

**CITY OF AURORA
PORTAGE COUNTY, OHIO**

AUDIT REPORT

**FOR THE YEAR ENDED
DECEMBER 31, 2014**

James G. Zupka, CPA, Inc.
Certified Public Accountants



Dave Yost • Auditor of State

Members of Council
City of Aurora
130 S. Chillicothe Road
Aurora, Ohio 44202

We have reviewed the Independent Auditor's Report of the City of Aurora, Portage County, prepared by James G. Zupka, CPA, Inc., for the audit period January 1, 2014 through December 31, 2014. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The City of Aurora is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

August 28, 2015

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**CITY OF AURORA
PORTAGE COUNTY, OHIO
AUDIT REPORT
FOR THE YEAR ENDED DECEMBER 31, 2014**

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JAMES G. ZUPKA, C.P.A., INC.

Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

To the Members of City Council
City of Aurora, Ohio

The Honorable Dave Yost
Auditor of State
State of Ohio

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Aurora, Portage County, Ohio (the City), as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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, Ohio, as of December 31, 2014, and the respective changes in financial position, and where applicable, cash flows and the respective budgetary comparison for the General Fund and the Fire Paramedic Levy Fund thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting 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 assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Aurora, Ohio's basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 5, 2015, on our consideration of the City of Aurora, Ohio’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Aurora, Ohio’s internal control over financial reporting and compliance.

James G. Zupka,
CPA, President

Digitally signed by James G. Zupka, CPA,
President
DN: cn=James G. Zupka, CPA, President,
o=James G. Zupka, CPA, Inc., ou=Accounting,
email=jgzcpa@sbcglobal.net, c=US
Date: 2015.06.25 10:51:11 -04'00'

James G. Zupka, CPA, Inc.
Certified Public Accountants

June 5, 2015

CITY OF AURORA, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2014

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, 2014. 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 2014 are as follows:

- The total net position of the City increased \$4,175,573. The net position of governmental activities increased \$2,680,196 or 2.81% from 2013, and the net position of business-type activities increased \$1,495,377 or 3.60% from 2013.
- General revenues accounted for \$17,975,911 or 86.17% of total governmental activities revenue. Program specific revenues accounted for \$2,885,759 or 13.83% of total governmental activities revenue.
- The City had \$17,968,547 in expenses related to governmental activities; \$2,885,759 of these expenses were offset by program specific charges for services, grants or contributions. The remaining expenses of the governmental activities of \$15,082,788 were offset by general revenues (primarily property taxes, municipal income taxes, and unrestricted grants and entitlements) of \$17,975,911.
- The City's major governmental funds are the general fund and the fire paramedic levy fund. The general fund had revenues of \$15,858,425 and expenditures and other financing uses of \$14,890,138 during 2014. The net increase in fund balance for the general fund was \$968,287 or 11.77%.
- The fire paramedic levy fund had revenues of \$876,378 and expenditures of \$810,151 during 2014. The net increase in fund balance for the fire paramedic levy fund was \$66,227 or 20.22%.
- Business-type activities include operations of the City's water, sewer, and cemetery enterprise funds. The net position of the business-type activities totaled \$42,978,717 at December 31, 2014. General revenues accounted for \$27,885 or 0.43% of total business-type activities revenue, while program specific revenues accounted for \$6,498,905 or 99.57% of total business-type activities revenue.

Using the Basic Financial Statements (BFS)

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

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

CITY OF AURORA, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2014

Reporting the City as a Whole

Statement of Net Position and the Statement of Activities

While this document contains a large number of funds used by the City to provide programs and activities, the view of the City as a whole looks at all financial transactions and asks the question, "How did the City do financially during 2014?" The statement of net position and the statement of activities answer this question. These statements include all assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

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

The City's statement of net position and statement of activities can be found on pages 19-21 of this report.

Reporting the City's Most Significant Funds

Fund Financial Statements

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

Fund financial reports provide detailed information about the City's major funds. The City uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the City's most significant funds. The City's major governmental funds are the general fund and the fire paramedic levy fund. The City's major enterprise funds are the water fund and the sewer fund. The analysis of the City's major governmental funds begins on page 12.

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, 2014

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 22-27 of this report.

Proprietary Funds

The City maintains proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water operations, sewer operations and cemetery activity. The City reports the water fund and the 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 28-31 of this report.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. Agency funds are the City's only fiduciary fund type. The basic fiduciary fund financial statement can be found on page 32 of this report.

Notes to the Basic Financial Statements

The notes to the basic financial statements 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 33-65 of this report.

CITY OF AURORA, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014

Government-Wide Financial Analysis

The statement of net position provides the perspective of the City as a whole. The table below provides a summary of the City's net position at December 31, 2014 and December 31, 2013.

Net Position

	Governmental Activities 2014	Governmental Activities 2013	Business-type Activities 2014	Business-type Activities 2013	Total 2014	Total 2013
<u>Assets</u>						
Current and other assets	\$ 28,808,572	\$ 26,280,648	\$ 7,852,053	\$ 6,573,413	\$ 36,660,625	\$ 32,854,061
Capital assets, net	<u>81,616,945</u>	<u>82,376,042</u>	<u>39,084,228</u>	<u>39,585,375</u>	<u>120,701,173</u>	<u>121,961,417</u>
Total assets	<u>110,425,517</u>	<u>108,656,690</u>	<u>46,936,281</u>	<u>46,158,788</u>	<u>157,361,798</u>	<u>154,815,478</u>
<u>Deferred Outflows of Resources</u>	<u>274,623</u>	<u>313,898</u>	<u>8,317</u>	<u>10,714</u>	<u>282,940</u>	<u>324,612</u>
<u>Liabilities</u>						
Current and other liabilities	1,198,093	1,201,027	303,878	272,369	1,501,971	1,473,396
Long-term liabilities outstanding	<u>8,159,797</u>	<u>9,134,751</u>	<u>3,662,003</u>	<u>4,413,793</u>	<u>11,821,800</u>	<u>13,548,544</u>
Total liabilities	<u>9,357,890</u>	<u>10,335,778</u>	<u>3,965,881</u>	<u>4,686,162</u>	<u>13,323,771</u>	<u>15,021,940</u>
<u>Deferred Inflows of Resources</u>	<u>3,431,423</u>	<u>3,404,179</u>	<u>-</u>	<u>-</u>	<u>3,431,423</u>	<u>3,404,179</u>
<u>Net Position</u>						
Net investment in capital assets	74,658,145	74,683,557	35,302,242	35,181,286	109,960,387	109,864,843
Restricted	5,504,455	4,846,845	-	-	5,504,455	4,846,845
Unrestricted	<u>17,748,227</u>	<u>15,700,229</u>	<u>7,676,475</u>	<u>6,302,054</u>	<u>25,424,702</u>	<u>22,002,283</u>
Total net position	<u>\$ 97,910,827</u>	<u>\$ 95,230,631</u>	<u>\$ 42,978,717</u>	<u>\$ 41,483,340</u>	<u>\$ 140,889,544</u>	<u>\$ 136,713,971</u>

Over time, net position can serve as a useful indicator of a government's financial position. At December 31, 2014, the City's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$140,889,544.

Capital assets reported on the government-wide statements represent the largest portion of the City's assets. At year-end, capital assets represented 73.91% of total assets. Capital assets include land, easements, right of ways, land improvements, buildings and improvements, equipment, infrastructure, and construction in progress. The City's net investment in capital assets at December 31, 2014 was \$109,960,387. These capital assets are used to provide services to citizens and are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the City's net position, \$5,504,455, represents resources that are subject to external restriction on how they may be used. In the governmental activities, the remaining balance of unrestricted net position of \$17,748,227 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, 2014**

The table below shows the changes in net position for 2014 and 2013.

Change in Net Position

	Governmental Activities <u>2014</u>	Governmental Activities <u>2013</u>	Business-type Activities <u>2014</u>	Business-type Activities <u>2013</u>	2014 <u>Total</u>	2013 <u>Total</u>
Revenues:						
Program revenues:						
Charges for services	\$ 1,025,161	\$ 820,692	\$ 6,158,505	\$ 6,106,540	\$ 7,183,666	\$ 6,927,232
Operating grants and contributions	1,173,357	1,580,261	-	-	1,173,357	1,580,261
Capital grants and contributions	<u>687,241</u>	<u>10,478,548</u>	<u>340,400</u>	<u>421,735</u>	<u>1,027,641</u>	<u>10,900,283</u>
Total program revenues	<u>2,885,759</u>	<u>12,879,501</u>	<u>6,498,905</u>	<u>6,528,275</u>	<u>9,384,664</u>	<u>19,407,776</u>
General revenues:						
Property taxes	3,896,915	4,065,948	-	-	3,896,915	4,065,948
Income taxes	13,295,422	12,522,590	-	-	13,295,422	12,522,590
Grants and entitlements	597,755	544,234	-	-	597,755	544,234
Investment earnings	53,820	71,171	-	-	53,820	71,171
Miscellaneous	<u>131,999</u>	<u>84,880</u>	<u>27,885</u>	<u>27,098</u>	<u>159,884</u>	<u>111,978</u>
Total general revenues	<u>17,975,911</u>	<u>17,288,823</u>	<u>27,885</u>	<u>27,098</u>	<u>18,003,796</u>	<u>17,315,921</u>
Program expenses:						
General government	2,371,196	3,086,636	-	-	2,371,196	3,086,636
Security of persons and property	8,474,819	8,644,447	-	-	8,474,819	8,644,447
Transportation	4,072,036	3,929,250	-	-	4,072,036	3,929,250
Community environment	1,069,800	915,505	-	-	1,069,800	915,505
Leisure time activity	1,741,009	1,589,667	-	-	1,741,009	1,589,667
Interest and fiscal charges	239,687	257,702	-	-	239,687	257,702
Other	-	1,652	-	-	-	1,652
Water	-	-	2,795,638	2,206,759	2,795,638	2,206,759
Sewer	-	-	2,405,115	2,382,279	2,405,115	2,382,279
Other business-type activities	<u>-</u>	<u>-</u>	<u>43,587</u>	<u>52,458</u>	<u>43,587</u>	<u>52,458</u>
Total program expenses	<u>17,968,547</u>	<u>18,424,859</u>	<u>5,244,340</u>	<u>4,641,496</u>	<u>23,212,887</u>	<u>23,066,355</u>
Change in net position before transfers	2,893,123	11,743,465	1,282,450	1,913,877	4,175,573	13,657,342
Transfers	<u>(212,927)</u>	<u>427,545</u>	<u>212,927</u>	<u>(427,545)</u>	<u>-</u>	<u>-</u>
Change in net position	2,680,196	12,171,010	1,495,377	1,486,332	4,175,573	13,657,342
Net position at beginning of year	<u>95,230,631</u>	<u>83,059,621</u>	<u>41,483,340</u>	<u>39,997,008</u>	<u>136,713,971</u>	<u>123,056,629</u>
Net position at end of year	<u>\$ 97,910,827</u>	<u>\$ 95,230,631</u>	<u>\$ 42,978,717</u>	<u>\$ 41,483,340</u>	<u>\$ 140,889,544</u>	<u>\$ 136,713,971</u>

The capital grants and contributions of the governmental activities decreased significantly during 2014. This is partially attributable to the City's acquisition of capital assets in 2013 related to the Aurora Country Club, which required the use of Water Resource Restoration Sponsor Program (WRRSP) grant funding. The remainder of the decrease is primarily due to the contribution of infrastructure from outside entities in 2013 that was the result of various cooperative contracts and donations. The income taxes increased during 2014, which is mainly due to an increase in wages earned by residents within the City limits.

CITY OF AURORA, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2014

Governmental Activities

Governmental activities net position increased \$2,680,196 in 2014. The three primary general revenue sources of governmental activities are property taxes, municipal income taxes, and unrestricted grants and entitlements. These revenue sources increased only slightly overall during 2014, which is mainly a result of an increase in income tax revenue that helped offset a decline in the City's property tax revenue.

