advances out.	-	(80,000)	(80,000)	-
Transfers in	142,885	142,885	53,454	(89,431)
Transfers out.	(1,673,000)	(3,963,243)	(3,674,290)	288,953
Total other financing sources (uses)	(823,113)	(3,193,356)	(2,871,275)	322,081
Net change in fund balance.	(194,750)	(2,731,835)	24,983	2,756,818
Fund balance at beginning of year	6,513,591	6,513,591	6,513,591	-
Prior year encumbrances appropriated	330,401	330,401	330,401	-
Fund balance at end of year	\$ 6,649,242	\$ 4,112,157	\$ 6,868,975	\$ 2,756,818

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, 2013

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues:				
Real and other taxes.	\$ 1,189,661	\$ 1,189,661	\$ 758,359	\$ (431,302)
Intergovernmental.	162,783	162,783	103,767	(59,016)
Contributions and donations.	12,550	12,550	8,000	(4,550)
Other	28,992	28,992	18,481	(10,511)
Total revenues	1,393,986	1,393,986	888,607	(505,379)
Expenditures:				
Current:				
General government	22,200	22,200	20,125	2,075
Security of persons and property	755,560	755,560	756,645	(1,085)
Other	-	50,000	-	50,000
Capital outlay	551,184	580,434	576,804	3,630
Total expenditures	1,328,944	1,408,194	1,353,574	54,620
Net change in fund balance.	65,042	(14,208)	(464,967)	(450,759)
Fund balance at beginning of year	289,222	289,222	289,222	-
Prior year encumbrances appropriated	535,642	535,642	535,642	-
Fund balance at end of year	\$ 889,906	\$ 810,656	\$ 359,897	\$ (450,759)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF AURORA, OHIO

STATEMENT OF NET POSITION
 PROPRIETARY FUNDS
 DECEMBER 31, 2013

	Business-type Activities - Enterprise Funds			
	Water	Sewer	Other Nonmajor	Total
Assets:				
Current assets:				
Equity in pooled cash and cash equivalents	\$ 2,043,015	\$ 2,913,157	\$ 277,868	\$ 5,234,040
Receivables:				
Accounts	699,539	539,764	-	1,239,303
Due from other governments	126,882	-	-	126,882
Prepayments	24,140	15,492	6	39,638
Total current assets	<u>2,893,576</u>	<u>3,468,413</u>	<u>277,874</u>	<u>6,639,863</u>
Noncurrent assets:				
Capital assets:				
Non-depreciable capital assets	518,318	613,259	2,190	1,133,767
Depreciable capital assets, net	12,441,269	25,882,296	128,043	38,451,608
Total capital assets	<u>12,959,587</u>	<u>26,495,555</u>	<u>130,233</u>	<u>39,585,375</u>
Total assets	<u>15,853,163</u>	<u>29,963,968</u>	<u>408,107</u>	<u>46,225,238</u>
Deferred outflows of resources:				
Unamortized deferred charges on debt refunding	-	10,714	-	10,714
Liabilities:				
Current liabilities:				
Accounts payable	6,281	34,101	-	40,382
Retainage payable	22,595	-	-	22,595
Accrued wages and benefits	12,446	25,000	926	38,372
Compensated absences	228	228	-	456
Due to other governments	120,755	32,345	781	153,881
Advances from other funds	66,450	-	-	66,450
Unearned revenue	14,440	-	-	14,440
Accrued interest payable	-	2,699	-	2,699
G.O. bonds payable - current	-	57,111	-	57,111
OPWC loans payable - current	10,000	40,000	-	50,000
OWDA loans payable - current	-	657,519	-	657,519
Total current liabilities	<u>253,195</u>	<u>849,003</u>	<u>1,707</u>	<u>1,103,905</u>
Long-term liabilities:				
Compensated absences	21,129	-	-	21,129
G.O. bonds payable	-	475,200	-	475,200
OPWC loans payable	307,073	57,500	-	364,573
OWDA loans payable	-	2,787,805	-	2,787,805
Total long-term liabilities	<u>328,202</u>	<u>3,320,505</u>	<u>-</u>	<u>3,648,707</u>
Total liabilities	<u>581,397</u>	<u>4,169,508</u>	<u>1,707</u>	<u>4,752,612</u>
Net position:				
Net investment in capital assets	12,619,919	22,431,134	130,233	35,181,286
Unrestricted	2,651,847	3,374,040	276,167	6,302,054
Total net position	<u>\$ 15,271,766</u>	<u>\$ 25,805,174</u>	<u>\$ 406,400</u>	<u>\$ 41,483,340</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, 2013

