



**Auditor of State  
Betty Montgomery**



**CITY OF AURORA  
PORTAGE COUNTY**

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANT'S REPORT**

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

To the City Council:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Aurora, Portage County, Ohio (the City), as of and for the year ended December 31, 2003, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Aurora, Portage County, Ohio, as of December 31, 2003, and the respective changes in financial position and cash flows, where applicable, and the respective budgetary comparison for the General fund thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 13, during the year ended December 31, 2003, the City implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 23, 2004, 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

**Betty Montgomery**  
Auditor of State

August 23, 2004

# City of Aurora, Ohio

## Management's Discussion and Analysis (Unaudited)

### For The Year Ended December 31, 2003

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The discussion and analysis of the City of Aurora's financial performance provides an overall review of the City's financial activities for the fiscal year ended December 31, 2003. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers are encouraged to consider the information presented here in conjunction with the additional information contained in the financial statements and the notes thereof.

### Financial Highlights

Key financial highlights for 2003 are as follows:

- The assets of the City of Aurora exceeded its liabilities at the close of the most recent fiscal year by \$73,529,169.
- In total, net assets increased by \$4,980,760, which represents an increase of approximately 7.27 percent over 2002. Net assets in governmental activities increased by \$4,868,958 during 2003. This represents a 13.63 percent increase from 2002. The business-type activities increased by \$111,802 during 2003, which represents an increase of approximately .34 percent over 2002.
- The City had \$14,013,481 in expenses related to governmental activities; only \$1,079,793 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$17,802,646 were adequate to provide for these programs resulting in an increase to net assets from \$35,711,330 to \$40,580,288.
- The City had \$4,450,648 in expenses related to business-type activities; a total of \$4,302,320 was offset by program specific charges for services, grants and contributions. General revenues include interest earnings of \$150,130 and a transfer from Governmental Activities of \$110,000. Total revenues were adequate to provide for these programs by \$111,802 resulting in an increase to net assets from \$32,837,079 to \$32,948,881.

### Using this Annual Financial Report

This discussion and analysis are intended to serve as an introduction to the City of Aurora's basic financial statements. The City of Aurora's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

### *Government-wide financial statements – Reporting the City of Aurora as a Whole*

#### *Statement of Net Assets and the Statement of Activities*

The Statement of Net Assets presents information on all the City of Aurora's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increase or decrease in net assets may serve as a useful indicator of whether the financial position of the City of Aurora is improving or deteriorating. However, in evaluating the overall position of the City, non-financial factors such as the City's tax base,

# City of Aurora, Ohio

## Management's Discussion and Analysis (Unaudited)

### For The Year Ended December 31, 2003

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change in property and income tax laws, and the condition of the capital assets should also be considered. Both the Statement of Net Assets and the Statement of Activities use the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

In the Statement of Net Assets and the Statement of Activities, we divide the City into two kinds of activities:

- Governmental activities: most of the City's basic services are reported here, including the police, fire, street maintenance, parks and recreation, and general administration. Income tax, state and county taxes, licenses, permits and charges for services finance most of these activities.
- Business-type activities: the City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City's water operations, sewer system, and cemetery are reported here.

### ***Fund Financial Statements - Reporting the City of Aurora'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 objects. The City of Aurora, 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 of Aurora can be divided into two categories: governmental funds and proprietary funds.

#### *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 the balance of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all *other financial assets* that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Both the governmental fund balance sheet and the government fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate a comparison between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds.

The City of Aurora maintains 29 individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances, for the General fund and the Debt Service fund, which are considered to be major funds.



# City of Aurora, Ohio

## Management's Discussion and Analysis (Unaudited)

### For The Year Ended December 31, 2003

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#### *Proprietary Funds*

The City of Aurora maintains three 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 capital and operations, sewer capital and operations and cemetery activity.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

The basic proprietary fund financial statements can be found starting on page 21 of this report.

#### *Notes to the Financial Statements*

The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found starting on page 26 of this report.

#### **Government-wide Financial Analysis - City of Aurora as a Whole**

As noted earlier, the Statement of Net Assets looks at the City as a Whole and can prove to be a useful indicator of the City's financial position.

The Statement of Net Assets and the Statement of Activities are divided into the following categories:

- Assets
- Liabilities
- Net Assets (Assets minus Liabilities)
- Program Expenses and Revenues
- General Revenues
- Net Assets Beginning and End of Year

# City of Aurora, Ohio

## Management's Discussion and Analysis (Unaudited) (continued)

### For The Year Ended December 31, 2003

Table 1 provides a summary of the City's net assets for 2003.

Table 1  
Net Assets

	Governmental Activities	Business-Type Activities	Total
	2003	2003	2003
<b>Assets</b>			
Current and Other Assets	\$ 20,157,354	\$ 11,041,639	\$ 31,198,993
Capital Assets, Net	43,427,083	31,798,655	75,225,738
<i>Total Assets</i>	<u>63,584,437</u>	<u>42,840,294</u>	<u>106,424,731</u>
<b>Liabilities</b>			
Current Liabilities and Other Liabilities	5,140,080	303,583	5,443,663
Long-term Liabilities			
Due Within One Year	1,249,647	484,826	1,734,473
Due In More Than One Year	16,614,422	9,103,004	25,717,426
<i>Total Liabilities</i>	<u>23,004,149</u>	<u>9,891,413</u>	<u>32,895,562</u>
<b>Net Assets</b>			
Invested in Capital Assets,			
Net of Related Debt	25,991,989	22,210,825	48,202,814
Restricted for:			
Debt Service	5,372,873	-	5,372,873
Other purposes	606,631	-	606,631
Unrestricted	8,608,795	10,738,056	19,346,851
<i>Total Net Assets</i>	<u>\$ 40,580,288</u>	<u>\$ 32,948,881</u>	<u>\$ 73,529,169</u>

In order to further understand what makes up the changes in net assets for the current year, the following tables gives readers further details regarding the results of activities for the current year. However, since this is the first year the City has prepared financial statements following GASB 34, revenue and expense comparisons to 2003 are not available. In future years, when prior year information is available, a comparative analysis of government-wide data will be presented.

# City of Aurora, Ohio

## Management's Discussion and Analysis (Unaudited) (continued)

### For The Year Ended December 31, 2003

Table 2  
Changes in Net Assets

	Governmental Activities <u>2003</u>	Business-Type Activities <u>2003</u>	Total <u>2003</u>
<b>Program Revenues</b>			
Charges for Services	\$ 927,984	\$ 3,913,702	\$ 4,841,686
Operating Grants	54,409	-	54,409
Capital Grants and Contributions	97,400	388,618	486,018
<i>Total Program Revenues</i>	<u>1,079,793</u>	<u>4,302,320</u>	<u>5,382,113</u>
<b>General Revenues</b>			
Property Taxes	3,803,152	-	3,803,152
Income Taxes	10,538,805	-	10,538,805
Grants and Entitlements	3,233,227		3,233,227
Investment Income	337,462	150,130	487,592
<i>Total Revenues</i>	<u>18,992,439</u>	<u>4,452,450</u>	<u>23,444,889</u>
<b>Program Expenses</b>			
General Government	3,519,186		3,519,186
Security of Persons and Property	4,873,929		4,873,929
Transportation	2,336,101		2,336,101
Leisure Time Activities	1,042,015		1,042,015
Community Environment	898,505		898,505
Interest and Fiscal Charges	1,343,745		1,343,745
Water	-	1,990,199	1,990,199
Sewer	-	2,440,119	2,440,119
Property Taxes	-	20,330	20,330
Transfers	110,000	(110,000)	-
<i>Total Program Expenses</i>	<u>14,123,481</u>	<u>4,340,648</u>	<u>18,464,129</u>
<i>Change in Net Assets</i>	<u>\$ 4,868,958</u>	<u>\$ 111,802</u>	<u>\$ 4,980,760</u>

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# City of Aurora, Ohio

## Management's Discussion and Analysis (Unaudited) (continued)

### For The Year Ended December 31, 2003

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#### *Governmental Activities*

Several revenue sources fund our governmental activities with the City income tax being the largest contributor. The City's income tax rate is one percent on gross income. During 2003, the revenues generated from this tax amounted to \$9,972,685. The increase in revenues from 2002 was 12.94 percent resulting from revenue received when deposited. The City continues to enforce the delinquent letter program and the subpoena program to ensure compliance with the local tax laws. As expected, investment earnings continued to drop as the Federal Reserve maintained its thrust on rate cuts.

Security of Persons and Property and Transportation are the major activities of the City generating 52 percent of the governmental expenses. Currently, there are 25 full-time sworn officers in the police department. The City of Aurora was recently rated number 42 amongst the top 64 communities with regards to its safety forces in an annual study conducted by Cleveland Magazine. During 2002, the department continued to place strong emphasis on the training of its employees to keep up with the rapidly changing laws, practices and technology. The Aurora City jail has exceeded the minimum standards put forth by the State of Ohio in their recent inspections. The City received a grant from the Ohio Attorney General in support of our D.A.R.E. program and continues to seek out grants in order to reimburse or enhance our law enforcement efforts. The total cost of operating the police department in 2003 was \$2,618,573. Overtime costs are watched carefully with all expenditures requiring supervisory approval.

The fire department consists of 17 full-time and 23 part-time firefighters. Thirty of those have been cross-trained as paramedics and the rest are trained as EMT's. The department responded to 1,587 calls in 2003, 1,173 were EMS calls and 414 were fire related. Calls in 2003 increased over 5% from 2002. In addition to handling emergency calls, the department also did 233 fire inspections and reviewed and approved plans for new construction. The department also taught classes in fire safety to children, held fire extinguisher classes for business and industry, and taught CPR to high school students and community groups. The department has three certified fire instructors and two certified EMS instructors. Paramedics are required to complete 80 hours of education and EMT's must complete 40 hours every 3 years.

