



Dave Yost • Auditor of State

**CITY OF AURORA
PORTAGE COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Honorable Mayor and City Council:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Aurora, Portage County, Ohio (the City), as of and for the year ended December 31, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Aurora, Portage County, Ohio, as of December 31, 2010, and the respective changes in financial position and where applicable, cash flows, thereof and the respective budgetary comparisons for the General and Fire Paramedic Levy Funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 7, 2011, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

We conducted our audit to opine on the financial statements that collectively comprise the City's basic financial statements taken as a whole. The federal awards expenditure schedule provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The federal awards expenditure schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Dave Yost
Auditor of State

July 7, 2011

CITY OF AURORA, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2010 (UNAUDITED)

The management's discussion and analysis of the City of Aurora's (the "City") financial performance provides an overall review of the City's financial activities for the year ended December 31, 2010. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the City's financial performance.

Financial Highlights

Key financial highlights for 2010 are as follows:

- The City restated net assets for both governmental and business-type activities at December 31, 2009 as described in Note 3.B to the basic financial statements. The total net assets of the City increased \$4,773,903. Net assets of governmental activities increased \$3,906,951 or 5.55% from 2009 and net assets of business-type activities increased \$866,952 or 2.34% from 2009.
- General revenues accounted for \$15,290,647 or 76.20% of total governmental activities revenue. Program specific revenues accounted for \$4,776,271 or 23.80 % of total governmental activities revenue.
- The City had \$16,115,554 in expenses related to governmental activities; \$4,776,271 of these expenses were offset by program specific charges for services, grants or contributions. The remaining expenses of the governmental activities of \$11,339,283 were offset by general revenues (primarily property taxes, income taxes and unrestricted grants and entitlements) of \$15,290,647.
- The general fund had revenues of \$12,824,539 and expenditures of \$11,098,591 during 2010. In addition the general fund had transfers out of \$1,632,650 and transfers in of \$1,759. The net increase in fund balance for the general fund was \$95,057 or 1.45%.
- The fire paramedic levy fund had revenues of \$931,393 and expenditures of \$911,868 during 2010. The net increase in fund balance for the fire paramedic levy fund was \$19,525 or 3.79%.
- Business-type activities include operations of the City's water, sewer, and cemetery enterprise funds. Net assets of the business-type activities totaled \$37,900,205 at December 31, 2010. General revenues accounted for \$30,444 or 0.52% of total business-type activities revenues while program specific revenues accounted for \$5,802,876 or 99.48% of total business-type activities revenues.

Using this Annual Financial Report

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

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

CITY OF AURORA, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2010 (UNAUDITED)

Reporting the City as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains a large number of funds used by the City to provide programs and activities, the view of the City as a whole looks at all financial transactions and asks the question, "How did we do financially during 2010?" The statement of net assets and the statement of activities answer this question. These statements include all assets, liabilities, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

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

The City's statement of net assets and statement of activities can be found on pages 17-19 of this report.

Reporting the City's Most Significant Funds

Fund Financial Statements

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

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

Governmental Funds

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

CITY OF AURORA, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2010 (UNAUDITED)

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

The City maintains a multitude of individual governmental funds. The City has segregated these funds into major funds and nonmajor funds. The City's major governmental funds are the general fund and the fire paramedic levy fund. Information for major funds is presented separately in the governmental fund balance sheet and in the governmental statement of revenues, expenditures, and changes in fund balances. Data from the other governmental funds are combined into a single, aggregated presentation. The basic governmental fund financial statements can be found on pages 20-25 of this report.

Proprietary Funds

The City maintains one type of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water operations, sewer operations and cemetery activity. The City reports the water fund and sewer fund as major enterprise funds. These major funds are presented separately in the proprietary fund financial statements. The cemetery and perpetual care fund is considered a nonmajor fund and is combined into a single, aggregated presentation in the proprietary fund financial statements. The basic proprietary fund financial statements can be found on pages 26-29 of this report.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. Agency funds are the City's only fiduciary fund type. The basic fiduciary fund financial statement can be found on page 30 of this report.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 31-61 of this report.

CITY OF AURORA, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010
(UNAUDITED)**

Government-Wide Financial Analysis

The statement of net assets provides the perspective of the City as a whole. The table below provides a summary of the City's net assets at December 31, 2010 and December 31, 2009. The net assets of the City were restated at December 31, 2009 as described in Note 3.B to the basic financial statements.

	Governmental Activities 2010	Restated Governmental Activities 2009	Business-type Activities 2010	Restated Business-type Activities 2009	Total 2010	Total 2009
<u>Assets</u>						
Current and other assets	\$ 21,411,725	\$ 21,155,405	\$ 4,315,867	\$ 3,840,198	\$ 25,727,592	\$ 24,995,603
Capital assets	<u>68,124,026</u>	<u>65,179,884</u>	<u>40,565,301</u>	<u>40,507,435</u>	<u>108,689,327</u>	<u>105,687,319</u>
Total assets	<u>89,535,751</u>	<u>86,335,289</u>	<u>44,881,168</u>	<u>44,347,633</u>	<u>134,416,919</u>	<u>130,682,922</u>
<u>Liabilities</u>						
Current and other liabilities	4,773,093	5,088,284	603,823	251,182	5,376,916	5,339,466
Long-term liabilities:						
Due within one year	724,259	669,459	725,609	698,119	1,449,868	1,367,578
Due in more than one year	<u>9,767,527</u>	<u>10,213,625</u>	<u>5,651,531</u>	<u>6,365,079</u>	<u>15,419,058</u>	<u>16,578,704</u>
Total liabilities	<u>15,264,879</u>	<u>15,971,368</u>	<u>6,980,963</u>	<u>7,314,380</u>	<u>22,245,842</u>	<u>23,285,748</u>
<u>Net Assets</u>						
Invested in capital						
assets, net of related debt	58,489,836	55,212,259	34,227,530	33,482,305	92,717,366	88,694,564
Restricted	7,949,255	7,779,109	-	-	7,949,255	7,779,109
Unrestricted	<u>7,831,781</u>	<u>7,372,553</u>	<u>3,672,675</u>	<u>3,550,948</u>	<u>11,504,456</u>	<u>10,923,501</u>
Total net assets	<u>\$ 74,270,872</u>	<u>\$ 70,363,921</u>	<u>\$ 37,900,205</u>	<u>\$ 37,033,253</u>	<u>\$ 112,171,077</u>	<u>\$ 107,397,174</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At December 31, 2010, the City's assets exceeded liabilities by \$112,171,077.

Capital assets reported on the government-wide statements represent the largest portion of the City's assets. At year-end, capital assets represented 80.86% of total assets. Capital assets include land, easements, right of ways, land improvements, buildings and improvements, equipment, infrastructure and construction in progress. The amount invested in capital assets, net of related debt to acquire the assets at December 31, 2010, was \$92,717,366. These capital assets are used to provide services to citizens and are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the City's net assets, \$7,949,255, represents resources that are subject to external restriction on how they may be used. In the governmental activities, the remaining balance of unrestricted net assets of \$7,831,781 may be used to meet the government's ongoing obligations to citizens and creditors.

CITY OF AURORA, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010
(UNAUDITED)**

The table below shows the changes in net assets for 2010 and 2009. The net assets of the City were restated at December 31, 2009 as described in Note 3.B to the basic financial statements.

	Change in Net Assets						
	Governmental Activities	Restated	Business-type Activities	Restated	2010 Total	2009 Total	
		Governmental		Business-type			Business-type
		Activities		Activities			Activities
<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>		
Revenues							
Program revenues:							
Charges for services	\$ 729,179	\$ 702,650	\$ 5,198,312	\$ 4,636,947	\$ 5,927,491	\$ 5,339,597	
Operating grants and contributions	1,146,088	1,356,112	-	-	1,146,088	1,356,112	
Capital grants and contributions	<u>2,901,004</u>	<u>547,594</u>	<u>604,564</u>	<u>47,301</u>	<u>3,505,568</u>	<u>594,895</u>	
Total program revenues	<u>4,776,271</u>	<u>2,606,356</u>	<u>5,802,876</u>	<u>4,684,248</u>	<u>10,579,147</u>	<u>7,290,604</u>	
General revenues:							
Property taxes	4,617,981	4,976,702	-	-	4,617,981	4,976,702	
Income taxes	9,804,022	10,182,761	-	-	9,804,022	10,182,761	
Grants and entitlements	712,266	797,041	-	-	712,266	797,041	
Investment earnings	127,086	263,089	2,608	62,237	129,694	325,326	
Miscellaneous	<u>29,292</u>	<u>34,832</u>	<u>27,836</u>	<u>25,618</u>	<u>57,128</u>	<u>60,450</u>	
Total general revenues	<u>15,290,647</u>	<u>16,254,425</u>	<u>30,444</u>	<u>87,855</u>	<u>15,321,091</u>	<u>16,342,280</u>	
Program expenses:							
General government	2,502,464	2,616,982	-	-	2,502,464	2,616,982	
Security of persons and property	7,446,348	7,367,518	-	-	7,446,348	7,367,518	
Transportation	3,235,554	3,138,488	-	-	3,235,554	3,138,488	
Community environment	949,182	1,263,756	-	-	949,182	1,263,756	
Leisure time activities	1,522,867	1,578,449	-	-	1,522,867	1,578,449	
Interest and fiscal charges	457,226	520,472	-	-	457,226	520,472	
Other	1,913	18,336	-	-	1,913	18,336	
Water	-	-	2,463,790	2,662,036	2,463,790	2,662,036	
Sewer	-	-	2,498,550	2,628,792	2,498,550	2,628,792	
Other nonmajor	<u>-</u>	<u>-</u>	<u>48,441</u>	<u>63,262</u>	<u>48,441</u>	<u>63,262</u>	
Total program expenses	<u>16,115,554</u>	<u>16,504,001</u>	<u>5,010,781</u>	<u>5,354,090</u>	<u>21,126,335</u>	<u>21,858,091</u>	
Change in net assets before transfers	3,951,364	2,356,780	822,539	(581,987)	4,773,903	1,774,793	
Transfers	<u>(44,413)</u>	<u>(1,155,980)</u>	<u>44,413</u>	<u>1,155,980</u>	<u>-</u>	<u>-</u>	
Change in net assets	3,906,951	1,200,800	866,952	573,993	4,773,903	1,774,793	
Net assets at beginning of year (restated)	<u>70,363,921</u>	<u>69,163,121</u>	<u>37,033,253</u>	<u>36,459,260</u>	<u>107,397,174</u>	<u>105,622,381</u>	
Net assets at end of year (restated)	<u>\$ 74,270,872</u>	<u>\$ 70,363,921</u>	<u>\$ 37,900,205</u>	<u>\$ 37,033,253</u>	<u>\$ 112,171,077</u>	<u>\$ 107,397,174</u>	

CITY OF AURORA, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010
(UNAUDITED)**

Governmental Activities

Governmental activities net assets increased \$3,906,951 in 2010. The three primary general revenue sources of governmental activities are property taxes, municipal income taxes, and unrestricted grants and entitlements. These revenue sources decreased overall in 2010 due to a decline in the economy as a whole and they are not sufficient to provide for the City's expenses. The governmental activities did experience a significant increase in capital contributions during 2010 as a result of right of ways donated by outside sources. The 2010 expenses remained comparable to 2009.

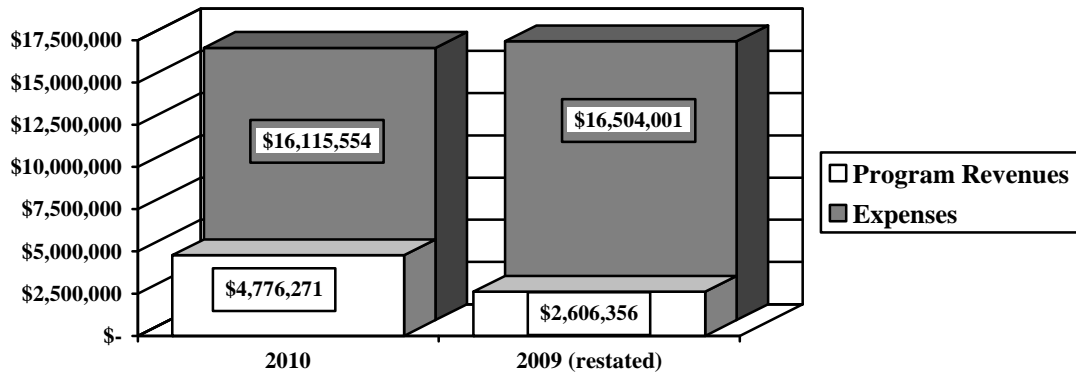
Security of persons and property, which primarily supports the operations of the police and fire departments accounted for \$7,446,348 of the total expenses of the City. These expenses were partially funded by \$14,844 in direct charges to users of the services. Transportation expenses totaled \$3,235,554.