	Business-type Activities - Enterprise Funds			
	Water	Sewer	Other Nonmajor	Total
Operating revenues:				
Charges for services	\$ 3,418,224	\$ 2,641,379	\$ 34,863	\$ 6,094,466
Other	7,315	4,759	-	12,074
Total operating revenues.	<u>3,425,539</u>	<u>2,646,138</u>	<u>34,863</u>	<u>6,106,540</u>
Operating expenses:				
Personal services	448,971	807,829	29,076	1,285,876
Contract services.	1,238,337	369,711	-	1,608,048
Materials and supplies.	132,946	151,847	9,882	294,675
Depreciation.	369,735	857,034	9,928	1,236,697
Other	2,208	3,332	-	5,540
Total operating expenses.	<u>2,192,197</u>	<u>2,189,753</u>	<u>48,886</u>	<u>4,430,836</u>
Operating income (loss)	<u>1,233,342</u>	<u>456,385</u>	<u>(14,023)</u>	<u>1,675,704</u>
Nonoperating revenues (expenses):				
Interest expense and fiscal charges	(5,763)	(192,526)	-	(198,289)
Loss on disposal of capital assets	(8,799)	(642,029)	(3,572)	(654,400)
Special assessments.	-	27,098	-	27,098
Total nonoperating revenues (expenses).	<u>(14,562)</u>	<u>(807,457)</u>	<u>(3,572)</u>	<u>(825,591)</u>
Net income (loss) before transfers and capital contributions.	1,218,780	(351,072)	(17,595)	850,113
Transfers in	-	160,000	-	160,000
Capital contributions.	421,735	54,484	-	476,219
Change in net position	1,640,515	(136,588)	(17,595)	1,486,332
Net position at beginning of year.	<u>13,631,251</u>	<u>25,941,762</u>	<u>423,995</u>	<u>39,997,008</u>
Net position at end of year	<u>\$ 15,271,766</u>	<u>\$ 25,805,174</u>	<u>\$ 406,400</u>	<u>\$ 41,483,340</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, 2013

	Business-type Activities - Enterprise Funds			
	Water	Sewer	Other Nonmajor	Total
Cash flows from operating activities:				
Cash received from customers	\$ 3,277,007	\$ 2,621,129	\$ 34,863	\$ 5,932,999
Cash received from other operations.	7,315	4,122	-	11,437
Cash payments for personal services	(454,772)	(811,871)	(29,060)	(1,295,703)
Cash payments for contract services	(1,508,414)	(372,196)	-	(1,880,610)
Cash payments for materials and supplies	(128,641)	(147,490)	(9,584)	(285,715)
Cash payments for other expenses.	(2,208)	(3,332)	-	(5,540)
Net cash provided by (used in) operating activities	<u>1,190,287</u>	<u>1,290,362</u>	<u>(3,781)</u>	<u>2,476,868</u>
Cash flows from noncapital financing activities:				
Cash payments to other funds.	(63,219)	-	-	(63,219)
Cash received from transfers in	-	160,000	-	160,000
Cash received from special assessments.	-	27,098	-	27,098
Net cash provided by (used in) noncapital financing activities	<u>(63,219)</u>	<u>187,098</u>	<u>-</u>	<u>123,879</u>
Cash flows from capital and related financing activities:				
Loan issuance	90,191	-	-	90,191
Principal payments on OWDA loans	-	(630,655)	-	(630,655)
Principal payments on OPWC loans	(10,000)	(40,000)	-	(50,000)
Principal payments on G.O. bonds	-	(54,889)	-	(54,889)
Acquisition of capital assets.	(505,735)	(3,705)	(8,216)	(517,656)
Interest and fiscal charges.	(5,763)	(192,834)	-	(198,597)
Net cash used in capital and related financing activities	<u>(431,307)</u>	<u>(922,083)</u>	<u>(8,216)</u>	<u>(1,361,606)</u>
Net increase (decrease) in cash and cash equivalents	695,761	555,377	(11,997)	1,239,141
Cash and cash equivalents at beginning of year	<u>1,347,254</u>	<u>2,357,780</u>	<u>289,865</u>	<u>3,994,899</u>
Cash and cash equivalents at end of year.	<u>\$ 2,043,015</u>	<u>\$ 2,913,157</u>	<u>\$ 277,868</u>	<u>\$ 5,234,040</u>

- - continued

CITY OF AURORA, OHIO

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS (CONTINUED)
 FOR THE YEAR ENDED DECEMBER 31, 2013

	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)	\$ 1,233,342	\$ 456,385	\$ (14,023)	\$ 1,675,704
Adjustments:				
Depreciation	369,735	857,034	9,928	1,236,697
Changes in assets and liabilities:				
(Increase) in accounts receivable	(141,430)	(20,887)	-	(162,317)
(Increase) decrease in prepayments.	(8,061)	(180)	302	(7,939)
Increase in accounts payable	4,678	2,151	-	6,829
Increase in accrued wages and benefits.	713	4,046	175	4,934
Increase (decrease) in due to other governments	(262,856)	(581)	44	(263,393)
Increase in unearned revenue.	213	-	-	213
(Decrease) in claims payable.	(4,758)	(6,827)	(207)	(11,792)
(Decrease) in compensated absences payable	(1,289)	(779)	-	(2,068)
Net cash provided by (used in) operating activities	<u>\$ 1,190,287</u>	<u>\$ 1,290,362</u>	<u>\$ (3,781)</u>	<u>\$ 2,476,868</u>

Non-Cash Transactions

During 2013 and 2012, the water fund purchased capital assets on account in the amount of \$22,595 and \$33,761, respectively. During 2013, the water fund received capital contributions from outside entities in the amount of \$421,735.