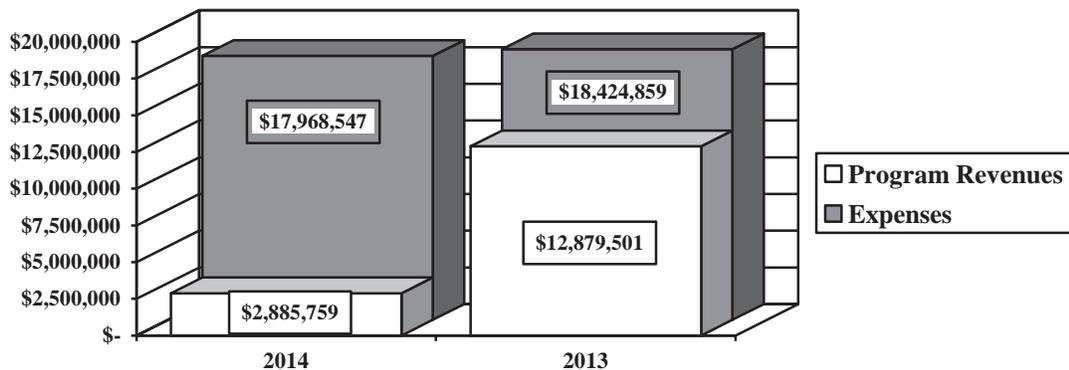
Security of persons and property, which primarily supports the operations of the police and fire departments, accounted for \$8,474,819 of the total expenses of the City. These expenses were partially funded by \$2,633 in direct charges to users of the services. Transportation expenses were also significant, totaling \$4,072,036.

The State and federal government contributed to the City a total of \$1,173,357 in operating grants and contributions and \$687,241 in capital grants and contributions. These revenues are restricted to a particular program or purpose. Of the total operating grants and contributions, \$45,619 subsidized security of persons and property, \$773,239 subsidized transportation programs, \$353,999 subsidized community environment, and \$500 subsidized leisure time activities. Of the total capital grants and contributions, \$591,386 subsidized transportation programs and \$95,855 subsidized community environment.

General revenues totaled \$17,975,911 and amounted to 86.17% of total governmental activities revenue. These revenues primarily consist of property and income tax revenue of \$17,192,337. The other primary source of general revenues is grants and entitlements not restricted to specific programs, including local government and property tax reimbursements, totaling \$597,755.

The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following shows, for governmental activities, the total cost of services and the net cost of services for 2014 and 2013. That is, it identifies the cost of these services supported by general revenues (such as tax revenue and unrestricted State grants and entitlements). The chart and table that follow illustrate the City's dependence upon general revenues, as program revenues are not sufficient to cover total governmental expenses.

Governmental Activities – Program Revenues vs. Total Expenses



CITY OF AURORA, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014

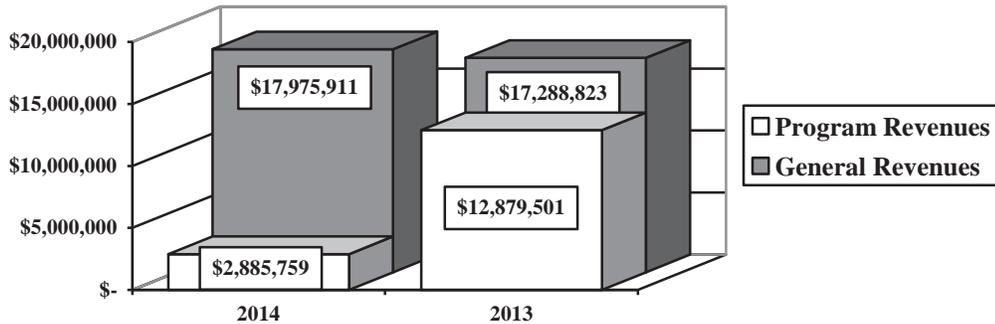
Governmental Activities

	Total Cost of Services 2014	Net Cost of Services 2014	Total Cost of Services 2013	Net Cost of Services 2013
Program expenses:				
General government	\$ 2,371,196	\$ 1,739,009	\$ 3,086,636	\$ 2,565,974
Security of persons and property	8,474,819	8,426,567	8,644,447	8,561,094
Transportation	4,072,036	2,707,411	3,929,250	(3,501,049)
Community environment	1,069,800	619,946	915,505	(3,571,104)
Leisure time activity	1,741,009	1,350,168	1,589,667	1,231,089
Interest and fiscal charges	239,687	239,687	257,702	257,702
Other	-	-	1,652	1,652
Total	\$ 17,968,547	\$ 15,082,788	\$ 18,424,859	\$ 5,545,358

The dependence upon general revenues for governmental activities is apparent, with 83.94% of expenses supported through taxes and other general revenues.

The chart below illustrates the City's program revenues versus general revenues for 2014 and 2013.

Governmental Activities – General and Program Revenues



Business-type Activities

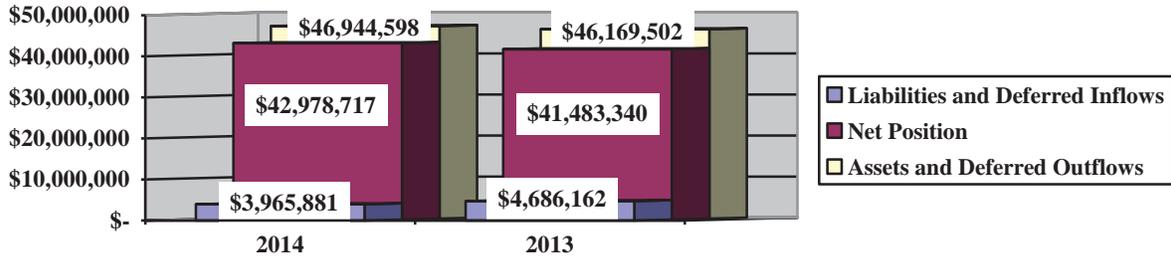
Business-type activities consist of water, sewer, and cemetery operations. These programs had revenues of \$6,526,790, expenses of \$5,244,340, and transfers in of \$212,927 (including a loss on disposal of capital assets in the amount of \$1,073) during 2014. The water operations had program revenues of \$3,610,264, expenses of \$2,795,638, and net transfers out of \$1,073 (which is a loss on disposal of capital assets). This resulted in an increase in net position for the year of \$813,553. The sewer operations had program revenues of \$2,851,400, general revenues of \$27,885, expenses of \$2,405,115, and net transfers in of \$214,000. This resulted in an increase in net position for the year of \$688,170. The other business-type activities had program revenues of \$37,241 and expenses of \$43,587. This resulted in a decrease in net position for the year of \$6,346. Management assesses the performance of each of these activities to ensure that they are running efficiently.

CITY OF AURORA, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014

The chart below illustrates the City's business-type activities assets and deferred outflows of resources, liabilities and deferred inflows of resources, and net position at December 31, 2014 and December 31, 2013.

Business-type Activities



Financial Analysis of the Government's Funds

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

Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements.

The City's governmental funds (as presented on the balance sheet on page 22) reported a combined fund balance of \$21,201,374, which is \$2,576,976 greater than last year's total of \$18,624,398. The table below indicates the fund balances and the total change in fund balances as of December 31, 2014 and December 31, 2013 for all major and nonmajor governmental funds.

	<u>Fund Balances</u> December 31, 2014	<u>Fund Balances</u> December 31, 2013	<u>Increase</u>	<u>Percentage</u> <u>Change</u>
Major funds:				
General	\$ 9,198,214	\$ 8,229,927	\$ 968,287	11.77 %
Fire paramedic levy fund	393,702	327,475	66,227	20.22 %
Nonmajor governmental funds	<u>11,609,458</u>	<u>10,066,996</u>	<u>1,542,462</u>	15.32 %
Total	<u>\$ 21,201,374</u>	<u>\$ 18,624,398</u>	<u>\$ 2,576,976</u>	13.84 %

CITY OF AURORA, OHIO

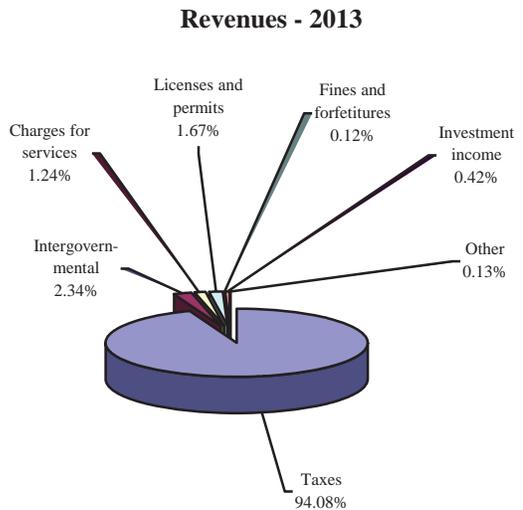
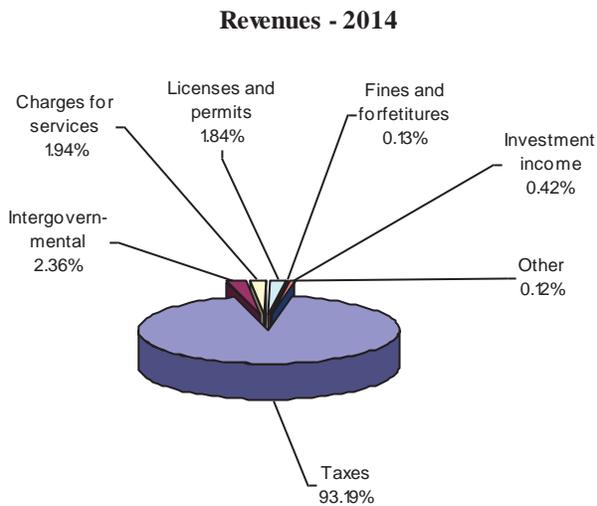
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014**

General Fund

The City's general fund balance increased \$1,000,644. The table that follows assists in illustrating the revenues of the general fund for 2014 and 2013.

	<u>2014</u> <u>Amount</u>	<u>2013</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Revenues</u>			
Taxes	\$ 14,778,684	\$ 14,086,014	4.92 %
Intergovernmental	373,463	351,205	6.34 %
Charges for services	306,584	185,491	65.28 %
Licenses and permits	292,395	250,235	16.85 %
Fines and forfeitures	21,287	17,587	21.04 %
Investment income	66,619	62,314	6.91 %
Other	<u>19,393</u>	<u>19,505</u>	(0.57) %
Total	<u>\$ 15,858,425</u>	<u>\$ 14,972,351</u>	5.92 %

Overall revenues of the general fund increased \$886,074 or 5.92%. Taxes increased \$692,670 or 4.92% mainly due to an increase in income tax collections attributable to additional wages earned by the City's residents during 2014. Charges for services increased \$121,093 or 65.28% primarily due to an increase in general government charges received in 2014. All other revenue classifications remained comparable to 2013.



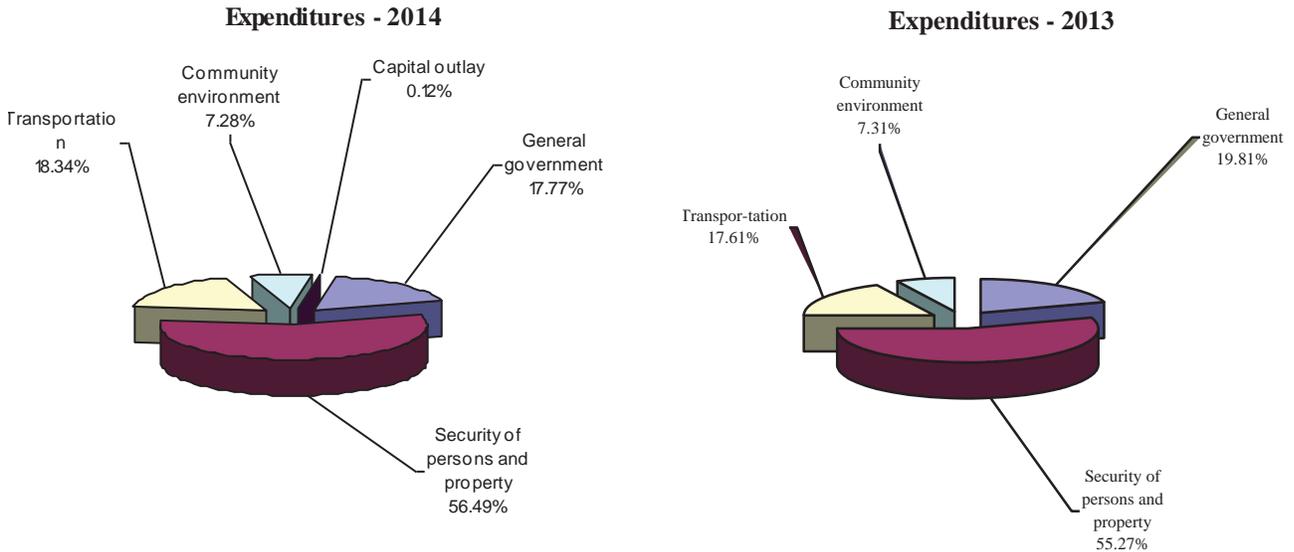
CITY OF AURORA, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014**

The table that follows assists in illustrating the expenditures of the general fund for 2014 and 2013.