The State and federal government contributed to the City a total of \$1,146,088 in operating grants and contributions and \$2,901,004 in capital grants and contributions. These revenues are restricted to a particular program or purpose. Of the total operating grants and contributions, \$40,822 subsidized security of persons and property, \$910,407 subsidized transportation programs and \$194,859 subsidized community environment. Of the total capital grants and contributions, \$2,536,305 subsidized transportation programs.

General revenues totaled \$15,290,647, and amounted to 76.20% of total governmental revenues. These revenues primarily consist of property and income tax revenue of \$14,422,003. The other primary source of general revenues is grants and entitlements not restricted to specific programs, including local government, and property tax reimbursements totaling up \$712,266.

The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services for 2010 and 2009. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements. The graph below illustrates the City's dependence upon general revenues as program revenues are not sufficient to cover total governmental expenses. The net assets of the City were restated at December 31, 2009 as described in Note 3.B to the basic financial statements.

Governmental Activities – Program Revenues vs. Total Expenses



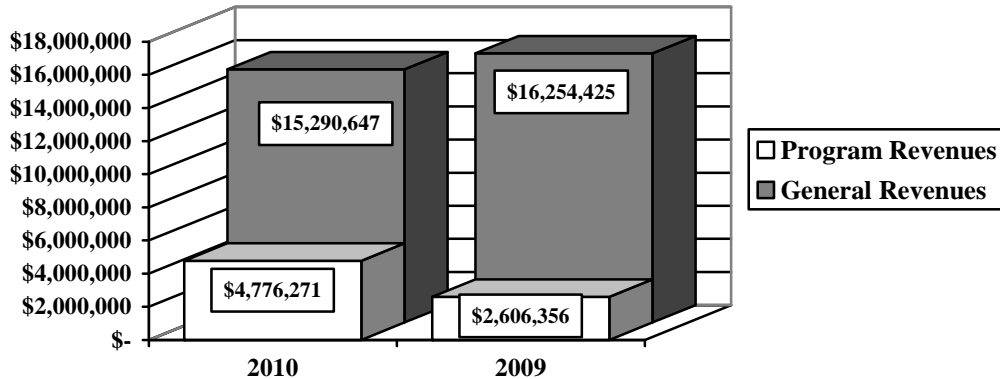
CITY OF AURORA, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010
(UNAUDITED)**

	Governmental Activities			
	Total Cost of Services	Net Cost of Services	Restated Total Cost of Services	Restated Net Cost of Services
	<u>2010</u>	<u>2010</u>	<u>2009</u>	<u>2009</u>
Program expenses:				
General government	\$ 2,502,464	\$ 2,152,485	\$ 2,616,982	\$ 2,255,034
Security of persons and property	7,446,348	7,390,682	7,367,518	7,312,058
Transportation	3,235,554	(211,158)	3,138,488	1,837,524
Community environment	949,182	754,323	1,263,756	745,946
Leisure time activity	1,522,867	793,812	1,578,449	1,208,275
Interest and fiscal charges	457,226	457,226	520,472	520,472
Other	<u>1,913</u>	<u>1,913</u>	<u>18,336</u>	<u>18,336</u>
Total	<u>\$ 16,115,554</u>	<u>\$ 11,339,283</u>	<u>\$ 16,504,001</u>	<u>\$ 13,897,645</u>

The dependence upon general revenues for governmental activities is apparent, with 70.36% of expenses supported through taxes and other general revenues. The chart below illustrates the City's program revenues versus general revenues for 2010 and 2009:

Governmental Activities – General and Program Revenues



Business-type Activities

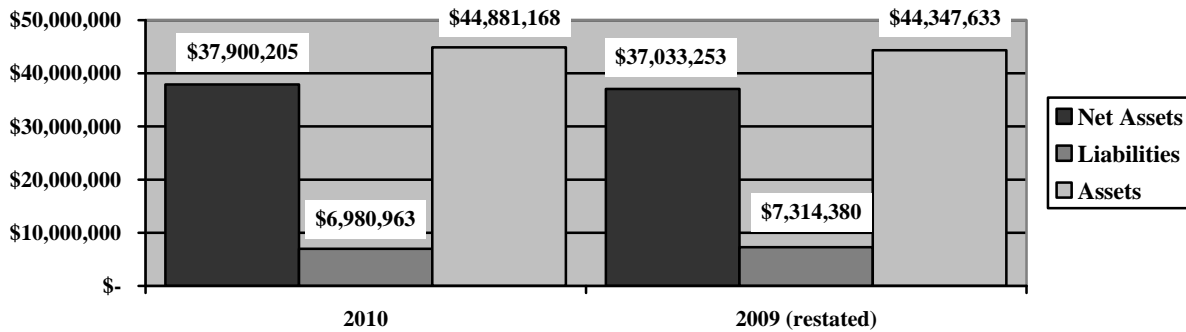
Business-type activities consist of water, sewer and cemetery operations (a nonmajor fund). These programs had revenues of \$5,833,320, transfers in of \$44,413 and expenses of \$5,010,781 during 2010. The water operations had expenses of \$2,463,790, program revenues of \$3,224,950, general revenues of \$1,931, transfers in of \$6,200 and transfers out of \$210,043. This resulted in an increase to net assets for the year of \$559,248. The sewer operations had expenses of \$2,498,550, program revenues of \$2,541,664, general revenues of \$28,327, and transfers in of \$248,256. This resulted in an increase to net assets for the year of \$319,697. The other enterprise fund had expenses of \$48,441, program revenues of \$36,262 and general revenues of \$186. This resulted in a decrease to net assets for the year of \$11,993. Management assesses the performance of each of these funds to ensure that they are run efficiently.

CITY OF AURORA, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010
(UNAUDITED)

The graph below illustrates the City's business-type assets, liabilities and net assets at December 31, 2010 and December 31, 2009. The net assets of the City were restated at December 31, 2009 as described in Note 3.B to the basic financial statements.

Net Assets in Business-type Activities



Financial Analysis of the Government's Funds

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

Governmental Funds

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

The City's governmental funds (as presented on the balance sheet on page 20) reported a combined fund balance of \$14,070,677 which is \$635,333 more than last year's total of \$13,435,344. The schedule below indicates the fund balances and the total change in fund balances as of December 31, 2010 and December 31, 2009 for all major and nonmajor governmental funds.

	Fund Balances 12/31/10	Fund Balances 12/31/09	Increase	Percentage Change
Major funds:				
General	\$ 6,661,814	\$ 6,566,757	\$ 95,057	1.45 %
Fire paramedic levy fund	534,799	515,274	19,525	3.79 %
Other nonmajor governmental funds	<u>6,874,064</u>	<u>6,353,313</u>	<u>520,751</u>	8.20 %
Total	<u>\$ 14,070,677</u>	<u>\$ 13,435,344</u>	<u>\$ 635,333</u>	4.73 %

CITY OF AURORA, OHIO

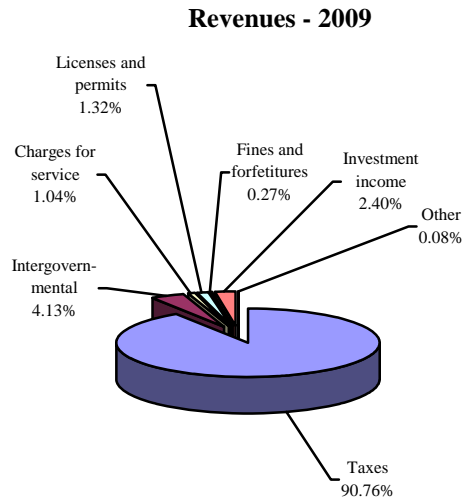
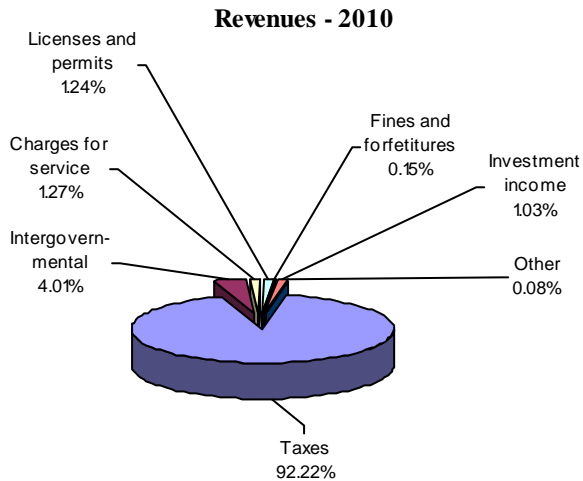
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010
(UNAUDITED)**

General Fund

The City's general fund balance increased \$95,057, which is primarily due to an increase in other local tax revenue collected during the year and revenues continuing to outpace expenditures. The table that follows assists in illustrating the revenues of the general fund.

	<u>2010 Amount</u>	<u>2009 Amount</u>	<u>Percentage Change</u>
<u>Revenues</u>			
Taxes	\$ 11,826,301	\$ 11,384,304	3.88 %
Intergovernmental	514,104	517,475	(0.65) %
Charges for services	162,918	130,057	25.27 %
Licenses and permits	158,739	165,187	(3.90) %
Fines and forfeitures	19,842	34,161	(41.92) %
Investment income	131,820	301,164	(56.23) %
Other	<u>10,815</u>	<u>10,574</u>	2.28 %
Total	<u>\$ 12,824,539</u>	<u>\$ 12,542,922</u>	2.25 %

Tax revenue represents 92.22% of all general fund revenue. Taxes increased \$441,997 or 3.88% mainly due to an increase in other local tax receipts during the year and income taxes receivable by the City at December 31, 2010. The decrease in investment income is primarily due to a decrease in 2010 interest rates. All other revenue remained comparable to 2009.



CITY OF AURORA, OHIO

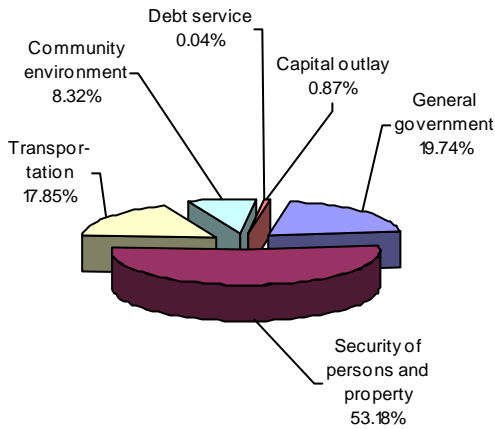
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010
(UNAUDITED)**

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

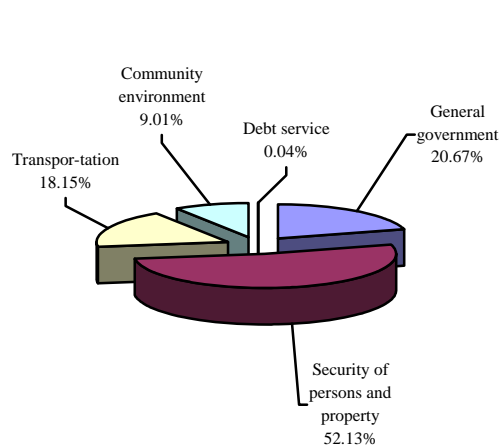
	<u>2010 Amount</u>	<u>2009 Amount</u>	<u>Percentage Change</u>
<u>Expenditures</u>			
General government	\$ 2,191,076	\$ 2,333,039	(6.08) %
Security of persons and property	5,902,771	5,884,784	0.31 %
Transportation	1,980,945	2,048,731	(3.31) %
Community environment	922,975	1,016,887	(9.24) %
Capital outlay	96,780	-	100.00 %
Debt service	<u>4,044</u>	<u>4,044</u>	-
Total	<u>\$ 11,098,591</u>	<u>\$ 11,287,485</u>	(1.67) %

The modest decreases in general government, transportation and community environment expenditures are a result of the City's effort to remain fiscally responsible in a difficult economy.