During 2013, the sewer fund received capital contributions from governmental activities in the amount of \$54,484. During 2013, the sewer fund transferred capital assets to governmental activities in the amount of \$642,029.

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF AURORA, OHIO

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
 FIDUCIARY FUND
 DECEMBER 31, 2013

		Agency
Assets:		
Equity in pooled cash and cash equivalents.	\$	800,522
Cash in segregated accounts.		33,640
Receivables:		
Real and other taxes.		10,216
Accounts.		21,415
Total assets	\$	865,793
Liabilities:		
Accounts payable	\$	35,867
Due to others.		33,640
Due to other governments.		796,286
Total liabilities.	\$	865,793

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF AURORA, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013

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 City's 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" and GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an Amendment of GASB Statements No. 14 and No. 34". 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 organization; 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 the 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 that are fiscally dependent on the City in that the City approves the budget, the issuance of debt or the levying of taxes. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary government's financial statements incomplete or misleading. Based upon the application of these criteria, the City has no component units. The basic financial statements of the reporting entity include only those of the City (the primary government).

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, 2013

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 expenses and other expenses related to sewer, water, cemetery, and perpetual care operations. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

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 plus deferred outflows of resources and liabilities plus deferred inflows of resources 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, 2013

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

Capital improvements fund - The capital improvements fund accounts for income tax monies and other resources intended for use on various capital projects and asset acquisitions.

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 of resources, liabilities and deferred inflows of resources 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 of resources and current liabilities and deferred inflows of resources 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, 2013

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 of resources, liabilities and deferred inflows of resources 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 of resources and deferred outflows of resources, 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 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, 2013

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, 2013, but which were levied to finance 2014 operations, have been recorded as deferred inflows of resources 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, 2013, are recorded as deferred inflows of resources 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 of resources.

Unearned Revenues - Revenues received during 2013 resulting from exchange transactions for which the City has yet to provide the requisite services as of December 31, 2013 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 all 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, 2013**

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 2013, 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, 2013.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the general fund during 2013 amounted to \$62,314, which includes \$38,328 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, 2013

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, 2013

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. Compensatory time benefits are accrued as a liability based on accumulated unused compensatory time balances and the rate of pay attributable to applicable employees at year end.

The entire compensated absence liability is reported on the government-wide financial statements and proprietary fund financial statements.

For governmental fund financial statements, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The noncurrent portion of the liability is not reported.

K. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2013, 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 payable 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 lease obligations 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.

CITY OF AURORA, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013

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

M. Bond Issuance Costs/Bond Premium and Discount/Deferred Charges on Refunding

On both the government-wide financial statements and the fund financial statements, bond issuance costs are recognized in the period in which these items are incurred.

On the government-wide financial statements, bond premiums and discounts are 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 and bond discounts are presented as a reduction to the face amount of the bonds. On the governmental fund financial statements, bond premiums and discounts are recognized in the period in which these items are incurred. The reconciliation between the face value of bonds and the amount reported on the statement of net position is presented in Note 9.

For current and advance refundings resulting in the defeasance of debt reported in the government-wide financial statements and enterprise funds, the difference between the reacquisition price and the net carrying amount of the old debt is 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 inflow of resources or a deferred outflow of resources.

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 in the governmental activities arise from outside contributions of capital assets, from grants, or from outside contributions of resources restricted to capital acquisition and construction. During 2013, the governmental activities reported capital contributions in the amount of \$10,478,548, which is primarily due to the City's acquisition of the Aurora Country Club through the use of Water Resource Restoration Sponsor Program (WRRSP) grant funding and the contribution of infrastructure from outside entities, such as the Ohio Department of Transportation (ODOT), through cooperative contracts and donations.

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 2013, the water fund received \$421,735 in capital contributions from outside entities and the sewer fund received \$54,484 in capital contributions from governmental activities.

CITY OF AURORA, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

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

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.

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 financial statements and accompanying notes. Actual results may differ from those estimates.

CITY OF AURORA, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

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

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 2013.

T. Net Position

Net position represents the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources. 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 or liabilities 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 law enforcement 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 prices for the City's capital improvement projects withheld by the City as of December 31, 2013 until the related work is substantially complete. Retainage payable is reported on the government-wide and governmental fund financial statements as part of the road programs fund (a nonmajor governmental fund), and on the government-wide and proprietary fund financial statements as part of the water fund.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For 2013, the City has implemented GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an Amendment of GASB Statements No. 14 and No. 34" and GASB Statement No. 66, "Technical Corrections-2012 - an Amendment of GASB Statements No. 10 and No. 62".

GASB Statement No. 61 modifies certain requirements for inclusion of component units in the financial reporting entity. The Statement amends the criteria for reporting component units as if they were part of the primary government in certain circumstances. Finally, the Statement also clarifies the reporting of equity interests in legally separate organizations. The implementation of GASB Statement No. 61 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, 2013

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

GASB Statement No. 66 improves accounting and financial reporting by resolving conflicting guidance that resulted from the issuance of two pronouncements; GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions" and GASB Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA pronouncements". The implementation of GASB Statement No. 66 did not have an effect on the financial statements of the City.

