

**CITY OF AURORA, MISSOURI**  
FINANCIAL STATEMENTS  
WITH REQUIRED SUPPLEMENTARY DATA  
AND  
INDEPENDENT AUDITOR'S REPORT  
  
FOR THE YEAR ENDED  
DECEMBER 31, 2014

## CONTENTS

	<u>PAGE NO.</u>
Independent Auditor's Report	1-2
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	3
Statement of Activities	4
Fund Financial Statements:	
Balance Sheet-Governmental Funds	5
Reconciliation of Balance Sheet to Statement of Net Position	6
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	7
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to Statement of Activities	8
Statement of Net Position-Proprietary Fund	9
Statement of Revenues, Expenses and Changes in Net Position – Proprietary Fund	10
Statement of Cash Flows–Proprietary Fund	11
Notes to Financial Statements	12-32
 REQUIRED SUPPLEMENTARY INFORMATION SECTION	
Schedule of Revenues, Expenditures and Changes in Fund Balance—Budget and Actual - Major Governmental Funds	33-34

## INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Board of Aldermen  
City of Aurora, Missouri

### **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 City of Aurora, Missouri, 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. 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 entity'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 entity'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*

As explained in Note I, the City has excluded capital assets leased to an outside party from the financial statements which, in our opinion, is not in accordance with accounting principles generally accepted in the United States of America. The effects on the financial statements, as discussed in Note J, are not readily determinable.

In our opinion, except for the effects of the omission of leased capital assets from the financial statements as discussed in Note J, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of the City of Aurora, Missouri, as of December 31, 2014, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, each major fund, and the aggregate remaining fund information of the City of Aurora, Missouri, as of December 31, 2014, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity 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 budgetary comparison information on pages 33 to 34 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 the 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 regarding 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.

Management has omitted the Management Discussion and Analysis letter and the budget to actual for the Community Hospital Fund that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.



Decker & DeGood  
Springfield, Missouri  
April 9, 2015

**CITY OF AURORA, MISSOURI**

STATEMENT OF NET POSITION

DECEMBER 31, 2014

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 3,811,218	\$ 475,335	\$ 4,286,553
Restricted assets-cash	203,916	801,327	1,005,243
Accounts receivable	840,634	60,333	900,967
Capital assets:			
Land	2,298,631	-	2,298,631
Construction in progress	447,169	206,081	653,250
Other capital assets, net of accumulated depreciation	7,414,362	4,966,890	12,381,252
	15,015,930	6,509,966	21,525,896
<b>LIABILITIES</b>			
Accounts payable	322,350	30,650	353,000
Accrued wages	50,155	3,948	54,103
Accrued payroll taxes and benefits	24,911	966	25,877
Accrued interest	29,837	-	29,837
Taxes under protest	51,370	-	51,370
Other liabilities	8,662	-	8,662
Compensated absences	58,307	1,837	60,144
Due and payable within one year	332,573	200,000	532,573
Due and payable in more than one year:			
Revenue bonds	-	1,330,000	1,330,000
Certificates of participation	2,572,882	-	2,572,882
Meter deposits	-	47,865	47,865
	3,451,047	1,615,266	5,066,313
<b>NET POSITION</b>			
Net investment in capital assets	7,254,707	3,642,971	10,897,678
Restricted for:			
Debt service	100,000	132,800	232,800
Unrestricted	4,210,176	1,118,929	5,329,105
	\$ 11,564,883	\$ 4,894,700	\$ 16,459,583

The accompanying notes are an integral part of these financial statements.

**CITY OF AURORA, MISSOURI**  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2014

Functions/Programs	Expenses	Net (Expenses) Revenues and Changes in Net Position						
		Program Revenues		Primary Government				
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	
<b>Governmental activities:</b>								
General government	\$ 371,559	\$ 16,628	\$ -	\$ -	\$ (354,931)	\$ -	\$ -	\$ (354,931)
Police and court	1,300,700	87,637	40,298	-	(1,172,765)	-	-	(1,172,765)
Fire	481,320	-	-	5,249	(476,071)	-	-	(476,071)
E-911	200,272	-	-	-	(200,272)	-	-	(200,272)
Streets	727,040	-	-	-	(727,040)	-	-	(727,040)
Airport	30,389	-	-	104,544	74,155	-	-	74,155
Parks	257,293	26,507	-	353,938	123,152	-	-	123,152
Cemetery care	98,109	41,300	-	-	(56,809)	-	-	(56,809)
Finance and economic development	194,772	-	-	-	(194,772)	-	-	(194,772)
Code enforcement	97,333	21,582	-	-	(75,751)	-	-	(75,751)
Interest on long-term debt	98,028	-	-	-	(98,028)	-	-	(98,028)
<b>Total governmental activities</b>	<b>3,856,815</b>	<b>193,654</b>	<b>40,298</b>	<b>463,731</b>	<b>(3,159,132)</b>	<b>-</b>	<b>-</b>	<b>(3,159,132)</b>
<b>Business-type activities:</b>								
Sewer	654,378	789,787	-	-	-	135,409	-	135,409
<b>Total business-type activities</b>	<b>654,378</b>	<b>789,787</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>135,409</b>	<b>-</b>	<b>135,409</b>
<b>Total Primary Government</b>	<b>\$ 4,511,193</b>	<b>\$ 983,441</b>	<b>\$ 40,298</b>	<b>\$ 463,731</b>	<b>(3,159,132)</b>	<b>135,409</b>	<b>-</b>	<b>(3,023,723)</b>
<b>General Revenues</b>								
<b>Taxes:</b>								
Property taxes levied for general purposes					256,084	-	-	256,084
Property taxes levied for parks					98,333	-	-	98,333
Franchise taxes					930,618	-	-	930,618
Sales taxes					2,216,586	-	-	2,216,586
Use taxes					77,544	-	-	77,544
Missouri motor fuel taxes					284,391	-	-	284,391
Fee in lieu of tax					5,099	-	-	5,099
Building rent					200,100	-	-	200,100
Interest on investments					8,603	-	-	8,603
Miscellaneous					36,044	-	-	36,044
Transfers					(573,000)	573,000	-	-
<b>Total general revenues and transfers</b>					<b>3,540,402</b>	<b>573,000</b>	<b>-</b>	<b>4,113,402</b>
Change in net position					381,270	708,409	-	1,089,679
Net position beginning					11,183,613	4,186,291	-	15,369,904
Net position ending					\$ 11,564,883	\$ 4,894,700	\$ -	\$ 16,459,583

The accompanying notes are an integral part of these financial statements.