	<u>2014 Amount</u>	<u>2013 Amount</u>	<u>Percentage Change</u>
<u>Expenditures</u>			
General government	\$ 2,044,264	\$ 2,365,727	(13.59) %
Security of persons and property	6,498,530	6,600,810	(1.55) %
Transportation	2,109,270	2,103,683	0.27 %
Community environment	837,046	873,364	(4.16) %
Capital outlay	<u>14,028</u>	<u>-</u>	100.00 %
Total	<u>\$ 11,503,138</u>	<u>\$ 11,943,584</u>	(3.69) %

Overall expenditures of the general fund decreased \$440,446 or 3.69%. General government expenditures decreased \$321,463 or 13.59% primarily due to a reduction in medical claims incurred by the City during 2014. The City reported a minor amount of capital outlay expenditures, but all other expenditure classifications remained comparable to 2013.



Fire Paramedic Levy Fund

The fire paramedic levy fund had revenues of \$876,378 and expenditures of \$810,151 during 2014. The net increase in fund balance for the fire paramedic levy fund was \$66,227 or 20.22%.

CITY OF AURORA, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014

Budgeting Highlights

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

Budgetary information is presented for the general fund and major special revenue funds. In the general fund, the original budgeted revenues and other financing sources were \$14,473,409, which matched exactly to the final budgeted revenues and other financing sources. Actual revenues and other financing sources of \$15,976,907 were \$1,503,498 greater than final budgeted revenues and other financing sources. All actual categories were greater than final budget estimates. The original and final budgeted expenditures and other financing uses were \$14,683,308 and \$16,541,070, respectively. Actual expenditures and other financing uses of \$15,417,486 were \$1,123,584 less than final budgeted expenditures and other financing uses.

Capital Assets and Debt Administration

Capital Assets

At the end of 2014, the City had \$120,701,173 (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, \$81,616,945 is reported in governmental activities and \$39,084,228 is reported in business-type activities. See Note 7 in the basic financial statements for additional capital assets disclosure. The following table shows December 31, 2014 balances compared to December 31, 2013.

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

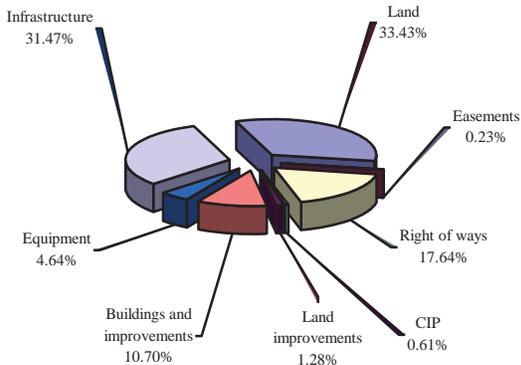
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Land	\$ 27,283,268	\$ 27,283,268	\$ 611,521	\$ 611,521	\$ 27,894,789	\$ 27,894,789
Easements	189,920	189,920	27,677	27,677	217,597	217,597
Right of ways	14,397,658	13,907,818	-	-	14,397,658	13,907,818
Construction in progress	496,178	1,260,813	137,700	494,569	633,878	1,755,382
Land improvements	1,894,189	1,789,450	389,658	389,658	2,283,847	2,179,108
Buildings and improvements	13,990,631	13,963,156	16,614,839	16,603,695	30,605,470	30,566,851
Equipment	9,555,471	9,521,325	2,140,493	1,988,347	11,695,964	11,509,672
Infrastructure	31,469,445	30,696,890	38,373,786	37,456,190	69,843,231	68,153,080
Less: accumulated depreciation	<u>(17,659,815)</u>	<u>(16,236,598)</u>	<u>(19,211,446)</u>	<u>(17,986,282)</u>	<u>(36,871,261)</u>	<u>(34,222,880)</u>
Totals	<u>\$ 81,616,945</u>	<u>\$ 82,376,042</u>	<u>\$ 39,084,228</u>	<u>\$ 39,585,375</u>	<u>\$ 120,701,173</u>	<u>\$ 121,961,417</u>

CITY OF AURORA, OHIO

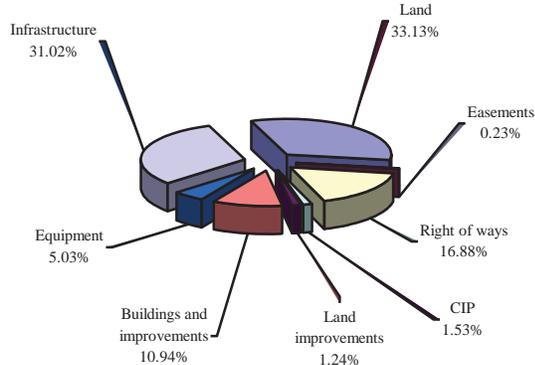
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014**

The following graphs show the breakdown of governmental activities and business-type activities capital assets by category at December 31, 2014 and December 31, 2013.

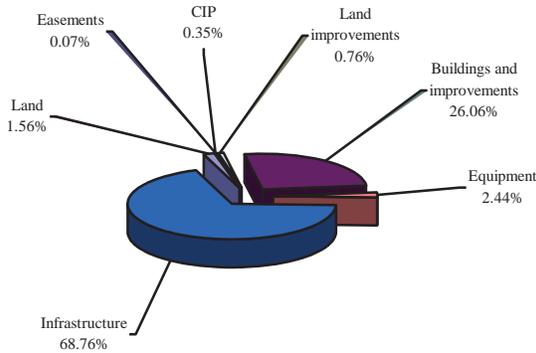
Capital Assets - Governmental Activities 2014



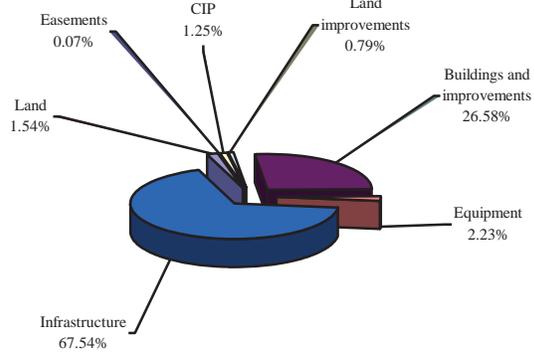
Capital Assets - Governmental Activities 2013



Capital Assets - Business-type Activities 2014



Capital Assets - Business-type Activities 2013



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

With regards to the infrastructure, the City's engineering department maintains a comprehensive listing of all the streets, culverts, water lines, sewer lines, and storm sewers in the City. As part of the City's annual road maintenance program, the Engineer evaluates the condition of each street after each winter and prepares a list of streets to be either resurfaced or crack-sealed and in the case of concrete roads, either replaced or repaired. After approval from City Council, the projects are bid in early to late spring to get the best possible pricing from contractors. This program is paid for out of the capital improvements fund and the various levy funds of the City (all of which are nonmajor governmental funds, with the exception of the fire paramedic levy fund).

CITY OF AURORA, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014

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, 2014 and December 31, 2013.

	Governmental Activities		Business-type Activities		Total	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
General obligation bonds	\$ 6,599,480	\$ 7,399,136	\$ 472,727	\$ 532,311	\$ 7,072,207	\$ 7,931,447
OWDA loans	-	-	2,788,944	3,445,324	2,788,944	3,445,324
OPWC loans	298,537	338,273	373,757	414,573	672,294	752,846
Capital lease obligations	148,916	231,021	-	-	148,916	231,021
Compensated absences	<u>1,112,864</u>	<u>1,166,321</u>	<u>26,575</u>	<u>21,585</u>	<u>1,139,439</u>	<u>1,187,906</u>
Total long-term obligations	<u>\$ 8,159,797</u>	<u>\$ 9,134,751</u>	<u>\$ 3,662,003</u>	<u>\$ 4,413,793</u>	<u>\$ 11,821,800</u>	<u>\$ 13,548,544</u>

See Note 9 in the basic financial statements for additional debt administration disclosure.

Economic Conditions and Next Year's General Fund Budget Outlook

The year 2014 witnessed the continuation of the economic recovery for the City of Aurora. Income tax collections, estate tax collections, and refunds from the Bureau of Workers' Compensation contributed to an excess over budgeted revenue estimates, and helped the City produce a significant general fund surplus from operations. At the request of the City's administration, City Council authorized the transfer of \$1,000,000 to the City operations fund (a nonmajor governmental fund) to address the water capital needs of the City, and an additional \$500,000 to the capital improvements fund (a nonmajor governmental fund) for future needs yet to be determined.

The beginning of the year 2015 will see income tax collections continue to increase, with first quarter 2015 amounts surpassing first quarter 2014 receipts, while also exceeding first quarter 2015 budgeted levels by approximately \$150,000. This continual increase in income taxes will not only address the financial challenges of a severe winter season, but will also provide the initiation needed for another excellent financial year in 2015.

Contacting the City's Financial Management

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

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CITY OF AURORA, OHIO

STATEMENT OF NET POSITION
DECEMBER 31, 2014

	Governmental Activities	Business-type Activities	Total
Assets:			
Equity in pooled cash and cash equivalents	\$ 19,973,598	\$ 6,504,178	\$ 26,477,776
Receivables:			
Municipal income taxes	3,638,299	-	3,638,299
Real and other taxes	3,487,675	-	3,487,675
Other local taxes	45,792	-	45,792
Accounts	26,255	1,250,040	1,276,295
Special assessments	24,138	-	24,138
Accrued interest	4,619	-	4,619
Loans	750,613	-	750,613
Due from other governments	784,077	40,000	824,077
Prepayments	51,945	39,635	91,580
Materials and supplies inventory	21,561	18,200	39,761
Capital assets:			
Non-depreciable capital assets	42,367,024	776,898	43,143,922
Depreciable capital assets, net	39,249,921	38,307,330	77,557,251
Total capital assets	81,616,945	39,084,228	120,701,173
Total assets	110,425,517	46,936,281	157,361,798
Deferred outflows of resources:			
Unamortized deferred charges on debt refunding	274,623	8,317	282,940
Liabilities:			
Accounts payable	191,241	51,114	242,355
Contracts payable	186,490	154,875	341,365
Accrued wages and benefits	394,525	40,058	434,583
Due to other governments	289,552	40,742	330,294
Unearned revenue	3,547	14,657	18,204
Accrued interest payable	17,474	2,432	19,906
Claims payable	115,264	-	115,264
Long-term liabilities:			
Due within one year	981,084	789,246	1,770,330
Due in more than one year	7,178,713	2,872,757	10,051,470
Total liabilities	9,357,890	3,965,881	13,323,771
Deferred inflows of resources:			
Real and other taxes levied for the next fiscal year	3,431,423	-	3,431,423
Net position:			
Net investment in capital assets	74,658,145	35,302,242	109,960,387
Restricted for:			
Debt service	548,344	-	548,344
Capital projects	674,934	-	674,934
Transportation projects	2,196,532	-	2,196,532
Security of persons and property	1,023,866	-	1,023,866
Other purposes	1,060,779	-	1,060,779
Unrestricted	17,748,227	7,676,475	25,424,702
Total net position	\$ 97,910,827	\$ 42,978,717	\$ 140,889,544

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF AURORA, OHIO

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental activities:				
General government.	\$ 2,371,196	\$ 632,187	\$ -	\$ -
Security of persons and property	8,474,819	2,633	45,619	-
Transportation.	4,072,036	-	773,239	591,386
Community environment	1,069,800	-	353,999	95,855
Leisure time activity.	1,741,009	390,341	500	-
Interest and fiscal charges.	239,687	-	-	-
Total governmental activities	<u>17,968,547</u>	<u>1,025,161</u>	<u>1,173,357</u>	<u>687,241</u>
Business-type activities:				
Water.	2,795,638	3,405,764	-	204,500
Sewer	2,405,115	2,715,500	-	135,900
Other business-type activities:				
Cemetery/Perpetual Care.	43,587	37,241	-	-
Total business-type activities	<u>5,244,340</u>	<u>6,158,505</u>	<u>-</u>	<u>340,400</u>
Total primary government	<u>\$ 23,212,887</u>	<u>\$ 7,183,666</u>	<u>\$ 1,173,357</u>	<u>\$ 1,027,641</u>

General revenues:

Property and other local taxes levied for:

 General purposes

 Debt service.

Municipal income taxes levied for:

 General purposes

 Capital projects.

Grants and entitlements not restricted

 to specific programs

Investment earnings

Miscellaneous

Total general revenues

Transfers

Change in net position

Net position at beginning of year

Net position at end of year.