B. Deficit Fund Balance

Fund balances at December 31, 2013 included the following individual fund deficit:

<u>Nonmajor governmental fund</u>	<u>Deficit</u>
Save Sunny Lake	\$ 47,609

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

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use, but which will be needed before the end of the current period of designation of depositories.

Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

CITY OF AURORA, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

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

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

A. Cash on Hand

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

B. Cash in Segregated Accounts

At December 31, 2013, the City had \$33,640 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, 2013, the carrying amount of all City deposits, including \$14,300,000 in nonnegotiable certificates of deposit, was \$18,446,864. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of December 31, 2013, \$3,309,124 of the City's bank balance of \$18,669,202 was exposed to custodial credit risk as discussed below, while \$15,360,078 was covered by the FDIC.

CITY OF AURORA, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

D. Investments

As of December 31, 2013, 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	\$ 5,256,165	\$ 5,256,165

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, 2013:

<u>Investment type</u>	<u>Fair Value</u>	<u>% to Total</u>
STAR Ohio	\$ 5,256,165	100.00

CITY OF AURORA, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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, 2013:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 18,446,864
Investments	5,256,165
Cash in segregated accounts	33,640
Cash on hand	1,985
Total	<u>\$ 23,738,654</u>
 <u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 17,670,452
Business-type activities	5,234,040
Agency funds	834,162
Total	<u>\$ 23,738,654</u>

NOTE 5 - INTERFUND TRANSACTIONS

- A. Interfund transfers for the year ended December 31, 2013, consisted of the following, as reported on the fund financial statements:

<u>Transfers from general fund to:</u>	
Capital improvements fund	\$ 800,000
Sewer fund	160,000
Nonmajor governmental funds	<u>2,714,290</u>
Total	<u>\$ 3,674,290</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.

During 2013, the City transferred capital assets in the amount of \$642,029 from the sewer fund to the governmental activities. The capital assets related to a land parcel that was determined to be a governmental activities capital asset prior to its disposal during 2013. This amount is reported on the proprietary fund financial statements as a loss on disposal of capital assets, and on the government-wide financial statements it is reported as a component of transfers. The City also contributed capital from the governmental activities to the sewer fund in the amount of \$54,484 during the year. This amount is reported on the proprietary fund financial statements as capital contributions, and on the government-wide financial statements it is reported as a component of transfers.

CITY OF AURORA, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE 5 - INTERFUND TRANSACTIONS - (Continued)

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

- B.** Interfund loans payable/receivable at December 31, 2013 as reported on the fund financial statements, consisted of the following:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General fund	Nonmajor governmental fund	<u>\$ 80,000</u>

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

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

- C.** Long-term advances to/from other funds at December 31, 2013 as reported on the fund financial statements, consisted of the following:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
Capital improvements fund	Water fund	<u>\$ 66,450</u>

Principal and interest requirements to retire the long-term advances outstanding at December 31, 2013 are as follows:

Year Ending	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
December 31, 2014	<u>\$ 66,450</u>	<u>\$ 2,532</u>	<u>\$ 68,982</u>

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

CITY OF AURORA, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE 6 - RECEIVABLES

Receivables at December 31, 2013, 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. 2013 public utility property taxes became a lien December 31, 2012, are levied after October 1, 2013, and are collected in 2014 with real property taxes. Public utility property taxes are payable on the same dates as real property taxes described previously.

The County Treasurer collects property taxes on behalf of all taxing districts in the County, including the City of Aurora. The County Auditor periodically remits to the City its portion of the taxes collected. 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, 2013 and for which there is an enforceable legal claim. In the governmental funds, the current portion receivable has been offset by a deferred inflow of resources since the current taxes were not levied to finance 2013 operations and the collection of delinquent taxes has been offset by a deferred inflow of resources 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 of resources.

The full tax rate for all City operations for the year ended December 31, 2013 was \$7.68 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2013 property tax receipts were based are as follows:

Real property tax	\$ 568,620,500
Public utility tangible personal property	<u>9,908,250</u>
Total assessed value	<u>\$ 578,528,750</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.

CITY OF AURORA, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE 6 - RECEIVABLES - (Continued)

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 \$367,859 in 2013 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 and business-type activities intergovernmental receivables (due from other governments) follows:

<u>Governmental activities</u>	<u>Amounts</u>
Homestead and rollback	\$ 194,299
State income tax	19,741
Gasoline and excise tax	355,901
Motor vehicle license fees	59,312
Permissive motor vehicle license tax	58,644
County fines and forfeitures	1,901
Grants	155,840
State sales tax	<u>76,480</u>
Total	<u>\$ 922,118</u>
 <u>Business-type activities</u>	
Loan proceeds	<u>\$ 126,882</u>

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 2013, new loans were issued by the City in the amount of \$21,610. As of December 31, 2013, \$19,637 in loans receivable were written off for various property owners. The loans outstanding at December 31, 2013 total \$452,439 and are to be repaid in accordance with the loan agreement upon the sale or abandonment of the various properties.