**CITY OF AURORA, MISSOURI**  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2014

ASSETS	General Fund	Transportation Fund	Community Hospital Fund	Capital Project Fund	Other Governmental Funds		Total Governmental Funds
					Park Fund	UDAG Fund	
Cash and cash equivalents	\$ 1,476,047	\$ 347,650	\$ 1,105,304	\$ 310,960	\$ 453,701	\$ 117,556	\$ 3,811,218
Restricted assets-cash	103,910	-	-	100,006	-	-	203,916
Accounts receivable	-	-	-	-	-	-	-
Property taxes	34,293	-	-	-	13,343	-	47,636
Sales taxes	97,961	48,980	-	48,980	-	-	195,921
Franchise taxes	77,800	-	-	-	-	-	77,800
Motor fuel taxes	-	24,009	-	-	-	-	24,009
Grants	-	5,000	200,100	-	289,530	-	494,630
Other	327	-	-	-	74	237	638
Due from Park Fund	289,530	-	-	-	-	-	289,530
<b>TOTAL ASSETS</b>	<b>\$ 2,079,868</b>	<b>\$ 425,639</b>	<b>\$ 1,305,404</b>	<b>\$ 459,946</b>	<b>\$ 756,648</b>	<b>\$ 117,793</b>	<b>\$ 5,145,298</b>

**LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE**

Liabilities-							
Accounts payable	\$ 14,774	\$ 9,885	\$ -	\$ 6,248	\$ 291,443	\$ -	\$ 322,350
Accrued wages	41,064	8,913	-	178	-	-	50,155
Accrued payroll taxes and benefits	16,969	7,919	-	-	23	-	24,911
Taxes paid under protest	51,370	-	-	-	-	-	51,370
Due to General Fund	-	-	-	-	289,530	-	289,530
Other liabilities	8,662	-	-	-	-	-	8,662
<b>Total Liabilities</b>	<b>132,839</b>	<b>26,717</b>	<b>-</b>	<b>6,426</b>	<b>580,996</b>	<b>-</b>	<b>746,978</b>

**DEFERRED INFLOWS OF RESOURCES**

Unavailable property tax revenue	19,870	-	-	-	7,777	-	27,647
----------------------------------	--------	---	---	---	-------	---	--------

Fund Balance-							
Committed	38,283	-	1,305,404	-	-	-	1,343,687
Restricted-Debt Service	-	-	-	100,000	-	-	100,000
Restricted-Transportation	-	398,922	-	-	-	-	398,922
Restricted-Public Safety	6,181	-	-	353,520	-	-	359,701
Restricted-Economic Development	-	-	-	-	117,793	-	117,793
Restricted-Parks	-	-	-	-	167,875	-	167,875
Assigned-Cemetery	6,739	-	-	-	-	-	6,739
Unassigned	1,875,956	-	-	-	-	-	1,875,956
<b>Total Fund Balances</b>	<b>1,927,159</b>	<b>398,922</b>	<b>1,305,404</b>	<b>453,520</b>	<b>167,875</b>	<b>117,793</b>	<b>4,370,673</b>

**TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE**

	\$ 2,079,868	\$ 425,639	\$ 1,305,404	\$ 459,946	\$ 756,648	\$ 117,793	\$ 5,145,298
--	--------------	------------	--------------	------------	------------	------------	--------------

The accompanying notes are an integral part of these financial statements.

**CITY OF AURORA**  
**RECONCILIATION OF BALANCE SHEET TO**  
**STATEMENT OF NET POSITION**  
DECEMBER 31, 2014

Total Fund Balances-Governmental Funds		\$ 4,370,673
<p>Capital assets, net of accumulated depreciation, used in governmental activities not financial resources and, therefore, are not reported as assets in the governmental funds.</p>		
Non-depreciable assets	2,745,800	
Depreciable assets	7,414,362	
		10,160,162
<p>Revenue that is unavailable in the funds financial statement but is recognized as revenue in the government-wide financial statements.</p>		
		27,647
<p>Interest on long-term debt is accrued as a liability in the government-wide statements but is not recognized in the government funds until due.</p>		
		(29,837)
<p>Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. Long-term liabilities at year-end consist of:</p>		
Long term debt		(2,905,455)
Compensated absences payable		(58,307)
Net position of governmental activities		\$ 11,564,883

The accompanying notes are an integral part of these financial statements.

**CITY OF AURORA, MISSOURI**

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

	General Fund	Transportation Fund	Community Hospital Fund	Capital Project Fund	Other Governmental Funds		Total Governmental Funds
					Park Fund	UDAG Fund	
<b>REVENUES</b>							
Taxes:							
Property taxes	\$ 251,075	\$ -	\$ -	\$ -	\$ 96,409	\$ -	\$ 347,484
Franchise taxes	930,618	-	-	-	-	-	930,618
Sales taxes	1,108,621	553,946	-	554,019	-	-	2,216,586
Use tax	38,772	19,386	-	19,386	-	-	77,544
Intergovernmental:							
Missouri motor fuel taxes	-	284,391	-	-	-	-	284,391
Fee in lieu of tax	5,099	-	-	-	-	-	5,099
Cost reimbursement Marionville	35,300	-	-	-	-	-	35,300
Licenses & permits	38,210	-	-	-	-	-	38,210
Fines & forfeitures	87,637	-	-	-	-	-	87,637
User charges:	26,507	-	-	-	-	-	26,507
Park activities	41,300	-	-	-	-	-	41,300
Cemetery-sale of plots	704	-	7,899	-	-	-	8,603
Other:							
Building lease	-	-	200,100	-	-	-	200,100
Donations	10,247	-	-	-	28,878	-	39,125
Grants	-	104,544	-	-	325,060	-	429,604
Miscellaneous	20,664	13,204	743	1,301	131	-	36,043
Total Revenues	2,594,754	975,471	208,742	574,706	450,478	-	4,804,151
<b>EXPENDITURES</b>							
Current:							
General government	331,098	-	-	-	-	-	331,098
Police and court	1,007,106	-	-	153,177	-	-	1,160,283
Fire	428,314	-	-	24,732	-	-	453,046
E-911	199,514	-	-	-	-	-	199,514
Streets	-	636,566	-	-	-	-	636,566
Airport	-	13,252	-	-	-	-	13,252
Parks	175,097	-	-	-	44,295	-	219,392
Cemetery care	97,933	-	-	-	-	-	97,933
Finance and economic development	192,592	-	-	-	-	-	192,592
Code enforcement	97,105	-	-	-	-	-	97,105
Capital outlay	36,956	443,053	-	-	395,717	-	875,726
Debt service:							
Principal	56,517	-	-	270,000	-	-	326,517
Interest	8,396	-	-	89,866	-	-	98,262
Total Expenditures	2,630,628	1,092,871	-	537,775	440,012	-	4,701,286
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(35,874)	(117,400)	208,742	36,931	10,466	-	102,865
OTHER FINANCING SOURCES (USES)							
Transfers In	105,000	-	-	-	-	-	105,000
Transfers (Out)	-	(28,000)	(650,000)	-	-	-	(678,000)
Loan proceeds	23,886	-	-	-	-	-	23,886
EXCESS OF REVENUE AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND USES	93,012	(145,400)	(441,258)	36,931	10,466	-	(446,249)
FUND BALANCES - BEGINNING	1,834,147	544,322	1,746,662	416,589	157,409	117,793	4,816,922
FUND BALANCES - ENDING	\$ 1,927,159	\$ 398,922	\$ 1,305,404	\$ 453,520	\$ 167,875	\$ 117,793	\$ 4,370,673