Expenditures - 2010



Expenditures - 2009



Fire Paramedic Levy Fund

The fire paramedic levy fund had revenues of \$931,393 and expenditures of \$911,868 during 2010. The net increase in fund balance for the fire paramedic levy fund was \$19,525 or 3.79%.

CITY OF AURORA, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010
(UNAUDITED)

Budgeting Highlights

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

Budgetary information is presented for the general fund. In the general fund, the original and final budgeted revenues and other financing sources were \$13,449,130. Actual revenues and other financing sources of \$13,062,444 were less than final budgeted revenues and other financing sources by \$386,686. All revenue categories were less than or equal to budget estimates. The original and final budgeted expenditures and other financing uses were \$13,530,704 and \$15,120,631, respectively. Actual expenditures and other financing uses of \$12,878,583 were less than final budgeted expenditures and other financing uses by \$2,242,048.

Capital Assets and Debt Administration

Capital Assets

During 2010, the City restated capital assets at December 31, 2009 due to construction in progress that should have been reported (see Note 3.B for details). The City also separated out easements and right of ways from land for consistent presentation with 2010. At the end of 2010, the City had \$108,689,327 (net of accumulated depreciation) invested in land, easements, right of ways, land improvements, buildings and improvements, equipment, infrastructure and construction in progress. Of this total, \$68,124,026 was reported in governmental activities and \$40,565,301 was reported in business-type activities. See Note 7 in the basic financial statements for additional capital asset disclosure. The following table shows 2010 balances compared to 2009:

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

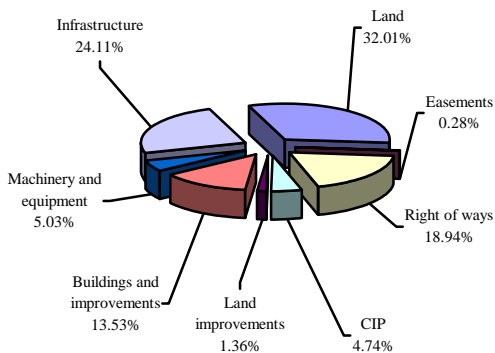
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2010</u>	<u>Restated 2009</u>	<u>2010</u>	<u>Restated 2009</u>	<u>2010</u>	<u>2009</u>
Land	\$ 21,806,589	\$ 21,316,598	\$ 1,253,550	\$ 1,253,550	\$ 23,060,139	\$ 22,570,148
Easements	189,920	189,920	27,677	27,677	217,597	217,597
Right of ways	12,902,218	10,999,429	-	-	12,902,218	10,999,429
Construction in progress	3,226,548	3,113,984	1,742,266	3,037,233	4,968,814	6,151,217
Land improvements	1,419,340	1,366,299	385,858	166,057	1,805,198	1,532,356
Buildings and improvements	13,388,682	13,012,231	16,369,314	16,356,159	29,757,996	29,368,390
Equipment	7,816,467	7,467,096	1,848,340	1,749,857	9,664,807	9,216,953
Infrastructure	20,342,502	19,647,392	33,509,534	31,358,942	53,852,036	51,006,334
Less: accumulated depreciation	<u>(12,968,240)</u>	<u>(11,933,065)</u>	<u>(14,571,238)</u>	<u>(13,442,040)</u>	<u>(27,539,478)</u>	<u>(25,375,105)</u>
Totals	<u>\$ 68,124,026</u>	<u>\$ 65,179,884</u>	<u>\$ 40,565,301</u>	<u>\$ 40,507,435</u>	<u>\$ 108,689,327</u>	<u>\$ 105,687,319</u>

CITY OF AURORA, OHIO

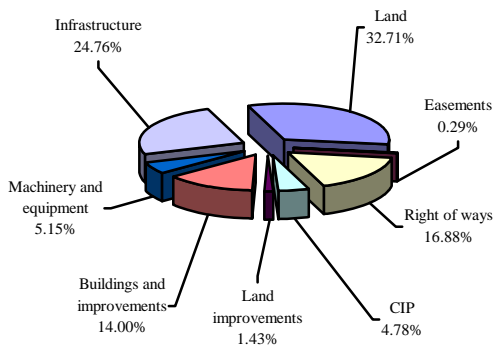
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010
(UNAUDITED)**

The following graphs show the breakdown of governmental and business-type capital assets by category for at December 31, 2010 and December 31, 2009.

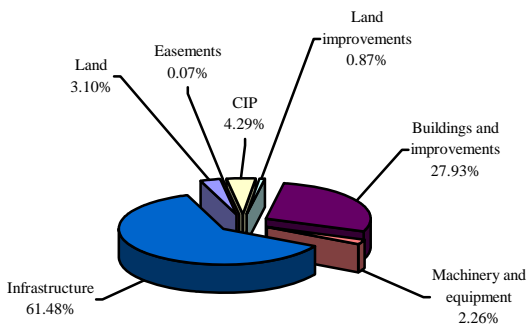
Capital Assets - Governmental Activities 2010



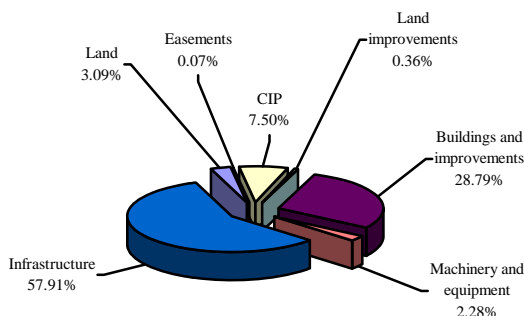
**Capital Assets - Governmental Activities 2009
(Restated)**



Capital Assets - Business-type Activities 2010



**Capital Assets - Business-type Activities 2009
(Restated)**



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

With regards to the infrastructure, the City's engineering department maintains a comprehensive listing of all the streets, culverts, water lines, sewer lines, and storm sewers in the City. As part of the City's annual road maintenance program, the Engineer evaluates the condition of each street after each winter and prepares a list of streets to be either resurfaced or crack-sealed and in the case of concrete roads, either replaced or repaired. After approval from council, the projects are bid in early to late spring to get the best possible pricing from contractors. This program is paid for out of the capital improvement fund and levy funds of the City. Capital assets for business-type activities increased by \$57,866 due to the City's continuous work on water, sewer and storm sewer lines, as well as new street dedications.

CITY OF AURORA, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010
(UNAUDITED)**

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

Debt Administration

The City had the following long-term obligations outstanding at December 31, 2010 and December 31, 2009:

	Governmental Activities		Business-type Activities		Total	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
General obligation bonds	\$ 9,072,625	\$ 9,674,555	\$ 680,271	\$ 729,014	\$ 9,752,896	\$ 10,403,569
OWDA loans	-	-	5,271,889	5,824,092	5,271,889	5,824,092
OPWC loans	439,363	247,500	347,500	397,500	786,863	645,000
Capital lease	122,202	45,570	38,111	74,524	160,313	120,094
Compensated absences	<u>857,596</u>	<u>915,459</u>	<u>39,369</u>	<u>38,068</u>	<u>896,965</u>	<u>953,527</u>
Total long-term obligations	<u>\$ 10,491,786</u>	<u>\$ 10,883,084</u>	<u>\$ 6,377,140</u>	<u>\$ 7,063,198</u>	<u>\$ 16,868,926</u>	<u>\$ 17,946,282</u>

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

Economic Conditions and Next Year's General Fund Budget Outlook

The year 2010 saw continuing erosion of income from taxes and State budget reductions. The City acted swiftly to reduce expenditures and staffing. In addition to these actions, an early retirement incentive package was provided to employees. The total costs related to the incentive package were expensed in 2010. These actions resulted in maintaining a balanced budget with stable reserves for 2010. Because of these actions, the City has presented a balanced budget for 2011. Fitch ratings recognized and cited the efforts of the City in addressing quickly the challenges presented by the economy. They continued the City's AAA rating. The year 2011 has begun in an encouraging manner with increased revenues during the first quarter. The City remains committed to balancing its budget and maintaining the level of reserves necessary for operations and its' financial security.

Contacting the City's Financial Management

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

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CITY OF AURORA, OHIO

STATEMENT OF NET ASSETS
DECEMBER 31, 2010

	Governmental Activities	Business-type Activities	Total
Assets:			
Equity in pooled cash and cash equivalents . . .	\$ 13,502,898	\$ 3,245,452	\$ 16,748,350
Receivables:			
Municipal income taxes	2,750,141	-	2,750,141
Real and other taxes.	3,637,166	-	3,637,166
Other local taxes	79,299	-	79,299
Accounts	4,259	1,146,243	1,150,502
Internal balance	247,026	(247,026)	-
Special assessments.	7,182	-	7,182
Accrued interest.	26,921	-	26,921
Loans.	263,187	-	263,187
Due from other governments	783,954	129,233	913,187
Prepayments	23,313	28,120	51,433
Materials and supplies inventory.	40,528	-	40,528
Unamortized bond issue costs	45,851	13,845	59,696
Capital assets:			
Non-depreciable capital assets	38,125,275	3,023,493	41,148,768
Depreciable capital assets, net	29,998,751	37,541,808	67,540,559
Total capital assets.	<u>68,124,026</u>	<u>40,565,301</u>	<u>108,689,327</u>
Total assets	<u>89,535,751</u>	<u>44,881,168</u>	<u>134,416,919</u>
Liabilities:			
Accounts payable	404,923	44,236	449,159
Contracts payable	45,200	348,672	393,872
Retainage payable	38,499	131,517	170,016
Accrued wages and benefits	270,041	34,178	304,219
Due to other governments	376,624	41,865	418,489
Unearned revenue	3,531,091	-	3,531,091
Accrued interest payable.	35,579	3,355	38,934
Claims payable	71,136	-	71,136
Long-term liabilities:			
Due within one year	724,259	725,609	1,449,868
Due in more than one year	9,767,527	5,651,531	15,419,058
Total liabilities	<u>15,264,879</u>	<u>6,980,963</u>	<u>22,245,842</u>
Net assets:			
Invested in capital assets, net of related debt . . .	58,489,836	34,227,530	92,717,366
Restricted for:			
Capital projects.	2,001,532	-	2,001,532
Debt service	2,801,681	-	2,801,681
Transportation projects	1,137,179	-	1,137,179
Other purposes.	2,008,863	-	2,008,863
Unrestricted.	7,831,781	3,672,675	11,504,456
Total net assets	<u>\$ 74,270,872</u>	<u>\$ 37,900,205</u>	<u>\$ 112,171,077</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF AURORA, OHIO

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2010

	Expenses	Charges for Services	Program Revenues	
			Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 2,502,464	\$ 349,979	\$ -	\$ -
Security of persons and property . . .	7,446,348	14,844	40,822	-
Transportation	3,235,554	-	910,407	2,536,305
Community environment	949,182	-	194,859	-
Leisure time activity	1,522,867	364,356	-	364,699
Other	1,913	-	-	-
Interest and fiscal charges	457,226	-	-	-
Total governmental activities	<u>16,115,554</u>	<u>729,179</u>	<u>1,146,088</u>	<u>2,901,004</u>
Business-type activities:				
Water	2,463,790	2,793,645	-	431,305
Sewer	2,498,550	2,368,405	-	173,259
Other business-type activities:				
Cemetery/Perpetual Care	48,441	36,262	-	-
Total business-type activities	<u>5,010,781</u>	<u>5,198,312</u>	<u>-</u>	<u>604,564</u>
Total primary government	<u>\$ 21,126,335</u>	<u>\$ 5,927,491</u>	<u>\$ 1,146,088</u>	<u>\$ 3,505,568</u>

General revenues:
Property and other local taxes levied for:
 General purposes
 Debt service
Municipal income taxes levied for:
 General purposes
 Capital projects
Grants and entitlements not restricted
to specific programs
Investment earnings
Miscellaneous

Total general revenues

Transfers

Change in net assets

Net assets at beginning of year (restated) . .

