

CITY OF AURORA, MISSOURI

BASIC FINANCIAL STATEMENTS
WITH REQUIRED SUPPLEMENTARY DATA
AND
INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED
DECEMBER 31, 2015

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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, 2015, 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 *Governmental 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 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

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, Missouri, as of December 31, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note A to the financial statements, in 2015 the City adopted new accounting guidance, GASB Statement No. 68 *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 39-41 and the Schedule of Changes in Net Pension Plan Liability and Related Ratios Page 42 and Schedule of Pension Plan Contributions page 43 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.

Management has omitted the Management Discussion and Analysis letter 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.

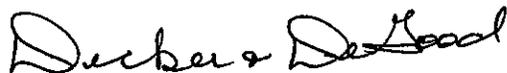
Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the 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 issued our report dated April 21, 2016, on our consideration of the City of Aurora, Missouri's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants 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 the 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 City of Aurora, Missouri's, internal control over financial reporting and compliance.



Decker & DeGood
Springfield, Missouri
April 21, 2016

CITY OF AURORA, MISSOURI
STATEMENT OF NET POSITION
DECEMBER 31, 2015

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 4,253,436	\$ 329,908	\$ 4,583,344
Restricted assets-cash and cash equivalents	174,694	367,469	542,163
Accounts receivable	570,974	72,999	643,973
Capital assets:			
Land	2,298,631	-	2,298,631
Construction in progress	-	1,591,334	1,591,334
Other capital assets, net of accumulated depreciation	8,024,505	4,762,333	12,786,838
Net pension assets	1,177,826	94,279	1,272,105
Total Assets	16,500,066	7,218,322	23,718,388
DEFERRED OUTFLOW OF RESOURCES			
Deferred amounts related to pensions	233,212	21,125	254,337
LIABILITIES			
Accounts payable	86,855	14,502	101,357
Accrued wages	57,596	5,247	62,843
Accrued payroll taxes and benefits	27,419	1,544	28,963
Accrued interest	27,070	-	27,070
Taxes under protest	70,102	-	70,102
Other liabilities	10,159	-	10,159
Compensated absences	65,171	2,407	67,578
Due and payable within one year	336,292	175,000	511,292
Due and payable in more than one year:			
Revenue bonds	-	1,155,000	1,155,000
Certificates of participation	2,342,646	-	2,342,646
Meter deposits	-	48,867	48,867
Total Liabilities	3,023,310	1,402,567	4,425,877
DEFERRED INFLOW OF RESOURCES			
Deferred amounts related to pensions	72,942	10,266	83,208
NET POSITION			
Net investment in capital assets	7,644,198	5,023,667	12,667,865
Restricted for:			
Debt service	100,000	-	100,000
Depreciation and replacement	-	132,800	132,800
Unrestricted	5,892,828	670,147	6,562,975
Total Net Position	\$ 13,637,026	\$ 5,826,614	\$ 19,463,640

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

CITY OF AURORA, MISSOURI
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	
Governmental activities:								
General government	\$ 313,600	\$ -	\$ -	\$ (291,048)	\$ -	\$ -	\$ (291,048)	
Police and court	1,383,958	13,412	-	(1,214,883)	-	-	(1,214,883)	
Fire	501,978	-	-	(501,978)	-	-	(501,978)	
E-911	225,584	-	-	(225,584)	-	-	(225,584)	
Streets	728,481	-	3,803	(720,078)	-	-	(720,078)	
Airport	95,034	-	-	(95,034)	-	-	(95,034)	
Parks	205,528	3,536	38,122	(137,303)	-	-	(137,303)	
Cemetery care	99,274	-	-	(70,574)	-	-	(70,574)	
Finance and economic development	308,557	-	-	(308,557)	-	-	(308,557)	
Code enforcement	98,629	-	-	(58,677)	-	-	(58,677)	
Interest on long-term debt	94,166	-	-	(94,166)	-	-	(94,166)	
Total governmental activities	4,054,789	16,948	41,925	(3,717,882)	-	-	(3,717,882)	
Business-type activities:								
Sewer	694,256	-	813,423	-	893,637	-	893,637	
Total business-type activities	694,256	-	813,423	-	893,637	-	893,637	
Total Primary Government	\$ 4,749,045	\$ 16,948	\$ 855,348	(3,717,882)	893,637	-	(2,824,245)	

General Revenues

Taxes:			
Property taxes levied for general purposes	259,385	-	259,385
Property taxes levied for parks	99,642	-	99,642
Franchise taxes	892,336	-	892,336
Sales taxes	2,291,530	-	2,291,530
Use taxes	142,273	-	142,273
Missouri motor fuel taxes	293,700	-	293,700
Fee in lieu of tax	4,716	-	4,716
Institutional tax	9,047	-	9,047
Building rent	201,300	-	201,300
Interest on investments	6,509	-	6,509
Miscellaneous	17,472	-	17,472
Insurance claims	38,701	-	38,701
Transfers	77,000	(77,000)	-
Total general revenues and transfers	4,333,611	(77,000)	4,256,611
Change in net position	615,729	816,637	1,432,366
Net position beginning (restated)	13,021,297	5,009,977	18,031,274
Net position ending	\$ 13,637,026	\$ 5,826,614	\$ 19,463,640

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

CITY OF AURORA, MISSOURI
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2015

	General Fund	Transportation Fund	Community Hospital Fund	Capital Project Fund	Park Fund	Nonmajor-UDAG Fund	Total Governmental Funds
Cash and cash equivalents	\$ 2,012,995	\$ 311,727	\$ 1,309,998	\$ 374,169	\$ 125,945	\$ 118,602	\$ 4,253,436
Restricted assets-cash and cash equivalents	74,688	-	-	100,006	-	-	174,694
Accounts receivable	-	-	-	-	-	-	-
Property taxes	55,528	-	-	-	21,605	-	77,133
Sales taxes	94,923	47,461	-	47,461	-	-	189,845
Franchise taxes	65,331	-	-	-	-	-	65,331
Motor fuel taxes	-	23,197	-	-	-	-	23,197
Grants	-	3,890	200,100	-	-	-	203,990
Other	11,404	-	-	-	74	-	11,478
TOTAL ASSETS	\$ 2,314,869	\$ 386,275	\$ 1,510,098	\$ 521,636	\$ 147,624	\$ 118,602	\$ 4,999,104