The accompanying notes are an integral part of these financial statements.

**CITY OF AURORA, MISSOURI**  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2014

Net change in fund balances--total governmental funds	\$	(446,249)
Amounts reported for <i>governmental activities</i> in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense.		
Expenditures for Capital assets		875,726
Less current year depreciation		(350,549)
Expenses related to the decrease of the liability for compensated absences reported in the Statement of Activities are not reported as expenditures in the governmental funds.		
		(7,457)
Decrease in bond interest payable reported in the Statement of Activities is not source of current financial resources and, therefore, is not reported as revenue in the governmental funds.		
		234
Real property taxes in the Statement of Activities includes all billed amounts which differ from the current financial resource measurement of the governmental funds. This is the net difference of both measurement focuses.		
		6,934
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the same statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
Principal repayments		326,517
New debt issue		(23,886)
		302,631
Change in net position of governmental activities	\$	381,270

The accompanying notes are an integral part of these financial statements.

# CITY OF AURORA, MISSOURI

## STATEMENT OF NET POSITION

### PROPRIETARY FUND ( SEWER)

DECEMBER 31, 2014

ASSETS	
Current Assets:	
Cash and cash equivalents	\$ 475,335
Accounts receivable	60,333
Total Current Assets	<u>535,668</u>
Restricted Assets:	
Cash and cash equivalents	<u>801,327</u>
Total Restricted Assets	<u>801,327</u>
Noncurrent Assets:	
Capital Assets:	
Construction in progress	206,081
Other capital assets, net of accumulated depreciation	4,966,890
Total Noncurrent Assets	<u>5,172,971</u>
TOTAL ASSETS	<u>\$ 6,509,966</u>
LIABILITIES	
Current Liabilities:	
Accounts payable	\$ 30,650
Accrued wages	3,948
Accrued payroll taxes and benefits	966
Compensated absences	1,837
Current portion of long-term debt	200,000
Total Current Liabilities	<u>237,401</u>
Noncurrent Liabilities:	
Revenue bonds	1,330,000
Meter deposits	47,865
Total Noncurrent Liabilities	<u>1,377,865</u>
Total Liabilities	<u>1,615,266</u>
NET POSITION	
Net investment in capital assets	3,642,971
Restricted	132,800
Unrestricted	1,118,929
Total Net Position	<u>4,894,700</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 6,509,966</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF AURORA, MISSOURI**  
STATEMENT OF REVENUES,  
EXPENSES AND CHANGES IN NET POSITION -  
PROPRIETARY FUND ( SEWER)  
FOR THE YEAR ENDED DECEMBER 31, 2014

OPERATING REVENUES:	
Charges for services	\$ 789,787
OPERATING EXPENSES:	
Chemicals	6,580
Collection system	8,260
Computer software and expenses	3,245
Depreciation	204,436
Dues and training	1,550
Empire water reconnect	3,231
Employee benefits	34,992
Fuel	15,275
Insurance	24,017
Miscellaneous	870
Office supplies and postage	20,187
Payroll taxes	11,839
Permits, licenses and fees	5,011
Professional fees	10,008
Repairs & maintenance	9,332
Retirement expense	7,416
Salaries	143,701
Supplies	9,106
Telephone	4,430
Uniforms	2,854
Utilities	79,269
Vehicle expense	11,566
Total Operating Expenses	617,175
OPERATING INCOME	172,612
NON-OPERATING REVENUES (EXPENSES):	
Interest earned on SRF accounts	59,634
Interest expense and agents fee	(96,837)
Total Non-operating Revenues (Expenses)	(37,203)
TRANSFERS	
Transfer in	650,000
Transfer (out)	(77,000)
Net transfers	573,000
CHANGE IN NET POSITION	708,409
TOTAL NET POSITION - BEGINNING	4,186,291
TOTAL NET POSITION - ENDING	\$ 4,894,700

The accompanying notes are an integral part of these financial statements.

**CITY OF AURORA, MISSOURI**  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND ( SEWER)  
FOR THE YEAR ENDED DECEMBER 31, 2014

CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from customers	\$ 791,264
Payments to suppliers	(192,451)
Payments to employees	<u>(199,012)</u>
Net Cash Provided by Operating Activities	<u>399,801</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Transfer for operating reimbursements	<u>(77,000)</u>
Net Cash (Used for) Noncapital financing activities	<u>(77,000)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Transfer in for capital improvements	650,000
Capital expenditure	(249,412)
Principal paid	(225,000)
Interest paid	<u>(37,204)</u>
Net Cash Provided by Capital and Related Financing Activities	<u>138,384</u>
NET CASH INCREASE FOR THE YEAR	461,185
CASH AT BEGINNING OF YEAR	<u>815,477</u>
CASH AT END OF YEAR	<u><u>\$ 1,276,662</u></u>
CASH SUMMARY	
Cash and cash equivalents	\$ 475,335
Restricted assets-cash	<u>801,327</u>
Total	<u><u>\$ 1,276,662</u></u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating Income	\$ 172,612
Adjustments to reconcile net operating income to net cash provided by operating activities:	
Depreciation	204,436
(Increase) in accounts receivable	(648)
Increase in accounts payable	22,340
(Decrease) in accrued wages, taxes, and benefits	(1,064)
Increase in sewer deposits	<u>2,125</u>
Net Cash Provided by Operating Activities	<u><u>\$ 399,801</u></u>

The accompanying notes are an integral part of these financial statements.