Net assets at end of year

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

Governmental Activities	Business-type Activities	Total
\$ (2,152,485)	\$ -	\$ (2,152,485)
(7,390,682)	-	(7,390,682)
211,158	-	211,158
(754,323)	-	(754,323)
(793,812)	-	(793,812)
(1,913)	-	(1,913)
(457,226)	-	(457,226)
(11,339,283)	-	(11,339,283)
-	761,160	761,160
-	43,114	43,114
-	(12,179)	(12,179)
-	792,095	792,095
(11,339,283)	792,095	(10,547,188)
4,223,057	-	4,223,057
394,924	-	394,924
9,204,022	-	9,204,022
600,000	-	600,000
712,266	-	712,266
127,086	2,608	129,694
29,292	27,836	57,128
15,290,647	30,444	15,321,091
(44,413)	44,413	-
3,906,951	866,952	4,773,903
70,363,921	37,033,253	107,397,174
\$ 74,270,872	\$ 37,900,205	\$ 112,171,077

CITY OF AURORA, OHIO

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2010

	General	Fire Paramedic Levy Fund	Other Governmental Funds	Total Governmental Funds
Assets:				
Equity in pooled cash and cash equivalents.	\$ 6,297,637	\$ 580,444	\$ 6,624,817	\$ 13,502,898
Receivables:				
Municipal income taxes	2,600,141	-	150,000	2,750,141
Real and other taxes	1,476,046	914,129	1,246,991	3,637,166
Other local taxes.	79,299	-	-	79,299
Accounts.	3,820	-	439	4,259
Accrued interest	23,152	-	3,769	26,921
Special assessments	-	-	7,182	7,182
Loans	-	-	263,187	263,187
Advances to other funds	-	-	247,026	247,026
Due from other funds.	66,200	-	-	66,200
Due from other governments	249,275	33,541	501,138	783,954
Prepayments	22,822	-	491	23,313
Materials and supplies inventory.	40,528	-	-	40,528
	<hr/>	<hr/>	<hr/>	<hr/>
Total assets	<u>\$ 10,858,920</u>	<u>\$ 1,528,114</u>	<u>\$ 9,045,040</u>	<u>\$ 21,432,074</u>
Liabilities:				
Accounts payable.	\$ 225,296	\$ 1,772	\$ 177,855	\$ 404,923
Contracts payable.	-	-	45,200	45,200
Retainage payable	-	-	38,499	38,499
Accrued wages and benefits	236,553	16,992	16,496	270,041
Due to other funds	-	-	66,200	66,200
Due to other governments	324,662	26,881	25,081	376,624
Deferred revenue	1,906,289	60,323	591,071	2,557,683
Unearned revenue	1,433,170	887,347	1,210,574	3,531,091
Claims payable	71,136	-	-	71,136
	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities	<u>4,197,106</u>	<u>993,315</u>	<u>2,170,976</u>	<u>7,361,397</u>
Fund balances:				
Reserved for encumbrances.	41,203	6,538	1,056,907	1,104,648
Reserved for prepayments	22,822	-	491	23,313
Reserved for materials and supplies inventory.	40,528	-	-	40,528
Reserved for debt service	-	-	2,756,778	2,756,778
Reserved for loans	-	-	263,187	263,187
Reserved for advances	-	-	247,026	247,026
Unreserved, undesignated, reported in:				
General fund	6,557,261	-	-	6,557,261
Special revenue funds.	-	528,261	1,791,679	2,319,940
Capital projects funds.	-	-	757,996	757,996
	<hr/>	<hr/>	<hr/>	<hr/>
Total fund balances.	<u>6,661,814</u>	<u>534,799</u>	<u>6,874,064</u>	<u>14,070,677</u>
	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities and fund balances.	<u>\$ 10,858,920</u>	<u>\$ 1,528,114</u>	<u>\$ 9,045,040</u>	<u>\$ 21,432,074</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF AURORA, OHIO

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2010

Total governmental fund balances		\$	14,070,677
<i>Amounts reported for governmental activities on the statement of net assets are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			68,124,026
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.			
Income taxes receivable	\$	1,663,608	
Real and other taxes receivable		106,075	
Other local taxes receivable		34,879	
Accrued interest receivable		26,921	
Special assessments receivable		7,182	
Intergovernmental receivable		719,018	
Total		719,018	2,557,683
Unamortized bond issuance costs are not recognized in the funds.			45,851
Unamortized deferred charges are not recognized in the funds.			183,956
Unamortized premiums on bond issuances are not recognized in the funds.			(151,063)
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.			(35,579)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
General obligation bonds		(9,105,518)	
Loans payable		(439,363)	
Compensated absences		(857,596)	
Capital lease payable		(122,202)	
Total		(10,524,679)	(10,524,679)
Net assets of governmental activities		\$	74,270,872

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF AURORA, OHIO

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010

	General	Fire Paramedic Levy Fund	Other Governmental Funds	Total Governmental Funds
Revenues:				
Municipal income taxes	\$ 9,251,187	\$ -	\$ 600,000	\$ 9,851,187
Real and other taxes.	1,433,684	821,309	1,178,614	3,433,607
Other local taxes.	1,141,430	-	-	1,141,430
Charges for services.	162,918	-	370,141	533,059
Licenses and permits	158,739	-	-	158,739
Fines and forfeitures.	19,842	-	9,059	28,901
Intergovernmental	514,104	104,184	1,869,851	2,488,139
Investment income.	131,820	-	47,770	179,590
Rental income	7,200	-	-	7,200
Contributions and donations	-	5,900	1,000	6,900
Other	3,615	-	25,677	29,292
Total revenues	12,824,539	931,393	4,102,112	17,858,044
Expenditures:				
Current:				
General government	2,191,076	21,272	107,022	2,319,370
Security of persons and property.	5,902,771	674,720	292,337	6,869,828
Transportation	1,980,945	-	827,190	2,808,135
Community environment	922,975	-	12,285	935,260
Leisure time activity	-	-	1,367,526	1,367,526
Other	-	-	1,913	1,913
Capital outlay	96,780	215,876	1,811,319	2,123,975
Debt service:				
Principal retirement.	3,043	-	704,859	707,902
Interest and fiscal charges	1,001	-	450,965	451,966
Total expenditures	11,098,591	911,868	5,575,416	17,585,875
Excess (deficiency) of revenues over (under) expenditures.	1,725,948	19,525	(1,473,304)	272,169
Other financing sources (uses):				
Capital lease transaction	-	-	123,550	123,550
Transfers in.	1,759	-	2,213,750	2,215,509
Transfers out.	(1,632,650)	-	(589,759)	(2,222,409)
Loan proceeds.	-	-	246,514	246,514
Total other financing sources (uses).	(1,630,891)	-	1,994,055	363,164
Net change in fund balances.	95,057	19,525	520,751	635,333
Fund balances at beginning of year	6,566,757	515,274	6,353,313	13,435,344
Fund balances at end of year	\$ 6,661,814	\$ 534,799	\$ 6,874,064	\$ 14,070,677

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF AURORA, OHIO

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2010

Net change in fund balances - total governmental funds	\$	635,333
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period.		
Capital outlays	\$ 1,986,253	
Depreciation expense	<u>(1,251,094)</u>	
Total		735,159
Miscellaneous transactions involving capital assets (i.e. sales, trade-ins and donations) are not reflected in the governmental funds, however they had the following effect in the statement of activities:		
Capital contributions	2,262,526	
Disposals, net	<u>(53,543)</u>	
Total		2,208,983
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Income taxes	(47,165)	
Real and other taxes	8,065	
Other local taxes	34,879	
Investment income	(52,504)	
Special assessments	1,280	
Intergovernmental	<u>1,793</u>	
Total		(53,652)
Proceeds of bonds, loans and capital lease transactions are reported as an other financing source in the governmental funds, however, in the statement of activities, they are not reported as revenues as they increase the liabilities on the statement of net assets.		
		(370,064)
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.		
Decrease in accrued interest payable	5,282	
Amortization of bond premiums	20,225	
Amortization of deferred charges on refundings	(24,628)	
Amortization of bond issue costs	<u>(6,139)</u>	
Total		(5,260)
Repayment of general obligation bonds, long-term loans, and capital lease obligations are expenditures in the governmental funds, but the repayments reduce long-term liabilities on the statement of net assets.		
		707,902
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
		<u>48,550</u>
Change in net assets of governmental activities	\$	<u>3,906,951</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF AURORA, OHIO

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 GENERAL FUND
 FOR THE YEAR ENDED DECEMBER 31, 2010

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Municipal income taxes	\$ 9,250,482	\$ 9,250,482	\$ 8,994,448	\$ (256,034)
Real and other taxes.	1,474,495	1,474,495	1,433,684	(40,811)
Other local taxes	1,158,047	1,158,047	1,125,995	(32,052)
Charges for services.	206,394	206,394	171,461	(34,933)
Licenses and permits	163,258	163,258	158,739	(4,519)
Fines and forfeitures	21,032	21,032	20,450	(582)
Intergovernmental.	532,637	532,637	517,895	(14,742)
Investment income.	107,216	107,216	104,551	(2,665)
Rental income	7,405	7,405	7,200	(205)
Other	5,180	5,180	5,037	(143)
Total revenues	<u>12,926,146</u>	<u>12,926,146</u>	<u>12,539,460</u>	<u>(386,686)</u>
Expenditures:				
Current:				
General government	2,169,912	2,453,491	2,224,274	229,217
Security of persons and property	6,315,366	7,155,494	5,957,531	1,197,963
Transportation	2,236,480	2,542,930	2,019,050	523,880
Community environment	1,192,444	1,305,389	948,298	357,091
Capital outlay	2,252	10,327	96,780	(86,453)
Total expenditures	<u>11,916,454</u>	<u>13,467,631</u>	<u>11,245,933</u>	<u>2,221,698</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,009,692</u>	<u>(541,485)</u>	<u>1,293,527</u>	<u>1,835,012</u>
Other financing sources (uses):				
Sale of capital assets.	6,225	6,225	6,225	-
Transfers in	1,759	1,759	1,759	-
Transfers out	(1,614,250)	(1,653,000)	(1,632,650)	20,350
Advances in.	515,000	515,000	515,000	-
Total other financing sources (uses)	<u>(1,091,266)</u>	<u>(1,130,016)</u>	<u>(1,109,666)</u>	<u>20,350</u>
Net change in fund balance	(81,574)	(1,671,501)	183,861	1,855,362
Fund balance at beginning of year.	5,801,832	5,801,832	5,801,832	-
Prior year encumbrances appropriated . . .	192,631	192,631	192,631	-
Fund balance at end of year	<u>\$ 5,912,889</u>	<u>\$ 4,322,962</u>	<u>\$ 6,178,324</u>	<u>\$ 1,855,362</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF AURORA, OHIO

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 FIRE PARAMEDIC LEVY FUND
 FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Real and other taxes.	\$ 918,174	\$ 918,174	\$ 821,309	\$ (96,865)
Intergovernmental.	116,471	116,471	104,184	(12,287)
Contributions and donations.	6,596	6,596	5,900	(696)
Total revenues	<u>1,041,241</u>	<u>1,041,241</u>	<u>931,393</u>	<u>(109,848)</u>
Expenditures:				
Current:				
General government	14,438	16,360	13,584	2,776
Security of persons and property	717,578	813,058	675,110	137,948
Capital outlay	242,243	274,476	227,907	46,569
Total expenditures	<u>974,259</u>	<u>1,103,894</u>	<u>916,601</u>	<u>187,293</u>
Net change in fund balance	66,982	(62,653)	14,792	77,445
Fund balance at beginning of year.	403,448	403,448	403,448	-
Prior year encumbrances appropriated . . .	153,894	153,894	153,894	-
Fund balance at end of year	<u>\$ 624,324</u>	<u>\$ 494,689</u>	<u>\$ 572,134</u>	<u>\$ 77,445</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF AURORA, OHIO

STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS
 DECEMBER 31, 2010

	Business-type Activities - Enterprise Funds			
	Water	Sewer	Other Nonmajor	Total
Assets:				
Current assets:				
Equity in pooled cash and cash equivalents . . .	\$ 1,460,579	\$ 1,499,112	\$ 285,761	\$ 3,245,452
Receivables:				
Accounts	589,841	556,402	-	1,146,243
Due from other governments	129,233	-	-	129,233
Prepayments	14,666	13,454	-	28,120
Total current assets	<u>2,194,319</u>	<u>2,068,968</u>	<u>285,761</u>	<u>4,549,048</u>
Noncurrent assets:				
Unamortized bond issuance costs	-	13,845	-	13,845
Capital assets:				
Non-depreciable capital assets	1,574,744	1,446,559	2,190	3,023,493
Depreciable capital assets, net.	9,556,488	27,832,198	153,122	37,541,808
Total capital assets	<u>11,131,232</u>	<u>29,278,757</u>	<u>155,312</u>	<u>40,565,301</u>
Total noncurrent assets	<u>11,131,232</u>	<u>29,292,602</u>	<u>155,312</u>	<u>40,579,146</u>
Total assets	<u>13,325,551</u>	<u>31,361,570</u>	<u>441,073</u>	<u>45,128,194</u>
Liabilities:				
Current liabilities:				
Accounts payable	10,515	33,632	89	44,236
Contracts payable	348,672	-	-	348,672
Retainage payable	124,262	7,255	-	131,517
Accrued wages and benefits	12,212	21,314	652	34,178
Compensated absences	1,023	2,124	-	3,147
Due to other governments	15,042	25,974	849	41,865
Advances from other funds	247,026	-	-	247,026
Accrued interest payable	-	3,355	-	3,355
Capital lease obligations	-	38,111	-	38,111
G.O. bonds payable - current	-	50,889	-	50,889
OPWC loans payable - current	10,000	40,000	-	50,000
OWDA loans payable - current	-	583,462	-	583,462
Total current liabilities	<u>768,752</u>	<u>806,116</u>	<u>1,590</u>	<u>1,576,458</u>
Long-term liabilities:				
Compensated absences	20,478	15,744	-	36,222
G.O. bonds payable	-	629,382	-	629,382
OPWC loans payable	120,000	177,500	-	297,500
OWDA loans payable	-	4,688,427	-	4,688,427
Total long-term liabilities	<u>140,478</u>	<u>5,511,053</u>	<u>-</u>	<u>5,651,531</u>
Total liabilities	<u>909,230</u>	<u>6,317,169</u>	<u>1,590</u>	<u>7,227,989</u>
Net assets:				
Invested in capital assets, net of related debt . . .	11,001,232	23,070,986	155,312	34,227,530
Unrestricted	1,415,089	1,973,415	284,171	3,672,675
Total net assets	<u>\$ 12,416,321</u>	<u>\$ 25,044,401</u>	<u>\$ 439,483</u>	<u>\$ 37,900,205</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF AURORA, OHIO

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010

	Business-type Activities - Enterprise Funds			
	Water	Sewer	Other Nonmajor	Total
Operating revenues:				
Charges for services	\$ 2,787,687	\$ 2,353,501	\$ 36,262	\$ 5,177,450
Other	5,958	14,904	-	20,862
Total operating revenues.	<u>2,793,645</u>	<u>2,368,405</u>	<u>36,262</u>	<u>5,198,312</u>
Operating expenses:				
Personal services	549,168	850,374	29,310	1,428,852
Contract services	1,540,717	351,691	-	1,892,408
Materials and supplies	83,379	168,198	9,234	260,811
Depreciation.	271,845	838,653	9,897	1,120,395
Other	300	1,136	-	1,436
Total operating expenses.	<u>2,445,409</u>	<u>2,210,052</u>	<u>48,441</u>	<u>4,703,902</u>
Operating income (loss)	<u>348,236</u>	<u>158,353</u>	<u>(12,179)</u>	<u>494,410</u>
Nonoperating revenues (expenses):				
Interest expense and fiscal charges	(16,008)	(283,272)	-	(299,280)
Loss on sale of capital assets	(2,373)	(5,226)	-	(7,599)
Interest revenue	1,931	491	186	2,608
Special assessments	-	27,836	-	27,836
Total nonoperating revenues (expenses)	<u>(16,450)</u>	<u>(260,171)</u>	<u>186</u>	<u>(276,435)</u>
Net income (loss) before capital contributions and transfers	331,786	(101,818)	(11,993)	217,975
Capital contributions	437,505	204,572	-	642,077
Transfers in.	-	216,943	-	216,943
Transfers out	<u>(210,043)</u>	<u>-</u>	<u>-</u>	<u>(210,043)</u>
Change in net assets	559,248	319,697	(11,993)	866,952
Net assets at beginning of year (restated).	<u>11,857,073</u>	<u>24,724,704</u>	<u>451,476</u>	<u>37,033,253</u>
Net assets at end of year	<u>\$ 12,416,321</u>	<u>\$ 25,044,401</u>	<u>\$ 439,483</u>	<u>\$ 37,900,205</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF AURORA, OHIO

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2010

	Business-type Activities - Enterprise Funds			
	Water	Sewer	Other Nonmajor	Total
Cash flows from operating activities:				
Cash received from customers	\$ 2,772,395	\$ 2,356,417	\$ 36,262	\$ 5,165,074
Cash received from other operations.	5,958	12,813	-	18,771
Cash payments for personal services	(557,457)	(857,930)	(32,531)	(1,447,918)
Cash payments for contract services	(1,550,794)	(357,641)	-	(1,908,435)
Cash payments for materials and supplies	(85,637)	(168,720)	(10,287)	(264,644)
Cash payments for other expenses.	(300)	(1,136)	-	(1,436)
Net cash provided by (used in) operating activities	<u>584,165</u>	<u>983,803</u>	<u>(6,556)</u>	<u>1,561,412</u>
Cash flows from noncapital financing activities:				
Cash payments from other funds	210,000	-	-	210,000
Cash payments to other funds.	(262,974)	-	-	(262,974)
Cash received from transfers in	-	6,900	-	6,900
Cash received from special assessments.	-	27,836	-	27,836
Net cash provided by (used in) noncapital financing activities	<u>(52,974)</u>	<u>34,736</u>	<u>-</u>	<u>(18,238)</u>
Cash flows from capital and related financing activities:				
Loan issue	-	13,395	-	13,395
Capital contributions	48,098	105,282	-	153,380
Principal payments on OWDA loans	-	(565,598)	-	(565,598)
Principal payments on OPWC loans	(10,000)	(40,000)	-	(50,000)
Principal payments on G.O. bonds	-	(48,667)	-	(48,667)
Principal payments on capital lease obligation	-	(36,413)	-	(36,413)
Acquisition of capital assets.	(224,337)	(215,198)	-	(439,535)
Interest and fiscal charges.	(16,008)	(278,871)	-	(294,879)
Net cash used in capital and related financing activities	<u>(202,247)</u>	<u>(1,066,070)</u>	<u>-</u>	<u>(1,268,317)</u>
Cash flows from investing activities:				
Interest received	<u>6,971</u>	<u>8,871</u>	<u>1,714</u>	<u>17,556</u>
Net cash provided by investing activities.	<u>6,971</u>	<u>8,871</u>	<u>1,714</u>	<u>17,556</u>
Net increase (decrease) in cash and cash equivalents	335,915	(38,660)	(4,842)	292,413
Cash and cash equivalents at beginning of year	<u>1,124,664</u>	<u>1,537,772</u>	<u>290,603</u>	<u>2,953,039</u>
Cash and cash equivalents at end of year.	<u>\$ 1,460,579</u>	<u>\$ 1,499,112</u>	<u>\$ 285,761</u>	<u>\$ 3,245,452</u>

- - continued

CITY OF AURORA, OHIO

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS (CONTINUED)
 FOR THE YEAR ENDED DECEMBER 31, 2010

	Business-type Activities - Enterprise Funds			
	Water	Sewer	Other Nonmajor	Total
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	\$ 348,236	\$ 158,353	\$ (12,179)	\$ 494,410
Adjustments:				
Depreciation	271,845	838,653	9,897	1,120,395
Changes in assets and liabilities:				
(Increase) decrease in accounts receivable	(15,292)	825	-	(14,467)
Increase in prepayments.	(1,326)	(1,326)	-	(2,652)
Decrease in accounts payable	(10,961)	(5,146)	(1,053)	(17,160)
Increase (decrease) in accrued wages and benefits.	(818)	1,236	(173)	245
Decrease in due to other governments	(8,563)	(11,377)	(720)	(20,660)
Increase (decrease) in compensated absences payable	1,044	2,585	(2,328)	1,301
Net cash provided by (used in) operating activities	<u>\$ 584,165</u>	<u>\$ 983,803</u>	<u>\$ (6,556)</u>	<u>\$ 1,561,412</u>

Non-Cash Transactions

During 2010, the water fund purchased capital assets on account in the amount of \$478,022.

During 2009, the water and sewer funds purchased capital assets on account in the amounts of \$86,052 and \$12,364,

During 2010, the water and sewer funds received \$260,174 and \$75,750 in capital contributions, respectively.

During 2010, the water and sewer funds received \$6,200 and \$7,773 in capital contributions, respectively, from governmental funds.

During 2010, the sewer fund received a transfer of capital assets from governmental funds with a net carrying value of \$23,540 (this amount is net of accumulated depreciation of \$19,564).

During 2010, the sewer fund received \$210,043 in capital assets from the water fund.

During 2010, the sewer fund received principal forgiveness on OWDA loans in the amount of \$105,282.

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF AURORA, OHIO

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
 FIDUCIARY FUND
 DECEMBER 31, 2010

		<u>Agency</u>
Assets:		
Equity in pooled cash and cash equivalents	\$	304,338
Cash in segregated accounts		86,966
Receivables:		
Real and other taxes		10,280
Accounts.		<u>409</u>
 Total assets	 \$	 <u><u>401,993</u></u>
Liabilities:		
Accounts payable	\$	10,448
Due to others.		87,056
Due to other governments		<u>304,489</u>
 Total liabilities	 \$	 <u><u>401,993</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF AURORA, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2010

NOTE 1 - DESCRIPTION OF THE CITY

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

B. Basis of Presentation - Fund Accounting

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

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

CITY OF AURORA, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

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

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

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

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

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

C. Fund Accounting

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

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

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

CITY OF AURORA, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2010

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

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

The other governmental funds of the City account for (a) financial resources to be used for the acquisition, construction, or improvement of capital facilities; (b) grants and other resources whose use is restricted to a particular purpose; and (c) resources used for the purpose of retiring principal and interest of debt.

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

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

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

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

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

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

D. Measurement Focus and Basis of Accounting

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

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

CITY OF AURORA, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

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

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

E. Basis of Accounting

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

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

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

On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Income taxes are collected by the Regional Income Tax Agency (“RITA”) and remitted to the City net of collection costs on the tenth working day of the month following collection. Revenues are susceptible to accrual and are so recorded at year end (See Note 6.B.). These revenues are designated by City Council for use in the general fund and capital improvement fund (a nonmajor governmental fund). All collection costs and related income retained are reflected in the general fund.

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

CITY OF AURORA, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

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

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

Property taxes for which there is an enforceable legal claim as of December 31, 2010, but which were levied to finance year 2011 operations, and other revenues received in advance of the fiscal year for which they were intended to finance, have been recorded as unearned revenue. Income taxes and special assessments not received within the available period, grants and entitlements received before the eligibility requirements are met and delinquent property taxes due at December 31, 2010, are recorded as deferred revenue on the governmental fund financial statements.

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

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

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

F. Budgetary Process

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

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

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

City Council holds a public hearing on the proposed budget.

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

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

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

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

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

CITY OF AURORA, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010**

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

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

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

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

G. Cash and Investments

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

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

During 2010, investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio).

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's shares price which is the price the investment could be sold for on December 31, 2010.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the general fund during 2010 amounted to \$131,820 which includes \$65,449 assigned from other City funds.

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

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

H. Materials and Supplies Inventory

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

CITY OF AURORA, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

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

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

Inventory consists of expendable supplies held for consumption.

I. Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The City maintains a capitalization threshold of \$2,000. The City's infrastructure consists of roads, storm sewers, and water and sewer lines. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Interest incurred during the construction of proprietary fund capital assets is also capitalized.

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

<u>Description</u>	<u>Estimated Lives</u>	
	<u>Government-type</u>	<u>Business-type</u>
Land improvements	15 to 45 years	15 to 45 years
Buildings and improvements	10 to 45 years	10 to 45 years
Equipment	5 to 26 years	3 to 20 years
Infrastructure	15 to 50 years	-
Roads	25 to 50 years	-
Water lines	-	45 to 55 years
Sewer lines	-	45 to 55 years
Stormwater lines	-	45 to 55 years

CITY OF AURORA, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010**

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

J. Compensated Absences

In accordance with GASB Statement No. 16, "Accounting for Compensated Absences", vacation benefits are accrued as a liability as the benefits are earned if the employee's rights to receive compensation are attributable to services already rendered and it is probable that the City will compensate the employees for the benefits through paid time off or some other means. The City records a liability for accumulated unused vacation time when earned for all employees with more than one year of service. Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the City has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees wage rates at year end, taking into consideration any limits specified in the City's termination policy. The City records a liability for accumulated unused sick leave for employees after 10 years of service with the City.