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE

Liabilities-							
Accounts payable	\$ 61,824	\$ 13,042	\$ -	\$ 6,465	\$ 5,924	\$ -	\$ 86,855
Accrued wages	47,408	10,162	-	26	-	-	57,596
Accrued payroll taxes and benefits	19,200	8,197	-	-	22	-	27,419
Taxes paid under protest	70,102	-	-	-	-	-	70,102
Other liabilities	10,159	-	-	-	-	-	10,159
Total Liabilities	208,693	31,401	-	6,491	5,546	-	252,131

DEFERRED INFLOWS OF RESOURCES

Unavailable property tax revenue	32,354	-	-	-	12,588	-	44,942
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Fund Balance-Committed	124,074	-	1,510,098	-	-	-	1,634,172
Restricted-Debt Service	-	-	-	100,000	-	-	100,000
Restricted-Transportation	-	354,874	-	-	-	-	354,874
Restricted-Public Safety	-	-	-	415,145	-	-	415,145
Restricted-Economic Development	-	-	-	-	-	118,602	118,602
Restricted-Parks	-	-	-	-	129,490	-	129,490
Assigned-Cemetery	1,405	-	-	-	-	-	1,405
Unassigned	1,948,343	-	-	-	-	-	1,948,343
Total Fund Balances	2,073,822	354,874	1,510,098	515,145	129,490	118,602	4,702,031

TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE

	\$ 2,314,869	\$ 386,275	\$ 1,510,098	\$ 521,636	\$ 147,624	\$ 118,602	\$ 4,999,104
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The accompanying notes are an integral part of these financial statements.

CITY OF AURORA, MISSOURI
RECONCILIATION OF BALANCE SHEET TO
STATEMENT OF NET POSITION
DECEMBER 31, 2015

Total Fund Balances-Governmental Funds	\$ 4,702,031
<p>Capital assets, net of accumulated depreciation, are used in governmental activities not financial resources and, therefore, are not reported as assets in the governmental funds.</p>	
Non-depreciable assets	2,298,631
Depreciable assets	<u>8,024,505</u>
	10,323,136
<p>Revenue that is unavailable in the funds financial statement but is recognized as revenue in the government-wide financial statements.</p>	
	44,942
<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>	
	(27,070)
<p>Certain amounts are not a use of financial resources and, therefore, are not reported in the governmental funds. These items consist of:</p>	
Net pension assets	1,177,826
Deferred outflows - pension related	233,212
Deferred inflows - pension related	(72,942)
<p>Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.</p>	
<p>Long-term liabilities at year-end consist of:</p>	
Long term debt	(2,678,938)
Compensated absences payable	<u>(65,171)</u>
Net position of governmental activities	<u><u>\$ 13,637,026</u></u>

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, 2015

	General Fund	Transportation Fund	Community Hospital Fund	Capital Project Fund	Park Fund	Nonmajor-UDAG Fund	Total Governmental Funds
REVENUES							
Taxes:							
Property taxes	\$ 246,901	\$ -	\$ -	\$ -	\$ 94,831	\$ -	\$ 341,732
Franchise taxes	892,336	-	-	-	-	-	892,336
Sales taxes	1,145,841	572,832	-	572,857	-	-	2,291,530
Use tax	71,137	35,568	-	35,568	-	-	142,273
Intergovernmental:							
Missouri motor fuel taxes	-	293,700	-	-	-	-	293,700
Fee in lieu of tax	4,716	-	-	-	-	-	4,716
Cost reimbursement Marionville	42,230	-	-	-	-	-	42,230
Institutional tax	8,295	-	-	-	752	-	9,047
Licenses & permits	71,935	-	-	-	-	-	71,935
Fines & forfeitures	108,602	-	-	-	-	-	108,602
User charges:							
Park activities	26,567	-	-	-	-	-	26,567
Cemetery-sale of plots	28,700	-	-	-	-	-	28,700
Interest	706	-	4,994	-	-	809	6,509
Other:							
Building lease	-	-	200,100	1,200	-	-	201,300
Donations	-	-	-	-	3,536	-	3,536
Grants	13,412	3,803	-	-	38,122	-	55,337
Miscellaneous	14,317	2,963	-	-	192	-	17,472
Total Revenues	2,675,695	908,866	205,094	609,625	137,433	809	4,537,522
EXPENDITURES							
Current:							
General government	254,731	-	400	-	-	-	255,131
Police and court	1,075,331	-	-	138,676	-	-	1,214,007
Fire	424,804	-	-	19,999	-	-	444,803
E-911	208,301	-	-	-	-	-	208,301
Streets	-	581,285	-	-	-	-	581,285
Airport	61,934	-	-	-	-	-	61,934
Parks	102,170	-	-	-	48,093	-	150,263
Cemetery care	93,576	-	-	-	-	-	93,576
Finance and economic development	295,163	-	-	-	-	-	295,163
Code enforcement	91,810	-	-	-	-	-	91,810
Capital outlay	-	343,629	-	130,788	69,819	-	544,236
Debt service:							
Principal	57,573	-	-	299,732	-	-	357,305
Interest	7,340	-	-	89,593	-	-	96,933
Total Expenditures	2,672,733	924,914	400	678,788	117,912	-	4,394,747
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	2,962	(16,048)	204,694	(69,163)	19,521	809	142,775
OTHER FINANCING SOURCES (USES)							
Transfers In	105,000	-	-	-	-	-	105,000
Transfers (Out)	-	(28,000)	-	-	-	-	(28,000)
Insurance claims	38,701	-	-	-	-	-	38,701
Loan proceeds	-	-	-	130,788	-	-	130,788
EXCESS OF REVENUE AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND USES	146,663	(44,048)	204,694	61,625	19,521	809	389,264
FUND BALANCES - BEGINNING	1,927,159	398,922	1,305,404	453,520	109,969	117,793	4,312,767
FUND BALANCES - ENDING	\$ 2,073,822	\$ 354,874	\$ 1,510,098	\$ 515,145	\$ 129,490	\$ 118,602	\$ 4,702,031