**CITY OF AURORA, MISSOURI**  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**THE REPORTING ENTITY**

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

The financial statements of the City present the financial activities of the City and any component units. The criteria used in determining the scope of the reporting entity are based on accounting principles generally accepted in the United States of America. The City is the primary government unit. Component units are those entities which are financially accountable to the primary government, either because the City appoints a voting majority of the component unit's Board or because the component unit will provide a financial benefit or impose a financial burden on the City.

The accompanying basic financial statements include only the operations of the City, since management has determined that there are no other organizations that meet the criteria for inclusion in the reporting entity of the City.

**GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all activities of the City. For the most part, the effect of interfund activity has been removed from these statements. Government-wide financial statements do not provide information by fund, but distinguish between the City's governmental activities and business-type activities. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or identifiable activity are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

**CITY OF AURORA, MISSOURI**  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 30 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, claims, and judgments, are recorded only when payment is due (i.e., matured).

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current fixed period. All other revenue items are considered to be measurable and available only when cash is received by the City.

**The City reports the following major governmental funds:**

General Fund

The General Fund is the main operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

Transportation Fund

This fund was established to account for the proceeds of transportation sales taxes, Missouri motor fuel taxes and other revenues for streets that are legally restricted to expenditures for the purpose of street and airport improvements and repairs and maintenance.

**CITY OF AURORA, MISSOURI**  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Community Hospital Fund

The Aurora Community Hospital Board funds are restricted to use for the Hospital and are controlled by an agreement between the Aurora Community Hospital Board and Mercy Health System.

Capital Project Fund

This fund was established to account for capital improvement sales tax used for the purpose of paying the debt proceeds for the construction of the combined police and fire station and operation expenditures of those departments.

**The City reports the following major proprietary fund:**

Sewer Fund

The Sewer Fund (an enterprise fund) is used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (b) where the governing body has decided that periodic determination of revenues, expenses, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

**Additionally, the government reports the following fund types:**

Park Fund

This fund was established to account for the proceeds of property tax revenue that is legally restricted to expenditures for the purpose of park and recreation activities.

UDAG Fund

This fund was established to account for the proceeds of grant moneys that are legally restricted to expenditures for the purpose of improvements to the Downtown Aurora area in the form of façade improvement loans, streetscape and low interest programs for business owners.

**CITY OF AURORA, MISSOURI**  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's sewer function and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided; 2) operating grants and contributions; and 3) capital grants and contributions, including special assessments. General revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating 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 enterprise fund are charges for services. Operating expenses for the enterprise fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

**ASSETS, LIABILITIES AND NET POSITION/FUND BALANCE**

**Cash, Cash Equivalents, and Investments**

The City maintains separate bank accounts for each fund and/or special requirements such as reserve for debt or construction projects. Cash in excess of current requirements is invested in savings accounts or certificates of deposits.

For purposes of reporting cash flows, cash and cash equivalents include cash on hand, cash in checking accounts, interest-bearing deposits, and highly liquid investments (including restricted assets of the Sewer department) with an original maturity of three months or less.

**Pooled Cash**

The City pools cash resources of its various funds in order to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the pooled cash account is available to meet current operating requirements.

**Restricted Assets**

The City elects to use restricted assets before unrestricted assets when the situation arises where either can be used. Certain assets are classified as restricted assets because their use is limited by applicable debt or other agreement.

**CITY OF AURORA, MISSOURI**  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Due to and due from other funds**

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed.

**Accounts receivable**

Accounts receivable are stated at gross with no allowance for doubtful accounts as 99% of accounts outstanding were collected in the following 30 days. All other receivables were sales tax and motor fuel taxes which were received in the following 30 days.

**Inventories**

The purchase method is used to account for inventories. Under the purchase method, inventories are recorded as expenditures when purchased.

**Capital Assets and Depreciation**

Capital assets, which include property, equipment, and infrastructure (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial cost of more than \$ 1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. The City has elected not to go back 20 years and record estimated cost of streets less depreciation, but began in 2004 recording capital outlay of street projects and depreciate over twenty to forty years.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. For the year ended December 31, 2014, the City did not capitalize any interest and interest expense for the Sewer Fund was \$ 96,837 less interest earned by SRF accounts applied to bring the net cost down to \$ 37,203 by the City of Aurora.

**CITY OF AURORA, MISSOURI**  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Depreciation has been provided over the estimated useful lives using the straight-line method of depreciation. The estimated useful lives for each major class of depreciable capital assets are as follows:

Utility plants	20 to 50 years
Buildings	40 years
Infrastructure	20 to 40 years
Furniture and equipment	5 to 10 years
Vehicles	5 to 10 years

**Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. At this time, the City has no items that meet the definition of deferred outflows of resources.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until then. In the Governmental Funds the item reported as a deferred inflow of resources arises only under a modified accrual basis of accounting. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes as these amounts are deferred and will be recognized as an inflow of resources in the period in which the amounts become available.

**Obligation for Bond Arbitrage**

Pursuant to Section 148(f) of the U. S. Internal Revenue Code, the City must rebate to the United State Government the excess of interest earned from the investment of certain debt proceeds and pledged revenues over the yield rate of the applicable debt. Arbitrage rebate, if any, is due and payable on each five year anniversary of the respective debt issue. As of December 31, 2014 the City had no outstanding arbitrage rebate liability.

**CITY OF AURORA, MISSOURI**  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Compensated Absences**

City employees are entitled to certain compensated absences based on their length of employment. With minor exceptions, compensated absences either vest or accumulate and are accrued when they are earned. A liability for this amount is reported in the Governmental Activities and proprietary fund (Sewer Fund).

**Pensions**

Pension cost is recorded as an expense when submitted to the trustee.

**Long-term Obligations**

In the governmental-wide financial statements and proprietary fund types in the fund financial statements, long-term debt is reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts, and losses on refunding are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed during the current period.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**Fund Balances-Governmental Funds**

As of December 31, 2014, fund balances of the governmental funds are classified as follows:

**Non-spendable**-amounts that cannot be spent either because they are not in a spendable form or because they are legally or contractually required to be maintained intact.

**Restricted**-amounts that can be spent only for specific purposes because of the City Charter, City Code, state or federal laws, or externally imposed conditions by grantors or creditors.

**Committed**-This classification includes amounts that can be used only for specific purposes determined by a formal action by the City Council. Such formal action may be in the form of an ordinance and may only be modified or rescinded by a subsequent formal action.