K. Prepaid Items

Payments made to vendors for services that will benefit beyond December 31, 2010, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditures/expense in the year in which the services are consumed.

L. Accrued Liabilities and Long-Term Obligations

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

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

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

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

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

CITY OF AURORA, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

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

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

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

N. Interfund Balances

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

O. Interfund Activity

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

P. Contributions of Capital

Contributions of capital in proprietary fund financial statements arise from outside contributions of capital assets, or from grants or outside contributions of resources restricted to capital acquisition and construction. During 2010, the water and sewer funds received \$642,077 in capital contributions, which consisted of assets purchased by governmental funds and assets contributed by developers and other outside sources.

Q. Fund Balance Reserves

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

CITY OF AURORA, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010**

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

R. Estimates

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

S. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City Administration and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2010.

T. Net Assets

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

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

U. Loans Receivable

Loans receivable represent the right to receive repayment for certain loans made by the City. These loans are based upon written agreements between the City and the various loan recipients. Reported loans receivable is offset by a fund balance reserve in the governmental funds for the long-term portion not expected to be collected in the subsequent year. This indicates that it does not constitute available expendable resources even though it is a component of current net assets.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For 2010, the City has implemented GASB Statement No. 51, "Accounting and Financial Reporting for Intangible Assets", GASB Statement No. 53, "Accounting and Financial Reporting for Derivative Instruments", and GASB Statement No. 58, "Accounting and Financial Reporting for Chapter 9 Bankruptcies".

CITY OF AURORA, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

GASB Statement No. 51 addresses accounting and financial reporting standards for intangible assets, which are assets that lack physical substance, are nonfinancial in nature, and have an initial useful life extending beyond a single reporting period. Examples of intangible assets include easements, water rights, computer software, patents, and trademarks. GASB Statement No. 51 improves the quality of financial reporting by creating consistency in the recognition, initial measurement, and amortization of intangible assets. In accordance with the implementation GASB Statement No. 51, the City has reported intangible assets on a separate line in Note 7 and has reflected intangible assets as indicated in the financial statements.

GASB Statement No. 53 addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. Derivative instruments are financial arrangements used by governments to manage specific risks or to make investments. Common types of derivative instruments include interest rate and commodity swaps, interest rate locks, options, swaptions, forward contracts, and futures contracts. The implementation of GASB Statement No. 53 did not have an effect on the financial statements of the City.

GASB Statement No. 58 establishes accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. GASB Statement No. 58 requires governments to remeasure liabilities that are adjusted in bankruptcy when the bankruptcy court confirms a new payment plan. The implementation of GASB Statement No. 58 did not have an effect on the financial statements of the City.

B. Restatement of Net Assets

The City's net assets have been restated at December 31, 2009 for adjustments to capital assets due to errors and omissions related to construction in progress. The change in the City's capital assets had the following effect on net assets as previously reported by the governmental activities and business-type activities:

	Governmental Activities	Business-type Activities	Water Fund
Net assets, December 31, 2009	\$ 68,926,445	\$ 36,209,169	\$ 11,032,989
Adjustment to capital assets	1,437,476	824,084	824,084
Restated net assets, December 31, 2009	\$ 70,363,921	\$ 37,033,253	\$ 11,857,073

See Note 7 for the effect of the change on capital asset balances as previously reported by the City at December 31, 2009.

CITY OF AURORA, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2010

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

CITY OF AURORA, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

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

A. Cash on Hand

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

B. Cash in Segregated Accounts

At December 31, 2010, the City had \$86,966 in segregated accounts for medical claims and flexible spending. These accounts were covered by the FDIC or pooled collateral held by the depository institution. These amounts are not included in the City's depository balance below.

C. Deposits with Financial Institutions

At December 31, 2010, the carrying amount of all City deposits was \$12,866,375. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of December 31, 2010, \$6,577,566 of the City's bank balance of \$11,986,396 was exposed to custodial risk as discussed below, while \$5,408,830 was covered by the FDIC.

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

CITY OF AURORA, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

D. Investments

As of December 31, 2010, the City had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturity 6 months or less</u>
STAR Ohio	\$ 4,184,328	\$ 4,184,328
Total	<u>\$ 4,184,328</u>	<u>\$ 4,184,328</u>

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

Credit Risk: Standard & Poor's has assigned STAR Ohio an AAA money market rating. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard service rating.

Concentration of Credit Risk: The City places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the City at December 31, 2010:

<u>Investment type</u>	<u>Fair Value</u>	<u>% to Total</u>
STAR Ohio	\$ 4,184,328	100.00
Total	<u>\$ 4,184,328</u>	<u>100.00</u>

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

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net assets as of December 31, 2010:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 12,866,375
Investments	4,184,328
Cash in segregated accounts	86,966
Cash on hand	1,985
Total	<u>\$ 17,139,654</u>
 <u>Cash and investments per statement of net assets</u>	
Governmental activities	\$ 13,502,898
Business-type activities	3,245,452
Agency funds	391,304
Total	<u>\$ 17,139,654</u>

CITY OF AURORA, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

NOTE 5 - INTERFUND TRANSACTIONS

- A.** Interfund transfers for the year ended December 31, 2010, consisted of the following, as reported on the fund financial statements:

Transfers from general fund to:

Sewer fund	\$ 6,900
Nonmajor governmental funds	<u>1,625,750</u>
Total	<u>\$ 1,632,650</u>

Transfers from nonmajor governmental funds to:

General fund	\$ 1,759
Nonmajor governmental funds	<u>588,000</u>
Total	<u>\$ 589,759</u>

Transfers from water fund to:

Sewer fund	<u>\$ 210,043</u>
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Transfers are used to (1) move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

The water and sewer enterprise funds received \$6,200 and \$7,773 in capital contributions, respectively, from governmental activities during 2010. These amounts, which are not included in the schedule above, are shown as transfers on the statement of revenues, expenses, and changes in net assets - proprietary funds. These amounts are included as transfers in governmental activities and business-type activities on the statement of net activities.

The \$1,759 transfer to the general fund from the unclaimed monies fund (a nonmajor governmental fund) was in accordance with Ohio Revised Code 9.39.

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

- B.** Due from/to other funds consisted of the following at December 31, 2010, as reported on the fund financial statements:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General fund	Nonmajor governmental fund	<u>\$ 66,200</u>

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

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

CITY OF AURORA, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

NOTE 5 - INTERFUND TRANSACTIONS - (Continued)

- C. Long-term advances to/from other funds at December 31, 2010 as reported on the fund financial statements, consisted of the following:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
Nonmajor governmental fund	Water fund	<u>\$ 247,026</u>

Principal and interest requirements to retire the long-term advances outstanding at December 31, 2010 are as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 57,215	\$ 11,767	\$ 68,982
2012	60,142	8,840	68,982
2013	63,219	5,763	68,982
2014	<u>66,450</u>	<u>2,532</u>	<u>68,982</u>
Total	<u>\$ 247,026</u>	<u>\$ 28,902</u>	<u>\$ 275,928</u>

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

NOTE 6 - RECEIVABLES

Receivables at December 31, 2010, consisted primarily of municipal income taxes, real and other taxes, other local taxes, special assessments, accounts, accrued interest, loans and intergovernmental receivables arising from grants, entitlements, and shared revenues. All receivables are deemed collectible in full.

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

A. Property Taxes

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

CITY OF AURORA, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

NOTE 6 - RECEIVABLES - (Continued)

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 proceeding the tax collection year, the lien date. Public utility tangible personal property is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2010 public utility property taxes became a lien December 31, 2009, are levied after October 1, 2010, and are collected in 2011 with real property taxes. Public utility property taxes are payable on the same dates as real property taxes described previously.

Tangible personal property tax revenues received in calendar year 2010 (other than public utility property) represent the collection of calendar year 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property taxes received from telephone companies in calendar year 2010 were levied after October 1, 2009, on the value as of December 31, 2009. 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.

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

The County Treasurer collects property taxes on behalf of all taxing districts in the County, including the City of Aurora. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real property taxes, public utility taxes, tangible personal property taxes and outstanding delinquencies which are measurable as of December 31, 2010 and for which there is an enforceable legal claim. In the governmental funds, the current portion receivable has been offset by unearned revenue since the current taxes were not levied to finance 2010 operations and the collection of delinquent taxes has been offset by deferred revenue since the collection of the taxes during the available period is not subject to reasonable estimation. On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on a modified accrual basis the revenue is deferred.

CITY OF AURORA, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

NOTE 6 - RECEIVABLES - (Continued)

The full tax rate for all City operations for the year ended December 31, 2010 was \$7.77 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2010 property tax receipts were based are as follows:

Real property tax	\$ 579,738,480
Public utility tangible personal property	<u>8,114,380</u>
Total Assessed Value	<u><u>\$ 587,852,860</u></u>

Ohio law prohibits taxation of property from all taxing authorities in excess of 1% of assessed value without a vote of the people. Under current procedures, the City's share is 0.777% (7.77 mils) of assessed value.

B. Municipal Income Taxes

The City levies an income tax of 2% on substantially all income earned within the City with a 100% credit allowed for income taxed paid to other municipalities. Collection fees charged by RITA of \$298,551 in 2010 are reflected in the financial statements as general government expenditures in the general fund. See Note 2.E. (Revenue Recognition) for distribution of income taxes by fund.

C. Intergovernmental Receivables

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

<u>Governmental activities</u>	<u>Amounts</u>
Homestead and rollback	\$ 197,300
State income tax	35,523
Gasoline and excise tax	276,702
Motor vehicle license fees	55,458
Permissive motor vehicle license tax	58,478
County fines and forfeitures	623
Grants	18,358
State sales tax	<u>141,512</u>
Total	<u><u>\$ 783,954</u></u>

D. Loans Receivable

Loans receivable represent loans for housing repair and rehabilitation projects granted to eligible City property owners under the Community Housing Improvement Program (CHIP). During 2010, new loans were issued by the City in the amount of \$263,187. The loans outstanding at December 31, 2010 are to be repaid in full upon the sale of the property. As of December 31, 2010, none of the properties were sold by City residents.

CITY OF AURORA, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

NOTE 7 - CAPITAL ASSETS

- A. Capital assets of the governmental activities have been restated by \$1,437,476 to reflect construction in progress not previously reported at December 31, 2009. Capital assets that were previously reported as land have also been reclassified to easements and right of ways in accordance with GASB Statement No. 51, “Accounting and Financial Reporting for Intangible Assets”. The effect of these changes in governmental activities capital assets and 2010 capital asset activity is as follows:

<u>Governmental activities:</u>	Restated Balance			Balance
	<u>12/31/09</u>	<u>Additions</u>	<u>Deductions</u>	<u>12/31/10</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 21,316,598	\$ 489,991	\$ -	\$ 21,806,589
Easements and right of ways	11,189,349	1,903,308	(519)	13,092,138
Construction in progress	<u>3,113,984</u>	<u>342,596</u>	<u>(230,032)</u>	<u>3,226,548</u>
Total capital assets, not being depreciated	<u>35,619,931</u>	<u>2,735,895</u>	<u>(230,551)</u>	<u>38,125,275</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	1,366,299	53,041	-	1,419,340
Buildings and improvements	13,012,231	376,451	-	13,388,682
Equipment	7,467,096	603,137	(253,766)	7,816,467
Infrastructure	<u>19,647,392</u>	<u>710,287</u>	<u>(15,177)</u>	<u>20,342,502</u>
Total capital assets, being depreciated	<u>41,493,018</u>	<u>1,742,916</u>	<u>(268,943)</u>	<u>42,966,991</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(431,965)	(63,282)	-	(495,247)
Buildings and improvements	(3,884,896)	(284,221)	-	(4,169,117)
Equipment	(4,110,431)	(484,228)	207,088	(4,387,571)
Infrastructure	<u>(3,505,773)</u>	<u>(419,363)</u>	<u>8,831</u>	<u>(3,916,305)</u>
Total accumulated depreciation	<u>(11,933,065)</u>	<u>(1,251,094)</u>	<u>215,919</u>	<u>(12,968,240)</u>
Total capital assets, being depreciated, net	<u>29,559,953</u>	<u>491,822</u>	<u>(53,024)</u>	<u>29,998,751</u>
Governmental activities capital assets, net	<u>\$ 65,179,884</u>	<u>\$ 3,227,717</u>	<u>\$ (283,575)</u>	<u>\$ 68,124,026</u>