CITY OF AURORA, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE 7 - CAPITAL ASSETS

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

<u>Governmental activities:</u>	<u>Balance</u> <u>December 31, 2012</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>December 31, 2013</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 24,029,412	\$ 3,895,885	\$ (642,029)	\$ 27,283,268
Easements and right of ways	14,097,738	-	-	14,097,738
Construction in progress	<u>4,042,269</u>	<u>115,348</u>	<u>(2,896,804)</u>	<u>1,260,813</u>
Total capital assets, not being depreciated	<u>42,169,419</u>	<u>4,011,233</u>	<u>(3,538,833)</u>	<u>42,641,819</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	1,633,148	156,302	-	1,789,450
Buildings and improvements	13,235,993	727,163	-	13,963,156
Equipment	8,497,058	1,252,318	(228,051)	9,521,325
Infrastructure	<u>21,923,282</u>	<u>9,174,624</u>	<u>(401,016)</u>	<u>30,696,890</u>
Total capital assets, being depreciated	<u>45,289,481</u>	<u>11,310,407</u>	<u>(629,067)</u>	<u>55,970,821</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(697,991)	(73,053)	-	(771,044)
Buildings and improvements	(4,649,576)	(300,268)	-	(4,949,844)
Equipment	(5,007,802)	(539,675)	171,911	(5,375,566)
Infrastructure	<u>(4,650,942)</u>	<u>(578,920)</u>	<u>89,718</u>	<u>(5,140,144)</u>
Total accumulated depreciation	<u>(15,006,311)</u>	<u>(1,491,916)</u>	<u>261,629</u>	<u>(16,236,598)</u>
Total capital assets, being depreciated, net	<u>30,283,170</u>	<u>9,818,491</u>	<u>(367,438)</u>	<u>39,734,223</u>
Governmental activities capital assets, net	<u>\$ 72,452,589</u>	<u>\$13,829,724</u>	<u>\$ (3,906,271)</u>	<u>\$ 82,376,042</u>

CITY OF AURORA, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE 7 - CAPITAL ASSETS - (Continued)

Depreciation expense was charged to governmental activities as follows:

General government	\$ 164,331
Security of persons and property	347,593
Transportation	859,624
Community environment	8,527
Leisure time activity	<u>111,841</u>
Total depreciation expense - governmental activities	<u>\$ 1,491,916</u>

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

<u>Business-type activities:</u>	<u>Balance</u> <u>December 31, 2012</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>December 31, 2013</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 1,253,550	\$ -	\$ (642,029)	\$ 611,521
Easements	27,677	-	-	27,677
Construction in progress	<u>-</u>	<u>494,569</u>	<u>-</u>	<u>494,569</u>
Total capital assets, not being depreciated	<u>1,281,227</u>	<u>494,569</u>	<u>(642,029)</u>	<u>1,133,767</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	389,658	-	-	389,658
Buildings and improvements	16,603,695	-	-	16,603,695
Equipment	1,983,666	11,921	(7,240)	1,988,347
Infrastructure	<u>37,075,391</u>	<u>476,219</u>	<u>(95,420)</u>	<u>37,456,190</u>
Total capital assets, being depreciated	<u>56,052,410</u>	<u>488,140</u>	<u>(102,660)</u>	<u>56,437,890</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(63,095)	(13,955)	-	(77,050)
Buildings and improvements	(5,734,838)	(348,930)	-	(6,083,768)
Equipment	(1,013,347)	(97,024)	3,668	(1,106,703)
Infrastructure	<u>(10,028,594)</u>	<u>(776,788)</u>	<u>86,621</u>	<u>(10,718,761)</u>
Total accumulated depreciation	<u>(16,839,874)</u>	<u>(1,236,697)</u>	<u>90,289</u>	<u>(17,986,282)</u>
Total capital assets, being depreciated, net	<u>39,212,536</u>	<u>(748,557)</u>	<u>(12,371)</u>	<u>38,451,608</u>
Business-type activities capital assets, net	<u>\$ 40,493,763</u>	<u>\$ (253,988)</u>	<u>\$ (654,400)</u>	<u>\$ 39,585,375</u>

CITY OF AURORA, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE 7 - CAPITAL ASSETS - (Continued)

Depreciation expense was charged to business-type activities as follows:

Business-type activities:

Water	\$ 369,735
Sewer	857,034
Other nonmajor	<u>9,928</u>
Total depreciation expense - business-type activities	<u>\$ 1,236,697</u>

NOTE 8 - CAPITAL LEASES

During 2013 and in a prior year, the City entered into capital lease agreements for an excavator and a wheel loader. The excavator and the wheel loader have been capitalized in the governmental activities. These lease agreements meet 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 leases in the governmental activities totals \$377,427, which represents the present value of the minimum lease payments at the time of acquisition. As of December 31, 2013, accumulated depreciation was \$55,937, resulting in a carrying value of \$321,490. A corresponding liability was recorded in the governmental activities long-term obligations. Principal payments in 2013 totaled \$85,938. The capital lease payments on the excavator and the wheel loader were made from the capital improvements fund.