There are 22 full-time employees in the service department responsible for maintenance of all buildings, cemeteries, roads, streets and all other public places of the City. In 2003, the City of Aurora expended \$337,000 on our annual road capital program and installed a traffic signal synchronization system. The City also purchased a street sweeper in 2003 and has implemented a preventive maintenance program for all inlets and storm sewers in the City.

#### *Business-Type Activities*

Business-type activities include water, sewer and cemetery operations. These programs had revenues of \$4,302,320 and expenses of \$4,450,648 for fiscal year 2003. The water operations had expenses of \$1,990,199 and revenues of \$2,202,049. This resulted in an increase to net assets for the fiscal year of \$211,850. The sewer operations had expenses of \$2,440,119 and revenues of \$2,072,999. This resulted in a decrease to net assets for the fiscal year of \$367,120. The other enterprise fund had expenses of \$20,330 and revenues of \$27,272. This resulted in an increase to net assets for the fiscal year of \$6,942. Management assesses the performance of each of these funds to ensure that they are run efficiently.

# City of Aurora, Ohio

## Management's Discussion and Analysis (Unaudited) (continued)

### For The Year Ended December 31, 2003

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#### The City's Funds

##### *Governmental Funds*

Information about the City's major funds starts on page 16. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$20,983,642 and expenditures of \$19,265,178. The net change in fund balance for the year was most significant in the General Fund showing an increase in fund balance of \$1,697,607 due to the fact the fund receives income tax money to be used to improve the City. The Debt Service Fund reflected an increase of \$162,231. The Other Governmental funds reflected a decrease of \$141,374, however, the beginning fund balance of \$4,086,606 is more than ample to meet these times of lower revenues. Overall the revenue base continues to meet City obligations and reflects the current solid financial condition of the City as a whole.

##### *General Fund Budgeting Highlights*

The City's budget is prepared according to Ohio law and is based on accounting for certain transactions on the basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the General Fund. An annual appropriation budget is legally required to be prepared for all funds of the City other than agency funds. Council is provided with a detailed line item budget for all departments and after a discussion at a regularly held council meeting, which is open to the public; the budget is adopted by City council. Council must approve legislation for any revisions in the budget that alter totals or the total appropriations for any department or fund. The finance department watches all the departmental budgets closely to monitor compliance with allocated budgets and provides monthly reports to City Council depicting monthly and year-to-date activity.

For the General Fund, the final budget basis revenue was \$2,041,584 (\$12,756,428 final budget less \$10,714,844 original budget) over the original budget estimates of \$10,714,844. The original appropriations of \$10,350,565 were increased to \$11,744,680, which were then sufficient to meet the expenditures for the year, which ended up at \$11,744,680.

The City's ending unobligated budgetary fund balance was \$373,260 lower than the final budgeted amount.

##### *Business-Type Funds*

The City's major Enterprise funds consist of the Water Fund and the Sewer Fund. The basic financial statements for the major funds are included in this report.

Proprietary Funds provide the same type of information as the government-wide financial statements only in more detail. The proprietary fund financial statements provide separate information for the Water and Sewer funds. The basic proprietary fund financial statements can be found on page 21 through 24 of this report.

# City of Aurora, Ohio

## Management's Discussion and Analysis (Unaudited) (continued)

### For The Year Ended December 31, 2003

#### Capital Assets and Debt Administration

##### *Capital Assets*

At the end of fiscal 2003, the City of Aurora had \$75,225,738 invested in land, buildings, equipment and infrastructure.

Table 3 shows fiscal 2003 balances of Capital Assets as compared to 2002:

Table 3  
Capital Assets at December 31

	Governmental Activities		Business-Type Activities		Totals	
	2003	2002	2003	2002	2003	2002
Land and Land Improvements	\$ 21,150,980	\$ 21,076,036	\$ 1,278,788	\$ 1,278,788	\$ 22,429,768	\$ 22,354,824
Construction in Progress	907,166	142,368	32,276	687,738	939,442	830,106
Buildings and Improvements	12,957,954	12,693,667	15,781,878	15,774,634	28,739,832	28,468,301
Machinery and Equipment	4,703,262	4,278,220	1,207,491	1,192,173	5,910,753	5,470,393
Infrastructure:						
Streets	10,834,926	10,439,009	-	-	10,834,926	10,439,009
Water lines			8,888,786	7,377,667	8,888,786	7,377,667
Sewer lines			8,003,701	7,993,410	8,003,701	7,993,410
Storm water lines			5,082,420	4,683,802	5,082,420	4,683,802
Less: Accumulated Depreciation	(7,127,205)	(6,314,745)	(8,476,685)	(7,638,807)	(15,603,890)	(13,953,552)
Total Capital Assets	\$ 43,427,083	\$ 42,314,555	\$ 31,798,655	\$ 31,349,405	\$ 75,225,738	\$ 73,663,960

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

With regards to the infrastructure, the City's engineering department maintains a comprehensive listing of all the streets, culverts, water lines, sewer lines, and storm sewers in the City. As part of the City's annual road maintenance program, the Engineer evaluates the condition of each street after each winter and prepares a list of streets to be either resurfaced or crack-sealed and in the case of concrete roads, either replaced or repaired. After approval from council, the projects are bid in early to late spring to

# City of Aurora, Ohio

## Management's Discussion and Analysis (Unaudited) (continued)

### For The Year Ended December 31, 2003

get the best possible pricing from contractors. This program is paid for out of the Levy Fund of the City. Capital assets for business-type activities increased by \$449,250 due to the City's continuous work on water, sewer and storm sewer lines.

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

### Debt

At December 31, 2003, the City of Aurora had \$27,451,899 in outstanding debt and compensated absences, of which \$16,212,547 was in General Obligation Bonds. Table 4 summarizes the outstanding obligations of the City.

Table 4  
Outstanding Debt at Year End

	Governmental		Business-Type		Totals	
	Activities		Activities			
	2003	2002	2003	2002	2003	2002
General Obligation Bonds	\$ 15,562,624	\$ 16,248,275	\$ 649,923	\$ 682,367	\$ 16,212,547	\$ 16,930,642
Special Assessment Bonds	560,000	700,000	-	-	560,000	700,000
OWDA Loans	-	-	8,737,907	9,162,161	8,737,907	9,162,161
OPWC Loans	-	-	200,000	-	200,000	-
Loans Payable	1,312,470	1,710,067	-	-	1,312,470	1,710,067
Compensated Absences	428,975	424,540	-	-	428,975	424,540
Total	<u>\$ 17,864,069</u>	<u>\$ 19,082,882</u>	<u>\$ 9,587,830</u>	<u>\$ 9,844,528</u>	<u>\$ 27,451,899</u>	<u>\$ 28,927,410</u>

At year-end, the outstanding general obligation debt was \$16,212,547 and the outstanding Special Assessment bonds were \$560,000. Other obligations include OPWC and OWDA loans and loans payable for the purchase of land. More detailed information about the City's long-term liabilities is presented in the notes to the basic financial statements.



## **City of Aurora, Ohio**

### **Management's Discussion and Analysis (Unaudited) (continued)**

#### **For The Year Ended December 31, 2003**

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##### **Current Related Financial Activities**

In addition, the City of Aurora's systems of budgeting and internal controls are well regarded and the City is well prepared to meet the challenges of the future. In conclusion, management has been committed to provide the residents of the City of Aurora with full disclosure of the financial position of the City.

The Administration and City Council developed a master plan for the acquisition or equipment, parkland development, building or upgrading of City facilities. As a result, we have seen a remarkable increase in our capital assets over that period of time and the expansion of all City services.

On behalf of the City of Aurora, we personally thank Ciuni and Panichi, Inc., for their involvement and support in putting together the GASB 34 statements. The Auditor of State and Ciuni & Panichi, Inc. has committed themselves toward leading the way and providing necessary guidance to enable us to reach a level of excellence.

##### **Contacting the City of Aurora's Finance Department**

This financial report is designed to provide our citizen's, taxpayers, investors and creditors with a general overview of the City's finances and to show the City's accountability for all money it receives, spends, or invests. If you have any questions about this report or need additional financial information, contact Director of Finance, Robert Paul, City of Aurora, 130 S. Chillicothe Road, Aurora, Ohio 44202, telephone (330) 995-9100, or web site at [www.auroraoh.com](http://www.auroraoh.com).

# City of Aurora, Ohio

## Statement of Net Assets

December 31, 2003

	Primary Government		Total
	Governmental Activities	Business - Type Activities	
<b>Assets:</b>			
Equity in pooled cash and cash equivalents	\$ 11,590,134	\$ 9,912,588	\$ 21,502,722
Materials and supplies inventory	27,406	-	27,406
Accounts receivable	94,488	757,459	851,947
Accrued interest receivable	43,567	24,634	68,201
Internal balances	(346,958)	346,958	-
Intergovernmental receivable	924,652	-	924,652
Prepaid items	514,734	-	514,734
Taxes receivable	7,306,488	-	7,306,488
Special assessments receivable	2,843	-	2,843
Nondepreciable capital assets	21,405,534	1,285,826	22,691,360
Depreciable capital assets, net	<u>22,021,549</u>	<u>30,512,829</u>	<u>52,534,378</u>
Total Assets	<u>63,584,437</u>	<u>42,840,294</u>	<u>106,424,731</u>
<b>Liabilities:</b>			
Accounts payable	457,798	231,311	689,109
Accrued wages and benefits	338,449	33,086	371,535
Accrued compensated absences	-	39,186	39,186
Intergovernmental payable	3,771	-	3,771
Accrued interest payable	67,611	-	67,611
Due to others	16,263	-	16,263
Deferred revenue	4,256,188	-	4,256,188
Long-term liabilities:			
Due within one year	1,249,647	484,826	1,734,473
Due in more than one year	<u>16,614,422</u>	<u>9,103,004</u>	<u>25,717,426</u>
Total liabilities	<u>23,004,149</u>	<u>9,891,413</u>	<u>32,895,562</u>
<b>Net assets:</b>			
Investment in capital assets, net of related debt	25,991,989	22,210,825	48,202,814
Restricted for:			
Debt service	5,372,873	-	5,372,873
Other purposes	606,631	-	606,631
Unrestricted	<u>8,608,795</u>	<u>10,738,056</u>	<u>19,346,851</u>
Total net assets	\$ <u>40,580,288</u>	\$ <u>32,948,881</u>	\$ <u>73,529,169</u>