**CITY OF AURORA, MISSOURI**  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Fund Balances-Governmental Funds-continued**

**Assigned**-This classification includes amounts that are intended by the City to be used for a specific purpose but are neither restricted nor committed. Assignments may be made only by the government body or official.

**Unassigned**-This classification represents the residual positive balance within the General Fund, which has not been restricted, committed or assigned. In funds other than the General Fund, unassigned fund balances are limited to negative residual balances.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balances is available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the City Council has provided otherwise in its commitment or assigned actions.

**Net Position**

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net investment in capital assets consists of cost of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. This net investment in capital assets amount also is adjusted by any bond issuance deferral amounts. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. All other net position is reported as unrestricted.

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

**Use of Estimates**

The preparation of basic financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the basic financial statements and accompanying notes. Actual results could differ from those estimates.

**CITY OF AURORA, MISSOURI**  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Revenue Recognition**

Property Taxes

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on October 1, and are due and payable at that time. All unpaid taxes levied October 1 become delinquent January 1, of the following year. Levy for 2014 was \$ .5252 with a valuation base of \$ 56,147,530 broken down \$ .3781 General and \$ .1471 Parks.

Sales Taxes

The City has three sales tax authorizations, a one cent City general sales tax, ½ cent transportation tax, and a ½ cent capital improvement sales tax.

Use Tax

The City enacted in 2009 to charge use tax on purchases from out of state made inside the City.

**STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**Budgets and Budgetary Accounting**

The City is required by Missouri State Law RsMo 105.485 to prepare a budget each year based on estimates of revenues and expected expenditures which include at a minimum a budget message, budget summary, schedule with prior year comparison of estimated revenue and expenditures, schedule of bonded debt obligations and budget approval letter. The accompanying statement of revenues, expenditures and changes in fund balance—budget and actual includes the budgeted expenditures for the year, along with management’s estimate of revenues for the year for both the original budget and the final budget which is reflective of any amendments throughout the fiscal year. The legal level of budgetary control is at the total fund level.

**Budgetary basis of accounting**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles (modified accrual basis) for all governmental funds.

**Excess of expenditures over appropriations**

For the year ended December 31, 2014, expenditures did not exceed appropriations in any fund.

**Bond Reserve Compliance**

The City was in compliance with bond reserve requirements for the 2001C Series bond.

**CITY OF AURORA, MISSOURI**  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)**

**Reporting Compliance on Court Fines**

Court fines for 2014 totaled \$ 87,637 which was 3.37% of General Operating Revenues.

**DETAILED NOTES ON ALL FUNDS**

**NOTE B – DEPOSITS AND INVESTMENTS**

The City maintains a cash and investment account for each fund. Each fund account is displayed on the combined balance sheet as either “cash, investments, board designated investments, or bank overdrafts”. In addition, investments are separately held by several of the City’s funds. Deposits and investments are stated at cost, which approximates market.

Deposits. Custodial credit risk for deposits is the risk that in the event of a bank failure, the City’s deposits may not be returned or the City will not be able to recover collateral securities in the possession of an outside party. The City’s bank deposits are required by state law to be secured by the deposit of certain securities specified at RSMo 30.270 with the City or trustee institution. The value of the securities must amount to the total of the City’s cash not insured by the Federal Deposit Insurance Corporation.

As of December 31, 2014 the City’s bank balances were entirely secured or collateralized with securities held by the City or by its agent in the City’s name.

Investment Policies

**Credit Risk** is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City’s written investment policy covering credit risk states that the City will pre-qualify financial institutions that the City will do business with and diversify its portfolio to minimize potential losses.

**Interest Rate Risk** is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The City’s written investment policy manages its exposure to declines in fair values by limiting the maximum allowable stated maturity of any individual investment to meet cash requirements for ongoing operations and to invest primarily in shorter-term markets.

**CITY OF AURORA, MISSOURI**  
 NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014

**NOTE B – DEPOSITS AND INVESTMENTS (Continued)**

**Concentration of Credit Risk** is the risk of loss attributed to the magnitude of the City’s investment in a single issuer. The City’s written investment policy is to have all deposits placed in institutions that covers the City’s accounts with federal deposit insurance or collateralized with securities, in the City’s name. Evidence of pledged collateral is maintained by the City, and reviewed regularly to assure that the market value of the pledged securities are adequate.

**Custodial Credit Risk** is the risk that in the event of a broker/agent failure, securities that are uninsured and not registered in the name of the City and are held by either the counterparty to the transaction or the counterparty’s trust department or agent but not in the government’s name will not be returned to the City. The City’s written investment policy on custodial credit risk limits this risk by contracting with a third party custodian for securities. However, all of the City’s investments are either insured or registered in the City’s name and held by the City’s agent.

**NOTE C – RESTRICTED CASH**

Restricted cash consisted of the following as of December 31, 2014:

General Fund	
Cemetery reserve	\$ 6,739
Police reserve	12,348
Fire reserve	242
Law enforcement training	6,181
Inmate security	7,182
Cemetery land acquisition	18,511
Taxes paid under protest	51,370
Tax sales	1,337
	<u>103,910</u>
	<u>\$ 103,910</u>
Capital Project Fund	
Bond Reserve	<u>\$ 100,006</u>
Sewer Fund	
Reserve for Debt	\$ 155,284
Construction	598,823
Meter deposits	47,220
	<u>801,327</u>
	<u>\$ 801,327</u>

**CITY OF AURORA, MISSOURI**  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014

**NOTE D – CAPITAL ASSETS AND DEPRECIATION**

Capital asset activity for the year ended December 31, 2014 was as follows:

Governmental Activities:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 2,298,631	\$ -	\$ -	\$ 2,298,631
Construction in progress	\$ 30,078	\$ 417,091	\$ -	\$ 447,169
Capital assets being depreciated:				
Buildings	\$ 6,607,910	\$ 13,070	\$ -	\$ 6,620,980
Infrastructure	1,593,292	338,818	-	1,932,110
Equipment	2,429,674	55,880	293,733	2,191,821
Vehicles	1,793,457	50,867	146,906	1,697,418
Subtotal	12,424,333	458,635	440,639	12,442,329
Accumulated depreciation:				
Buildings	2,004,533	136,792	-	2,141,325
Infrastructure	157,198	58,008	-	215,206
Equipment	1,594,366	96,585	293,733	1,397,218
Vehicles	1,361,961	59,163	146,906	1,274,218
Subtotal	5,118,058	350,548	440,639	5,027,967
Net other capital assets	\$ 7,306,275	\$ 108,087	\$ -	\$ 7,414,362