CITY OF AURORA, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

NOTE 7 - CAPITAL ASSETS - (Continued)

Depreciation expense was charged to governmental activities as follows:

General government	\$ 161,452
Security of persons and property	313,091
Transportation	646,720
Community environment	12,826
Leisure time activity	<u>117,005</u>
Total depreciation expense - governmental activities	<u>\$ 1,251,094</u>

- B.** Capital assets of the business-type activities have been restated by \$824,084 to reflect construction in progress not previously reported at December 31, 2009. Capital assets that were previously reported as land have also been reclassified to easements in accordance with GASB Statement No. 51, “Accounting and Financial Reporting for Intangible Assets”. The effect of these changes in business-type activities capital assets and 2010 capital asset activity is as follows:

	Restated Balance			Balance
<u>Business-type activities:</u>	<u>12/31/09</u>	<u>Additions</u>	<u>Deductions</u>	<u>12/31/10</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 1,253,550	\$ -	\$ -	\$ 1,253,550
Easements	27,677	-	-	27,677
Construction in progress	<u>3,037,233</u>	<u>730,375</u>	<u>(2,025,342)</u>	<u>1,742,266</u>
Total capital assets, not being depreciated	<u>4,318,460</u>	<u>730,375</u>	<u>(2,025,342)</u>	<u>3,023,493</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	166,057	219,801	-	385,858
Buildings and improvements	16,356,159	13,155	-	16,369,314
Equipment	1,749,857	104,062 *	(5,579)	1,848,340
Infrastructure	<u>31,358,942</u>	<u>2,163,373</u>	<u>(12,781)</u>	<u>33,509,534</u>
Total capital assets, being depreciated	<u>49,631,015</u>	<u>2,500,391</u>	<u>(18,360)</u>	<u>52,113,046</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(20,675)	(10,900)	-	(31,575)
Buildings and improvements	(4,695,609)	(343,843)	-	(5,039,452)
Equipment	(824,968)	(106,658) *	353	(931,273)
Infrastructure	<u>(7,900,788)</u>	<u>(678,558)</u>	<u>10,408</u>	<u>(8,568,938)</u>
Total accumulated depreciation	<u>(13,442,040)</u>	<u>(1,139,959)</u>	<u>10,761</u>	<u>(14,571,238)</u>
Total capital assets, being depreciated, net	<u>36,188,975</u>	<u>1,360,432</u>	<u>(7,599)</u>	<u>37,541,808</u>
Business-type activities capital assets, net	<u>\$ 40,507,435</u>	<u>\$ 2,090,807</u>	<u>\$ (2,032,941)</u>	<u>\$ 40,565,301</u>

CITY OF AURORA, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

NOTE 7 - CAPITAL ASSETS - (Continued)

Depreciation expense was charged to the enterprise funds as follows:

<u>Business-type activities:</u>	
Water	\$ 271,845
Sewer	838,653
Other nonmajor	<u>9,897</u>
 Total depreciation expense - business-type activities	 <u>\$ 1,120,395</u>

*Includes transfer of asset from governmental fund

NOTE 8 - CAPITAL LEASES

In 2010 and in prior years, the City entered into capital lease agreements for copier equipment, a sewer cleaner and a wheel loader. The copier equipment and wheel loader have been capitalized in the governmental activities. The sewer cleaner has been capitalized on a basis of one-third in the heavy equipment replacement fund (a non-major governmental fund) and two-thirds in the sewer fund, because the asset will be used by both funds. These lease agreements meet the criteria of a capital lease as defined by FASB Statement No. 13 “Accounting for Leases”, which defines a capital lease as one which transfers benefits and risks of ownership to the lessee.

The amount in governmental activities of \$231,386 represents the present value of the minimum lease payments at the time of acquisition and the amount of \$182,440 represents the present value of the minimum lease payments at the time of acquisition for the sewer fund. As of December 31, 2010, accumulated depreciation was \$39,443 in governmental activities, resulting in a carrying value of \$191,943. A corresponding liability was recorded in the governmental activities long-term obligations. As of December 31, 2010, accumulated depreciation was \$33,701 in the sewer fund, resulting in a carrying value of \$148,739. A corresponding liability was recorded in the sewer fund. Principal payments in 2010 totaled \$46,918 in governmental activities and \$36,413 in the sewer enterprise fund.

The following is a schedule of the future long-term minimum lease payments required under the capital lease agreements and the present value of the minimum lease payments as of December 31, 2010:

<u>Year Ending</u> <u>December 31,</u>	<u>General</u>	<u>Nonmajor</u> <u>governmental</u>	<u>Total</u> <u>governmental</u>	<u>Sewer</u>
2011	\$ 2,696	\$ 43,820	\$ 46,516	\$ 39,891
2012	-	23,073	23,073	-
2013	-	23,074	23,074	-
2014	-	23,073	23,073	-
2015	-	<u>23,073</u>	<u>23,073</u>	-
Total	2,696	136,113	138,809	39,891
Less: amount representing interest	<u>(524)</u>	<u>(16,083)</u>	<u>(16,607)</u>	<u>(1,780)</u>
Present value of net minimum lease payments	<u>\$ 2,172</u>	<u>\$ 120,030</u>	<u>\$ 122,202</u>	<u>\$ 38,111</u>

CITY OF AURORA, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

NOTE 9 - LONG-TERM OBLIGATIONS

Long-term bonds and loans outstanding for the governmental and business-type activities at December 31, 2010 included the following:

<u>Purpose (Description)</u>	<u>Principal Original Issuance</u>	<u>Interest Rate</u>	<u>Date of Final Installment</u>	<u>Amount Balance at 12/31/10</u>
<u>Governmental activities</u>				
Voted general obligation bonds to be repaid by property tax revenues:				
Land acquisition improvement	\$ 6,500,000	2.00-5.125%	December 1, 2027	\$ 5,085,000
Total voted debt				<u>\$ 5,085,000</u>
Unvoted general obligation bonds:				
Various purpose refunding bonds, Series 2005 (Limited Tax Bonds)	4,910,826	3.00-5.00%	December 1, 2018	\$ 4,020,518
Total unvoted debt				<u>\$ 4,020,518</u>
Long-term loans payable:				
OPWC Loan - CG19G	150,000	0.00%	July 1, 2017	\$ 97,500
OPWC Loan - CG16L	150,000	0.00%	January 1, 2019	120,000
OPWC Loan - CG28M				<u>221,863</u>
Total long-term loans				<u>\$ 439,363</u>
Total governmental activities bonds and loans				<u>\$ 9,544,881</u>
<u>Business-type activities</u>				
Unvoted general obligations bonds:				
Various purpose refunding bonds Series 2005 (Limited Tax Bonds)	479,175	3.00-5.00%	December 1, 2018	\$ 389,480
Weston Woods Subdivision bonds, series 2008	300,000	5.50-5.75%	December 1, 2028	<u>285,000</u>
Total unvoted debt				<u>\$ 674,480</u>
Long-term loans payable:				
OWDA loans to be repaid from user fees:				
Central wastewater treatment facility Sunny lake park	10,762,206	3.98-4.04%	January 1, 2021	\$ 5,244,138 27,751
OWPC loans:				
Weston Woods sanitary sewer	150,000	0.00%	January 1, 2018	105,000
CC sanitary sewer improvement project	212,500	0.00%	July 1, 2015	112,500
SR 43/SR 306 waterline	200,000	0.00%	January 1, 2024	<u>130,000</u>
Total long-term loans				<u>\$ 5,619,389</u>
Total business-type activities bonds and loans				<u>\$ 6,293,869</u>

CITY OF AURORA, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

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

	Balance 12/31/09	Issued	Retired	Balance 12/31/10	Amounts Due in One Year
<u>Governmental activities:</u>					
General obligation bonds	\$ 9,711,851	\$ -	\$ (606,333)	\$ 9,105,518	\$ 629,111
OPWC loans	247,500	246,514	(54,651)	439,363	54,651
Capital lease	45,570	123,550	(46,918)	122,202	39,985
Compensated absences	915,459	-	(57,863)	857,596	512
Total governmental long-term liabilities	<u>\$ 10,920,380</u>	<u>\$ 370,064</u>	<u>\$ (765,765)</u>	10,524,679	<u>\$ 724,259</u>
				Add: Unamortized premium on bond issue	151,063
				Less: Deferred amount on refunding	<u>(183,956)</u>
				Total: Reported on the statement of net assets	<u>\$ 10,491,786</u>
<u>Business-type activities:</u>					
General obligation bonds	\$ 723,147	\$ -	\$ (48,667)	\$ 674,480	\$ 50,889
OWDA loans	5,824,092	118,677	(670,880)	5,271,889	583,462
OPWC loans	397,500	-	(50,000)	347,500	50,000
Capital lease	74,524	-	(36,413)	38,111	38,111
Compensated absences	38,068	3,629	(2,328)	39,369	3,147
Total business-type long-term liabilities	<u>\$ 7,057,331</u>	<u>\$ 122,306</u>	<u>\$ (808,288)</u>	6,371,349	<u>\$ 725,609</u>
				Add: Unamortized premium on bond issue	23,697
				Less: Deferred amount on refunding	<u>(17,906)</u>
				Total reported on the statement of net assets	<u>\$ 6,377,140</u>

Capital lease obligations are described in Note 8.

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

Refunding Bonds

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

CITY OF AURORA, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

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

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

The City has pledged future sewer revenues to repay Ohio Water Development Authority (OWDA) loans. The loans are payable solely from sewer fund revenues and are payable through 2020. Annual principal and interest payments on the loans are expected to require 90.60 percent of net revenues and 38.14 percent of total revenues. The total principal and interest remaining to be paid on the loans is \$6,230,905. Principal and interest paid for the current year was \$903,238, principal forgiveness through American Reinvestment Recovery Act (ARRA) grant monies was \$105,282, total net revenues were \$158,353 and total revenues were \$2,368,405.

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

Future Debt Service Requirements

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

Year Ending December 31,	G. O. Bonds			OPWC Loans		
	Principal	Interest	Total	Principal	Interest	Total
2011	\$ 629,111	\$ 426,939	\$ 1,056,050	\$ 54,651	\$ -	\$ 54,651
2012	652,333	403,867	1,056,200	54,652	-	54,652
2013	685,111	374,859	1,059,970	54,651	-	54,651
2014	712,889	347,505	1,060,394	54,652	-	54,652
2015	750,221	312,748	1,062,969	54,651	-	54,651
2016 - 2020	3,070,853	1,022,390	4,093,243	166,106	-	166,106
2021 - 2025	1,765,000	495,588	2,260,588	-	-	-
2026 - 2027	840,000	65,088	905,088	-	-	-
Total	<u>\$ 9,105,518</u>	<u>\$ 3,448,984</u>	<u>\$ 12,554,502</u>	<u>\$ 439,363</u>	<u>\$ -</u>	<u>\$ 439,363</u>

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

Year Ending December 31,	G. O. Bonds			OWDA Loans			OPWC Loans		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2011	\$ 50,889	\$ 40,261	\$ 91,150	\$ 583,462	\$ 204,866	\$ 788,328	\$ 50,000	\$ -	\$ 50,000
2012	52,667	38,933	91,600	607,171	181,157	788,328	50,000	-	50,000
2013	54,889	35,161	90,050	631,844	156,484	788,328	50,000	-	50,000
2014	57,111	32,389	89,500	657,519	140,809	798,328	50,000	-	50,000
2015	59,779	29,171	88,950	684,238	104,090	788,328	37,500	-	37,500
2016 - 2020	239,145	89,567	328,712	2,079,904	171,610	2,251,514	80,000	-	80,000
2021 - 2025	90,000	36,513	126,513	-	-	-	30,000	-	30,000
2026 - 2028	70,000	8,338	78,338	-	-	-	-	-	-
Total	<u>\$ 674,480</u>	<u>\$ 310,333</u>	<u>\$ 984,813</u>	<u>\$ 5,244,138</u>	<u>\$ 959,016</u>	<u>\$ 6,203,154</u>	<u>\$ 347,500</u>	<u>\$ -</u>	<u>\$ 347,500</u>

CITY OF AURORA, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

The sunny lake park OWDA loan is currently “open” meaning that final disbursements have not been made from the OWDA; therefore, future debt service requirements have not been finalized and are not presented in the schedule above. The balance of the sunny lake park OWDA loan at December 31, 2010 was \$27,751.