The accompanying notes are an integral part of the basic financial statements

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# City of Aurora, Ohio

## Statement of Activities

**For The Year Ended December 31, 2003**

	Expenses	Program Revenues		
		Charges for Services	Operating Grants	Capital Grants and Contributions
Government activities:				
General government	\$ 3,519,186	\$ 127,482	\$ -	\$ -
Security of persons and property	4,873,929	94,562	10,545	-
Transportation	2,336,101	-	43,864	97,400
Leisure time activities	1,042,015	308,447	-	-
Community development	898,505	397,493	-	-
Interest and fiscal charges	1,343,745	-	-	-
Total governmental activities	<u>14,013,481</u>	<u>927,984</u>	<u>54,409</u>	<u>97,400</u>
Business-type activities:				
Water funds	1,990,199	2,202,049	-	-
Sewer funds	2,440,119	1,684,381	-	388,618
Other business-type	20,330	27,272	-	-
Total business-type activities	<u>4,450,648</u>	<u>3,913,702</u>	<u>-</u>	<u>388,618</u>
Totals	\$ <u>18,464,129</u>	\$ <u>4,841,686</u>	\$ <u>54,409</u>	\$ <u>486,018</u>

General revenues:

Property and other local taxes levied for:

General purposes

Debt service

Municipal income taxes levied for:

General purposes

Capital outlay

Grants and entitlements not restricted to specific programs

Investment income

Transfers

Total general revenues and transfers

Change in net assets

Net assets, beginning of year

Net assets, end of year

The accompanying notes are an integral part of the basic financial statements

<u>Primary Government</u>		
<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
\$ (3,391,704)	\$ -	\$ (3,391,704)
(4,768,822)	-	(4,768,822)
(2,194,837)	-	(2,194,837)
(733,568)	-	(733,568)
(501,012)	-	(501,012)
<u>(1,343,745)</u>	<u>-</u>	<u>(1,343,745)</u>
<u>(12,933,688)</u>	<u>-</u>	<u>(12,933,688)</u>
-	211,850	211,850
-	(367,120)	(367,120)
-	<u>6,942</u>	<u>6,942</u>
-	<u>(148,328)</u>	<u>(148,328)</u>
<u>(12,933,688)</u>	<u>(148,328)</u>	<u>(13,082,016)</u>
2,339,885	-	2,339,885
1,463,267	-	1,463,267
9,863,805	-	9,863,805
675,000	-	675,000
3,233,227	-	3,233,227
337,462	150,130	487,592
<u>(110,000)</u>	<u>110,000</u>	<u>-</u>
<u>17,802,646</u>	<u>260,130</u>	<u>18,062,776</u>
4,868,958	111,802	4,980,760
<u>35,711,330</u>	<u>32,837,079</u>	<u>68,548,409</u>
\$ <u>40,580,288</u>	\$ <u>32,948,881</u>	\$ <u>73,529,169</u>

# City of Aurora, Ohio

## Balance Sheet Governmental Funds

December 31, 2003

	<u>General</u>	<u>Debt Service</u>	<u>Other Governmental</u>	<u>Total</u>
<b>Assets:</b>				
Equity in pooled cash and cash equivalents	\$ 2,172,189	\$ 5,360,876	\$ 4,057,069	\$ 11,590,134
Taxes receivable	4,394,841	1,286,461	1,625,186	7,306,488
Accounts receivable	94,283	-	205	94,488
Accrued interest receivable	24,300	12,058	7,209	43,567
Intergovernmental receivable	259,001	-	665,651	924,652
Special assessments receivable	-	2,843	-	2,843
Interfund receivable	120,389	-	-	120,389
Materials and supplies inventory	27,406	-	-	27,406
Prepaid items	256,534	-	-	256,534
Total assets	<u>\$ 7,348,943</u>	<u>\$ 6,662,238</u>	<u>\$ 6,355,320</u>	<u>\$ 20,366,501</u>
<b>Liabilities and fund balances:</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 228,802	\$ 61	\$ 60,263	\$ 289,126
Accrued wages and benefits	299,110	-	39,339	338,449
Intergovernmental payable	-	-	3,771	3,771
Claims Payable	168,672	-	-	168,672
Interfund payable	250,000	-	217,347	467,347
Due to others	-	-	16,263	16,263
Deferred revenue	3,385,088	1,289,304	2,073,105	6,747,497
Total liabilities	<u>4,331,672</u>	<u>1,289,365</u>	<u>2,410,088</u>	<u>8,031,125</u>
<b>Fund balances:</b>				
Reserve for inventory	27,406	-	-	27,406
Reserve for prepaids	256,534	-	-	256,534
Reserved for debt service	-	5,372,873	-	5,372,873
<b>Unreserved for:</b>				
General fund	2,733,331	-	-	2,733,331
Special revenue funds	-	-	1,292,756	1,292,756
Capital project funds	-	-	2,652,476	2,652,476
Total fund balances	<u>3,017,271</u>	<u>5,372,873</u>	<u>3,945,232</u>	<u>12,335,376</u>
Total liabilities and fund balances	<u>\$ 7,348,943</u>	<u>\$ 6,662,238</u>	<u>\$ 6,355,320</u>	<u>\$ 20,366,501</u>

The accompanying notes are an integral part of the basic financial statements

# City of Aurora, Ohio

## Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities

**December 31, 2003**

---

Total Governmental Funds Balances \$ 12,335,376

*Amounts Reported for Governmental Activities in the Statement of Net Assets are different because:*

Capital Assets Used in Governmental Activities are not Financial Resources and therefore are not reported in the Funds. 43,427,083

Other Capital Assets recorded as a Prepaid but the projects have not been recorded into Construction in Process. 258,200

Other Long-Term Assets are not available to pay for current-period expenditures and therefore are deferred in the Funds.

Property and Other Taxes	\$ 94,060
Municipal Income Taxes	1,880,007
Special Assessments	2,843
Intergovernmental	<u>514,399</u>

2,491,309

In the Statement of Activities, Interest is accrued on outstanding bonds, whereas in Governmental Funds, an interest expenditure is reported when due. (67,611)

Long-Term Liabilities are not due and payable in the current period and are therefore not reported in the Funds.

General Obligation Bonds	(15,562,624)
Loans Payable	(1,312,470)
Special Assessment Bonds	(560,000)
Compensated Absences	<u>(428,975)</u>

(17,864,069)

*Net Assets of Governmental Activities* \$ 40,580,288

The accompanying notes are an integral part of 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, 2003

	General	Debt Service	Other Governmental	Total
<b>Revenues:</b>				
Property taxes	\$ 1,066,879	\$ 1,145,079	\$ 1,264,614	\$ 3,476,572
Municipal income tax	9,297,685	-	675,000	9,972,685
Other local taxes	998,673	-	24,898	1,023,571
Intergovernmental	889,838	133,535	1,199,039	2,222,412
Charges for services	140,039	-	223,114	363,153
License and permits	295,346	-	14,352	309,698
Fines and forfeitures	75,851	-	17,561	93,412
Special assessments	-	317,478	-	317,478
Investment income	135,456	67,207	134,799	337,462
Reimbursements received	10,450	-	-	10,450
Miscellaneous income	49,399	-	79,780	129,179
Total revenues	<u>12,959,616</u>	<u>1,663,299</u>	<u>3,633,157</u>	<u>18,256,072</u>
<b>Expenditures:</b>				
Current operations and maintenance:				
Security of persons and property	4,035,586	-	579,254	4,614,840
Leisure time activities	-	-	971,975	971,975
Community development	883,947	-	-	883,947
Transportation	1,715,026	-	1,012,230	2,727,256
General government	1,826,614	30,825	23,697	1,881,136
Capital outlay	-	-	2,777,620	2,777,620
Debt service:				
Principal retirement	-	825,651	397,597	1,223,248
Interest and fiscal charges	-	1,259,025	88,561	1,347,586
Total expenditures	<u>8,461,173</u>	<u>2,115,501</u>	<u>5,850,934</u>	<u>16,427,608</u>
Excess of revenues over (under) expenditures	<u>4,498,443</u>	<u>(452,202)</u>	<u>(2,217,777)</u>	<u>1,828,464</u>
<b>Other financing sources (uses):</b>				
Transfers - in	1,767	616,200	2,109,603	2,727,570
Transfers - out	<u>(2,802,603)</u>	<u>(1,767)</u>	<u>(33,200)</u>	<u>(2,837,570)</u>
Total other financing sources (uses)	<u>(2,800,836)</u>	<u>614,433</u>	<u>2,076,403</u>	<u>(110,000)</u>
Net change in fund balances	1,697,607	162,231	(141,374)	1,718,464
Fund balance at beginning of year, restated	<u>1,319,664</u>	<u>5,210,642</u>	<u>4,086,606</u>	<u>10,616,912</u>
Fund balance at end of year	<u>\$ 3,017,271</u>	<u>\$ 5,372,873</u>	<u>\$ 3,945,232</u>	<u>\$ 12,335,376</u>

The accompanying notes are an integral part of 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, 2003

---

Net Change in Fund Balances - Total Governmental Funds \$ 1,718,464

*Amounts Reported for Governmental Activities in the Statement of Activities are different because:*

Governmental Funds report Capital Outlay as expenditures. However in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.

Capital Outlay	\$ 2,057,828
Depreciation	<u>(868,803)</u>

1,189,025

The net effect of various miscellaneous transactions involving capital assets (i.e., sales and trade-ins) is to decrease net assets.

(76,497)

Expenditures paid ODOT for a construction project but that project has not been fully completed.