Depreciation was charged to functions/programs as follows:

Governmental Activities:

General government	\$ 36,718
Police and courts	137,449
Fire	30,001
Streets and airport	106,049
Parks	39,338
Cemetery	993
	<u>\$ 350,548</u>

**CITY OF AURORA, MISSOURI**  
**NOTES TO FINANCIAL STATEMENTS**  
DECEMBER 31, 2014

**NOTE D – CAPITAL ASSETS AND DEPRECIATION (Continued)**

Business-type Activities:

	Beginning Balance	Increases	Decreases	Ending Balance
Construction in progress	\$ -	\$ 206,081	\$ -	\$ 206,081
Plant	\$ 8,696,079	\$ 43,332	\$ -	\$ 8,739,411
Equipment	390,195	-	-	390,195
Vehicles	510,752	-	19,009	491,743
	<u>9,597,026</u>	<u>43,332</u>	<u>19,009</u>	<u>9,621,349</u>
Less accumulated depreciation	<u>(4,469,032)</u>	<u>(204,436)</u>	<u>(19,009)</u>	<u>(4,654,459)</u>
Net property, plant, and equipment	<u>\$ 5,127,994</u>			<u>\$ 4,966,890</u>

**NOTE E – LONG-TERM DEBT**

**Business-type activities**

The following is a summary of Proprietary Fund debt of the City for the year ended December 31, 2014:

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within One Year
Revenue Bonds	\$ 1,665,000	\$ -	\$ 165,000	\$ 1,500,000	\$ 170,000
Lease Payable	90,000	-	60,000	30,000	30,000
	<u>\$ 1,755,000</u>	<u>\$ -</u>	<u>\$ 225,000</u>	<u>\$ 1,530,000</u>	<u>\$ 200,000</u>
Compensated Absences	<u>\$ 2,537</u>	<u>\$ 1,083</u>	<u>\$ 1,783</u>	<u>\$ 1,837</u>	<u>\$ 1,837</u>
				\$ 200,000	
				Due and payable in more than one year	
				Revenue bond	<u>1,330,000</u>
				<u>\$ 1,530,000</u>	

**CITY OF AURORA, MISSOURI**  
**NOTES TO FINANCIAL STATEMENTS**  
DECEMBER 31, 2014

**NOTE E – LONG-TERM DEBT (Continued)**

The Proprietary Fund long-term debt as of December 31, 2014 follows:

\$3,000,000, 2001C Series Sewerage System Revenue	
Bonds due in monthly installments at 3.00% to 5.00% interest	
Secured by net revenues of the Sewer Fund	
Bond matures July 1, 2022	<u><u>\$ 1,500,000</u></u>

The annual requirements to amortize bonded debt as of December 31, 2014 follow:

Year Ending December 31,	Sewer Fund		Totals
	Principal	Interest	
2015	\$ 170,000	\$ 77,663	\$ 247,663
2016	175,000	68,525	243,525
2017	180,000	59,119	239,119
2018	185,000	49,444	234,444
2019	190,000	39,500	229,500
2020-2022	600,000	60,500	660,500
	\$ 1,500,000	\$ 354,751	\$ 1,854,751

**CITY OF AURORA, MISSOURI**  
**NOTES TO FINANCIAL STATEMENTS**  
DECEMBER 31, 2014

**NOTE E – LONG-TERM DEBT (Continued)**

**Capital Lease:**

The City has entered into a lease agreement for expansion of the City wastewater treatment plant. The addition is accounted for in the Proprietary Fund operations. Cost is \$ 289,000 which is included in Note D as Plant with accumulated depreciation to date of \$ 25,528.

\$ 30,000

Following is a summary of debt maturities and interest requirements on above leases:

Year Ending December 31,	Total
2015	\$ 30,235
Total minimum lease payment	30,235
Less: amount representing interest	(235)
Present value of minimum lease payments	\$ 30,000

**CITY OF AURORA, MISSOURI**  
**NOTES TO FINANCIAL STATEMENTS**  
DECEMBER 31, 2014

**NOTE E – LONG-TERM DEBT (Continued)**

GOVERNMENTAL ACTIVITIES LONG-TERM DEBT

The following is a summary of capital lease transactions of the City for the year ended December 31, 2014:

	Beginning Balance	Issued	Retired	Ending Balance	Due Within One Year
<b>Capital Leases -</b>					
Case Loader Backhoe at 3.54% interest at a cost of \$ 58,022.05	\$ 29,082	\$ -	\$ 14,288	\$ 14,794	\$ 14,794
1996 Spartan Aerial Ladder truck at 3.67% at a cost of \$ 230,200	173,579	-	26,331	147,248	27,320
2013 Ford Interceptor at 5.50% at a cost of \$ 23,779	15,425	-	7,506	7,919	7,919
2014 Ford Interceptor at 5.50% at a cost of \$ 23,886	-	23,886	8,392	15,494	7,540
Debt paid from General Fund			56,517		
 Certificate of Participation on September 28, 2011 interest rate 1.25% to 4.10% with payments of interest semi-annually and principal annually \$250,000 to \$345,000 and interest \$59,080 to \$7,073	2,990,000	-	270,000	2,720,000	275,000
Total	\$ 3,208,086	\$ 23,886	\$ 326,517	\$ 2,905,455	\$ 332,573
Compensated Absences	\$ 50,850	\$ 70,435	\$ 62,978	\$ 58,307	\$ 58,307
				\$ 332,573	
				2,572,882	
				\$ 2,905,455	

Long-term debt due within one year	\$ 332,573
Long-term debt due in more than one year	2,572,882
	\$ 2,905,455

**CITY OF AURORA, MISSOURI**  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014

**NOTE E – LONG-TERM DEBT (Continued)**

The City has entered into these cancelable leases although the City does not foresee exercising its options to cancel. Therefore, these leases are accounted for as a noncancelable capital lease in accordance with Statement of Financial Accounting Standards Board (FASB) No. 13 *Accounting for Leases*.

The City was in compliance with bond reserve requirement for capital lease.

<u>Assets</u>	<u>Governmental Activities</u>
Buildings	\$ 4,187,815
Equipment	500,644
Vehicles	97,488
Less: Accumulated Depreciation	<u>(1,147,324)</u>
Total	<u><u>\$ 3,638,623</u></u>

Assets shown above under capital leases are included in Note D.