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, 2015

Net change in fund balances--total governmental funds	\$ 389,264
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	544,236
Less current year depreciation	(381,261)
Some expenses reported in statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	
Change in compensated absences	(6,866)
Change in pension expense	(176,223)
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.	
	2,767
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.	
	17,295
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	357,305
New debt issue	<u>(130,788)</u>
Change in net position of governmental activities	<u>\$ 615,729</u>

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

CITY OF AURORA, MISSOURI

STATEMENT OF NET POSITION

PROPRIETARY FUND (SEWER)

DECEMBER 31, 2015

ASSETS	
Current Assets:	
Cash and cash equivalents	\$ 329,908
Accounts receivable	
Utilities	70,932
Grants	2,067
Total Current Assets	<u>402,907</u>
Restricted Assets:	
Cash and cash equivalents	<u>367,469</u>
Total Restricted Assets	<u>367,469</u>
Noncurrent Assets:	
Capital Assets:	
Construction in progress	1,591,334
Other capital assets, net of accumulated depreciation	4,762,333
Net pension assets	94,279
Total Noncurrent Assets	<u>6,447,946</u>
TOTAL ASSETS	<u>7,218,322</u>
DEFERRED OUTFLOW OF RESOURCES	
Deferred amounts related to pensions	<u>21,125</u>
LIABILITIES	
Current Liabilities:	
Accounts payable	14,502
Accrued wages	5,247
Accrued payroll taxes and benefits	1,544
Compensated absences	2,407
Current portion of long-term debt	175,000
Total Current Liabilities	<u>198,700</u>
Noncurrent Liabilities:	
Revenue bonds	1,155,000
Meter deposits	48,867
Total Noncurrent Liabilities	<u>1,203,867</u>
Total Liabilities	<u>1,402,567</u>
DEFERRED INFLOW OF RESOURCES	
Deferred amounts related to pensions	<u>10,266</u>
NET POSITION	
Net investment in capital assets	5,023,667
Restricted-Depreciation and replacement	132,800
Unrestricted	670,147
Total Net Position	<u>\$ 5,826,614</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, 2015

OPERATING REVENUES:	
Charges for services	<u>\$ 774,470</u>
OPERATING EXPENSES:	
Chemicals	7,048
Collection system	7,157
Computer software and expenses	3,150
Depreciation	204,557
Dues and training	2,166
Empire water reconnect	2,206
Employee benefits	33,122
Fuel	8,575
Insurance	25,508
Miscellaneous	1,141
Office supplies and postage	20,277
Payroll taxes	10,946
Permits, licenses and fees	4,564
Professional fees	19,502
Repairs & maintenance	51,215
Retirement expense	22,850
Salaries	139,211
Supplies	4,642
Telephone	5,448
Uniforms	3,495
Utilities	85,216
Total Operating Expenses	<u>661,996</u>
OPERATING INCOME	<u>112,474</u>
NON-OPERATING REVENUES (EXPENSES):	
Interest earned on SRF accounts	50,612
Interest expense and agents fee	<u>(82,872)</u>
Total Non-operating Revenues (Expenses)	<u>(32,260)</u>
GRANTS AND TRANSFERS	
Transfer (out)	(77,000)
Grant income	<u>813,423</u>
Net grants and transfers	<u>736,423</u>
CHANGE IN NET POSITION	816,637
TOTAL NET POSITION - BEGINNING (RESTATED)	<u>5,009,977</u>
TOTAL NET POSITION - ENDING	<u><u>\$ 5,826,614</u></u>

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, 2015

CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from customers	\$ 762,806
Payments to suppliers	(267,458)
Payments to employees	<u>(193,543)</u>
Net Cash Provided by Operating Activities	<u>301,805</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:	
Grants for capital improvements	813,423
Capital expenditure	(1,385,253)
Principal paid	(200,000)
Interest paid	<u>(32,260)</u>
Net Cash (Used for) Capital and Related Financing Activities	<u>(804,090)</u>
NET CASH (DECREASE) FOR THE YEAR	<u>(579,285)</u>
CASH AT BEGINNING OF YEAR	<u>1,276,662</u>
CASH AT END OF YEAR	<u>\$ 697,377</u>
CASH SUMMARY	
Cash and cash equivalents	\$ 329,908
Restricted assets-cash and cash equivalents	<u>367,469</u>
Total	<u>\$ 697,377</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating Income	\$ 112,474
Adjustments to reconcile net operating income to net cash provided by operating activities:	
Depreciation	204,557
(Increase) in accounts receivable	(12,666)
Decrease in pension assets	10,139
(Decrease) in accounts payable	(16,148)
Increase in accrued wages, taxes, and benefits	2,447
Increase in sewer deposits	<u>1,002</u>
Net Cash Provided by Operating Activities	<u>\$ 301,805</u>

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

CITY OF AURORA, MISSOURI
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

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 are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. 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 and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. 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, 2015

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 government's primary operating fund. 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, 2015

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.

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.

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:

UDAG Fund

This fund was established to account for the proceeds of grant moneys that are 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, 2015

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 and Cash Equivalents

The City pools money from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents.

Statement of Cash Flows

For the purpose of the statement of cash flows, the City considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. State statutes authorize the City to invest in obligations of the U.S. Treasury, federal agencies, commercial paper, corporate bonds, and repurchase agreements. Investments are stated at fair value.

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, 2015

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 utilities are stated at net with an allowance for doubtful accounts of \$ 3,373. All other receivables were collected in the following 30 days therefore, no allowance provided.

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, 2015, the City did not capitalize any interest and interest expense for the Sewer Fund was \$ 50,612 less interest earned by SRF accounts applied to bring the net cost down to \$ 32,260 by the City of Aurora.

CITY OF AURORA, MISSOURI
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

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 one items that meet the definition of deferred outflows of resources which is pension related.

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.

For the Governmental Activities deferred inflows represents amount related pensions.

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, 2015 the City had no outstanding arbitrage rebate liability.