101,037

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the Funds.

Property and Other Taxes	8,392
Municipal Income Taxes	566,120
Special Assessments	710
Intergovernmental	<u>139,053</u>

714,275

Repayment of Bond Principal is an expenditure in the Governmental Funds, but the repayment reduces Long-Term Liabilities in the Statement of Net Assets.

1,223,248

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in Governmental Funds.

Compensated Absences	(4,435)
Accrued Interest on Bonds	<u>3,841</u>

(594)

*Change in Net Assets of Governmental Activities*

\$ 4,868,958

The accompanying notes are an integral part of the basic financial statements

# City of Aurora, Ohio

## Statement Of Revenues, Expenditures and Changes In Fund Balances – Budget (Non-GAAP Budgetary Basis) and Actual General Fund

**For The Year Ended December 31, 2003**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Property taxes	\$ 1,155,743	\$ 1,155,743	\$ 1,066,879	\$ (88,864)
Municipal Income taxes	7,174,894	8,707,556	8,494,053	(213,503)
Other local taxes	811,320	984,629	960,487	(24,142)
Intergovernmental	736,666	894,029	872,108	(21,921)
Charges for services	155,001	188,111	183,499	(4,612)
Licenses and permits	249,478	302,770	295,346	(7,424)
Fines and forfeitures	66,234	80,383	78,412	(1,971)
Investment income	124,957	151,649	147,931	(3,718)
Other	<u>238,784</u>	<u>289,791</u>	<u>282,686</u>	<u>(7,105)</u>
Total revenue	<u>10,713,077</u>	<u>12,754,661</u>	<u>12,381,401</u>	<u>(373,260)</u>
<b>Expenditures:</b>				
Current operations and maintenance:				
Security of persons and property	4,520,012	4,189,643	4,189,643	-
Community development	1,033,041	921,046	921,046	-
Transportation	1,725,256	1,762,615	1,762,615	-
General government	<u>1,629,256</u>	<u>2,068,773</u>	<u>2,068,773</u>	<u>-</u>
Total expenditures	<u>8,907,565</u>	<u>8,942,077</u>	<u>8,942,077</u>	<u>-</u>
Excess of revenues over (under) expenditures	<u>1,805,512</u>	<u>3,812,584</u>	<u>3,439,324</u>	<u>(373,260)</u>
<b>Other financing sources (uses):</b>				
Transfers – in	1,767	1,767	1,767	-
Transfers – out	<u>(1,443,000)</u>	<u>(2,802,603)</u>	<u>(2,802,603)</u>	<u>-</u>
Total other financing sources and (uses)	<u>(1,441,233)</u>	<u>(2,800,836)</u>	<u>(2,800,836)</u>	<u>-</u>
Net change in fund balance	364,279	1,011,748	638,488	(373,260)
Prior year encumbrances	185,472	185,472	185,472	-
Fund balance at beginning of year	<u>1,146,192</u>	<u>1,146,192</u>	<u>1,146,192</u>	<u>-</u>
Fund balance at end of year	\$ <u>1,695,943</u>	\$ <u>2,343,412</u>	\$ <u>1,970,152</u>	\$ <u>(373,260)</u>

The accompanying notes are an integral part of the basic financial statements

# City of Aurora, Ohio

## Statement of Fund Net Assets Proprietary Funds

**December 31, 2003**

	Business-Type Activities			Total
	Water	Sewer	Other Business-Type	
<b>Assets:</b>				
Current assets:				
Equity in pooled cash and cash equivalents	\$ 2,476,103	\$ 7,055,597	\$ 380,888	\$ 9,912,588
Accounts receivable	429,305	328,154	-	757,459
Accrued interest receivable	6,451	17,166	1,017	24,634
Internal receivable	-	346,958	-	346,958
Total current assets	<u>2,911,859</u>	<u>7,747,875</u>	<u>381,905</u>	<u>11,041,639</u>
Non-currents assets:				
Nondepreciable capital assets	43,674	1,239,962	2,190	1,285,826
Depreciable capital assets, net	<u>7,382,262</u>	<u>23,110,592</u>	<u>19,975</u>	<u>30,512,829</u>
Total non-current assets	<u>7,425,936</u>	<u>24,350,554</u>	<u>22,165</u>	<u>31,798,655</u>
Total assets	<u>10,337,795</u>	<u>32,098,429</u>	<u>404,070</u>	<u>42,840,294</u>
<b>Liabilities:</b>				
Accounts payable	152,140	79,158	13	231,311
Accrued wages and benefits	19,816	12,892	378	33,086
Accrued compensated absences	29,725	9,461	-	39,186
Due within one year	<u>10,000</u>	<u>474,826</u>	<u>-</u>	<u>484,826</u>
Total current liabilities	<u>211,681</u>	<u>576,337</u>	<u>391</u>	<u>788,409</u>
Long-term liabilities:				
OWDA loans payable	-	8,296,414	-	8,296,414
OPWC loan payable	190,000	-	-	190,000
General obligation bonds payable	<u>-</u>	<u>616,590</u>	<u>-</u>	<u>616,590</u>
Total long-term liabilities	<u>190,000</u>	<u>8,913,004</u>	<u>-</u>	<u>9,103,004</u>
Total liabilities	<u>401,681</u>	<u>9,489,341</u>	<u>391</u>	<u>9,891,413</u>
<b>Net assets:</b>				
Investment in capital assets, net of related debt	7,225,936	14,962,724	22,165	22,210,825
Unreserved; undesignated	<u>2,710,178</u>	<u>7,646,364</u>	<u>381,514</u>	<u>10,738,056</u>
Total net assets	<u>\$ 9,936,114</u>	<u>\$ 22,609,088</u>	<u>\$ 403,679</u>	<u>\$ 32,948,881</u>

The accompanying notes are an integral part of the basic financial statements

# City of Aurora, Ohio

## Statement of Revenues, Expenses and Changes in Fund Net Assets Proprietary Funds

**For The Year Ended December 31, 2003**

	Business-Type Activities			Total
	Water	Sewer	Other Business-Type	
Operating revenues:				
Charges for services	\$ <u>2,202,049</u>	\$ <u>1,684,381</u>	\$ <u>27,272</u>	\$ <u>3,913,702</u>
Total operating revenues	<u>2,202,049</u>	<u>1,684,381</u>	<u>27,272</u>	<u>3,913,702</u>
Operating expenses:				
Personal services	532,884	341,481	9,478	883,843
Materials and supplies inventory	39,489	170,016	2,659	212,164
Contractual services	1,181,759	904,745	5,646	2,092,150
Utilities	27,983	-	-	27,983
Depreciation	<u>208,084</u>	<u>627,247</u>	<u>2,547</u>	<u>837,878</u>
Total operating expenses	<u>1,990,199</u>	<u>2,043,489</u>	<u>20,330</u>	<u>4,054,018</u>
Operating income (loss)	<u>211,850</u>	<u>(359,108)</u>	<u>6,942</u>	<u>(140,316)</u>
Non-operating revenue (expenses):				
Investment income	36,639	107,714	5,777	150,130
Interest expense	<u>-</u>	<u>(396,630)</u>	<u>-</u>	<u>(396,630)</u>
Total non-operating revenues (expenses)	<u>36,639</u>	<u>(288,916)</u>	<u>5,777</u>	<u>(246,500)</u>
Income (loss) before contributions and transfers	248,489	(648,024)	12,719	(386,816)
Contributed capital	-	388,618	-	388,618
Transfers - in	<u>-</u>	<u>110,000</u>	<u>-</u>	<u>110,000</u>
Net income (loss)	248,489	(149,406)	12,719	111,802
Retained earnings at beginning of year, restated	<u>9,687,625</u>	<u>22,758,494</u>	<u>390,960</u>	<u>32,837,079</u>
Fund balance at end of year	\$ <u>9,936,114</u>	\$ <u>22,609,088</u>	\$ <u>403,679</u>	\$ <u>32,948,881</u>

The accompanying notes are an integral part of the basic financial statements

# City of Aurora, Ohio

## Statement of Cash Flows Proprietary Fund Types

**For The Year Ended December 31, 2003**

	<u>Business – Type Activities</u>			<u>Total</u>
	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Other Business- Type</u>	
<u>Increase (decrease) in cash and cash equivalents:</u>				
Cash flows from operating activities:				
Cash received from customers	\$ 2,301,956	\$ 1,670,301	\$ 27,272	\$ 3,999,529
Cash payments for goods and services	(1,608,912)	(1,088,677)	(6,483)	(2,704,072)
Cash payments to employees for services	(528,912)	(337,500)	(9,302)	(875,714)
Cash payments for other operating expenses	(10,486)	-	(2,187)	(12,673)
Net cash provided by operating activities	<u>153,646</u>	<u>244,124</u>	<u>9,300</u>	<u>407,070</u>
Cash flows from noncapital financing activities:				
Transfers – in	<u>-</u>	<u>110,000</u>	<u>-</u>	<u>110,000</u>
Cash flows from capital and related financing activities:				
Acquisition and construction of assets	(861,544)	(36,966)	-	(898,510)
Proceeds from general obligation notes	200,000	-	-	200,000
Proceeds from internal loans receivable	-	92,341	-	92,341
Principal paid on internal loans payable	-	(175,000)	-	(175,000)
Principal paid	-	(456,698)	-	(456,698)
Interest paid	<u>-</u>	<u>(396,630)</u>	<u>-</u>	<u>(396,630)</u>
Net cash provided by (used for) capital and related financing activities	<u>(661,544)</u>	<u>(972,953)</u>	<u>-</u>	<u>(1,634,497)</u>
Cash flows from investing activities:				
interest received	<u>42,098</u>	<u>124,889</u>	<u>6,206</u>	<u>173,193</u>
Net increase (decrease) in cash and cash equivalents	(465,800)	(493,940)	15,506	(944,234)
Cash and cash equivalents, beginning of year	<u>2,941,903</u>	<u>7,549,537</u>	<u>365,382</u>	<u>10,856,822</u>
Cash and cash equivalents, end of year	\$ <u>2,476,103</u>	\$ <u>7,055,597</u>	\$ <u>380,888</u>	\$ <u>9,912,588</u>