Following is a summary of debt maturities and interest requirements on above leases:

<u>Year Ending December 31,</u>	<u>Total</u>
2015	\$ 424,156
2016	394,981
2017	385,266
2018	387,986
2019	389,719
2020-2023	<u>1,424,278</u>
Total minimum lease payment	3,406,386
Less: amount representing interest	<u>(500,931)</u>
Present value of minimum lease payments	<u><u>\$ 2,905,455</u></u>

**CITY OF AURORA, MISSOURI**  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014

**NOTE F – DEFINED BENEFIT PENSION PLAN**

Plan Description

The City of Aurora participates in the Missouri Local Government Employees Retirement System (LAGERS), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for local government entities in Missouri. LAGERS is a defined benefit pension plan which provides retirement, disability, and death benefits to plan members and beneficiaries.

LAGERS was created and governed by statute, section RSMo. 70.600 - 70.755. As such, it is the system's responsibility to administer the law in accordance with the expressed intent of the General Assembly. The plan is qualified under the Internal Revenue Code Section 401(a) and it is tax exempt.

The Missouri Local Government Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to LAGERS, P.O. Box 1665, Jefferson City, MO 65102 or by calling 1-800-447-4334.

Funding Status

Full-time employees of the City of Aurora do not contribute to the pension plan. The June 30<sup>th</sup> statutorily required contribution rates are 5.8% (General), 9.8% (Police), and 1.6% (Fire) of annual covered payroll. The contribution requirements of plan members are determined by the governing body of the political subdivision. The contribution provisions of the political subdivision are established by state statute.

Annual Pension Cost (APC) and Net Pension Obligation (NPO)

The subdivision's annual pension cost and net pension obligation for the current year were as follows:

Annual required contribution	\$ 104,000
Interest on net pension obligation	1,649
Adjustment to annual required contribution	<u>(2,100)</u>
Annual pension cost	103,549
Actual contributions	<u>103,584</u>
Increase (decrease) in NPO	(35)
NPO beginning of year	<u>22,748</u>
NPO end of year	<u><u>\$ 22,713</u></u>

**CITY OF AURORA, MISSOURI**  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014

**NOTE F – DEFINED BENEFIT PENSION PLAN (Continued)**

The required contribution (ARC) was determined as part of the February 29, 2012 and February 28, 2013 annual actuarial valuation using the entry age actuarial cost method. The actuarial assumptions as of February 28, 2014 included (a) a rate of return on the investment of present and future assets of 7.25% per year, compounded annually, (b) projected salary increases of 3.5% per year, compounded annually, attributable to inflation, (c) additional projected salary increases ranging from 0.0% to 6.0% per year, depending on age and division, attributable to seniority/merit, and (d) pre-retirement mortality based on 75% of the RP-2000 Combined Healthy Table set back 0 years for men and 0 years for women and (e) post-retirement mortality based on 105% of the 1994 Group Annuity Mortality table set back 0 year for men and 0 years for women. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The amortization period as of February 29, 2012 was 11 years for the General division, 1 year for the Police division and 14 years for the Fire division. The amortization period as of February 28, 2013 was 13 years for the General division, 30 year for the Police division and 15 years for the Fire division

Three-Year Trend Information			
Fiscal Year	Annual Pension	Percentage of	Net Pension
Ending June 30	Cost (APC)	APC Contributed	Obligation
2012	\$ 141,588	99.1%	\$ 25,123
2013	115,429	102.1%	22,748
2014	103,549	100.0%	22,713

**REQUIRED SUPPLEMENTARY INFORMATION**

Schedule of Funding Progress

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Entry Age Actuarial Accrued Liability	Unaudited	(a/b) Funded Ratio	(c) Annual Covered Payroll	[(b-a)/c] ULA as a Percentage of Covered Payroll
			(b-a) Unfunded Liability (UAL)			
2/29/2012	\$ 3,321,200	\$ 2,980,734	\$ (34,466)	111%	\$1,605,743	
2/28/2013	3,481,757	3,014,789	(466,968)	115%	1,403,959	
2/28/2014	4,028,098	3,200,567	(827,531)	126%	1,677,571	

**CITY OF AURORA, MISSOURI**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2014**

**NOTE F – DEFINED BENEFIT PENSION PLAN (Continued)**

Note: The above assets and actuarial accrued liability do not include the assets and present value of benefits associated with the Benefit Reserve Fund and the Casualty Reserve Fund. The actuarial assumptions were changed in conjunction with the February 28, 2011 annual actuarial valuations. For a complete description of the actuarial assumptions used in the annual valuations, please contact the LAGERS office in Jefferson City.

**NOTE G – 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 maintains commercial insurance coverage for property damage and various Missouri Official's bonds. Management believes coverage is sufficient to preclude any significant uninsured losses to the City.

**NOTE H – GRANTS**

Intergovernmental awards received by the City are subject to audit and adjustment by the grantor agencies. If grant revenues are received for expenditures, which are subsequently disallowed, the City may be required to repay the revenues to the funding agencies. No disallowed costs have resulted from this audit and management believes that further examination will not result in any disallowed costs.

**NOTE I – RELATED PARTY TRANSACTIONS**

The City entered into a lease agreement on September 5, 2001, with St. John's Health System (SJHS). Under the terms of the agreement, SJHS took over administration, management and operation of the Hospital and leases the facilities. All cash and investments balances as of the effective date are to be placed in a Capital Improvement Fund and remain under the control of the Aurora Community Hospital Board. In consideration of the use and possession of the facilities, SJHS pays the annual sum of \$ 100 plus contributes \$ 200,000 to the Capital Improvement Fund. The balance in the Capital Improvement Fund may be used for capital improvements and insurance coverage for the directors and officers of the Aurora Community Hospital Board. The agreement is initially for five years, automatically renewable for up to nine additional five-year terms, and provides for termination, under certain circumstances, by each party to the agreement.

**NOTE J – DEPARTURE FROM ACCOUNTING PRINCIPLES**

In accordance with accounting principles applied by the City using accounting principles generally accepted in the United States of America, the lease agreement discussed in Note I is required to be reported as an operating lease with the related capital assets recorded in the City's financial statements. To the extent that these leased assets are excluded from the Governmental Activities Statement of Net Position and Statement of Activity, they are not in conformity with accounting principles as adopted by the City of Aurora. The effect of this departure is not reasonably determined.