Legal Debt Margin

The Ohio Revised Code provides that the net debt of a municipal corporation, whether or not approved by the electors, shall not exceed 10.5% of the total value of the property in the municipal corporation as listed and assessed for taxation. In addition, the unvoted net debt of municipal corporations cannot exceed 5.5% of the total taxation value of property. The assessed valuation used in determining the City’s legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in calculating the City’s legal debt margin exceeds tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property and personal property owned or leased by a railroad company and used in railroad operations. The statutory limitations on debt are measured by a direct ratio of net debt to tax valuation and expressed in terms of a percentage. At December 31, 2010, the City’s total debt margin was \$59,396,328 and the unvoted debt margin was \$32,331,907.

NOTE 10 - COMPENSATED ABSENCES

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

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

The City offered a one-time early retirement incentive during 2010 to all employees who qualified for retirement from public employment according to State guidelines and whose combination of age and years of service with the City totaled at least 75 years. The payment consisted of \$10,000 plus \$500 for each year of service with the City in excess of 10 years. All employees that took advantage of the retirement incentive were paid in their entirety before December 31, 2010.

NOTE 11 - RISK MANAGEMENT

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

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

CITY OF AURORA, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

NOTE 11 - RISK MANAGEMENT - (Continued)

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

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

As an integral part of the health insurance program, a reinsurance policy has been purchased covering claims in excess of \$50,000 per individual per year up to a maximum of \$1,950,000 per individual per lifetime. Settled claims have not exceeded the commercial coverage limits in any of the past three years.

Total contributions to the program during 2010 were \$1,981,155. The claims liability of \$71,136 reported in the general fund at December 31, 2010 is based on the requirements of GASB Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues," as amended by GASB Statement No. 30 "Risk Financing Omnibus" which requires that a liability for claims be reported if information prior to issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

Changes in the claims liability amount for the last two years are:

	Balance at Beginning <u>of Year</u>	Current <u>Claims</u>	Claims <u>Payment</u>	Balance at <u>End of Year</u>
2010	\$ 89,000	\$ (1,999,019)	\$ 1,981,155	\$ 71,136
2009	49,779	(1,790,570)	1,829,791	89,000

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

NOTE 12 - PENSION PLANS

A. Ohio Public Employees Retirement System

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

CITY OF AURORA, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010**

NOTE 12 - PENSION PLANS - (Continued)

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

Funding Policy - The Ohio Revised Code provides statutory authority for member and employer contributions. For 2010, member and contribution rates were consistent across all three plans. While members in the State and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the Traditional Plan. The 2010 member contribution rates were 10.00% for members in State and local classifications. Public safety and law enforcement members contributed 10.5% and 11.1%, respectively. The City's contribution rate for 2010 was 14.00%, except for those plan members in law enforcement or public safety, for whom the City's contribution was 17.87% of covered payroll.

The City's contribution rate for pension benefits for members in the Traditional Plan for 2010 was 8.50% from January 1 through February 28, 2010 and 9.00% from March 1 through December 31, 2010. The City's contribution rate for pension benefits for members in the Combined Plan for 2010 was 9.27% from January 1 through February 28, 2010 and 9.77% from March 1 through December 31, 2010. For those plan members in law enforcement and public safety pension contributions were 12.37% from January 1 through February 28, 2010 and 12.87% from March 1 through December 31, 2010. The City's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2010, 2009, and 2008 were \$400,396, \$378,569 and \$310,278, respectively; 91.96% has been contributed for 2010 and 100% has been contributed for 2009 and 2008. Contributions to the member-directed plan for 2010 were \$840 made by the City and \$600 made by the plan members. All City contributions have been paid as required by OPERS.

B. Ohio Police and Fire Pension Fund

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

Funding Policy - Plan members are required to contribute 10.0% of their annual covered salary, while the City is required to contribute 19.50% and 24.00% for police officers and firefighters, respectively. Contribution rates are established by State statute. For 2010, the portion of the City's contributions to fund pension obligations was 12.75% for police officers and 17.25% for firefighters. The City's required contributions for pension obligations to OP&F for police officers and firefighters were \$237,763 and \$242,674 for the year ended December 31, 2010, \$239,637 and \$233,563 for the year ended December 31, 2009 and \$236,671 and \$226,268 for the year ended December 31, 2008. The full amount has been contributed for 2009 and 2008. 91.50% has been contributed for police and 91.63% has been contributed for firefighters for 2010. All City contributions have been paid as required by OP&F.

CITY OF AURORA, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

NOTE 13 - POSTRETIREMENT BENEFIT PLANS

A. Ohio Public Employees Retirement System

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

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

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

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

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2010, local government employers contributed 14.00% of covered payroll (17.87% for public safety and law enforcement). Each year the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for the funding of the postemployment health care benefits. The portion of employer contributions allocated to fund post-employment healthcare for members in the Traditional Plan for 2010 was 5.50% from January 1 through February 28, 2010 and 5.00% from March 1 through December 31, 2010. The portion of employer contributions allocated to fund post-employment healthcare for members in the Combined Plan for 2010 was 4.73% from January 1 through February 28, 2010 and 4.23% from March 1 through December 31, 2010.

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

The City's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2010, 2009, and 2008 were \$226,732, \$277,094 and \$310,278, respectively; 91.96% has been contributed for 2010 and 100% has been contributed for 2009 and 2008. All City contributions have been paid as required by OPERS.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Board of Trustees on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates for state and local employers increased on January 1 of each year from 2006 to 2008. Rates for law and public safety employers increased over a six year period beginning on January 1, 2006, with a final rate increase on January 1, 2011. These rate increases allowed additional funds to be allocated to the health care plan.

CITY OF AURORA, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

NOTE 13 - POSTRETIREMENT BENEFIT PLANS - (Continued)

B. Ohio Police and Fire Pension Fund

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

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

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

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

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

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan into the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For the year ended December 31, 2010, the employer contribution allocated to the health care plan was 6.75% of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that the pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

The OP&F Board of Trustees also is authorized to establish requirements for contributions to the health care plan by retirees and their eligible dependents, or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The City's contributions to OP&F which were allocated to fund post-employment healthcare benefits for police officers and firefighters were \$125,875 and \$94,960 for the year ended December 31, 2010, \$126,866 and \$91,394 for the year ended December 31, 2009 and \$125,296 and \$88,539 for the year ended December 31, 2008. The full amount has been contributed for 2009 and 2008. 91.50% has been contributed for police and 91.63% has been contributed for firefighters for 2010. All City contributions have been paid as required by OP&F.

CITY OF AURORA, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

NOTE 14 - BUDGETARY BASIS OF ACCOUNTING

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

1. Revenues and other financing sources are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP);
2. Expenditures/expenses and other financing uses are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP);
3. Encumbrances are treated as expenditures (budget) rather than as a reservation of fund balance (GAAP);
4. Unreported cash represents amounts received but not included as revenue on the budget basis operating statements. These amounts are included as revenue on the GAAP basis operating statement; and,
5. Advances-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

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

Net Change in Fund Balance		
	<u>General</u>	<u>Fire Paramedic Levy Fund</u>
Budget basis	\$ 183,861	\$ 14,792
Net adjustment for revenue accruals	285,079	-
Net adjustment for expenditure accruals	57,753	(3,577)
Net adjustment for other financing sources (uses)	(521,225)	-
Adjustment for encumbrances	89,589	8,310
GAAP basis	\$ 95,057	\$ 19,525

CITY OF AURORA, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

NOTE 15 - CONTINGENCIES

A. Grants

The City received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the City at December 31, 2010.

B. Litigation

At December 31, 2010, the City was not involved in any lawsuits that would have a material adverse effect on the City's financial position.

NOTE 16 - CONTRACTUAL COMMITMENTS

As a result of various capital projects that were in progress at year end, the City had the following outstanding contractual commitments at December 31, 2010:

<u>Vendor</u>	<u>Contract Amount</u>	<u>Amount Expended</u>	<u>Amount Outstanding</u>
Artistic Design Homes	\$ 100,200	\$ (50,000)	\$ 50,200
Michael Benza & Associates	63,575	(61,256)	2,319
Mr. Excavator	694,989	(538,419)	156,570
DDD Enterprises	943,200	(115,594)	827,606
Foresight Engineering	<u>107,852</u>	<u>(96,601)</u>	<u>11,251</u>
Total Contractual Commitments	<u>\$ 1,909,816</u>	<u>\$ (861,870)</u>	<u>\$ 1,047,946</u>

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**CITY OF AURORA
PORTAGE COUNTY**

**FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDING DECEMBER 31, 2010**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
<i>Passed Through Ohio Department of Development:</i>			
Community Development Block Grant Community Housing Improvement Program	AC-08-087-1 AC-08-087-2	14.228	\$118,000 8,000
Total U.S. Department of Housing and Urban Development			126,000
<u>U.S. DEPARTMENT OF JUSTICE</u>			
<i>Direct Program</i>			
Bulletproof Vest Partnership Program	N/A	16.607	8,330
Total U.S. Department of Justice			8,330
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
<i>Passed Through Ohio Department of Transportation</i>			
Capital Right of Way, Bike & Pedestrian Trail	80654	20.205	411,699
Total U.S. Department of Transportation			411,699
<u>U.S. ENVIRONMENTAL PROTECTION AGENCY</u>			
<i>Passed Through Ohio EPA via OWDA Project:</i>			
ARRA - Sunny Park Sanitary Sewer and Pump Station	CS-396075-01	66.458	120,365
Total U.S. Environmental Protection Agency			120,365
Total			<u>666,394</u>

The accompanying notes to this schedule are an integral part of this schedule.

**CITY OF AURORA
PORTAGE COUNTY**

**NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE
FISCAL YEAR ENDED DECEMBER 31, 2010**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Expenditures Schedule (the Schedule) reports the City of Aurora (the City's) federal award programs' disbursements. The schedule has been prepared on the cash basis of accounting.

NOTE B - COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) REVOLVING LOAN PROGRAMS

The City has a revolving loan fund (RLF) program to provide low-interest loans to businesses to create jobs for low to moderate income persons and also to lend money to eligible persons to rehabilitate homes. The Federal Department of Housing and Urban Development (HUD) grants money for these loans to the City passed through the Ohio Department of Development. The initial loan of this money was recorded as a disbursement on the accompanying Federal Awards Expenditures Schedule. Loans repaid, including interest, are used to make additional loans. Such subsequent loans are subject to certain compliance requirements imposed by HUD, but are not included as disbursements on the Schedule.

These loans are collateralized by mortgages on the property. At December 31, 2010, the gross amount of loans outstanding under this program was \$249,222.

NOTE C - MATCHING REQUIREMENTS

Certain Federal programs require the City to contribute non-Federal funds (matching funds) to support the Federally-funded programs. The City has complied with the matching requirements. The Schedule does not include the expenditure of non-Federal matching funds.



Dave Yost • Auditor of State

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

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

To the Honorable Mayor and City Council:

We have audited 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, 2010, which collectively comprise the City's basic financial statements and have issued our report thereon dated July 7, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and timely corrected.

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

Compliance and Other Matters

As part of reasonably assuring whether the City's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We intend this report solely for the information and use of the audit committee, management, City Council, others within the City, federal awarding agencies, and pass-through entities. We intend it for no one other than these specified parties.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

July 7, 2011



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

To the Honorable Mayor and City Council:

Compliance

We have audited the compliance of the City of Aurora (the City) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the City of Aurora's major federal program for the year ended December 31, 2010. The summary of auditor's results section of the accompanying schedule of findings identifies the City's major federal program. The City's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City of Aurora complied, in all material respects, with the requirements referred to above that could directly and materially affect its major federal program for the year ended December 31, 2010.

Internal Control Over Compliance

The City's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of opining on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

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

We intend this report solely for the information and use of the audit committee, management, City Council, others within the City, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

July 7, 2011

**CITY OF AURORA
PORTAGE COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505**

DECEMBER 31, 2010

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any other significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	Capital Right of Way, Bike & Pedestrian Trail – CFDA No. 20.205
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

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Dave Yost • Auditor of State

CITY OF AURORA

PORTAGE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
AUGUST 4, 2011