Continued

The accompanying notes are an integral part of the basic financial statements

# City of Aurora, Ohio

## Statement of Cash Flows (continued) Proprietary Fund Types

**For The Year Ended December 31, 2003**

	<u>Business – Type Activities</u>			<u>Total</u>
	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Other Business- Type</u>	
Reconciliation of net income (loss) to net cash				
Provided by operating activities:				
Operating income (loss)	\$ 211,850	\$ (359,108)	\$ 6,942	\$ (140,316)
Adjustments:				
Depreciation	208,084	627,247	2,547	837,878
Changes in assets/liabilities:				
(Increase) decrease in accounts receivable	(45,214)	(14,080)	-	(59,294)
(Increase) decrease in inventory				-
(Increase) decrease in intergovernmental receivable	145,121	-	-	145,121
Increase (decrease) in accounts payable	(369,256)	(13,324)	(352)	(382,932)
Increase (decrease) in accrued wages and benefits	(6,443)	(2,165)	90	(8,518)
Increase (decrease) in compensated absences payable	5,869	2,644	-	8,513
Increase (decrease) in accrued pension	<u>3,635</u>	<u>2,910</u>	<u>73</u>	<u>6,618</u>
Total adjustments:	<u>(58,204)</u>	<u>603,232</u>	<u>2,358</u>	<u>547,386</u>
Net cash provided by operating activities:	\$ <u>153,646</u>	\$ <u>244,124</u>	\$ <u>9,300</u>	\$ <u>407,070</u>
NonCash Investments, Capital and Financing Activities:				
During the year construction in progress was placed into service	\$ <u>672,738</u>			\$ <u>672,738</u>
During the year developers constructed stormwater lines now owned by the City		\$ <u>388,618</u>		\$ <u>388,618</u>

The accompanying notes are an integral part of the basic financial statements

# City of Aurora, Ohio

## Statement of Fiduciary Net Assets Agency Funds

**December 31, 2003**

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	<u>Agency</u>
Assets:	
Equity in pooled cash and cash equivalents	\$ 1,204,994
Taxes receivable	8,106
Accounts receivable	<u>6,904</u>
Total Assets	\$ <u><u>1,220,004</u></u>
Liabilities:	
Accounts payable	\$ 11,582
Due to Others	<u>1,208,422</u>
Total Liabilities	\$ <u><u>\$1,220,004</u></u>

The accompanying notes are an integral part of the basic financial statements

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# City of Aurora, Ohio

## Notes to Basic Financial Statements

### For The Year Ended December 31, 2003

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#### **Note 1: The Reporting Entity**

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

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 of Aurora, this includes public safety, recreation, public improvements, planning, zoning, highway and streets and general administrative services. In addition, the City maintains a water fund, a sewer fund and a cemetery program.

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; the City is legally obligated or has otherwise assumed the responsibility to finance deficits of, or provide financial support to, 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. The City has no component units.

#### **Note 2: Summary of Significant Accounting Policies**

The financial statements of the City of Aurora have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial principles. The City also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued after November 30, 1989, to its governmental and business-type activities and to its proprietary funds provided they do not conflict with or contradict GASB pronouncements. The most significant of the City's accounting policies are described below.

##### **A. Basis of Presentation**

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

##### *Government-Wide Financial Statements*

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

# City of Aurora, Ohio

## Notes to Basic Financial Statements (continued)

### For The Year Ended December 31, 2003

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#### **Note 2: Summary of Significant Accounting Politics (continued)**

##### **A. Basis of Presentation (continued)**

###### *Government-Wide Financial Statements (continued)*

The statement of net assets presents the financial condition of the governmental and business-type activities of the City at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental activities and for the business-type activities of the City. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues 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 governmental function or business activity is self-financing or draws 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.

##### **B. Fund Accounting**

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

*Governmental Funds* - Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used.

Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the City's major governmental funds:

# City of Aurora, Ohio

## Notes to Basic Financial Statements (continued)

### For The Year Ended December 31, 2003

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#### **Note 2: Summary of Significant Accounting Policies (continued)**

##### **B. Fund Accounting (continued)**

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

*Debt Service Fund* - The debt service fund accounts for the accumulation of resources for, and the payment of, general long-term liabilities including principal and interest.

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

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

*Enterprise Funds* - 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:

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

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

*Fiduciary Funds* - Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and agency funds. Trust funds are used to account for assets held by the City under a trust agreement for individuals, private organizations, or other governments and are, therefore, not available to support the City's own programs. The City maintains no expendable 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.

##### **C. Measurement Focus**

###### Government-Wide Financial Statements

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the City are included on the Statement of Net Assets, except for fiduciary funds. The Statement of Activities presents increases (e.g. revenues) and decreases (e.g. expenses) in total net assets.

# City of Aurora, Ohio

## Notes to Basic Financial Statements (continued)

### For The Year Ended December 31, 2003

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#### Note 2: Summary of Significant Accounting Policies (continued)

##### C. *Measurement Focus (continued)*

###### Fund Financial Statements

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

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

##### D. *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 as well as fiduciary funds are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting; proprietary funds use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue and in the presentation of expenses versus expenditures.

###### *Revenues – Exchange and Non-Exchange Transactions*

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the 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. Available period for the City is forty-five days after year-end.

# City of Aurora, Ohio

## Notes to Basic Financial Statements (continued)

### For The Year Ended December 31, 2003

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#### Note 2: Summary of Significant Accounting Policies (continued)

##### *D. Basis of Accounting (continued)*

###### *Revenues – Exchange and Non-Exchange Transactions (continued)*

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. On an accrual basis, revenue from income taxes is recognized in the period in which the income is earned. Revenue from property taxes is recognized in the year for which the taxes are levied (See Note 5A). 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 non-exchange 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 5B). These revenues are designated by City Council for use in the General Fund and Capital Improvement Fund. All collection costs and related income retained are reflected in the General Fund.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: income tax, state-levied locally shared taxes (including gasoline tax and motor vehicle license fees), fines and forfeitures, interest, grants and entitlements and rentals.

*Deferred Revenue* - Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of December 31, 2003, but which were levied to finance year 2003 operations, have been recorded as deferred revenue. Special assessments not received within the available period and grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

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

# City of Aurora, Ohio

## Notes to Basic Financial Statements (continued)

### For The Year Ended December 31, 2003

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#### Note 2: Summary of Significant Accounting Policies (continued)

##### *E. Budgetary Process*

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

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

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

City Council holds a public hearing on the proposed budget.

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

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

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

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

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

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

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

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

# City of Aurora, Ohio

## Notes to Basic Financial Statements (continued)

### For The Year Ended December 31, 2003

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#### **Note 2: Summary of Significant Accounting Policies (continued)**

##### ***E. Budgetary Process (continued)***

###### *Encumbrances*

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

##### ***F. Cash and Cash Equivalents***

Cash and cash equivalents include amounts in demand deposits as well as short-term certificates of deposit. The certificates of deposit are considered cash equivalents because they are highly liquid investments with maturity dates of 18 months or less.

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

##### ***G. Investments***

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

The City has invested funds in the STAR Ohio during 2003. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on December 31, 2003. See Note 3, "Cash, Cash Equivalents and Investments."

##### ***H. Prepaid Items***

Payments made to vendors for services that will benefit periods beyond December 31, 2003, 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 it was consumed.

# City of Aurora, Ohio

## Notes to Basic Financial Statements (continued)

### For The Year Ended December 31, 2003

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#### Note 2: Summary of Significant Accounting Policies (continued)

##### *I. Inventories*

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

##### *J. Capital Assets*

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net assets and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The City maintains a capitalization threshold of two thousand dollars. The City's infrastructure consists of roads, storm sewers, and water and sewer lines. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Interest incurred during the construction of capital assets is also capitalized.

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

<u>Description</u>	<u>Estimated Lives</u>	
	<u>Government-Type</u>	<u>Business-Type</u>
Land Improvements		15 to 30 years
Buildings	45 years	45 years
Machinery and Equipment	5 to 20 years	5 to 20 years
Infrastructure	15 to 30 years	-
Roads	50 years	-
Water Lines	-	45 years
Sewer Lines	-	45 years
Stormwater Lines	-	45 years

##### *K. Interfund Balances*

On fund financial statements, outstanding interfund loans and unpaid amounts for interfund services are reported as "interfund receivables/payables". Interfund loans which do not represent available expendable resources are offset by a fund balance reserve account. Interfund balance amounts are eliminated in the statement of net assets.



# City of Aurora, Ohio

## Notes to Basic Financial Statements (continued)

### For The Year Ended December 31, 2003

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#### **Note 2: Summary of Significant Accounting Policies (continued)**

##### ***L. 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 employer will compensate the employees for the benefits through paid time off or some other means. The City records a liability for all accumulated unused vacation time when earned for all employees with more than one year of service.

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

##### ***M. Accrued Liabilities and Long-Term Obligations***

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

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

##### ***N. Fund Balance Reserves***

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

##### ***O. Net Assets***

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

# City of Aurora, Ohio

## Notes to Basic Financial Statements (continued)

### For The Year Ended December 31, 2003

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#### **Note 2: Summary of Significant Accounting Policies (continued)**

##### ***O. Net Assets (continued)***

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

##### ***P. Operating Revenues and Expenses***

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the City, these revenues are charges for services for water, sewer, and cemetery programs. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the fund.

##### ***Q. Interfund Activity***

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues.

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 financial statements.

##### ***R. 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 2003.

##### ***S. Estimates***

The preparation of the financial statements in conformity with generally accepted accounting principles 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.