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

Governmental Activities	Business-type Activities	Total
\$ (1,739,009)	\$ -	\$ (1,739,009)
(8,426,567)	-	(8,426,567)
(2,707,411)	-	(2,707,411)
(619,946)	-	(619,946)
(1,350,168)	-	(1,350,168)
(239,687)	-	(239,687)
(15,082,788)	-	(15,082,788)
-	814,626	814,626
-	446,285	446,285
-	(6,346)	(6,346)
-	1,254,565	1,254,565
(15,082,788)	1,254,565	(13,828,223)
3,559,025	-	3,559,025
337,890	-	337,890
12,695,422	-	12,695,422
600,000	-	600,000
597,755	-	597,755
53,820	-	53,820
131,999	27,885	159,884
17,975,911	27,885	18,003,796
(212,927)	212,927	-
2,680,196	1,495,377	4,175,573
95,230,631	41,483,340	136,713,971
\$ 97,910,827	\$ 42,978,717	\$ 140,889,544

CITY OF AURORA, OHIO

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2014

	<u>General</u>	<u>Fire Paramedic Levy Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Equity in pooled cash and cash equivalents	\$ 8,563,069	\$ 441,218	\$ 10,969,311	\$ 19,973,598
Receivables:				
Municipal income taxes	3,488,299	-	150,000	3,638,299
Real and other taxes	1,426,088	885,716	1,175,871	3,487,675
Other local taxes	45,792	-	-	45,792
Accounts	21,025	-	5,230	26,255
Accrued interest	4,434	-	185	4,619
Special assessments	-	-	24,138	24,138
Loans	-	-	750,613	750,613
Due from other governments	179,903	49,043	555,131	784,077
Prepayments	46,290	131	5,524	51,945
Materials and supplies inventory	21,561	-	-	21,561
Total assets	<u>\$ 13,796,461</u>	<u>\$ 1,376,108</u>	<u>\$ 13,636,003</u>	<u>\$ 28,808,572</u>
Liabilities:				
Accounts payable	\$ 156,617	\$ 490	\$ 34,134	\$ 191,241
Contracts payable	13,378	-	173,112	186,490
Accrued wages and benefits	342,489	25,902	26,134	394,525
Compensated absences payable	47,908	-	-	47,908
Due to other governments	247,792	21,255	20,505	289,552
Unearned revenue	3,547	-	-	3,547
Claims payable	115,264	-	-	115,264
Total liabilities	<u>926,995</u>	<u>47,647</u>	<u>253,885</u>	<u>1,228,527</u>
Deferred inflows of resources:				
Real and other taxes levied for the next fiscal year	1,403,032	871,474	1,156,917	3,431,423
Income tax revenue not available	2,071,064	-	75,000	2,146,064
Delinquent property tax revenue not available	23,056	14,242	18,954	56,252
Other local tax revenue not available	12,192	-	-	12,192
Accrued interest not available	4,434	-	185	4,619
Special assessments revenue not available	-	-	24,138	24,138
Intergovernmental revenue not available	157,423	49,043	497,040	703,506
Other revenue not available	51	-	426	477
Total deferred inflows of resources	<u>3,671,252</u>	<u>934,759</u>	<u>1,772,660</u>	<u>6,378,671</u>
Fund balances:				
Nonspendable	69,398	131	5,524	75,053
Restricted	-	393,571	4,468,420	4,861,991
Committed	738,720	-	2,515,936	3,254,656
Assigned	144,799	-	4,619,578	4,764,377
Unassigned	8,245,297	-	-	8,245,297
Total fund balances	<u>9,198,214</u>	<u>393,702</u>	<u>11,609,458</u>	<u>21,201,374</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 13,796,461</u>	<u>\$ 1,376,108</u>	<u>\$ 13,636,003</u>	<u>\$ 28,808,572</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF AURORA, OHIO

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2014

Total governmental fund balances	\$	21,201,374
<i>Amounts reported for governmental activities on the statement of net position are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		81,616,945
Other long-term assets are not available to pay for current period expenditures and therefore are deferred inflows of resources in the funds.		
Income taxes receivable	\$ 2,146,064	
Real and other taxes receivable	56,252	
Other local taxes receivable	12,192	
Accounts receivable	477	
Accrued interest receivable	4,619	
Special assessments receivable	24,138	
Intergovernmental receivable	703,506	
Total	2,947,248	2,947,248
Unamortized deferred charges on debt refundings are not recognized in the funds.		274,623
Unamortized premiums on bond issuances are not recognized in the funds.		(348,404)
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.		(17,474)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
General obligation bonds payable	(6,251,076)	
Loans payable	(298,537)	
Capital lease obligations payable	(148,916)	
Compensated absences payable	(1,064,956)	
Total	(7,763,485)	(7,763,485)
Net position of governmental activities	\$	97,910,827

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, 2014

	<u>General</u>	<u>Fire Paramedic Levy Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
Municipal income taxes	\$ 12,603,520	\$ -	\$ 600,000	\$ 13,203,520
Real and other taxes.	1,214,802	752,814	1,021,766	2,989,382
Other local taxes	960,362	-	-	960,362
Charges for services.	306,584	-	391,566	698,150
Licenses and permits	292,395	-	-	292,395
Fines and forfeitures	21,287	-	1,408	22,695
Intergovernmental.	373,463	100,614	1,399,273	1,873,350
Investment income.	66,619	-	4,944	71,563
Rental income	7,235	-	-	7,235
Contributions and donations.	-	7,950	8,000	15,950
Other	12,158	15,000	107,030	134,188
Total revenues	<u>15,858,425</u>	<u>876,378</u>	<u>3,533,987</u>	<u>20,268,790</u>
Expenditures:				
Current:				
General government	2,044,264	23,328	22,133	2,089,725
Security of persons and property	6,498,530	718,319	337,259	7,554,108
Transportation	2,109,270	-	760,752	2,870,022
Community environment	837,046	-	174,151	1,011,197
Leisure time activity	-	-	1,519,736	1,519,736
Capital outlay	14,028	68,504	1,226,255	1,308,787
Debt service:				
Principal retirement.	-	-	898,740	898,740
Interest and fiscal charges	-	-	244,509	244,509
Total expenditures	<u>11,503,138</u>	<u>810,151</u>	<u>5,183,535</u>	<u>17,496,824</u>
Excess (deficiency) of revenues over (under) expenditures.	<u>4,355,287</u>	<u>66,227</u>	<u>(1,649,548)</u>	<u>2,771,966</u>
Other financing sources (uses):				
Loan issuance	-	-	19,010	19,010
Transfers in	-	-	3,173,000	3,173,000
Transfers out.	(3,387,000)	-	-	(3,387,000)
Total other financing sources (uses)	<u>(3,387,000)</u>	<u>-</u>	<u>3,192,010</u>	<u>(194,990)</u>
Net change in fund balances	968,287	66,227	1,542,462	2,576,976
Fund balances at beginning of year	<u>8,229,927</u>	<u>327,475</u>	<u>10,066,996</u>	<u>18,624,398</u>
Fund balances at end of year	<u>\$ 9,198,214</u>	<u>\$ 393,702</u>	<u>\$ 11,609,458</u>	<u>\$ 21,201,374</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF AURORA, OHIO

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2014

Net change in fund balances - total governmental funds	\$	2,576,976
<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 depreciation expense exceeded capital outlays in the current period.		
Capital outlays	\$ 430,279	
Depreciation expense	<u>(1,666,279)</u>	
Total		(1,236,000)
Miscellaneous transactions involving capital assets (i.e. capital contributions, transfers, and disposals) are not reflected in the governmental funds, but had the following effect in the statement of activities:		
Capital contributions	591,386	
Transfers, net	1,073	
Disposals, net	<u>(115,556)</u>	
Total		476,903
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Income taxes	91,902	
Real and other taxes	(55,495)	
Other local taxes	2,666	
Charges for services	(2,666)	
Investment income	(15,758)	
Special assessments	4,686	
Intergovernmental	(24,318)	
Other	<u>477</u>	
Total		1,494
Loan issuances 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 position.		
		(19,010)
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in less interest being reported in the statement of activities:		
Decrease in accrued interest payable	2,330	
Amortization of bond premiums	41,767	
Amortization of deferred charges on refundings	<u>(39,275)</u>	
Total		4,822
Repayment of general obligation bonds, long-term loans, and capital lease obligations are expenditures in the governmental funds, but the repayments reduce long-term liabilities on the statement of net position.		
		898,740
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>(23,729)</u>
Change in net position of governmental activities	\$	<u>2,680,196</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, 2014

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues:				
Municipal income taxes	\$ 11,351,355	\$ 11,351,355	\$ 12,530,534	\$ 1,179,179
Real and other taxes.	1,100,484	1,100,484	1,214,802	114,318
Other local taxes	894,654	894,654	987,591	92,937
Charges for services.	286,972	286,972	316,783	29,811
Licenses and permits	263,739	263,739	291,136	27,397
Fines and forfeitures	18,412	18,412	20,325	1,913
Intergovernmental.	334,756	334,756	369,531	34,775
Investment income.	51,744	51,744	57,119	5,375
Rental income	6,615	6,615	7,302	687
Other	86,002	86,002	94,936	8,934
Total revenues	14,394,733	14,394,733	15,890,059	1,495,326
Expenditures:				
Current:				
General government	2,222,397	2,558,125	2,333,519	224,606
Security of persons and property	6,305,878	7,033,851	6,621,177	412,674
Transportation	2,104,555	2,431,529	2,209,785	221,744
Community environment	824,147	924,592	865,355	59,237
Capital outlay	619	689	650	39
Total expenditures	11,457,596	12,948,786	12,030,486	918,300
Excess of revenues over expenditures	2,937,137	1,445,947	3,859,573	2,413,626
Other financing sources (uses):				
Sale of capital assets.	3,179	3,179	3,509	330
Advances in.	72,472	72,472	80,000	7,528
Transfers in	3,025	3,025	3,339	314
Transfers out.	(3,225,712)	(3,592,284)	(3,387,000)	205,284
Total other financing sources (uses)	(3,147,036)	(3,513,608)	(3,300,152)	213,456
Net change in fund balance.	(209,899)	(2,067,661)	559,421	2,627,082
Fund balance at beginning of year	6,868,975	6,868,975	6,868,975	-
Prior year encumbrances appropriated	189,141	189,141	189,141	-
Fund balance at end of year	\$ 6,848,217	\$ 4,990,455	\$ 7,617,537	\$ 2,627,082

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, 2014

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Real and other taxes.	\$ 747,041	\$ 747,041	\$ 752,814	\$ 5,773
Intergovernmental.	99,842	99,842	100,614	772
Contributions and donations.	7,889	7,889	7,950	61
Other	6,033	6,033	6,080	47
Total revenues	<u>860,805</u>	<u>860,805</u>	<u>867,458</u>	<u>6,653</u>
Expenditures:				
Current:				
General government	20,409	21,443	20,286	1,157
Security of persons and property	728,938	765,895	724,563	41,332
Capital outlay	84,070	88,332	83,565	4,767
Total expenditures	<u>833,417</u>	<u>875,670</u>	<u>828,414</u>	<u>47,256</u>
Excess (deficiency) of revenues over (under) expenditures.	<u>27,388</u>	<u>(14,865)</u>	<u>39,044</u>	<u>53,909</u>
Other financing sources:				
Sale of capital assets.	14,885	14,885	15,000	115
Total other financing sources	<u>14,885</u>	<u>14,885</u>	<u>15,000</u>	<u>115</u>
Net change in fund balance.	42,273	20	54,044	54,024
Fund balance at beginning of year	359,897	359,897	359,897	-
Prior year encumbrances appropriated	14,747	14,747	14,747	-
Fund balance at end of year	<u>\$ 416,917</u>	<u>\$ 374,664</u>	<u>\$ 428,688</u>	<u>\$ 54,024</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF AURORA, OHIO