The following is a schedule of the future long-term minimum lease payments required under the capital lease agreements and the present value of the minimum lease payments as of December 31, 2013:

<u>Year Ending</u> <u>December 31,</u>	<u>Amount</u>
2014	\$ 88,959
2015	88,959
2016	<u>65,886</u>
Total	243,804
Less: amount representing interest	<u>(12,783)</u>
Present value of net minimum lease payments	<u>\$ 231,021</u>

CITY OF AURORA, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE 9 - LONG-TERM OBLIGATIONS

Long-term bonds and loans outstanding for the governmental and business-type activities at December 31, 2013 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 12/31/13</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	\$ 4,325,000
Total voted debt				<u>\$ 4,325,000</u>
Unvoted general obligation bonds:				
Various purpose refunding bonds, series 2005 (limited tax bonds)	4,910,826	3.00-5.00%	December 1, 2018	\$ 2,683,965
Total unvoted debt				<u>\$ 2,683,965</u>
Long-term loans payable:				
OPWC loan - CG19G	150,000	0.00%	July 1, 2017	\$ 52,500
OPWC loan - CG16L	150,000	0.00%	January 1, 2019	75,000
OPWC loan - CG28M	246,514	0.00%	January 1, 2020	147,909
OPWC loan - CG32O	62,864	0.00%	January 1, 2022	62,864
Total long-term loans				<u>\$ 338,273</u>
Total governmental activities bonds and loans				<u>\$ 7,347,238</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	\$ 261,035
Weston Woods Subdivision bonds, series 2008	300,000	5.50-5.75%	December 1, 2028	255,000
Total unvoted debt				<u>\$ 516,035</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	\$ 3,421,660
Sunny Lake Park	N/A	3.43%	January 1, 2030	23,664
OWPC loans:				
OPWC loan - CG27J	150,000	0.00%	January 1, 2018	60,000
OPWC loan - CG07H	212,500	0.00%	July 1, 2015	37,500
OPWC loan - CG21E	200,000	0.00%	January 1, 2024	100,000
OPWC loan - CG43P	217,073	0.00%	N/A	217,073
Total long-term loans				<u>\$ 3,859,897</u>
Total business-type activities bonds and loans				<u>\$ 4,375,932</u>

CITY OF AURORA, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

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

	Balance <u>12/31/12</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>12/31/13</u>	Amounts Due in <u>One Year</u>
<u>Governmental activities:</u>					
General obligation bonds	\$ 7,744,074	\$ -	\$ (735,109)	\$ 7,008,965	\$ 757,889
OPWC loans	340,937	51,987	(54,651)	338,273	54,652
Capital lease obligations	63,082	253,877	(85,938)	231,021	82,105
Compensated absences	<u>1,006,115</u>	<u>160,346</u>	<u>(140)</u>	<u>1,166,321</u>	<u>127,393</u>
Total governmental activities long-term liabilities	<u>\$ 9,154,208</u>	<u>\$ 466,210</u>	<u>\$ (875,838)</u>	8,744,580	<u>\$ 1,022,039</u>
				Add: unamortized premiums on bond issues	<u>390,171</u>
				Total reported on the statement of net position	<u>\$ 9,134,751</u>
 <u>Business-type activities:</u>					
General obligation bonds	\$ 570,924	\$ -	\$ (54,889)	\$ 516,035	\$ 57,111
OWDA loans	4,075,979	-	(630,655)	3,445,324	657,519
OPWC loans	247,500	217,073	(50,000)	414,573	50,000
Compensated absences	<u>23,653</u>	<u>-</u>	<u>(2,068)</u>	<u>21,585</u>	<u>456</u>
Total business-type activities long-term liabilities	<u>\$ 4,918,056</u>	<u>\$ 217,073</u>	<u>\$ (737,612)</u>	4,397,517	<u>\$ 765,086</u>
				Add: unamortized premiums on bond issues	<u>16,276</u>
				Total reported on the statement of net position	<u>\$ 4,413,793</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 business-type activities 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 the governmental activities and \$31,165 in the business-type activities. The City also received a premium on the issue allocated to governmental activities and business-type activities 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, 2013**

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 are not included in the City's outstanding debt since the City satisfied its obligation for those bonds through this 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.

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 2029. Annual principal and interest payments on the loans are expected to require 60.02 percent of net revenues and 29.79 percent of total revenues. The total principal and interest remaining to be paid on the loans is \$3,851,834. Principal and interest paid for the current year was \$788,328, total net revenues were \$1,313,419 and total revenues were \$2,646,138.

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.

CITY OF AURORA, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

Future Debt Service Requirements

Remaining commitments under long-term bonds and loans are as follows for governmental activities:

Year Ending December 31,	G. O. Bonds			OPWC Loans		
	Principal	Interest	Total	Principal	Interest	Total
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	877,522	117,666	995,188	39,652	-	39,652
2019 - 2023	1,520,000	406,943	1,926,943	24,651	-	24,651
2024 - 2027	1,410,000	133,600	1,543,600	-	-	-
Total	<u>\$ 7,008,965</u>	<u>\$ 1,435,403</u>	<u>\$ 8,444,368</u>	<u>\$ 275,409</u>	<u>\$ -</u>	<u>\$ 275,409</u>

Remaining commitments under long-term 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
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	72,478	19,272	91,750	217,044	24,832	241,876	10,000	-	10,000
2019 - 2023	80,000	46,000	126,000	460,611	23,141	483,752	50,000	-	50,000
2024 - 2028	110,000	19,838	129,838	-	-	-	-	-	-
Total	<u>\$ 516,035</u>	<u>\$ 195,978</u>	<u>\$ 712,013</u>	<u>\$ 3,421,660</u>	<u>\$ 406,510</u>	<u>\$ 3,828,170</u>	<u>\$ 197,500</u>	<u>\$ -</u>	<u>\$ 197,500</u>

The City's OPWC loan in the governmental activities for the Crackel Road resurfacing project (CG32O) was only partially disbursed as of December 31, 2013, and therefore is not included as part of the future debt service requirements. The balance of this OPWC loan at December 31, 2013 was \$62,864.