#### **Note 3: Cash, Cash Equivalents and Investments**

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

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

# City of Aurora, Ohio

## Notes to Basic Financial Statements (continued)

### For The Year Ended December 31, 2003

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#### **Note 3: Cash, Cash Equivalents and Investments (continued)**

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

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

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

Ohio law requires that deposits be placed in eligible banks or savings and loan associations located in Ohio. Any public depository in which the City places deposits must pledge as collateral, eligible securities of aggregate market value equal to the excess of deposits not insured by the Federal Deposit Insurance Corporation (FDIC). The securities pledged as collateral are pledged to a pool for each individual financial institution in amounts equal to at least 105% of the carrying value of all public deposits held by each institution. Obligations that may be pledged as collateral are limited to obligations of the United States and its agencies and obligations of any state, county, municipal corporation or other legally constituted authority of any other state, or any instrumentality of such county, municipal corporation or other authority.

# City of Aurora, Ohio

## Notes to Basic Financial Statements (continued)

### For The Year Ended December 31, 2003

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#### **Note 3: Cash, Cash Equivalents and Investments (continued)**

Based upon criteria described in GASB Statement No. 3, “*Deposits With Financial Institutions, Investments (including Repurchase Agreements) and Reverse Repurchase Agreements,*” collateral held in single financial institution collateral pools with securities being held by the pledging financial institution’s agent in the pool’s name are classified as Category 3.

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

#### *Deposits:*

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

#### *Investments:*

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

#### **A. Deposits**

At year-end, the carrying amount of the City’s deposits was \$10,514,418 and the bank balance was \$10,670,845, of which \$500,000 was covered by federal depository insurance, by collateral held by the City or by collateral held by a qualified third party trustee in the name of the City. The remainder, \$10,170,845 was covered by collateral held by third party trustees pursuant to Section 135.181, Revised Code, in collateral pools securing all public funds on deposit with specific depository institution in the financial institution’s name. All statutory requirements for the deposit of money have been followed. Non-compliance with federal requirements could potentially subject the City to a successful claim by the FDIC.

#### **B. Investments**

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

# City of Aurora, Ohio

## Notes to Basic Financial Statements (continued)

### For The Year Ended December 31, 2003

#### Note 3: Cash, Cash Equivalents and Investments (continued)

<u>Categorized Investments</u>	<u>Category 3</u>	<u>Carrying Value</u>	<u>Fair Value</u>
Repurchase Agreements	\$ 9,000,000	\$ 9,000,000	\$ 9,000,000
 <u>Non-Categorized Investments</u>			
STAR Ohio	N/A	3,193,298	3,193,298
Total Investments	\$ <u>9,000,000</u>	\$ <u>12,193,298</u>	\$ <u>12,193,298</u>

#### C. *Reconciliation of Cash, Cash Equivalents and Investments*

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

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

	<u>Cash and Cash Equivalents</u>	<u>Investments</u>
GASB Statement No. 9	\$ 22,707,716	\$ -
Investments:		
STAR Ohio	(3,193,298)	3,193,298
Repurchase Agreements	<u>(9,000,000)</u>	<u>9,000,000</u>
Per GASB Statement No. 3	\$ <u>10,514,418</u>	\$ <u>12,193,298</u>

# City of Aurora, Ohio

## Notes to Basic Financial Statements (continued)

### For The Year Ended December 31, 2003

#### Note 4: Capital Assets

	Balances <u>12/31/02</u>	Adjustment/ <u>Reclassification</u>	Restated Balance <u>12/31/2002</u>	<u>Additions</u>	<u>Disposals</u>	Balance <u>12/31/03</u>
Governmental activities:						
Nondepreciable capital assets:						
Land	\$ 5,722,251	\$ 14,776,117	\$ 20,498,368	\$ -	\$ -	\$ 20,498,368
Construction in progress	<u>299,531</u>	<u>(157,163)</u>	<u>142,368</u>	<u>803,229</u>	<u>(38,431)</u>	<u>907,166</u>
Total nondepreciable capital assets	<u>6,021,782</u>	<u>14,618,954</u>	<u>20,640,736</u>	<u>803,229</u>	<u>(38,431)</u>	<u>21,405,534</u>
Capital assets being depreciated:						
Land improvements	517,350	60,318	577,668	74,944	-	652,612
Buildings	12,801,619	(107,952)	12,693,667	264,287	-	12,957,954
Equipment	5,664,216	(1,385,996)	4,278,220	519,451	(94,409)	4,703,262
Infrastructure:						
Streets	<u>-</u>	<u>10,439,009</u>	<u>10,439,009</u>	<u>395,917</u>	<u>-</u>	<u>10,834,926</u>
Total capital assets being depreciated	<u>18,983,185</u>	<u>9,005,379</u>	<u>27,988,564</u>	<u>1,254,599</u>	<u>(94,409)</u>	<u>29,148,754</u>
Less accumulated depreciation:						
Land improvements	-	(136,050)	(136,050)	(29,413)	-	(165,463)
Buildings	-	(2,043,283)	(2,043,283)	(270,402)	-	(2,313,685)
Equipment	-	(2,433,349)	(2,433,349)	(364,707)	56,343	(2,741,713)
Infrastructure:						
Streets	<u>-</u>	<u>(1,702,063)</u>	<u>(1,702,063)</u>	<u>(204,281)</u>	<u>-</u>	<u>(1,906,344)</u>
Total accumulated depreciation	<u>-</u>	<u>(6,314,745)</u>	<u>(6,314,745)</u>	<u>(868,803)</u>	<u>56,343</u>	<u>(7,127,205)</u>
Net capital assets being depreciated	<u>18,983,185</u>	<u>2,690,634</u>	<u>21,673,819</u>	<u>385,796</u>	<u>(38,066)</u>	<u>22,021,549</u>
Governmental activities capital assets, net	\$ <u>25,004,967</u>	\$ <u>17,309,588</u>	\$ <u>42,314,555</u>	\$ <u>1,189,025</u>	\$ <u>(76,497)</u>	\$ <u>43,427,083</u>

# City of Aurora, Ohio

## Notes to Basic Financial Statements (continued)

### For The Year Ended December 31, 2003

#### Note 4: Capital Assets (continued)

	Balances <u>12/31/02</u>	Adjustment/ <u>Reclassification</u>	Restated Balance <u>12/31/2002</u>	<u>Additions</u>	<u>Disposals</u>	Balance <u>12/31/03</u>
Business-type activities:						
Nondepreciable capital assets:						
Land	\$ 2,190,390	\$ (936,840)	\$ 1,253,550	\$ -	\$ -	\$ 1,253,550
Construction in progress	<u>687,738</u>	<u>-</u>	<u>687,738</u>	<u>17,276</u>	<u>(672,738)</u>	<u>32,276</u>
Total nondepreciable capital assets	<u>2,878,128</u>	<u>(936,840)</u>	<u>1,941,288</u>	<u>17,276</u>	<u>(672,738)</u>	<u>1,285,826</u>
Capital assets being depreciated:						
Land improvements	33,986	(8,748)	25,238	-	-	25,238
Buildings	19,022,984	(3,248,350)	15,774,634	7,244	-	15,781,878
Equipment	797,053	395,120	1,192,173	15,318	-	1,207,491
Infrastructure:						
Water lines	7,379,067	(1,400)	7,377,667	1,511,119	-	8,888,786
Sewer lines	6,482,779	1,510,631	7,993,410	10,291	-	8,003,701
Storm water lines	<u>4,691,709</u>	<u>(7,907)</u>	<u>4,683,802</u>	<u>398,618</u>	<u>-</u>	<u>5,082,420</u>
Total capital assets being depreciated	<u>38,407,578</u>	<u>(1,360,654)</u>	<u>37,046,924</u>	<u>1,942,590</u>	<u>-</u>	<u>38,989,514</u>
Less accumulated depreciated:						
Land improvements	(1,587)	(7,085)	(8,672)	(1,158)	-	(9,830)
Buildings	(2,842,571)	177,149	(2,665,422)	(332,944)	-	(2,998,366)
Equipment	(896,162)	53,996	(842,166)	(61,389)	-	(903,555)
Infrastructure:						
Water lines	(1,885,236)	117,489	(1,767,747)	(170,494)	-	(1,938,241)
Sewer lines	(1,886,272)	117,553	(1,768,719)	(168,805)	-	(1,937,524)
Storm water lines	<u>(625,033)</u>	<u>38,952</u>	<u>(586,081)</u>	<u>(103,088)</u>	<u>-</u>	<u>(689,169)</u>
Total accumulated depreciation	<u>(8,136,861)</u>	<u>498,054</u>	<u>(7,638,807)</u>	<u>(837,878)</u>	<u>-</u>	<u>(8,476,685)</u>
Net capital assets being depreciated	<u>30,270,717</u>	<u>(862,600)</u>	<u>29,408,117</u>	<u>1,104,712</u>	<u>-</u>	<u>30,512,829</u>
Total business-type activities capital assets, net	\$ <u>33,148,845</u>	\$ <u>(1,799,440)</u>	\$ <u>31,349,405</u>	\$ <u>1,121,988</u>	\$ <u>(672,738)</u>	\$ <u>31,798,655</u>

Depreciation expense was charged to governmental functions as follows:

General government	\$ 120,251
Security of persons and property	290,566
Community development	12,522
Leisure time activities	55,830
Transportation	<u>389,634</u>
Total	<u>\$ 868,803</u>

# City of Aurora, Ohio

## Notes to Basic Financial Statements (continued)

### For The Year Ended December 31, 2003

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#### Note 5: Receivables

##### A. Property Taxes

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the City. Taxes collected on real property (other than public utility) in one calendar year are levied in the preceding calendar year on assessed values as of January 1 of that preceding year, the lien date. Assessed values are established by the state statute at 35 percent of appraised market value. All property is required to be revalued every six years. The last revaluation was completed in 2003. Real property taxes are payable annually or semiannually. The first payment is due January 20, with the remainder payable by June 20.