STATEMENT OF NET POSITION
 PROPRIETARY FUNDS
 DECEMBER 31, 2014

	Business-type Activities - Enterprise Funds			
	Water	Sewer	Other Nonmajor	Total
Assets:				
Current assets:				
Equity in pooled cash and cash equivalents	\$ 2,689,621	\$ 3,532,853	\$ 281,704	\$ 6,504,178
Receivables:				
Accounts	710,937	539,053	50	1,250,040
Due from other governments	40,000	-	-	40,000
Materials and supplies inventory	-	18,200	-	18,200
Prepayments	24,090	15,540	5	39,635
Total current assets	<u>3,464,648</u>	<u>4,105,646</u>	<u>281,759</u>	<u>7,852,053</u>
Noncurrent assets:				
Capital assets:				
Non-depreciable capital assets	161,449	613,259	2,190	776,898
Depreciable capital assets, net	12,849,246	25,340,000	118,084	38,307,330
Total capital assets	<u>13,010,695</u>	<u>25,953,259</u>	<u>120,274</u>	<u>39,084,228</u>
Total assets	<u>16,475,343</u>	<u>30,058,905</u>	<u>402,033</u>	<u>46,936,281</u>
Deferred outflows of resources:				
Unamortized deferred charges on debt refunding	-	8,317	-	8,317
Liabilities:				
Current liabilities:				
Accounts payable	8,270	42,478	366	51,114
Contracts payable	1,875	153,000	-	154,875
Accrued wages and benefits	13,202	25,906	950	40,058
Compensated absences	30	30	-	60
Due to other governments	9,293	30,786	663	40,742
Unearned revenue	14,657	-	-	14,657
Accrued interest payable	-	2,432	-	2,432
G.O. bonds payable - current	-	59,779	-	59,779
OPWC loans payable - current	17,670	27,500	-	45,170
OWDA loans payable - current	-	684,237	-	684,237
Total current liabilities	<u>64,997</u>	<u>1,026,148</u>	<u>1,979</u>	<u>1,093,124</u>
Long-term liabilities:				
Compensated absences	26,440	75	-	26,515
G.O. bonds payable	-	412,948	-	412,948
OPWC loans payable	298,587	30,000	-	328,587
OWDA loans payable	-	2,104,707	-	2,104,707
Total long-term liabilities	<u>325,027</u>	<u>2,547,730</u>	<u>-</u>	<u>2,872,757</u>
Total liabilities	<u>390,024</u>	<u>3,573,878</u>	<u>1,979</u>	<u>3,965,881</u>
Net position:				
Net investment in capital assets	12,692,563	22,489,405	120,274	35,302,242
Unrestricted	3,392,756	4,003,939	279,780	7,676,475
Total net position	<u>\$ 16,085,319</u>	<u>\$ 26,493,344</u>	<u>\$ 400,054</u>	<u>\$ 42,978,717</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF AURORA, OHIO

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014

	Business-type Activities - Enterprise Funds			
	Water	Sewer	Other Nonmajor	Total
Operating revenues:				
Charges for services	\$ 3,396,041	\$ 2,711,935	\$ 37,241	\$ 6,145,217
Other	9,723	3,565	-	13,288
Total operating revenues.	<u>3,405,764</u>	<u>2,715,500</u>	<u>37,241</u>	<u>6,158,505</u>
Operating expenses:				
Personal services	472,467	814,337	28,285	1,315,089
Contract services.	1,789,711	395,662	-	2,185,373
Materials and supplies.	148,427	175,127	5,343	328,897
Depreciation.	380,826	854,772	9,959	1,245,557
Other	1,675	1,223	-	2,898
Total operating expenses.	<u>2,793,106</u>	<u>2,241,121</u>	<u>43,587</u>	<u>5,077,814</u>
Operating income (loss)	<u>612,658</u>	<u>474,379</u>	<u>(6,346)</u>	<u>1,080,691</u>
Nonoperating revenues (expenses):				
Interest expense and fiscal charges	(2,532)	(163,994)	-	(166,526)
Loss on disposal of capital assets	(1,073)	-	-	(1,073)
Special assessments.	-	27,885	-	27,885
Total nonoperating revenues (expenses).	<u>(3,605)</u>	<u>(136,109)</u>	<u>-</u>	<u>(139,714)</u>
Net income (loss) before transfers and capital contributions.	609,053	338,270	(6,346)	940,977
Transfers in	-	214,000	-	214,000
Capital contributions.	204,500	135,900	-	340,400
Change in net position	813,553	688,170	(6,346)	1,495,377
Net position at beginning of year.	<u>15,271,766</u>	<u>25,805,174</u>	<u>406,400</u>	<u>41,483,340</u>
Net position at end of year	<u>\$ 16,085,319</u>	<u>\$ 26,493,344</u>	<u>\$ 400,054</u>	<u>\$ 42,978,717</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, 2014

	Business-type Activities - Enterprise Funds			
	Water	Sewer	Other Nonmajor	Total
Cash flows from operating activities:				
Cash received from customers	\$ 3,384,860	\$ 2,712,039	\$ 37,191	\$ 6,134,090
Cash received from other operations.	9,723	4,172	-	13,895
Cash payments for personal services	(467,945)	(815,177)	(28,378)	(1,311,500)
Cash payments for contract services	(1,895,648)	(386,739)	-	(2,282,387)
Cash payments for materials and supplies	(150,735)	(193,857)	(4,977)	(349,569)
Cash payments for other expenses.	(1,506)	(1,223)	-	(2,729)
Net cash provided by operating activities	<u>878,749</u>	<u>1,319,215</u>	<u>3,836</u>	<u>2,201,800</u>
Cash flows from noncapital financing activities:				
Cash payments to other funds.	(66,450)	-	-	(66,450)
Cash received from transfers in	-	214,000	-	214,000
Cash received from special assessments.	-	27,885	-	27,885
Net cash provided by (used in) noncapital financing activities	<u>(66,450)</u>	<u>241,885</u>	<u>-</u>	<u>175,435</u>
Cash flows from capital and related financing activities:				
Loan issuance	139,901	-	-	139,901
Principal payments on OWDA loans	-	(656,380)	-	(656,380)
Principal payments on OPWC loans	(13,835)	(40,000)	-	(53,835)
Principal payments on G.O. bonds	-	(57,111)	-	(57,111)
Acquisition of capital assets.	(289,227)	(23,576)	-	(312,803)
Interest and fiscal charges.	(2,532)	(164,337)	-	(166,869)
Net cash used in capital and related financing activities	<u>(165,693)</u>	<u>(941,404)</u>	<u>-</u>	<u>(1,107,097)</u>
Net increase in cash and cash equivalents	646,606	619,696	3,836	1,270,138
Cash and cash equivalents at beginning of year	2,043,015	2,913,157	277,868	5,234,040
Cash and cash equivalents at end of year.	<u>\$ 2,689,621</u>	<u>\$ 3,532,853</u>	<u>\$ 281,704</u>	<u>\$ 6,504,178</u>

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CITY OF AURORA, OHIO

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS (CONTINUED)
 FOR THE YEAR ENDED DECEMBER 31, 2014

	Business-type Activities - Enterprise Funds			
	Water	Sewer	Other Nonmajor	Total
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income (loss).	\$ 612,658	\$ 474,379	\$ (6,346)	\$ 1,080,691
Adjustments:				
Depreciation	380,826	854,772	9,959	1,245,557
Changes in assets and liabilities:				
(Increase) decrease in accounts receivable	(11,398)	711	(50)	(10,737)
Increase in accrued materials and supplies inventory . .	-	(18,200)	-	(18,200)
(Increase) decrease in prepayments.	50	(48)	1	3
Increase in accounts payable	1,989	8,377	366	10,732
Increase in accrued wages and benefits.	756	906	24	1,686
(Decrease) in due to other governments	(111,462)	(1,559)	(118)	(113,139)
Increase in unearned revenue.	217	-	-	217
Increase (decrease) in compensated absences payable . .	5,113	(123)	-	4,990
Net cash provided by operating activities	<u>\$ 878,749</u>	<u>\$ 1,319,215</u>	<u>\$ 3,836</u>	<u>\$ 2,201,800</u>

Non-Cash Transactions

During 2014 and 2013, the water fund purchased capital assets on account in the amount of \$1,875 and \$22,595, respectively. During 2014, the water fund received capital contributions from outside entities in the amount of \$164,500. During 2014, the water fund transferred capital assets to governmental activities in the amount of \$21,466, with accumulated depreciation of \$20,393.

During 2014, the sewer fund purchased capital assets on account in the amount of \$153,000. During 2014, the sewer fund received capital contributions from outside entities in the amount of \$135,900.

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF AURORA, OHIO

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
 FIDUCIARY FUND
 DECEMBER 31, 2014

	Agency
Assets:	
Equity in pooled cash and cash equivalents.	\$ 667,366
Cash in segregated accounts.	40,596
Receivables:	
Real and other taxes.	1,993
Accounts.	7,467
Total assets	\$ 717,422
Liabilities:	
Accounts payable	\$ 32,044
Due to others.	40,596
Due to other governments.	644,782
Total liabilities.	\$ 717,422

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF AURORA, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 1 - DESCRIPTION OF THE CITY

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements (BFS) of the City have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial principles. The City's significant accounting policies are described below.

A. Reporting Entity

The City's reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units" and GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an Amendment of GASB Statements No. 14 and No. 34". A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the City consists of all funds, departments, boards and agencies that are not legally separate from the City. For the City, this includes police and fire protection, parks and recreation, water and sewer service, street maintenance and repairs and general administrative services.

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's Governing Board and (1) the City is able to significantly influence the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization's resources; or (3) the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the City is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the City in that the City approves the budget, the issuance of debt or the levying of taxes. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary government's financial statements incomplete or misleading. Based upon the application of these criteria, the City has no component units. The basic financial statements of the reporting entity include only those of the City (the primary government).

B. Basis of Presentation - Fund Accounting

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

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

CITY OF AURORA, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

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

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

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

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

Agency funds do not report a measurement focus as they do not report operations.

C. Fund Accounting

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

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

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

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

CITY OF AURORA, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

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

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

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

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

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

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

The nonmajor enterprise fund is used to account for cemetery and perpetual care operations.

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

D. Measurement Focus and Basis of Accounting

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

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

CITY OF AURORA, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

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

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

E. Basis of Accounting

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

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

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

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

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

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year end: income taxes, 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, 2014**

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

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

Property taxes for which there is an enforceable legal claim as of December 31, 2014, but which were levied to finance 2015 operations, have been recorded as deferred inflows of resources on both the government-wide and fund financial statements. Income taxes, other local taxes, accrued interest 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, 2014, are recorded as deferred inflows of resources on the governmental fund financial statements.

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

Unearned Revenues - Revenues received during 2014 resulting from exchange transactions for which the City has yet to provide the requisite services as of December 31, 2014 have been recorded as unearned revenue on both the government-wide and fund financial statements.

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

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

F. Budgetary Process

The City follows these procedures in establishing and legally adopting the budgetary information for all funds:

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

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

City Council holds a public hearing on the proposed budget.

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

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

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

CITY OF AURORA, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

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

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

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

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

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

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

G. Cash and Investments

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

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

During 2014, investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio) and nonnegotiable certificates of deposit. Investments are reported at fair value, except for nonnegotiable certificates of deposit, which are reported at cost. Fair value is based on quoted market prices.

STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's shares price, which is the price the investment could be sold for on December 31, 2014.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Investment income credited to the general fund during 2014 amounted to \$66,619, which includes \$43,653 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 basic financial statements as cash equivalents.

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

CITY OF AURORA, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

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

H. Materials and Supplies Inventory

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

On the governmental fund financial statements, reported materials and supplies inventory is equally offset by nonspendable fund balance, 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 that are associated with, and generally arise from, governmental activities. They generally result from expenditures in the governmental funds. General capital assets are reported in the governmental activities column of the government-wide statement of net position, but are not reported in the governmental fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net position and in the respective funds.

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

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

<u>Description</u>	<u>Estimated Lives</u>	
	<u>Government-type</u>	<u>Business-type</u>
Land improvements	15 to 50 years	20 to 45 years
Buildings and improvements	10 to 45 years	10 to 45 years
Equipment	5 to 26 years	3 to 20 years
Infrastructure	15 to 30 years	-
Roads	25 to 50 years	25 years
Water lines	-	15 to 55 years
Sewer lines	-	15 to 55 years
Stormwater lines	-	45 years

CITY OF AURORA, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014**

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

J. Compensated Absences

In accordance with GASB Statement No. 16, "Accounting for Compensated Absences", vacation leave benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the City will compensate the employees for the benefits through paid time off or some other means. The City records a liability for accumulated unused vacation leave 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 ten years of service with the City. Compensatory time benefits are accrued as a liability based on accumulated unused compensatory time balances and the rate of pay attributable to applicable employees at year end.

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

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

K. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2014, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which the services are consumed. Prepaid items are equally offset by nonspendable fund balance in the governmental funds, which indicates that they do not constitute available spendable resources even though they are a component of net current assets.