CITY OF AURORA, MISSOURI
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

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

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Missouri Local Government Employees Retirement System (LAGERS) and additions to/deductions from LAGERS fiduciary net position have been determined on the same basis as they are reported by LAGERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Long-term Debt

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.

CITY OF AURORA, MISSOURI
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balances-Governmental Funds

As of December 31, 2015, 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.

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 all amounts not included in the other fund balance classifications. The General Fund shall be the only fund to report positive unassigned fund balance. All other governmental funds may report negative unassigned fund balance.

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.

CITY OF AURORA, MISSOURI
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position-continued

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.

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 2015 was \$.5252 with a valuation base of \$ 59,608,428 broken down \$.3794 General and \$.1476 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

Adoption of New Accounting Standard

GASB Statement No. 68 (GASB 68), *Accounting and Financial Reporting for Pensions*, will require the City to record net pension obligation on the government-wide statement of net position and proprietary fund. Net pension obligation equals the difference between the total pension liability and the value of assets set aside in a pension plan to pay benefits. GASB 68 may also require changes to the projection of benefit payments and the rate used to discount the projected benefit payments.

CITY OF AURORA, MISSOURI
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)

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, 2015, 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.

Debt restrictions

General obligation debt

Article VI, Sections 26 (b) and (c), Constitution of Missouri, limits the outstanding amount of authorized general obligation debt of a City to 20 percent of the assessed valuation of taxable tangible property as shown by the last completed assessment for state or county purposes. Authorization for debt issuance requires four-sevenths at the general municipal election day, primary or general elections and two-thirds at all other elections, vote of the qualified electors thereof. As of December 31, 2015 the City had no outstanding General Obligation Bonds.

CITY OF AURORA, MISSOURI
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

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, 2015 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.

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.

CITY OF AURORA, MISSOURI
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE C – RESTRICTED CASH

Restricted cash consisted of the following as of December 31, 2015:

General Fund	
Cemetery reserve	\$ 1,409
Police reserve	1,839
Taxes paid under protest	70,103
Tax sales	<u>1,337</u>
	<u>\$ 74,688</u>
Capital Project Fund	
Bond Reserve	<u>\$ 100,006</u>
Sewer Fund	
Reserve for Depreciation and replacement	\$ 155,284
Construction	163,318
Meter deposits	<u>48,867</u>
	<u>\$ 367,469</u>

CITY OF AURORA, MISSOURI
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE D – CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended December 31, 2015 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	<u>\$ 447,169</u>	<u>\$ -</u>	<u>\$ 447,169</u>	<u>\$ -</u>
Capital assets being depreciated:				
Buildings	\$ 6,620,980	\$ -	\$ -	\$ 6,620,980
Infrastructure	1,932,110	816,495	-	2,748,605
Equipment	2,191,821	125,004	44,062	2,272,763
Vehicles	1,697,418	85,679	26,981	1,756,116
Total capital assets being depreciated	<u>12,442,329</u>	<u>1,027,178</u>	<u>71,043</u>	<u>13,398,464</u>
Less: Accumulated depreciation for:				
Buildings	2,141,325	137,010	-	2,278,335
Infrastructure	215,206	98,474	-	313,680
Equipment	1,397,218	87,775	32,346	1,452,647
Vehicles	1,274,218	58,002	2,923	1,329,297
Total accumulated depreciation	<u>5,027,967</u>	<u>381,261</u>	<u>35,269</u>	<u>5,373,959</u>
Capital assets being depreciated, net	<u>\$ 7,414,362</u>	<u>\$ 645,917</u>	<u>\$ 35,774</u>	<u>\$ 8,024,505</u>
Governmental activities capital assets, net	<u>\$ 10,160,162</u>	<u>\$ 645,917</u>	<u>\$ 482,943</u>	<u>\$ 10,323,136</u>

Depreciation expense was charged to functions of the government as follows:

Governmental Activities:

General government	\$ 36,718
Police and courts	128,412
Fire	22,998
Streets and airport	138,940
Parks	50,574
Cemetery	894
Code enforcement	2,725
	<u>\$ 381,261</u>

CITY OF AURORA, MISSOURI
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE D – CAPITAL ASSETS AND DEPRECIATION (Continued)

Business-type Activities:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Construction in progress	<u>\$ 206,081</u>	<u>\$1,385,253</u>	<u>\$ -</u>	<u>\$1,591,334</u>
Capital assets being depreciated:				
Plant	\$ 8,739,411	\$ -	\$ -	\$ 8,739,411
Equipment	390,195	-	-	390,195
Vehicles	491,743	-	-	491,743
Total capital assets being depreciated	<u>9,621,349</u>	<u>-</u>	<u>-</u>	<u>9,621,349</u>
Less: Accumulated depreciation	<u>(4,654,459)</u>	<u>(204,557)</u>	<u>-</u>	<u>(4,859,016)</u>
Capital assets being depreciated, net	<u>\$ 4,966,890</u>			<u>\$ 4,762,333</u>
Business-type activities capital assets, net	<u>\$ 5,172,971</u>			<u>\$ 6,353,667</u>

CITY OF AURORA, MISSOURI
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

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, 2015:

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within One Year
Revenue Bonds	\$ 1,500,000	\$ -	\$ 170,000	\$ 1,330,000	\$ 175,000
Lease Payable	30,000	-	30,000	-	-
	<u>\$ 1,530,000</u>	<u>\$ -</u>	<u>\$ 200,000</u>	<u>\$ 1,330,000</u>	<u>\$ 175,000</u>
Compensated Absences	\$ 1,837	\$ 6,975	\$ 6,405	\$ 2,407	\$ 2,407
				\$ 175,000	
				Due and payable in more than one year	
				Revenue bond	1,155,000
				<u>\$ 1,330,000</u>	

The Proprietary Fund long-term debt as of December 31, 2015 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>\$ 1,330,000</u>

CITY OF AURORA, MISSOURI
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE E – LONG-TERM DEBT (Continued)

The annual requirements to amortize bonded debt as of December 31, 2015 follow:

Year Ending December 31,	Sewer Fund		
	Principal	Interest	Totals
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	195,000	30,000	225,000
2021-2022	405,000	30,500	435,500
	<u>\$ 1,330,000</u>	<u>\$ 277,088</u>	<u>\$ 1,607,088</u>