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

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

The full tax rate for all City operations for the year ended December 31, 2002, was \$9.36 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2003 property tax receipts were based are as follows:

Category	<u>Assessed Value</u>
Real Estate	\$ 366,390,040
Public Utility	97,859,090
Tangible Personal	<u>44,677,712</u>
	<u>\$ 508,926,842</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 .936% (9.36 mills) of assessed value.



# City of Aurora, Ohio

## Notes to Basic Financial Statements (continued)

### For The Year Ended December 31, 2003

#### Note 5: Receivables (continued)

##### **B. Income Taxes**

The City levies an income tax of 1% on substantially all income earned within the City. Effective April 1, 2003, the City income tax was increased to 2% with a 100% credit allowed for income taxed paid to other municipalities. Collection fees charged by RITA of \$261,925 in 2003 are reflected in the financial statements as general government expenditures in the General Fund. See Note 2D (Revenue Recognition) for distribution of income taxes by fund.

##### **C. Intergovernmental Receivables**

A summary of intergovernmental receivables follows:

	<u>Amounts</u>
Governmental Activities:	
Local Government and Local Government Revenue Assistance	\$ 197,583
State Income Tax	47,978
Gasoline and Excise Tax	163,205
Motor Vehicle License Fees	53,836
Permissive Motor Vehicle License Tax	56,754
Liquor and Bear Tax	10,376
State Grant	254,864
Federal Grant	<u>140,056</u>
Total	<u>\$ 924,652</u>

#### Note 6: Long-Term Obligations

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

	Principal Outstanding 12/31/02, Restated	Issued	Retired	Principal Outstanding 12/31/03	Amounts Due in One Year
Governmental Activities:					
Special Assessment Bonds	\$ 700,000	\$ -	\$ 140,000	\$ 560,000	\$ 140,000
General Obligation Bonds	16,248,275	-	685,651	15,562,624	682,697
Loans Payable	1,710,067	-	397,597	1,312,470	405,501
Compensated Absences	<u>424,540</u>	<u>4,435</u>	<u>-</u>	<u>428,975</u>	<u>21,449</u>
Total Governmental Long-Term Liabilities	<u>\$ 19,082,882</u>	<u>\$ 4,435</u>	<u>\$ 1,223,248</u>	<u>\$ 17,864,069</u>	<u>\$ 1,249,647</u>
Business-Type Activities					
General Obligation Bonds	\$ 682,367	-	32,444	649,923	33,333
OWDA Loans	9,162,161	-	424,254	8,737,907	441,493
OPWC Loans	<u>-</u>	<u>200,000</u>	<u>-</u>	<u>200,000</u>	<u>10,000</u>
Total Business-Type Long-Term Liabilities	<u>\$ 9,844,528</u>	<u>\$ 200,000</u>	<u>\$ 456,698</u>	<u>\$ 9,587,830</u>	<u>\$ 484,826</u>

# City of Aurora, Ohio

## Notes to Basic Financial Statements (continued)

### For The Year Ended December 31, 2003

#### Note 6: Long-Term Obligations (continued)

Long-term debt outstanding (by individual fund) at December 31, 2003 was comprised of the following:

<u>Purpose (Description)</u>	<u>Original Issuance</u>	<u>Interest Rate</u>	<u>Date of Final Installment</u>	<u>Balance at 12/31/03</u>
<b>Governmental Activities</b>				
Bonds to be repaid by Special Assessment:				
Street Improvement Bonds	\$ 2,845,000	7.00%	December 1, 2007	\$ 560,000
Voted General Obligation Bonds to be repaid by Property Tax Revenues:				
Land Acquisition Improvement	6,500,000	2.00% - 5.125%	December 1, 2027	6,345,000
Westerly Wastewater Treatment Plant Facilities Bond	8,000,000	7.00% - 15.625%	December 1, 2009	2,555,547
Water Tower Bonds	94,000	3.50%	December 1, 2004	<u>2,000</u>
Total Voted Debt				<u>9,462,547</u>
Unvoted General Obligation Bonds				
Various Purpose 1998	9,000,000	3.75% - 4.90%	December 1, 2018	<u>6,660,077</u>
Long-Term Loan Payable				
Ray Harmon Farm Purchase	1,500,000	6.00%	November 15, 2004	200,000
Hartman Farm Purchase	1,740,000	4.00%	December 31, 2008	<u>1,112,470</u>
Total governmental activities long-term debt				<u>17,435,094</u>
<b>Business-Type Activities</b>				
Unvoted General Obligation Bonds				
Various Purpose 1998		3.75% - 4.90%	December 1, 2018	649,923
OWDA Loans to be repaid from user fees:				
Central Wastewater Treatment Facility	10,762,206	3.98% - 4.04%	January 1, 2021	8,737,907
OWPC:				
SR 43/SR 306 Waterline	200,000	0.00%	January 1, 2024	<u>200,000</u>
Total business-type activities long-term debt				<u>9,587,830</u>
Total				\$ <u>27,022,924</u>

Remaining commitments under these bonds and loans are as follows for Governmental Activities:

<u>Years</u>	<u>General Long-Term Debt</u>		<u>Special Assessment Debt</u>		<u>Loans</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2004	\$ 682,697	\$ 710,324	\$ 140,000	\$ 39,200	\$ 405,501	\$ 68,499	\$ 2,046,221
2005	679,779	704,538	140,000	29,400	213,721	36,279	1,803,717
2006	685,626	686,170	140,000	19,600	222,270	27,730	1,781,396
2007	1,240,889	660,886	140,000	9,800	231,161	18,839	2,301,575
2008	1,304,112	597,344	-	-	239,817	9,593	2,150,866
2009-2013	3,840,556	2,216,826	-	-	-	-	6,057,382
2014-2018	3,928,965	1,390,461	-	-	-	-	5,319,426
2019-2023	1,600,000	841,781	-	-	-	-	2,441,781
2024-2027	1,600,000	210,125	-	-	-	-	1,810,125
Total	\$ <u>15,562,624</u>	\$ <u>8,018,455</u>	\$ <u>560,000</u>	\$ <u>98,000</u>	\$ <u>1,312,470</u>	\$ <u>160,940</u>	\$ <u>25,712,489</u>

# City of Aurora, Ohio

## Notes to Basic Financial Statements (continued)

### For The Year Ended December 31, 2003

#### Note 6: Long-Term Obligations (continued)

Remaining commitments under these bonds and loans are as follows for Business-type Activities:

Years	General Long-Term Debt		OWDA Debt		OWPC Debt		Total
	Principal	Interest	Principal	Interest	Principal	Interest	
2004	\$ 33,333	\$ 31,667	\$ 441,493	\$ 346,835	\$ 10,000	\$ -	\$ 863,328
2005	34,667	30,333	459,433	328,895	10,000	-	863,328
2006	36,444	28,556	478,102	310,226	10,000	-	863,328
2007	39,111	25,889	497,530	290,798	10,000	-	863,328
2008	40,889	24,111	517,747	270,581	10,000	-	863,328
2009-2013	204,444	120,556	2,921,942	1,019,698	50,000	-	4,316,640
2014-2018	261,035	63,966	2,961,050	383,368	50,000	-	3,719,419
2019-2023	-	-	460,610	23,141	50,000	-	533,751
Total	\$ 649,923	\$ 325,078	\$ 8,737,907	\$ 2,973,542	\$ 200,000	\$ -	\$ 12,886,450

In accordance with State of Ohio law ("State law"), the City may not incur general long-term indebtedness in excess of 10-1/2% of the total value of all property listed as assessed for taxation and 5- 1/2% of such value without voter approval (see Note 6A). The interest rate on any issue of notes or long-term debt cannot exceed the Federal Reserve discount rate less 1%, also in accordance with State law.

#### Note 7: Defined Benefit Pension Plans

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

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

The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rate is 8.5%. The 2003 employer contribution rate for local government employer units was 13.55%, of covered payroll, 8.55% to fund the pension and 5.0% to fund health care. The contribution requirements of plan members and the City are established and may be amended by the Public Employees Retirement Board. The City's contributions to the Ohio PERS for the years ending December 31, 2003, 2002 and 2001 were \$441,513, \$421,134, and \$447,576, respectively, which were equal to the required contributions for each year.

The Ohio PERS provides postemployment health care benefits to age and service retirants with ten or more years of qualifying Ohio service credit and to primary survivor recipients of such retirants. Health care coverage for disability recipients is also available. The health care coverage provided by the Ohio PERS is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to the Ohio PERS is set aside for the funding of post retirement health care. The Ohio Revised Code provides statutory authority requiring public employers to fund postemployment health care through their contributions to the Ohio PERS. The portion of the 2003 employer contribution rate (identified above) that was used to fund health care for the year 2003 was 5.0% of covered payroll which amounted to \$162,920.

# City of Aurora, Ohio

## Notes to Basic Financial Statements (continued)

### For The Year Ended December 31, 2003

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#### Note 7: Defined Benefit Pension Plans (continued)

##### A. *Ohio Public Employees Retirement System (the "Ohio PERS") (continued)*

The significant actuarial assumptions and calculations relating to postemployment health care benefits were based on the Ohio Public Employees Retirement System's latest actuarial review performed as of December 31, 2002. An entry age normal actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of unfunded actuarial accrued liability. All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach assets are adjusted annually to reflect 25% of unrealized market appreciation or depreciation on investment assets. The investment assumption rate for 2002 was 8.0%. An annual increase of 4.0% compounded annually, is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4.0% base increase, were assumed to range from 0.5% to 6.3%. Health care costs were assumed to increase 4.0% annually.

Benefits are advanced-funded on an actuarially determined basis. The number of active contributing participants was 364,881. The actuarial value of the Ohio PERS net assets available for OPEB at December 31, 2002 is \$10.0 billion. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$18.7 billion and \$8.7 billion, respectively.

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

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

Plan members are required to contribute 10.0% of their annual covered salary, while employers are required to contribute 19.5% and 24.0% respectively for police officers and firefighters. The City's contributions to the OP&F Fund for the years ending December 31, 2003, 2002 and 2001 were \$256,640, \$244,468, and \$234,350 for police and \$225,110, \$198,305, and \$186,772 for firefighters, respectively, which were equal to the required contributions for each year.