**CITY OF AURORA, MISSOURI**  
**NOTES TO FINANCIAL STATEMENTS**  
DECEMBER 31, 2014

**NOTE K – TRANSFER BETWEEN FUNDS**

The transfers from the Transportation Fund (\$28,000) which is included in the operational expense and the Sewer Fund (\$ 77,000) to the General Fund were for cost sharing allocations. Transfers from the Hospital Fund to the Sewer Fund (\$650,000) were for capital improvements.

**NOTE L – CONSTRUCTION IN PROGRESS**

Construction in progress is authorized by actions of the City Council (governing body). A summary of construction in progress as of December 31, 2014 is as follows:

Project	Cost of Project	Construction in Progress	Remaining Cost to Complete
<b>Sewer Fund</b>			
Plant expansion	\$ 1,849,731	\$ 206,081	\$ 1,643,650
Total Proprietary Funds	<u>\$ 1,849,731</u>	<u>\$ 206,081</u>	<u>\$ 1,643,650</u>
<b>Governmental Activities</b>			
Airport project	\$ 127,209	\$ 104,797	\$ 22,412
Walking trail	623,796	342,372	281,424
Total Governmental Activities	<u>\$ 751,005</u>	<u>\$ 447,169</u>	<u>\$ 303,836</u>

**CITY OF AURORA, MISSOURI**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND**  
**BALANCES - BUDGET AND ACTUAL - MAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**

REVENUES	General Fund			
	Budget		Actual	Variance With Final Budget
	Original	Final		
Property taxes	\$ 232,000	\$ 232,000	\$ 251,075	\$ 19,075
Franchise taxes	920,000	920,000	930,618	10,618
Sales taxes	1,025,000	1,025,000	1,108,621	83,621
Use taxes	56,000	56,000	38,772	(17,228)
Financial institutional tax	110	110	5,099	4,989
Fee in lieu of tax	3,600	3,600	-	(3,600)
Licenses & permits	35,400	35,400	38,210	2,810
Fines & forfeitures	82,430	82,430	87,637	5,207
User charges	32,740	32,740	26,507	(6,233)
Cemetery-sale of plots	35,000	35,000	41,300	6,300
Interest	-	-	704	704
Donations	-	-	10,247	10,247
Intergovernmental cost reimbursements	35,300	35,300	35,300	-
Miscellaneous	2,600	2,600	20,664	18,064
Total Revenues	<u>2,460,180</u>	<u>2,460,180</u>	<u>2,594,754</u>	<u>134,574</u>
EXPENDITURES				
Current:				
General government	406,192	406,192	331,098	75,094
Police and courts	1,073,410	1,073,410	1,007,106	66,304
Fire	416,945	416,945	428,314	(11,369)
E-911	195,284	195,284	199,514	(4,230)
Parks	199,073	199,073	175,097	23,976
Cemetery care	94,200	94,200	97,933	(3,733)
Finance and economic development	158,658	158,658	192,592	(33,934)
Code enforcement	100,913	100,913	97,105	3,808
Capital outlay	29,762	29,762	36,956	(7,194)
Debt service:				
Principal	56,517	56,517	56,517	-
Interest	8,396	8,396	8,396	-
Total Expenditures	<u>2,739,350</u>	<u>2,739,350</u>	<u>2,630,628</u>	<u>108,722</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(279,170)	(279,170)	(35,874)	(243,296)
OTHER FINANCING SOURCES (USES)				
Transfers In	105,000	105,000	105,000	-
Transfers (Out)	-	(141,000)	-	141,000
Loan proceeds	-	-	23,886	23,886
EXCESS OF REVENUES AND SOURCES OVER (UNDER) EXPENDITURES AND USES	<u>\$ (174,170)</u>	<u>\$ (315,170)</u>	93,012	<u>\$ (78,410)</u>
FUND BALANCES - BEGINNING			<u>1,834,147</u>	
FUND BALANCES - ENDING			<u>\$ 1,927,159</u>	

**CITY OF AURORA, MISSOURI**  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND  
 BALANCES - BUDGET AND ACTUAL - MAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2014

	Transportation Fund			
	Budget		Actual	Variance With Final Budget
	Original	Final		
REVENUES				
Sales tax	\$ 510,000	\$ 510,000	\$ 553,946	\$ 43,946
Use tax	28,000	28,000	19,386	(8,614)
Missouri motor fuel taxes	256,000	256,000	284,391	28,391
Grants	335,807	335,807	104,544	(231,263)
Miscellaneous	7,500	7,500	13,204	5,704
Total Revenues	<u>1,137,307</u>	<u>1,137,307</u>	<u>975,471</u>	<u>(161,836)</u>
EXPENDITURES				
Current:				
Street	679,866	679,866	636,566	43,300
Airport	10,400	10,400	13,252	(2,852)
Capital Outlay	<u>665,677</u>	<u>665,677</u>	<u>443,053</u>	<u>222,624</u>
Total Expenditures	<u>1,355,943</u>	<u>1,355,943</u>	<u>1,092,871</u>	<u>263,072</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>\$ (218,636)</u>	<u>\$ (218,636)</u>	(117,400)	<u>\$ 101,236</u>
OTHER FINANCING SOURCES (USES)				
Transfers (Out)			(28,000)	
EXCESS OF REVENUE AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND USES			(145,400)	
FUND BALANCE-BEGINNING			<u>544,322</u>	
FUND BALANCE - ENDING			<u>\$ 398,922</u>	

	Capital Project Fund			
	Budget		Actual	Variance With Final Budget
	Original	Final		
REVENUES				
Sales tax	\$ 518,000	\$ 518,000	\$ 554,019	\$ 36,019
Use tax	-	-	19,386	19,386
Interest income	600	600	-	(600)
Miscellaneous	20,000	20,000	1,301	(18,699)
Total Revenues	<u>538,600</u>	<u>538,600</u>	<u>574,706</u>	<u>36,106</u>
EXPENDITURES				
Current:				
Police and court	230,902	230,902	153,177	77,725
Fire	25,414	25,414	24,732	682
Debt service:				
Principal	270,000	270,000	270,000	-
Interest and fees	<u>90,168</u>	<u>90,168</u>	<u>89,866</u>	<u>302</u>
Total Expenditures	<u>616,484</u>	<u>616,484</u>	<u>537,775</u>	<u>78,709</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	<u>\$ (77,884)</u>	<u>\$ (77,884)</u>	36,931	<u>\$ (114,815)</u>
FUND BALANCES - BEGINNING			<u>416,589</u>	
FUND BALANCES - ENDING			<u>\$ 453,520</u>	