CITY OF AURORA, MISSOURI
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

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, 2015:

	<u>Beginning Balance</u>	<u>Issued</u>	<u>Retired</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Capital Leases -					
Case Loader Backhoe at 3.54% interest at a cost of \$ 58,022.05	\$ 14,794	\$ -	\$ 14,794	\$ -	\$ -
1996 Spartan Aerial Ladder truck at 3.67% at a cost of \$ 230,200	147,248	-	27,320	119,928	28,346
2013 Ford Interceptor at 5.50% at a cost of \$ 23,779	7,919	-	7,919	-	-
2014 Ford Interceptor at 5.50% at a cost of \$ 23,886	15,494	-	7,540	7,954	7,954
Cad server system at 3.955 % at a cost of \$ 130,788	-	130,788	24,732	106,056	24,992
Debt paid from General Fund			<u>82,305</u>		
 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	 <u>2,720,000</u>	 <u>-</u>	 <u>275,000</u>	 <u>2,445,000</u>	 <u>275,000</u>
Total	<u>\$ 2,905,455</u>	<u>\$ 130,788</u>	<u>\$ 357,305</u>	<u>\$ 2,678,938</u>	<u>\$ 336,292</u>
 Compensated Absences	 <u>\$ 58,307</u>	 <u>\$ 80,289</u>	 <u>\$ 73,425</u>	 <u>\$ 65,171</u>	 <u>\$ 65,171</u>
				Long-term debt due within one year	\$ 336,292
				Long-term debt due in more than one year	<u>2,342,646</u>
					<u>\$ 2,678,938</u>

CITY OF AURORA, MISSOURI
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

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>(1,237,762)</u>
Total	<u><u>\$ 3,548,185</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>
2016	\$ 424,168
2017	414,454
2018	417,173
2019	418,905
2020	352,422
2021-2023	<u>1,071,856</u>
Total minimum lease payment	3,098,978
Less: amount representing interest	<u>(420,040)</u>
Present value of minimum lease payments	<u><u>\$ 2,678,938</u></u>

CITY OF AURORA, MISSOURI
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE F – DEFINED BENEFIT PENSION PLAN

The City of Aurora participates in the Missouri Local Government Employees Retirement System (LAGERS). LAGERS is an agent multiple-employer, statewide public employee retirement plan for units of local government which is legally separate and fiscally independent of the State of Missouri. The retirement system covers all full-time City employees.

Plan description

The City of Aurora's defined benefit pension plan provides certain retirement, disability and death benefits to plan members and beneficiaries. The City of Aurora participates in the Missouri Local Government Employees Retirement System (LAGERS). LAGERS is an agent multiple-employer, statewide public employee pension plan established in 1967 and administered in accordance with RSMo. 70.600-70.755. As such, it is LAGERS 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 is tax exempt. The responsibility for the operations and administration of LAGERS is vested in the LAGERS Board of Trustees consisting of seven persons. LAGERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained by accessing the LAGERS website at www.molagers.org.

Benefits provided

LAGERS provides retirement, death and disability benefits. Benefit provisions are adopted by the governing body of the employer, within the options available in the state statutes governing LAGERS. All benefits vest after 5 years of credited service. Employees who retire on or after age 60 (55 for police and fire) with 5 or more years of service are entitled to an allowance for life based upon the benefit program information provided below. Employees may retire with an early retirement benefit with a minimum of 5 years of credited service and after attaining age 55 (50 for police and fire) and receive a reduced allowance.

	<u>2015 Valuation</u>
Benefit Multiplier:	1.75%
Final Average Salary:	3 years
Member Contributions:	0.00%

Benefit terms provide for annual post retirement adjustments to each member's retirement allowance subsequent to the member's retirement date. The annual adjustment is based on the increase in the Consumer Price Index and is limited to 4% per year.

CITY OF AURORA, MISSOURI
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE F – DEFINED BENEFIT PENSION PLAN (Continued)

Employees covered by benefit terms

At December 31, 2015, the following employees were covered by the benefits terms:

Inactive employees or beneficiaries currently receiving benefits	26
Inactive employees entitled to but not yet receiving benefits	52
Active employees	47

Contributions

The employer is required to contribute amounts at least equal to the actuarially determined rate, as established by LAGERS. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance an unfunded accrued liability. Full-time employees of the employer contribute 0.0% of their gross pay to the pension plan. Employers contribution rates are 7.8 % General, 2.0% Fire and 8.9% Police of annual covered payroll.

Net Pension Liability

The employer's net pension liability was measured as December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of February 28, 2015.

Actuarial assumptions

The total pension liability in the February 28, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%	
Salary increase	3.50%	including inflation
Investment rate of return	7.25%	net of investment and administrative expense

Mortality rates were based on the 1994 Group Annuity Mortality Table set back 0 years for both males and females.

The actuarial assumptions used in the February 28, 2015 valuation were based on the results of an actuarial experience study for the period March 1, 2005 through February 28, 2010.

CITY OF AURORA, MISSOURI
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE F – DEFINED BENEFIT PENSION PLAN (Continued)

The long-term expected rate of return on pension plan investments was determined using a model method in which the best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Equity	48.50%	5.50%
Fixed Income	25.00%	2.25%
Real Assets	20.00%	4.50%
Strategic Assets	6.50%	7.50%

Discount rate

The discount rate used to measure the total pension liability is 7.25%. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payment to determine the total pension liability.

CITY OF AURORA, MISSOURI
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE F- DEFINED BENEFIT PENSION PLAN (Continued)

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a)-(b)
Balances at 7/1/2014	\$ (4,257,805)	\$ 5,887,401	\$ 1,629,596
Changes for the year:			
Service Cost	(157,649)	-	(157,649)
Interest	(311,206)	-	(311,206)
Changes in Benefit terms	(453,772)	-	(453,772)
Difference between expected and actual	91,055	-	91,055
Changes in assumptions	15,242	-	15,242
Contribution - employer	-	120,405	120,405
Net investment income	-	115,480	115,480
Benefit payments, including refunds	87,031	(87,031)	-
Administrative expense	-	(8,761)	(8,761)
Other changes	-	159,669	159,669
Net changes	<u>(729,299)</u>	<u>299,762</u>	<u>(429,537)</u>
Balances at 6/30/2015	<u>\$ (4,987,104)</u>	<u>\$ 6,187,163</u>	<u>\$ 1,200,059</u>

Sensitivity of the net pension liability to changes in the discount rate

The following presents the Net Pension Liability of the employer, calculated using the discount rate of 7.25 %, as well as what the employer's Net Pension Liability would be using a discount rate that is 1 percentage point lower 6.25% or one percentage point higher 8.25 % than the current rate.