The OP&F Fund provides postemployment health care coverage to any person who received or is eligible to receive a monthly benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school, or under the age of 22 if attending school on a full-time or two-thirds basis. The health care coverage provided by the OP&F Fund is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. The Ohio Revised Code provides that health care costs paid from the funds of the OP&F Fund shall be included in the employer's contribution rate. The Ohio Revised Code also provides statutory authority allowing the Fund's Board of Trustees to provide postemployment health care coverage to all eligible individuals from the employer's contributions to the OP&F Fund.

# City of Aurora, Ohio

## Notes to Basic Financial Statements (continued)

### For The Year Ended December 31, 2003

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#### Note 7: Defined Benefit Pension Plans (continued)

##### *B Ohio Police and Fire Pension Fund (the "OP&F Fund") (continued)*

The portion of the 2003 covered payroll that was used to fund postemployment health care benefits was \$101,998 representing 7.75% of covered payroll for police and \$72,692 representing 7.75% of covered payroll for fire. Health care funding and accounting was on a pay-as-you-go basis. In addition, since July 1, 1992 most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. As of December 31, 2002, the date of the last actuarial evaluation available, the number of participants eligible to receive health care benefits was 13,527 for police and 10,396 for firefighters. The OP&F Fund does not provide separate data on the funded status and funding progress of postemployment health care benefits. The Fund's total health care expenses for the year ended December 31, 2002 were \$141,028,006, which was net of member contributions of \$12,623,875.

#### Note 8: Budget Reconciliation

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

- Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
- Expenditures are recorded when paid in cash or encumbered (budget) as opposed to when the liability is incurred (GAAP).
- Encumbrances are recorded as expenditures (budget) as opposed to reservation of fund balance (GAAP).
- The Special Assessment activities are budgeted within other fund groups, as explained in Note 2.

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the general fund.

	<u>Net Change in Fund Balance</u>
	<u>General</u>
GAAP Basis	\$ 1,697,607
Increase (Decrease) Due To:	
Revenue Accruals	(578,215)
Expenditure Accruals	(278,867)
Outstanding Encumbrances	<u>(202,037)</u>
Budget Basis	\$ <u>638,488</u>

# City of Aurora, Ohio

## Notes to Basic Financial Statements (continued)

### For The Year Ended December 31, 2003

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#### **Note 9: Insurance and Risk Management**

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City contracted with Municipal Insurance Alliance (ARCH Companies) for general liability and excess general liability coverage for \$1,000,000 and \$4,000,000 respectively.

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

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

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

As an integral part of the health insurance program, a reinsurance policy has been purchased covering claims in excess of \$40,000 per individual per year up to a maximum of \$960,000 per individual per lifetime. Settled claims have not exceeded the commercial coverage limits in any of the past three fiscal years.

Total contributions to the program during 2003 were \$1,229,053. The claims liability of \$168,672 reported in the general fund at December 31, 2003 is based on the requirements of GASB Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues," which requires that a liability for claims be reported if information prior to issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

Changes in the claims liability amount in fiscal 2002 and 2003 were:

<u>Fiscal Year</u>	<u>Beginning of Fiscal Year Liability</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claims Payments</u>	<u>Balance at Fiscal Year End</u>
2002	\$ 134,413	\$ (1,007,978)	\$ 1,011,228	\$ 137,663
2003	137,663	(1,198,044)	1,229,053	168,672

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 fiscal years.

# City of Aurora, Ohio

## Notes to Basic Financial Statements (continued)

### For The Year Ended December 31, 2003

#### Note 10: Compensated Absences

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

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

#### Note 11: Interfund Transfers and Balances

As of December 31, 2003, interfund transfers were as follows:

<u>Transfer to</u>	<u>Transfer From</u>			<u>Total</u>
	<u>General</u>	<u>Debt Service</u>	<u>Other Governmental</u>	
Other Governmental Funds	\$ 2,109,603	\$ -	\$ -	\$ 2,109,603
Debt Service	583,000	-	33,200	616,200
General	-	1,767	-	1,767
Sewer	110,000	-	-	110,000
	<u>\$ 2,802,603</u>	<u>\$ 1,767</u>	<u>\$ 33,200</u>	<u>\$ 2,837,570</u>

The General Fund transfers to the major and other governmental funds and to the Sewer Enterprise Fund were made to provide additional resources for current operations, and the transfers from the Sewer Enterprise Fund to the Debt Service Fund and Other Governmental Funds were made for the payment of debt.

As of December 31, 2003, interfund balances were as follows:

<u>Interfund Receivable</u>	<u>Interfund Payable</u>				<u>Total</u>
	<u>General</u>	<u>Debt Service</u>	<u>Other Governmental</u>	<u>Sewer</u>	
General	\$ -	\$ -	\$ 120,389	\$ -	\$ 120,389
Sewer	250,000	-	96,958	-	346,958
	<u>\$ 250,000</u>	<u>\$ -</u>	<u>\$ 217,347</u>	<u>\$ -</u>	<u>\$ 467,347</u>

Interfund balances at December 31, 2003, consisted of a general fund advance of \$120,389 to other governmental funds to cover a negative fund balance and \$346,958 in advances from the Sewer Enterprise Fund and other governmental funds to finance the purchase of land.

# City of Aurora, Ohio

## Notes to Basic Financial Statements (continued)

### For The Year Ended December 31, 2003

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#### **Note 12: Contingencies**

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

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

#### **Note 13: Change in Accounting Principle and Restatement of Prior Year Fund Balances**

##### **A. *Changes in Accounting Principles***

For 2003, the City has implemented GASB Statement No. 34, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments", GASB Statement No. 36, "Recipient Reporting for Certain Shared Nonexchange Revenues"; GASB Statement No. 37, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus", GASB Statement No. 38, "Certain Financial Statement Note Disclosures", and GASB Interpretation No. 6, "Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements."

GASB 34 creates new basic financial statements for reporting on the City's financial activities. The financial statements now include government-wide financial statements prepared on a accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

The beginning net asset amount for governmental activities reflects the change in fund balance for governmental funds at December 31, 2002, caused by the elimination of the internal service fund and the conversion to the accrual basis of accounting.

GASB Statement No. 37 clarifies certain provisions of GASB Statement No. 34, including the required content of the Management's Discussion and Analysis, the classification of program revenues and the criteria for determining major funds. GASB Statement No. 38 modifies, establishes and rescinds certain financial statement note disclosures.

GASB Interpretation No. 6 clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures in areas where differences have arisen, or potentially could arise, in interpretation and practice.

The implementation of these changes had the following effects on fund balance of the major and nonmajor funds of the City as they were previously reported. The transition from governmental fund balance to net assets of the governmental activities is also presented.



# City of Aurora, Ohio

## Notes to Basic Financial Statements (continued)

### For The Year Ended December 31, 2003

#### Note 13: Change in Accounting Principle and Restatement of Prior Year Fund Balances (continued)

##### B. Restatement of Fund Balance

	General Fund	Debt Service Fund	Nonmajor Funds	Governmental Activities
Fund Balance, December 31, 2002	\$ 1,298,426	\$ 5,142,215	\$ 4,005,678	\$ 10,446,319
Reclassification adjustments:				
Fund reclassification	-	-	(1,229)	(1,229)
Long-term compensated absences	-	-	15,858	15,858
Capital assets due to fund reclassification	-	-	19,886	19,886
Removal of accrued interest payable	-	68,427	2,000	70,427
Properly record intergovernmental revenue	72,991	-	44,413	117,404
Properly record income tax retainage Payable	<u>(51,753)</u>	<u>-</u>	<u>-</u>	<u>(51,753)</u>
Fund Balance, December 31, 2002, restated	\$ <u>1,319,664</u>	\$ <u>5,210,642</u>	\$ <u>4,086,606</u>	\$ <u>10,616,912</u>
GASB 34 Adjustments:				
Capital assets				42,314,555
Long-term liabilities				(19,082,882)
Prepaid item on capital assets				157,163
Long-term (deferred) assets				1,777,034
Accrued interest payable				<u>(71,452)</u>
Governmental Activities Net Assets, December 21, 2002				\$ <u>35,711,330</u>
	Water Fund	Sewer Fund	Other Business-Type Funds	Total Business Type Activities
Fund balance, December 31, 2002	\$ 8,775,829	\$ 25,484,373	\$ 394,974	\$ 34,655,176
Reclassification adjustments:				
Fund reclassification	-	-	1,229	1,229
Capital asset due to fund reclassification	-	-	(19,886)	(19,886)
Restatement of capital assets	<u>911,796</u>	<u>(2,725,879)</u>	<u>14,643</u>	<u>(1,799,440)</u>
Business-type activities net assets, December 21, 2002	\$ <u>9,687,625</u>	\$ <u>22,758,494</u>	\$ <u>390,960</u>	\$ <u>32,837,079</u>

The Loans Payable balance at December 31, 2002 was also restated by an increase of \$1,310,067 due to a loan for the purchase of land. This loan was inadvertently excluded from the prior year's financial statements. See Note 6 for more details.

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANT'S REPORT ON COMPLIANCE AND ON  
INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS**

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

To the City Council:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Aurora, Portage County, Ohio, (the City) as of and for the year ended December 31, 2003, and have issued our report thereon dated August 23, 2004, wherein we noted the City adopted *Governmental Accounting Standards Board Statement No. 34*. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted an immaterial instance of noncompliance that we have reported to management of the City in a separate letter dated August 23, 2004.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the City in a separate letter dated August 23, 2004.

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

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

**Betty Montgomery**  
Auditor of State

August 23, 2004



**Auditor of State  
Betty Montgomery**

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P.O. Box 1140  
Columbus, Ohio 43216-1140

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800-282-0370

Facsimile 614-466-4490

**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  
NOVEMBER 4, 2004**