The City's 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, 2013, and therefore the loan is not included as part of the future debt service requirements. The balance of this OWDA loan at December 31, 2013 was \$23,664.

The City's OPWC loan in the business-type activities for the Meadowview waterline project (CG43P) was only partially disbursed as of December 31, 2013, and therefore is not included as part of the future debt service requirements. The balance of this OPWC loan at December 31, 2013 was \$217,073.

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, 2013, the City's total debt margin was \$57,891,635 and the unvoted debt margin was \$31,819,081.

CITY OF AURORA, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE 10 - COMPENSATED ABSENCES

Vacation leave is earned at rates, which vary depending upon length of service and standard workweek. 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 workdays 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 ordinance. Permanent full-time firefighters working a fifty-three hour average workweek shall earn sick leave at a rate of fourteen hours for each full calendar month of service.

Eligible employees can also earn compensatory time in accordance with City policy. When terminating employment with the City, applicable employees receive a compensatory time payout based upon their balance of unused compensatory time multiplied by their rate of pay at the time of departure.

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 \$500 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 City's claims liability is reflected 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 2013 were \$2,353,728. The claims liability of \$242,895 reported in the government-wide financial statements at December 31, 2013 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.

CITY OF AURORA, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE 11 - RISK MANAGEMENT - (Continued)

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>
2013	\$ 183,663	\$ (2,294,496)	\$ 2,353,728	\$ 242,895
2012	147,676	(2,089,579)	2,125,566	183,663

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

NOTE 12 - PENSION PLANS

A. Ohio Public Employees Retirement System

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

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, 277 East Town Street, 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 2013, member and contribution rates were consistent across all three plans. The 2013 member contribution rates were 10.00% for members. The City's contribution rate for 2013 was 14.00% of covered payroll.

The City's contribution rate for pension benefits for members in the Traditional Plan for 2013 was 13.00%. The City's contribution rate for pension benefits for members in the Combined Plan for 2013 was 13.00%. The City's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2013, 2012, and 2011 were \$572,404, \$417,703, and \$418,494, respectively; 91.73% has been contributed for 2013 and 100% has been contributed for 2012 and 2011. The remaining 2013 pension liability has been reported as due to other governments on the basic financial statements. Contributions to the member-directed plan for 2013 were \$12,819 made by the City and \$9,156 made by the plan members. All City contributions have been paid as required by OPERS.

CITY OF AURORA, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE 12 - PENSION PLANS – (Continued)

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.

Funding Policy - From January 1, 2013 through July 1, 2013, plan members were required to contribute 10.00% of their annual covered salary. From July 2, 2013 through December 31, 2013, plan members were required to contribute 10.75% of their annual covered salary. Throughout 2013, the City was required to contribute 19.50% and 24.00% for police officers and firefighters, respectively. Contribution rates are established by State statute.

For 2013, the portion of the City's contributions to fund pension obligations was 14.81% for January 1, 2013 through May 31, 2013 and 16.65% for June 1, 2013 through December 31, 2013 for police officers and 19.31% for January 1, 2013 through May 31, 2013 and 21.15% for June 1, 2013 through December 31, 2013 for firefighters. The City's required contributions for pension obligations to OP&F for police officers and firefighters were \$331,987 and \$308,701 for the year ended December 31, 2013, \$252,147 and \$252,664 for the year ended December 31, 2012, and \$251,971 and \$260,890 for the year ended December 31, 2011. The full amount has been contributed for 2012 and 2011. 91.95% has been contributed for police officers and 91.75% has been contributed for firefighters for 2013. The remaining 2013 pension liability has been reported as due to other governments 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, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

CITY OF AURORA, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE 13 - POSTRETIREMENT BENEFIT PLANS - (Continued)

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 2013, 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 2013 was 1.00%. The portion of employer contributions allocated to fund post-employment healthcare for members in the Combined Plan for 2013 was 1.00%.

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

The City's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2013, 2012, and 2011 were \$44,012, \$170,688, and \$171,074, respectively; 91.73% has been contributed for 2013 and 100% has been contributed for 2012 and 2011. The remaining 2013 post-employment health care benefits liability has been reported as due to other governments 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.

CITY OF AURORA, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE 13 - POSTRETIREMENT BENEFIT PLANS - (Continued)

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.