1% Decrease 6.25%	Current Single Discount Rate Assumption 7.25%	1% Increase 8.25%
<u>\$ 424,518</u>	<u>\$ 1,200,059</u>	<u>\$ 1,838,076</u>

CITY OF AURORA, MISSOURI
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE F – DEFINED BENEFIT PENSION PLAN (Continued)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended December 31, 2015 the employer recognized pension expense of \$ 241,664. The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences in experience	\$ -	\$ (83,208)
Differences in assumptions	-	-
Excess(deficit) in investment returns	254,337	-
Contributions subsequent to the measurement date*	72,046	-
Total	\$ 326,383	\$ (83,208)

*The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a increase in the Net Pension Asset for the year ending December 31, 2015.

Amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended:	
2016	\$ 40,494
2017	40,494
2018	42,178
2019	53,360
2020	(1,969)
Thereafter	(3,428)
Total	\$ 171,129

Payable to the Pension Plan

At December 31, 2015, the City of Aurora reported a payable of \$ 12,399.04 for the outstanding amount of contributions to the pension plan required for the year ended December 31, 2015.

CITY OF AURORA, MISSOURI
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

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, 2015

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.

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, 2015 is as follows:

Project	Cost of Project	Construction in Progress	Remaining Cost to Complete
Sewer Fund			
Plant expansion	\$ 1,849,731	\$ 1,591,334	\$ 258,397
Total Proprietary Funds	<u>\$ 1,849,731</u>	<u>\$ 1,591,334</u>	<u>\$ 258,397</u>

NOTE M – CORRECTION OF AN ACCOUNTING ESTIMATE

In prior years the City had recorded in the General Fund and Park Fund both the City’s match and Grant reimbursement of park project. The amount should have only been the grant portion, thus the receivable was overstated \$ 57,905. Both funds fund balance were adjusted for the error.

NOTE N – ADJUSTMENT DUE TO ADOPTION OF GASB 68

GASB Statement No. 68 (GASB 68), *Accounting and Financial Reporting for Pensions*, will require the City to record net pension obligation on the government-wide statement of net position and proprietary fund. Net pension obligation equals the difference between the total pension liability and the value of assets set aside in a pension plan to pay benefits. This resulted in the Governmental Activities beginning fund balance increasing \$ 1,514,319 and the Sewer Fund beginning fund balance increasing \$ \$ 115,277.

NOTE O – RECENT ACCOUNTING PRONOUNCEMENTS

The accounting principles governing the reported amounts, presentation and related disclosures are subject to change from time to time based on new pronouncements and/or rules issued by various governing bodies. The Governmental Accounting Standards Board (GASB) is responsible for establishing generally accepted accounting principles (GAAP) for state and local governments.

CITY OF AURORA, MISSOURI
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE O – RECENT ACCOUNTING PRONOUNCEMENTS (Continued)

In February 2015, the GASB approved Statement No. 72 “Fair Value Measurement and Application.” This Statement addresses accounting and financial reporting issues related to fair value measurements and provides guidance for determining fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair values to certain investments and disclosures related to all fair value measurements. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015.

In June 2015, the GASB approved Statement No. 76 “The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments.” The objective of this Statement is to identify-in the context of the current governmental financial reporting environment-the hierarchy of generally accepted accounting principles (GAAP). The “GAAP hierarchy” consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformance with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The requirements of this Statement are effective for reporting periods beginning after June 15, 2015.

In August 2015, the GASB approved Statement No. 77 “Tax Abatement Disclosures.” Although many governments offer tax abatements and provide information to the public about them, they do not always provided the information necessary to assess how tax abatements affect their financial position and results of operations, including their ability to raise resources in the future. This Statement requires disclosures of tax abatement information about (1) a reporting government’s own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government’s tax revenues. The requirements of this Statement are effective for reporting periods beginning after December 15, 2015.

The effects on the City’s financial statements as a result of the adoption of these new pronouncements are unknown.

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, 2015

REVENUES	General Fund			
	Budget		Actual	Variance With Final Budget
	Original	Final		
Property taxes	\$ 236,476	\$ 236,476	\$ 246,901	\$ 10,425
Franchise taxes	925,000	925,000	892,336	(32,664)
Sales taxes	1,069,633	1,069,633	1,145,841	76,208
Use taxes	35,021	35,021	71,137	36,116
Financial institutional tax	-	1,934	8,295	6,361
Fee in lieu of tax	3,300	-	4,716	4,716
Licenses & permits	30,000	59,392	71,935	12,543
Fines & forfeitures	87,550	87,550	108,602	21,052
User charges	28,630	28,630	26,567	(2,063)
Cemetery-sale of plots	40,000	40,000	28,700	(11,300)
Interest	600	600	706	106
Grants	-	408	13,412	13,004
Intergovernmental cost reimbursements	35,300	35,300	42,230	6,930
Miscellaneous	6,100	36,327	14,317	(22,010)
Total Revenues	2,497,610	2,556,271	2,675,695	119,424
EXPENDITURES				
Current:				
General government	289,703	359,968	254,731	105,237
Police and courts	1,107,788	1,140,502	1,075,331	65,171
Fire	456,170	464,988	424,804	40,184
E-911	214,076	214,076	208,301	5,775
Airport	-	-	61,934	(61,934)
Parks	177,607	178,085	102,170	75,915
Cemetery care	113,436	98,117	93,576	4,541
Finance and economic development	211,272	211,271	295,163	(83,892)
Code enforcement	103,324	104,412	91,810	12,602
Debt service:				
Principal	-	-	57,573	(57,573)
Interest	-	-	7,340	(7,340)
Total Expenditures	2,673,376	2,771,419	2,672,733	98,686
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(175,766)	(215,148)	2,962	(218,110)
OTHER FINANCING SOURCES (USES)				
Transfers In	105,000	389,530	105,000	(284,530)
Insurance claims	-	7,401	38,701	31,300
EXCESS OF REVENUES AND SOURCES OVER (UNDER) EXPENDITURES AND USES	\$ (70,766)	\$ 181,783	146,663	\$ (471,340)
FUND BALANCES - BEGINNING			1,927,159	
FUND BALANCES - ENDING			\$ 2,073,822	

See accompanying independent auditors' report.