L. Accrued Liabilities and Long-Term Obligations

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

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

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

CITY OF AURORA, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

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

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

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

On the government-wide financial statements, bond premiums and discounts are amortized over the term of the bonds using the straight-line method, which approximates the effective interest method. Bond premiums are presented as an addition to the face amount of the bonds and bond discounts are presented as a reduction to the face amount of the bonds. On the governmental fund financial statements, bond premiums and discounts are recognized in the period in which these items are incurred. The reconciliation between the face value of bonds and the amount reported on the statement of net position is presented in Note 9.

For current and advance refundings resulting in the defeasance of debt reported in the government-wide financial statements and enterprise funds, the difference between the reacquisition price and the net carrying amount of the old debt is amortized as a component of interest expense. This accounting gain or loss is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter, and is presented as a deferred inflow of resources or a deferred outflow of resources.

N. Interfund Balances

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the year are referred to as either "interfund loans receivable/payable" for the current portion of interfund loans or "advances to/from other funds" for the non-current portion of interfund loans. These amounts are eliminated in the governmental and business-type activities columns of the statement of net position, except for any net residual amounts due between governmental and business-type activities, which are presented as "internal balances". The City did not report any outstanding interfund balances as of December 31, 2014.

O. Interfund Activity

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

P. Capital Contributions

Capital contributions in the governmental activities arise from outside contributions of capital assets, from grants, or from outside contributions of resources restricted to capital acquisition and construction. During 2014, the governmental activities reported capital grants and contributions in the amount of \$687,241, which primarily consists of the contribution of right of ways and infrastructure from outside entities, specifically private developers.

CITY OF AURORA, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

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

Capital contributions in the business-type activities arise from contributions from governmental activities, from outside contributions of capital assets, from grants, or from outside contributions of resources restricted to capital acquisition and construction. During 2014, the water fund received \$164,500 in capital contributions from outside entities and \$40,000 in capital contributions in the form of grants restricted to capital acquisition and construction. During 2014, the sewer fund received \$135,900 in capital contributions from outside entities.

Q. Fund Balance

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

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

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

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

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

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

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

CITY OF AURORA, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014**

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

R. Estimates

The preparation of the basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the basic financial statements 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 management and are either unusual in nature or infrequent in occurrence. The City reported neither type of transaction during 2014.

T. Net Position

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

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

U. Loans Receivable

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

CITY OF AURORA, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014**

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

Change in Accounting Principles

For 2014, the City has implemented GASB Statement No. 69, "Government Combinations and Disposals of Government Operations" and GASB Statement No. 70, "Accounting and Financial Reporting for Nonexchange Financial Guarantees".

GASB Statement No. 69 establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The Statement improves the decision usefulness of financial reporting by requiring that disclosures be made by governments about combination arrangements in which they engage and for disposals of government operations. The implementation of GASB Statement No. 69 did not have an effect on the financial statements of the City.

GASB Statement No. 70 improves the recognition, measurement, and disclosures for state and local governments that have extended or received financial guarantees that are nonexchange transactions. The implementation of GASB Statement No. 70 did not have an effect on the financial statements of the City.

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

CITY OF AURORA, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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.

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 December 31, 2014, the City had \$1,985 in undeposited cash on hand, which is included on the basic financial statements of the City as part of "equity in pooled cash and cash equivalents".

CITY OF AURORA, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

B. Cash in Segregated Accounts

At December 31, 2014, the City had \$40,596 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, 2014, the carrying amount of all City deposits, including \$9,700,000 in nonnegotiable certificates of deposit, was \$21,385,106. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of December 31, 2014, \$10,411,797 of the City's bank balance of \$21,613,526 was exposed to custodial credit risk as discussed below, while \$11,201,729 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.

D. Investments

As of December 31, 2014, the City had the following investment and maturity:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturity 6 months or less</u>
STAR Ohio	\$ 5,758,051	\$ 5,758,051

Interest Rate Risk: Interest rate risk arises as potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the City's investment policy limits investment portfolio maturities to five years or less.

Credit Risk: Standard & Poor's has assigned STAR Ohio an AAAM money market rating. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The City has no investment policy dealing with investment credit risk beyond the requirements in State statutes.

CITY OF AURORA, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

Concentration of Credit Risk: The City places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the City at December 31, 2014:

<u>Investment type</u>	<u>Fair Value</u>	<u>% to Total</u>
STAR Ohio	\$ 5,758,051	100.00

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

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net position as of December 31, 2014:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 21,385,106
Investments	5,758,051
Cash in segregated accounts	40,596
Cash on hand	1,985
Total	<u>\$ 27,185,738</u>

<u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 19,973,598
Business-type activities	6,504,178
Agency funds	707,962
Total	<u>\$ 27,185,738</u>

CITY OF AURORA, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014**

NOTE 5 - INTERFUND TRANSACTIONS

Interfund transfers for the year ended December 31, 2014, consisted of the following, as reported on the fund financial statements:

Transfers from general fund to:

Sewer fund	\$ 214,000
Nonmajor governmental funds	<u>3,173,000</u>
Total	<u>\$ 3,387,000</u>

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

During 2014, the City transferred capital assets with a net book value of \$1,073 (cost of \$21,466 and accumulated depreciation of \$20,393) from the water fund to the governmental activities. This amount is reported on the proprietary fund financial statements as a loss on disposal of capital assets, and on the government-wide financial statements this amount is reported as a component of transfers.

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

CITY OF AURORA, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 6 - RECEIVABLES

Receivables at December 31, 2014 consisted of municipal income taxes, real and other taxes, other local taxes, accounts, special assessments, accrued interest, loans, and intergovernmental receivables arising from grants, entitlements, and shared revenues. All receivables are deemed collectible in full.

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

A. Property Taxes

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

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Public utility tangible personal property is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2014 public utility property taxes became a lien December 31, 2013, are levied after October 1, 2014, and are collected in 2015 with real property taxes. Public utility property taxes are payable on the same dates as real property taxes described previously.

The County Treasurer collects property taxes on behalf of all taxing districts in the County, including the City of Aurora. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real property taxes, public utility taxes, delinquent tangible personal property taxes, and other outstanding delinquencies which are measurable as of December 31, 2014 and for which there is an enforceable legal claim. In the governmental funds, the current portion receivable has been offset by a deferred inflow of resources since the current taxes were not levied to finance 2014 operations, and the collection of delinquent taxes has been offset by a deferred inflow of resources since the collection of the taxes during the available period is not subject to reasonable estimation. On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue is considered a deferred inflow of resources.

The full tax rate for all City operations for the year ended December 31, 2014 was \$7.66 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2014 property tax receipts were based are as follows:

Real property tax	\$ 574,292,400
Public utility tangible personal property	<u>10,304,320</u>
Total assessed value	<u>\$ 584,596,720</u>

Ohio law prohibits taxation of property from all taxing authorities in excess of 1% of assessed value without a vote of the people. Under current procedures, the City's share is 0.24% (2.4 mills) of assessed value.

CITY OF AURORA, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 6 - RECEIVABLES - (Continued)

B. Municipal Income Taxes

The City levies an income tax of 2% on substantially all earned income in the City with a 100% credit up to 2% allowed for income taxes paid to other municipalities. Collection fees charged by RITA of \$395,358 (less a refund of \$181,426) in 2014 are reflected in the basic financial statements as general government expenditures in the general fund. See Note 2.E (Revenues - Exchange and Nonexchange Transactions) for distribution of income taxes by fund.

C. Intergovernmental Receivables

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

<u>Governmental activities</u>	<u>Amounts</u>
Homestead and rollback	\$ 196,173
State income tax	18,901
Gasoline and excise tax	280,961
Motor vehicle license fees	66,972
Permissive motor vehicle license tax	59,410
County fines and forfeitures	2,765
Grants	84,126
State sales tax	<u>74,769</u>
Total	<u>\$ 784,077</u>
 <u>Business-type activities</u>	
Grants	<u>\$ 40,000</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 2014, new loans were issued by the City in the amount of \$319,618. As of December 31, 2014, \$78 in loans receivable were repaid to the City and \$21,366 in loans receivable were written off for various property owners. The loans outstanding at December 31, 2014 total \$750,613 and are to be repaid in accordance with the loan agreement upon the sale or abandonment of the various properties.

CITY OF AURORA, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 7 - CAPITAL ASSETS

A. The capital asset activity of governmental activities for the year ended December 31, 2014, was as follows:

<u>Governmental activities:</u>	<u>Balance</u> <u>January 1, 2014</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>December 31, 2014</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 27,283,268	\$ -	\$ -	\$ 27,283,268
Easements and right of ways	14,097,738	489,840	-	14,587,578
Construction in progress	<u>1,260,813</u>	<u>382,734</u>	<u>(1,147,369)</u>	<u>496,178</u>
Total capital assets, not being depreciated	<u>42,641,819</u>	<u>872,574</u>	<u>(1,147,369)</u>	<u>42,367,024</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	1,789,450	105,904	(1,165)	1,894,189
Buildings and improvements	13,963,156	27,475	-	13,990,631
Equipment	9,521,325	269,782	(235,636)	9,555,471
Infrastructure	<u>30,696,890</u>	<u>914,765</u>	<u>(142,210)</u>	<u>31,469,445</u>
Total capital assets, being depreciated	<u>55,970,821</u>	<u>1,317,926</u>	<u>(379,011)</u>	<u>56,909,736</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(771,044)	(78,110)	277	(848,877)
Buildings and improvements	(4,949,844)	(308,665)	-	(5,258,509)
Equipment	(5,375,566)	(608,175)	212,294	(5,771,447)
Infrastructure	<u>(5,140,144)</u>	<u>(691,722)</u>	<u>50,884</u>	<u>(5,780,982)</u>
Total accumulated depreciation	<u>(16,236,598)</u>	<u>(1,686,672)</u>	<u>263,455</u>	<u>(17,659,815)</u>
Total capital assets, being depreciated, net	<u>39,734,223</u>	<u>(368,746)</u>	<u>(115,556)</u>	<u>39,249,921</u>
Governmental activities capital assets, net	<u>\$ 82,376,042</u>	<u>\$ 503,828</u>	<u>\$ (1,262,925)</u>	<u>\$ 81,616,945</u>

CITY OF AURORA, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 7 - CAPITAL ASSETS - (Continued)

Depreciation expense was charged to governmental activities as follows:

Governmental activities:

General government	\$ 161,605
Security of persons and property	395,809
Transportation	983,900
Community environment	6,341
Leisure time activity	<u>118,624</u>
Total depreciation expense - governmental activities	<u>\$ 1,666,279</u>

During 2014, the City transferred capital assets with a net book value of \$1,073 (cost of \$21,466 and accumulated depreciation of \$20,393) from the water fund to the governmental activities.

B. The capital asset activity of business-type activities for the year ended December 31, 2014, was as follows:

<u>Business-type activities:</u>	<u>Balance</u> <u>January 1, 2014</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>December 31, 2014</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 611,521	\$ -	\$ -	\$ 611,521
Easements	27,677	-	-	27,677
Construction in progress	<u>494,569</u>	<u>137,700</u>	<u>(494,569)</u>	<u>137,700</u>
Total capital assets, not being depreciated	<u>1,133,767</u>	<u>137,700</u>	<u>(494,569)</u>	<u>776,898</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	389,658	-	-	389,658
Buildings and improvements	16,603,695	11,144	-	16,614,839
Equipment	1,988,347	173,612	(21,466)	2,140,493
Infrastructure	<u>37,456,190</u>	<u>917,596</u>	<u>-</u>	<u>38,373,786</u>
Total capital assets, being depreciated	<u>56,437,890</u>	<u>1,102,352</u>	<u>(21,466)</u>	<u>57,518,776</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(77,050)	(13,953)	-	(91,003)
Buildings and improvements	(6,083,768)	(347,199)	-	(6,430,967)
Equipment	(1,106,703)	(102,603)	20,393	(1,188,913)
Infrastructure	<u>(10,718,761)</u>	<u>(781,802)</u>	<u>-</u>	<u>(11,500,563)</u>
Total accumulated depreciation	<u>(17,986,282)</u>	<u>(1,245,557)</u>	<u>20,393</u>	<u>(19,211,446)</u>
Total capital assets, being depreciated, net	<u>38,451,608</u>	<u>(143,205)</u>	<u>(1,073)</u>	<u>38,307,330</u>
Business-type activities capital assets, net	<u>\$ 39,585,375</u>	<u>\$ (5,505)</u>	<u>\$ (495,642)</u>	<u>\$ 39,084,228</u>

CITY OF AURORA, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 7 - CAPITAL ASSETS - (Continued)

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

<u>Business-type activities:</u>	
Water	\$ 380,826
Sewer	854,772
Other nonmajor	<u>9,959</u>
Total depreciation expense - business-type activities	<u>\$ 1,245,557</u>

During 2014, the City transferred capital assets with a net book value of \$1,073 (cost of \$21,466 and accumulated depreciation of \$20,393) from the water fund to the governmental activities.