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. The portion of employer contributions allocated to health care was 4.69% of covered payroll from January 1, 2013 through May 31, 2013 and 2.85% of covered payroll from June 1, 2013 through December 31, 2013. 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 \$73,589 and \$53,803 for the year ended December 31, 2013, \$133,489 and \$98,868 for the year ended December 31, 2012, and \$133,396 and \$102,087 for the year ended December 31, 2011. The full amount has been contributed for 2012 and 2011. 91.95% has been contributed for police officers and 91.75% has been contributed for firefighters for 2013. The remaining 2013 post-employment health care benefits liability has been reported as due to other governments 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);

CITY OF AURORA, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE 14 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

- (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).

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	\$ 24,983	\$ (464,967)
Net adjustment for revenue accruals	(143,696)	(20,981)
Net adjustment for expenditure accruals	140,464	37,489
Net adjustment for other sources/uses	(803,015)	-
Funds budgeted elsewhere	(53,400)	-
Adjustment for encumbrances	<u>189,141</u>	<u>14,747</u>
GAAP basis	<u>\$ (645,523)</u>	<u>\$ (433,712)</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, 2013.

B. Litigation

At December 31, 2013, the City was not involved in any pending litigation that would potentially 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, 2013

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 nonmajor governmental funds are presented below:

Fund balance	General	Fire Paramedic Levy Fund	Capital Improvements Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:					
Prepayments	\$ 47,010	\$ 132	\$ 2,345	\$ 962	\$ 50,449
Materials and supplies inventory	42,748	-	-	-	42,748
Unclaimed monies	<u>5,336</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,336</u>
Total nonspendable	<u>95,094</u>	<u>132</u>	<u>2,345</u>	<u>962</u>	<u>98,533</u>
Restricted:					
Capital projects	-	-	-	471,889	471,889
Debt service	-	-	-	531,878	531,878
Transportation projects	-	-	-	1,438,330	1,438,330
Security of persons and property	-	327,343	-	679,923	1,007,266
Other purposes	<u>-</u>	<u>-</u>	<u>-</u>	<u>837,484</u>	<u>837,484</u>
Total restricted	<u>-</u>	<u>327,343</u>	<u>-</u>	<u>3,959,504</u>	<u>4,286,847</u>
Committed:					
Capital projects	-	-	1,445,115	775,529	2,220,644
General government	62,347	-	-	-	62,347
Security of persons and property	65	-	-	-	65
Transportation projects	38,977	-	-	27,200	66,177
Leisure time activities	-	-	-	74,048	74,048
Medical reserve	700,000	-	-	-	700,000
Other purposes	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,058</u>	<u>13,058</u>
Total committed	<u>801,389</u>	<u>-</u>	<u>1,445,115</u>	<u>889,835</u>	<u>3,136,339</u>
Assigned:					
Capital projects	-	-	-	2,877,606	2,877,606
Debt service	-	-	-	939,238	939,238
General government	8,073	-	-	-	8,073
Security of persons and property	10,215	-	-	-	10,215
Transportation projects	14,375	-	-	-	14,375
Community environment	6,395	-	-	-	6,395
Subsequent year appropriations	<u>20,748</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,748</u>
Total assigned	<u>59,806</u>	<u>-</u>	<u>-</u>	<u>3,816,844</u>	<u>3,876,650</u>
Unassigned (deficit)	<u>7,273,638</u>	<u>-</u>	<u>-</u>	<u>(47,609)</u>	<u>7,226,029</u>
Total fund balances	<u>\$ 8,229,927</u>	<u>\$ 327,475</u>	<u>\$ 1,447,460</u>	<u>\$ 8,619,536</u>	<u>\$ 18,624,398</u>

CITY OF AURORA, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

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, 2013:

<u>Vendor</u>	<u>Contract Amount</u>	<u>Amount Expended</u>	<u>Amount Outstanding</u>
Shelly Materials	\$ 948,816	\$ (879,367)	\$ 69,449
Foresight Engineering	167,319	(165,251)	2,068
Fioritto Construction	<u>564,881</u>	<u>(439,507)</u>	<u>125,374</u>
Total Contractual Commitments	<u>\$ 1,681,016</u>	<u>\$ (1,484,125)</u>	<u>\$ 196,891</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	\$ 140,447
Fire paramedic levy fund	11,651
Capital improvements fund	260,139
Nonmajor governmental funds	<u>385,357</u>
Total	<u>\$ 797,594</u>

NOTE 19 - SUBSEQUENT EVENTS

Subsequent to December 31, 2013, Ann Womer Benjamin became the new Mayor of the City. The City also hired Dean DePiero and Denise Januska as the new Law Director and Planning, Zoning, and Building Director, respectively.

On May 27, 2014, City Council accepted a proposal to enter into a contract in the amount of \$825,984 for design and building plans related to the Aurora Branch Chagrin River Restoration Project, which will be reimbursed to the City through funds from the Ohio Environmental Protection Agency Water Resource Restoration Sponsor Program (WRRSP).

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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, 2013, and the related notes to the financial statements which collectively comprise the City's basic financial statements and have issued our report thereon dated September 12, 2014.

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 City'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 style with a large, looping "D" and "Y".

Dave Yost
Auditor of State
Columbus, Ohio

September 12, 2014



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
OCTOBER 7, 2014