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, 2015

	Transportation Fund			
	Budget		Actual	Variance With Final Budget
	Original	Final		
REVENUES				
Sales tax	\$ 530,000	\$ 530,000	\$ 572,832	\$ 42,832
Use tax	20,000	20,000	35,568	15,568
Missouri motor fuel taxes	275,500	275,500	293,700	18,200
Grants	300,000	305,000	3,803	(301,197)
Miscellaneous	1,750	1,750	2,963	1,213
Total Revenues	<u>1,127,250</u>	<u>1,132,250</u>	<u>908,866</u>	<u>(223,384)</u>
EXPENDITURES				
Current:				
Street	701,050	701,050	581,285	119,765
Airport	8,357	8,357	-	8,357
Capital Outlay	686,700	686,700	343,629	343,071
Total Expenditures	<u>1,396,107</u>	<u>1,396,107</u>	<u>924,914</u>	<u>471,193</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>\$ (268,857)</u>	<u>\$ (263,857)</u>	(16,048)	<u>\$ 247,809</u>
OTHER FINANCING SOURCES (USES)				
Transfers (Out)			(28,000)	
CHANGE IN FUND BALANCE			(44,048)	
FUND BALANCE-BEGINNING			<u>398,922</u>	
FUND BALANCE - ENDING			<u>\$ 354,874</u>	

	Capital Project Fund			
	Budget		Actual	Variance With Final Budget
	Original	Final		
REVENUES				
Sales tax	\$ 530,000	\$ 530,000	\$ 572,857	\$ 42,857
Use tax	20,000	20,000	35,568	15,568
Building lease	1,000	1,000	1,200	200
Total Revenues	<u>551,000</u>	<u>551,000</u>	<u>609,625</u>	<u>58,625</u>
EXPENDITURES				
Current:				
Police and court	196,649	200,545	138,676	61,869
Fire	19,176	19,176	19,999	(823)
Capital outlay	-	130,788	130,788	-
Debt service:				
Principal	299,732	299,732	299,732	-
Interest and fees	60,711	60,711	89,593	(28,882)
Total Expenditures	<u>576,268</u>	<u>710,952</u>	<u>678,788</u>	<u>32,164</u>
EXCESS (DEFICIT) OF REVENUE OVER EXPENDITURES	<u>\$ (25,268)</u>	<u>\$ (159,952)</u>	(69,163)	<u>\$ (90,789)</u>
OTHER SOURCES				
Loan proceeds			130,788	
CHANGE IN FUND BALANCE			61,625	
FUND BALANCES - BEGINNING			<u>453,520</u>	
FUND BALANCES - ENDING			<u>\$ 515,145</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, 2015

	Park Fund			Variance With Final Budget
	Budget		Actual	
	Original	Final		
REVENUES				
Property taxes	\$ 99,566	\$ 99,556	\$ 94,831	\$ (4,725)
Institutional tax	-	762	752	(10)
Donations	-	2,936	3,536	600
Grants	-	300,000	38,122	(261,878)
Miscellaneous	-	-	192	192
Total Revenues	99,566	403,254	137,433	(265,821)
EXPENDITURES				
Current:				
Park	36,095	35,595	48,093	(12,498)
Capital outlay	50,911	356,411	69,819	286,592
Total Expenditures	87,006	392,006	117,912	274,094
EXCESS (DEFICIT) OF REVENUE OVER EXPENDITURES	\$ 12,560	\$ 11,248	19,521	\$ (8,273)
FUND BALANCES - BEGINNING			109,969	
FUND BALANCES - ENDING			\$ 129,490	

See accompanying independent auditors' report.

CITY OF AURORA, MISSOURI
REQUIRED SUPPLEMENTARY INFORMATION - UNAUDITED
SCHEDULE OF CHANGES IN NET PENSION
LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED DECEMBER 31, 2015

	Total
Total Pension Liability	
Service costs	\$ (157,649)
Interest on Total Pension Liability	(311,206)
Changes in Benefit Terms	(453,772)
Difference between expected and actual experience	91,055
Changes in Assumptions	15,242
Benefit payments, including refunds	87,031
Net change in total pension liability	(729,299)
Total Pension Liability-beginning	(4,257,805)
Total Pension Liability-ending	\$ (4,987,104)
Plan Fiduciary Net Position	
Contributions - employer	\$ 120,405
Contributions - employee	-
Net investment income	115,480
Benefits payments, including refunds	(87,031)
Pension Plan Administrative Expense	(8,761)
Other (Net Transfer)	159,669
Net change in plan fiduciary net position	299,762
Plan Fiduciary Net Position-beginning	5,887,401
Plan Fiduciary Net Position-ending	\$ 6,187,163
Net Pension (Liability)/Asset	\$ 1,200,059
Plan fiduciary net position as a percentage of the total pension liability	131.92%
Covered-employee payroll	\$ 1,658,498
Net Pension liability as a percentage of covered employee payroll	94.82%

Notes to schedule:

*Information not available as this represents the first actuarial valuation performed pursuant to GASB Statement No. 67.

This schedule is intended to cover ten years. The City implemented GASB Statement No. 67 in fiscal year 2014. Information for years prior to fiscal year 2014 is therefore unavailable.