NOTE 8 - CAPITAL LEASES

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

The cost of the capital assets resulting from the capital leases in the governmental activities totals \$377,427, which represents the present value of the minimum lease payments at the time of acquisition. As of December 31, 2014, accumulated depreciation was \$93,680, resulting in a net book value of \$283,747. A corresponding liability was recorded in the governmental activities long-term obligations. Principal payments in 2014 totaled \$82,105. The capital lease payments on the excavator and the wheel loader were made from the capital improvements fund (a nonmajor governmental fund).

The following is a schedule of the future long-term minimum lease payments required under the capital lease agreements, and the present value of the minimum lease payments as of December 31, 2014:

<u>Year Ending</u> <u>December 31,</u>	<u>Amount</u>
2015	\$ 88,959
2016	<u>65,886</u>
Total	154,845
Less: amount representing interest	<u>(5,929)</u>
Present value of net minimum lease payments	<u>\$ 148,916</u>

CITY OF AURORA, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 9 - LONG-TERM OBLIGATIONS

Long-term bonds and loans outstanding for the governmental and business-type activities at December 31, 2014 included the following:

<u>Purpose (Description)</u>	<u>Principal Original Issuance</u>	<u>Interest Rate</u>	<u>Date of Final Installment</u>	<u>Balance at December 31, 2014</u>
<u>Governmental activities:</u>				
Voted general obligation bonds to be repaid by property tax revenues:				
Land acquisition improvement refunding bonds	\$ 4,675,000	1.375-3.75%	December 1, 2027	\$ 4,050,000
Total voted debt				<u>\$ 4,050,000</u>
Unvoted general obligation bonds:				
Various purpose refunding bonds, series 2005 (limited tax bonds)	4,910,825	3.00-5.00%	December 1, 2018	\$ 2,201,076
Total unvoted debt				<u>\$ 2,201,076</u>
Long-term loans payable:				
OPWC loan - CG19G	150,000	0.00%	July 1, 2017	\$ 37,500
OPWC loan - CG16L	150,000	0.00%	January 1, 2019	60,000
OPWC loan - CG28M	246,514	0.00%	January 1, 2020	123,257
OPWC loan - CG32O	81,874	0.00%	July 1, 2024	77,780
Total long-term loans				<u>\$ 298,537</u>
Total governmental activities bonds and loans				<u>\$ 6,549,613</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	\$ 213,924
Weston Woods Subdivision bonds, series 2008	300,000	5.50-5.75%	December 1, 2028	245,000
Total unvoted debt				<u>\$ 458,924</u>
Long-term loans payable:				
OWDA loans to be repaid from user fees:				
Central wastewater treatment facility	10,762,206	3.98-4.04%	January 1, 2021	\$ 2,764,142
Sunny Lake Park	N/A	3.43%	January 1, 2030	24,802
OWPC loans:				
OPWC loan - CG27J	150,000	0.00%	January 1, 2018	45,000
OPWC loan - CG07H	250,000	0.00%	July 1, 2015	12,500
OPWC loan - CG21E	200,000	0.00%	January 1, 2024	90,000
OPWC loan - CG43P	230,092	0.00%	July 1, 2044	226,257
Total long-term loans				<u>\$ 3,162,701</u>
Total business-type activities bonds and loans				<u>\$ 3,621,625</u>

CITY OF AURORA, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

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

	Balance			Balance	Amounts
	January 1, 2014	Additions	Reductions	December 31, 2014	Due in
					One Year
<u>Governmental activities:</u>					
General obligation bonds	\$ 7,008,965	\$ -	\$ (757,889)	\$ 6,251,076	\$ 785,221
OPWC loans	338,273	19,010	(58,746)	298,537	62,839
Capital lease obligations	231,021	-	(82,105)	148,916	84,668
Compensated absences	<u>1,166,321</u>	<u>73,936</u>	<u>(127,393)</u>	<u>1,112,864</u>	<u>48,356</u>
Total governmental activities long-term liabilities	<u>\$ 8,744,580</u>	<u>\$ 92,946</u>	<u>\$ (1,026,133)</u>	7,811,393	<u>\$ 981,084</u>
				Add: unamortized premiums on bond issues	348,404
				Total reported on the statement of net position	<u>\$ 8,159,797</u>
 <u>Business-type activities:</u>					
General obligation bonds	\$ 516,035	\$ -	\$ (57,111)	\$ 458,924	\$ 59,779
OWDA loans	3,445,324	-	(656,380)	2,788,944	684,237
OPWC loans	414,573	13,019	(53,835)	373,757	45,170
Compensated absences	<u>21,585</u>	<u>5,446</u>	<u>(456)</u>	<u>26,575</u>	<u>60</u>
Total business-type activities long-term liabilities	<u>\$ 4,397,517</u>	<u>\$ 18,465</u>	<u>\$ (767,782)</u>	3,648,200	<u>\$ 789,246</u>
				Add: unamortized premiums on bond issues	13,803
				Total reported on the statement of net position	<u>\$ 3,662,003</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 primarily the water fund and the sewer fund.

Various Purpose Refunding Bonds, Series 2005

On May 19, 2005, the City issued \$5,390,000 in general obligation various purpose refunding bonds. The bonds bear interest at rates ranging from 3.00 percent to 5.00 percent per annum and mature in various installments through December 1, 2018. The proceeds of the bonds were used to advance refund a portion of the City's governmental activities and business-type activities various purpose 1998 general obligation bonds by purchasing SLGS that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of the refunded debt. The amounts refunded were \$4,769,540 and \$465,460, in the governmental activities and the 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 basic financial statements.

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

CITY OF AURORA, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014**

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

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

Land Acquisition Improvement Refunding Bonds, Series 2012

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

The reacquisition price exceeded the net carrying amount of the old debt by \$231,900. The City also received a premium on the issue of \$341,070. These amounts are being amortized over the remaining life of the refunded debt, which is equal to the life of the new debt issued.

Weston Woods Subdivision Bonds, Series 2008

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

Ohio Water Development Authority (OWDA) Loans

The City has pledged future sewer revenues to repay OWDA loans. The loans are payable solely from sewer fund revenues and are payable through 2029. Annual principal and interest payments on the loans are expected to require 59.31 percent of net revenues and 29.03 percent of total revenues. The total principal and interest remaining to be paid on the loans is \$3,064,645. Principal and interest paid for the current year was \$788,328, total net revenues were \$1,329,151, and total revenues were \$2,715,500.

Ohio Public Works Commission (OPWC) Loans

The City has OPWC loans for various construction projects. The loans are zero interest loans and are payable through 2044 by the road and bridge levy fund (a nonmajor governmental fund), the water fund, and the sewer fund. The loans in the water fund are payable from water fund revenues, and the loans in the sewer fund are payable from sewer fund revenues.

CITY OF AURORA, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014**

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

Future Debt Service Requirements

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

Year Ending December 31,	G. O. Bonds			OPWC Loans		
	Principal	Interest	Total	Principal	Interest	Total
2015	\$ 785,221	\$ 209,697	\$ 994,918	\$ 62,839	\$ -	\$ 62,839
2016	813,000	180,137	993,137	62,839	-	62,839
2017	845,333	149,705	995,038	55,338	-	55,338
2018	877,522	117,666	995,188	47,840	-	47,840
2019	295,000	94,912	389,912	32,838	-	32,838
2020 - 2024	1,560,000	364,069	1,924,069	36,843	-	36,843
2025 - 2027	1,075,000	81,562	1,156,562	-	-	-
Total	\$ 6,251,076	\$ 1,197,748	\$ 7,448,824	\$ 298,537	\$ -	\$ 298,537

The remaining commitments under long-term bonds and loans are as follows for business-type activities:

Year Ending December 31,	G. O. Bonds			OWDA Loans			OPWC Loans		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2015	\$ 59,779	\$ 29,171	\$ 88,950	\$ 684,237	\$ 104,090	\$ 788,327	\$ 45,170	\$ -	\$ 45,170
2016	67,000	26,400	93,400	712,043	76,286	788,329	32,670	-	32,670
2017	69,667	22,908	92,575	690,207	47,352	737,559	32,669	-	32,669
2018	72,478	19,272	91,750	217,044	24,832	241,876	17,670	-	17,670
2019	15,000	10,925	25,925	225,768	16,108	241,876	17,670	-	17,670
2020 - 2024	85,000	41,400	126,400	234,843	7,033	241,876	78,348	-	78,348
2025 - 2029	90,000	13,513	103,513	-	-	-	38,349	-	38,349
2030 - 2034	-	-	-	-	-	-	38,349	-	38,349
2035 - 2039	-	-	-	-	-	-	38,348	-	38,348
2040 - 2044	-	-	-	-	-	-	34,514	-	34,514
Total	\$ 458,924	\$ 163,589	\$ 622,513	\$ 2,764,142	\$ 275,701	\$ 3,039,843	\$ 373,757	\$ -	\$ 373,757

The City's Sunny Lake Park OWDA loan is currently "closed", meaning that final disbursements have been made from the OWDA, but the amortization schedule is not finalized as of December 31, 2014, and therefore the loan is not included as part of the future debt service requirements. The balance of this OWDA loan at December 31, 2014 was \$24,802.

Legal Debt Margin

The Ohio Revised Code provides that the net debt of a municipal corporation, whether or not approved by the electors, shall not exceed 10.5% of the total value of the property in the municipal corporation as listed and assessed for taxation. In addition, the unvoted net debt of municipal corporations cannot exceed 5.5% of the total taxation value of property. The assessed valuation used in determining the City's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in calculating the City's legal debt margin excludes tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property and personal property owned or leased by a railroad company and used in railroad operations. The statutory limitations on debt are measured by a direct ratio of net debt to tax valuation and expressed in terms of a percentage. At December 31, 2014, the City's voted debt margin was \$58,674,676 and the unvoted debt margin was \$32,152,820.

CITY OF AURORA, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 10 - COMPENSATED ABSENCES

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

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

Eligible employees can also earn compensatory time in accordance with City policy. Applicable employees can receive a compensatory time payout at will, which is based upon the balance of unused compensatory time multiplied by the rate of pay at the time of the payout.

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 HCC Companies (HCC) for general liability and excess general liability coverage for \$1,000,000 and \$4,000,000, respectively.

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

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

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

As an integral part of the health insurance program, a reinsurance policy has been purchased covering claims in excess of \$50,000 per individual per year.

Settled claims have not exceeded the commercial coverage limits in any of the past three years.

Total contributions to the health insurance program during 2014 were \$2,134,823. The claims liability of \$115,264 reported in the government-wide financial statements at December 31, 2014 is based on the requirements of GASB Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues," as amended by GASB Statement No. 30 "Risk Financing Omnibus", which requires that a liability for claims be reported if information prior to issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

CITY OF AURORA, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 11 - RISK MANAGEMENT - (Continued)

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

	Balance at Beginning of Year	Current Claims	Claims Payments	Balance at End of Year
2014	\$ 242,895	\$ (2,262,454)	\$ 2,134,823	\$ 115,264
2013	183,663	(2,294,496)	2,353,728	242,895

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

NOTE 12 - PENSION PLANS

A. Ohio Public Employees Retirement System

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

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report which may be obtained by visiting <https://www.opers.org/investments/cafr.shtml>, writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

Funding Policy - The Ohio Revised Code provides statutory authority for member and employer contributions. For 2014, member and employer contribution rates were consistent across all three plans. The 2014 member contribution rates were 10.00% for members. The City's contribution rate for 2014 was 14.00% of covered payroll.

The City's contribution rate for pension benefits for members in the Traditional Plan and Combined Plan for 2014 was 12.00%. The City's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2014, 2013, and 2012 were \$538,884, \$572,404, and \$417,703, respectively; 92.34% has been contributed for 2014 and 100% has been contributed for 2013 and 2012. The remaining 2014 pension liability has been reported as due to other governments on the basic financial statements. Contributions to the Member-Directed Plan for 2014 were \$8,358 made by the City and \$5,970 made by the plan members. All City contributions have been paid as required by OPERS.

CITY OF AURORA, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014**

NOTE 12 - PENSION PLANS - (Continued)

B. Ohio Police and Fire Pension Fund

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

Funding Policy - From January 1, 2014 through July 1, 2014, plan members were required to contribute 10.75% of their annual covered salary. From July 2, 2014 through December 31, 2014, plan members were required to contribute 11.50% of their annual covered salary. Throughout 2014, the City was required to contribute 19.50% and 24.00% for police officers and firefighters, respectively. Contribution rates are established by State statute.