CITY OF AURORA, MISSOURI
REQUIRED SUPPLEMENTARY INFORMATION-UNAUDITED
SCHEDULE OF PENSION PLAN CONTRIBUTIONS
LAST TEN FISCAL YEARS
FOR THE YEARS ENDED DECEMBER 31

<u>Fiscal Year</u>	<u>Actuarially Determined Contribution</u>	<u>Contribution in Relation</u>	<u>Contribution Deficiency</u>	<u>Covered Employee Payroll</u>	<u>Contribution as Percentage</u>
2005	\$ 81,624	\$ 65,367	\$ 16,257	\$ 1,398,373	4.67%
2006	94,315	83,335	10,980	1,479,273	5.63%
2007	98,984	93,511	5,473	1,549,672	6.03%
2008	91,792	91,792	-	1,396,192	6.57%
2009	102,363	102,276	87	1,647,169	6.21%
2010	135,661	108,243	27,418	1,513,980	7.15%
2011	151,309	133,727	17,582	1,630,782	8.20%
2012	142,085	135,901	6,184	1,637,458	8.30%
2013	102,772	102,530	242	1,471,447	6.97%
2014	103,217	103,218	(1)	1,638,254	6.30%
2015	91,681	142,929	(51,248)	1,747,658	8.18%

NOTES TO SCHEDULE OF CONTRIBUTIONS

Valuation Date: February 28, 2015

Notes: The roll-forward of total pension liability from February 28, 2015 to June 30, 2015 reflects expected service cost and interest reduced by actual benefit payments and administrative expenses.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	Multiple bases from 14 to 19 years
Asset Valuation Method	5-Year smoothed market: 20% corridor
Inflation	3.5% wage inflation; 3.0% price inflation
Salary increases	3.5% to 6.8% including wage inflation
Investment Rate of Return	7.25%, net of investment and administrative expenses
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition.
Mortality	105% of the 1994 Group Annuity Mortality Table set back 0 years for men and 0 years for women. Based upon experience observed during the most recent 5-year period study, it appears that the current table provides for an approximate 13% margin for future mortality improvement.
Other information:	None

See accompanying independent auditors' report.

INDEPENDENT AUDITOR'S 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

Honorable Mayor and Board of Aldermen
Aurora, Missouri

We have audited, 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, the 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, 2015, and the related notes to the financial statements, which collectively comprise the City of Aurora, Missouri's basic financial statements, and have issued our report thereon dated April 21, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Aurora, Missouri'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 City of Aurora, Missouri's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Aurora, Missouri'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 entity'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.

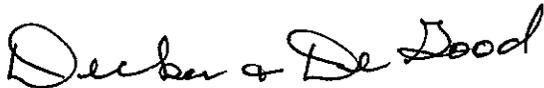
Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in the internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we 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 City of Aurora, Missouri's financial statements are free of 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 provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Decker & DeGood
Springfield, Missouri
April 21, 2016

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

To the Mayor and Board of Aldermen
City of Aurora, Missouri

Report on Compliance for Each Major Federal Program

We have audited City of Aurora, Missouri's compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on each of City of Aurora, Missouri's major federal programs for the year ended December 31, 2015. City of Aurora, Missouri's major federal programs are 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of City of Aurora, Missouri's major federal programs 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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit requirements for Federal Awards* (Uniform guidance). Those standards and Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether the 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 City of Aurora, Missouri'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 each major federal program. However, our audit does not provide a legal determination on City of Aurora, Missouri's compliance.

Opinion on Each Major Federal Program

In our opinion, City of Aurora, Missouri, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2015.

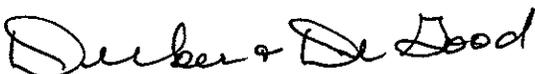
Report on Internal Control Over Compliance

Management of City of Aurora, Missouri, 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 City of Aurora, Missouri's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, 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, Missouri'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 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 the 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 deficiencies, significant deficiencies or material weaknesses. 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Decker & DeGood
Springfield, Missouri
April 21, 2016

CITY OF AURORA, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2015

<u>Federal Grantor/Pass-Through Grantor/Program</u>	<u>Federal CFDA Number</u>	<u>Agency or Pass-Through Number</u>	<u>Federal Disbursements Expenditures</u>
<u>US Department of Justice</u>			
Missouri Department of Transportation Bulletproof Vest Partnerships Program	16.607	N/A	<u>\$ 400</u>
<u>US Department of Transportation</u>			
Missouri Department of Transportation Federal -Aid Highway Program	20.205	STP-1102(704)	6,086
Federal -Aid Highway Program	20.205	TAP-1102(705)	32,036
Missouri Department of Transportation Airport Development Grant	20.106	13-019B-3	<u>105,113</u>
Total US Department of Transportation			<u>143,235</u>
<u>US Department of Environmental Protection Agency</u>			
Missouri Department of Natural Resources Capitalization Grant for Clean Water State Revolving Funds	66.458	C2955711-01	<u>674,537</u>
Total Expenditures of Federal Awards			<u>\$ 818,172</u>

See accompanying note to schedule of expenditures of federal awards.

CITY OF AURORA, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE TO SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the City of Aurora Missouri, under programs of the federal government for the year ended December 31, 2015. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations Par 200, Uniform Administrative Requirements, Cost Principles, and Audit requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City of Aurora, Missouri, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City of Aurora, Missouri.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- (1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursements.
- (2) Pass-through entity identifying numbers are presented where available.

CITY OF AURORA, MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2015

A. SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ yes ✓ no
- Significant deficiency(ies) identified? _____ yes ✓ none reported
- Noncompliance material to financial statements noted? _____ yes ✓ no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ yes ✓ no
- Significant deficiency(ies) identified? _____ yes ✓ none reported

Type of auditor's report issued on compliance for major programs? Unmodified

Any audit finds disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133? _____ yes ✓ no

The programs tested as major programs were:
 CFDA Number: 66.458 Capitalization Grant for Clean Water
 State Revolving Funds

Dollar threshold used to distinguish between type A and type B programs: \$ 750,000

Auditee qualified as low-risk auditee? _____ yes ✓ no

B. FINANCIAL STATEMENTS FINDINGS-

None

C. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS-

None

CITY OF AURORA, MISSOURI
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2015

<u>Reference Number</u>	<u>Finding</u>	<u>Questioned Costs</u>
N/A	There were no findings for December 31, 2014	