For 2014, the portion of the City's contributions to fund pension obligations was 19.00% for police officers and 23.50% for firefighters. The City's required contributions for pension obligations to OP&F for police officers and firefighters were \$396,324 and \$359,605 for the year ended December 31, 2014, \$331,987 and \$308,701 for the year ended December 31, 2013, and \$252,147 and \$252,664 for the year ended December 31, 2012. 100% has been contributed for 2013 and 2012. 91.82% has been contributed for police officers and 91.60% has been contributed for firefighters for 2014. The remaining 2014 pension liability has been reported as due to other governments on the basic financial statements. All City contributions have been paid as required by OP&F.

NOTE 13 - POSTRETIREMENT BENEFIT PLANS

A. Ohio Public Employees Retirement System

Plan Description - OPERS maintains a cost-sharing multiple employer defined benefit post-employment health care 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 health care plan are presented separately in the OPERS financial report which may be obtained by visiting <https://www.opers.org/investments/cafr.shtml>, writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

CITY OF AURORA, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 13 - POSTRETIREMENT BENEFIT PLANS - (Continued)

Funding Policy - The post-employment health care plan was established under, and is administered in accordance with, Internal Revenue Code Section 401(h). State statute requires that public employers fund post-employment health care 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 2014, local government employers contributed 14.00% of covered payroll. Each year the OPERS' Retirement Board determines the portion of the employer contribution rate that will be set aside for the funding of the post-employment health care benefits. The portion of employer contributions allocated to fund post-employment health care for members in the Traditional Plan and Combined Plan for 2014 was 2.00%.

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

The City's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2014, 2013, and 2012 were \$89,845, \$44,012, and \$170,688, respectively; 92.34% has been contributed for 2014 and 100% has been contributed for 2013 and 2012. The remaining 2014 post-employment health care benefits liability has been reported as due to other governments on the basic financial statements. All City contributions have been paid as required by OPERS.

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under State Bill 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4.00% of the employer contributions toward the health care fund after the end of the transition period.

B. Ohio Police and Fire Pension Fund

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

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

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

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

CITY OF AURORA, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014**

NOTE 13 - POSTRETIREMENT BENEFIT PLANS - (Continued)

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

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan into the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For 2014, the portion of employer contributions allocated to health care was 0.50% 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 health care benefits for police officers and firefighters were \$10,430 and \$7,651 for the year ended December 31, 2014, \$73,589 and \$53,803 for the year ended December 31, 2013, and \$133,489 and \$98,868 for the year ended December 31, 2012. 100% has been contributed for 2013 and 2012. 91.82% has been contributed for police officers and 91.60% has been contributed for firefighters for 2014. The remaining 2014 post-employment health care benefits liability has been reported as due to other governments on the basic financial statements. All City contributions have been paid as required by OP&F.

NOTE 14 - BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances.

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

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);

CITY OF AURORA, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 14 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

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

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements (as reported in the fund financial statements) to the budgetary basis statements for all governmental funds for which a budgetary basis statement is presented:

Net Change in Fund Balance

	<u>General Fund</u>	<u>Fire Paramedic Levy Fund</u>
Budget basis	\$ 559,421	\$ 54,044
Net adjustment for revenue accruals	(33,350)	8,920
Net adjustment for expenditure accruals	301,143	5,733
Net adjustment for other sources/uses	(86,848)	(15,000)
Funds budgeted elsewhere	(3,789)	-
Adjustment for encumbrances	<u>231,710</u>	<u>12,530</u>
GAAP basis	<u>\$ 968,287</u>	<u>\$ 66,227</u>

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

NOTE 15 - CONTINGENCIES

A. Grants

The City received financial assistance from federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the City at December 31, 2014.

B. Litigation

At December 31, 2014, the City was not involved in any pending litigation that would potentially have a material adverse effect on the City's financial position.

CITY OF AURORA, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 16 - FUND BALANCE

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

Fund Balance	General	Fire Paramedic Levy Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:				
Prepayments	\$ 46,290	\$ 131	\$ 5,524	\$ 51,945
Materials and supplies inventory	21,561	-	-	21,561
Unclaimed monies	1,547	-	-	1,547
Total nonspendable	<u>69,398</u>	<u>131</u>	<u>5,524</u>	<u>75,053</u>
Restricted:				
Capital projects	-	-	488,444	488,444
Debt service	-	-	525,532	525,532
Transportation projects	-	-	1,809,777	1,809,777
Security of persons and property	-	393,571	608,204	1,001,775
Other purposes	-	-	1,036,463	1,036,463
Total restricted	<u>-</u>	<u>393,571</u>	<u>4,468,420</u>	<u>4,861,991</u>
Committed:				
Capital projects	-	-	2,330,823	2,330,823
General government	16,827	-	-	16,827
Transportation projects	21,893	-	27,200	49,093
Leisure time activities	-	-	140,292	140,292
Medical reserve	700,000	-	-	700,000
Other purposes	-	-	17,621	17,621
Total committed	<u>738,720</u>	<u>-</u>	<u>2,515,936</u>	<u>3,254,656</u>
Assigned:				
Capital projects	-	-	3,803,090	3,803,090
Debt service	-	-	816,488	816,488
General government	52,435	-	-	52,435
Security of persons and property	37,033	-	-	37,033
Transportation projects	47,913	-	-	47,913
Community environment	7,418	-	-	7,418
Total assigned	<u>144,799</u>	<u>-</u>	<u>4,619,578</u>	<u>4,764,377</u>
Unassigned	8,245,297	-	-	8,245,297
Total fund balances	<u>\$ 9,198,214</u>	<u>\$ 393,702</u>	<u>\$ 11,609,458</u>	<u>\$ 21,201,374</u>

CITY OF AURORA, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 17 - CONTRACTUAL COMMITMENTS

As a result of various capital projects that were in progress at year end, the City had the following outstanding contractual commitments at December 31, 2014:

<u>Vendor</u>	<u>Contract Amount</u>	<u>Amount Expended</u>	<u>Amount Outstanding</u>
River Reach Construction	\$ 825,984	\$ (114,425)	\$ 711,559
Chagrin River Watershed Partners, Inc.	10,000	(5,819)	4,181
Gannett Fleming, Inc.	5,000	(4,300)	700
GPD Group	20,978	(20,918)	60
Snavely Excavating Co.	135,835	(110,150)	25,685
Software Solutions, Inc.	22,480	(12,030)	10,450
Brandsstetter, Carroll, & Zofcin	62,393	(53,193)	9,200
Hummel Construction Co.	398,000	(128,091)	269,909
K Company	<u>71,357</u>	<u>-</u>	<u>71,357</u>
Total Contractual Commitments	<u>\$ 1,552,027</u>	<u>\$ (448,926)</u>	<u>\$ 1,103,101</u>

NOTE 18 - OTHER COMMITMENTS

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

<u>Fund</u>	<u>Year End Encumbrances</u>
General	\$ 183,519
Fire paramedic levy fund	12,040
Nonmajor governmental funds	<u>1,503,679</u>
Total	<u>\$ 1,699,238</u>

JAMES G. ZUPKA, C.P.A., INC.

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Members of City Council
City of Aurora, Ohio

The Honorable David Yost
Auditor of State
State of Ohio

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, 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, 2014, and the related notes to the financial statements, which collectively comprise the City of Aurora, Ohio's basic financial statements, and have issued our report thereon dated June 5, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Aurora, Ohio's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Aurora, Ohio's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Aurora, Ohio's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Aurora, Ohio's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Aurora, Ohio's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Aurora, Ohio's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

James G. Zupka,
CPA, President
James G. Zupka, CPA, Inc.
Certified Public Accountants

Digitally signed by James G. Zupka, CPA,
President
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June 5, 2015

JAMES G. ZUPKA, C.P.A., INC.

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**REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY
OMB CIRCULAR A-133**

To the Members of City Council
City of Aurora, Ohio

The Honorable David Yost
Auditor of State
State of Ohio

Report on Compliance for Each Major Federal Program

We have audited the City of Aurora, Portage County, Ohio's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the City of Aurora, Ohio's major federal program for the year ended December 31, 2014. The City of Aurora, Ohio's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the City of Aurora, Ohio's major federal program based on our audit of the types of compliance requirements referred to above. 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 contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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 obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Aurora, Ohio's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for its major federal program. However, our audit does not provide a legal determination of the City of Aurora, Ohio's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Aurora, Ohio, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2014.

Report on Internal Control Over Compliance

Management of the City of Aurora, Ohio, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Aurora, Ohio's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Aurora, Ohio'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, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *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 type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance 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 compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

James G. Zupka,

CPA, President

James G. Zupka, CPA, Inc.

Certified Public Accountants

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June 5, 2015

**CITY OF AURORA
PORTAGE COUNTY, OHIO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2014**

Federal Grantor/ Pass Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Number	Federal Expenditures
<u>U.S. Department of Agriculture</u>			
<i>Passed Through Ohio Department of Natural Resources</i>			
Urban Forestry Demonstration Site Grant	10.664	2013	\$ 419
Total U.S. Department of Agriculture			<u>419</u>
<u>U.S. Department of Housing and Urban Development</u>			
<i>Passed through Ohio Development Services Agency</i>			
Community Development Block Grant	14.228	A-C-12-2AF-1	<u>52,483</u>
Home Investment Partnership Program	14.239	A-C-12-2AF-2	<u>417,590</u>
Total U.S. Department of Housing and Urban Development			<u>470,073</u>
<u>U.S. Department of the Interior</u>			
<i>Passed Through Ohio Department of Natural Resources</i>			
Fishing Derby/Step Outside Grant	15.605	2014	<u>751</u>
Total U.S. Department of the Interior			<u>751</u>
<u>U.S. Department of Justice</u>			
<i>Direct Program</i>			
Bulletproof Vest Partnership Program	16.607	N/A	<u>6,221</u>
Total U. S. Department of Justice			<u>6,221</u>
<u>U. S. Department of Transportation</u>			
<i>Passed Through the Ohio Department of Transportation</i>			
State Routes to School Non-Infrastructure Grant	20.205	96878	<u>13,887</u>
Total U.S. Department of Transportation			<u>13,887</u>
<u>U.S. Environmental Protection Agency</u>			
<i>Passed Through Ohio Environmental Protection Agency</i>			
Harmon Homestead Restoration Project	66.460	11(h)EPA-14	<u>40,073</u>
Total U.S. Environmental Protection Agency			<u>40,073</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 531,424</u>

See accompanying notes to the Schedule of Expenditures of Federal Awards.

**CITY OF AURORA
PORTAGE COUNTY, OHIO
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2014**

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Expenditures of Federal Awards of the City of Aurora, Ohio summarizes the activity of the City's federal award programs. The Schedule has been prepared on the cash basis of accounting.

NOTE 2: MATCHING REQUIREMENTS

Certain federal programs require that the City contribute non-federal funds (matching funds) to support federally funded programs. The City has complied with the matching requirements. The expenditures of non-federal matching funds is not included on the Schedule.

NOTE 3: COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) REVOLVING LOAN PROGRAM

The City has a Revolving Loan Fund (RLF) Program to provide low-interest loans to homeowners. The U.S. Department of Housing and Urban Development (HUD) grants money for these loans to the City, passed through the Ohio Department of Development (ODOD). There were \$319,618 in new loans and \$78 in repayments made during 2014. Loans outstanding as of December 31, 2014, totaled \$750,613.

**CITY OF AURORA
PORTAGE COUNTY, OHIO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 & .505
DECEMBER 31, 2014**

1. SUMMARY OF AUDITOR’S RESULTS

2014(i)	Type of Financial Statement Opinion	Unmodified
2014(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
2014(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
2014(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
2014(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
2014(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
2014(v)	Type of Major Programs’ Compliance Opinions	Unmodified
2014(vi)	Are there any reportable findings under .510(a)?	No
2014(vii)	Major Programs (list): Home Investment Partnership Program - CFDA #14.239	
2014(viii)	Dollar Threshold: A/B Programs	Type A: \$300,000 Type B: All Others
2014(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.

**CITY OF AURORA
PORTAGE COUNTY, OHIO
STATUS OF PRIOR CITATIONS AND RECOMMENDATIONS
FOR THE YEAR ENDED DECEMBER 31, 2014**

The prior audit report, as of December 31, 2013, included no citations or instances of noncompliance. Management letter recommendations have been corrected, repeated, or procedures instituted to prevent occurrences in this audit period.

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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
SEPTEMBER 10, 2015**