

CITY OF AURORA, MISSOURI

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

FOR THE YEAR ENDED
DECEMBER 31, 2016

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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, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Summary of Opinions

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Governmental Activities	Qualified
Business-Type Activities	Unmodified
Governmental Fund-General	Unmodified
Governmental Fund-Transportation	Unmodified
Governmental Fund-Community Hospital	Unmodified
Governmental Fund-Capital Project	Unmodified
Governmental Fund-Park	Unmodified
Aggregate Remaining Fund Information	Unmodified
Enterprise Fund-Sewer	Unmodified

Basis for Qualified Opinion on Governmental Activities

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

Qualified Opinion

In our opinion, except for the effects of the omission of leased capital assets from the financial statements as discussed in Note J, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of the City of Aurora, Missouri, as of December 31, 2016, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Unmodified Opinion

In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, each major fund, and the aggregate remaining fund information of the City of Aurora, Missouri, as of December 31, 2016, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *management's discussion and analysis* and the required supplementary information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing

the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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.

A handwritten signature in cursive script, appearing to read "Decker & DeGood".

Decker & DeGood
Springfield, Missouri
April 10, 2017

CITY OF AURORA, MISSOURI

STATEMENT OF NET POSITION

DECEMBER 31, 2016

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 4,233,426	\$ 560,205	\$ 4,793,631
Restricted assets-cash and cash equivalents	87,161	341,667	428,828
Accounts receivable	803,795	110,010	913,805
Capital assets:			
Land	2,298,631	-	2,298,631
Construction in progress	26,962	14,345	41,307
Other capital assets, net of accumulated depreciation	8,406,421	6,134,744	14,541,165
Net pension assets	515,374	16,070	531,444
Total Assets	16,371,770	7,177,041	23,548,811
DEFERRED OUTFLOW OF RESOURCES			
Deferred amounts related to pensions	752,316	80,378	832,694
LIABILITIES			
Accounts payable	85,989	9,584	95,573
Accrued wages	70,594	6,068	76,662
Accrued payroll taxes and benefits	26,550	2,030	28,580
Accrued interest	11,424	-	11,424
Taxes under protest	85,311	-	85,311
Other liabilities	11,854	-	11,854
Compensated absences	65,675	2,620	68,295
Due and payable within one year	348,190	180,000	528,190
Due and payable in more than one year:			
Revenue bonds	-	975,000	975,000
Certificates of participation	2,006,856	-	2,006,856
Meter deposits	-	57,429	57,429
Total Liabilities	2,712,443	1,232,731	3,945,174
DEFERRED INFLOW OF RESOURCES			
Deferred amounts related to pensions	110,759	7,309	118,068
NET POSITION			
Net investment in capital assets	8,376,968	4,994,089	13,371,057
Restricted for:			
Debt service	-	132,800	132,800
Unrestricted	5,923,916	890,489	6,814,405
Total Net Position	\$ 14,300,884	\$ 6,017,378	\$ 20,318,262

See the accompanying notes to the financial statements.

CITY OF AURORA, MISSOURI
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016

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		Total
					Governmental Activities	Business-type Activities	
Governmental activities:							
General government	\$ 627,399	\$ 31,530	\$ 16,195	\$ -	\$ (579,674)	\$ -	\$ (579,674)
Police and court	1,396,769	134,136	42,230	-	(1,220,403)	-	(1,220,403)
Fire	488,635	-	-	-	(488,635)	-	(488,635)
E-911	270,415	-	-	-	(270,415)	-	(270,415)
Streets	856,691	6,718	297,955	-	(552,018)	-	(552,018)
Airport	57,696	2,258	-	171,358	115,920	-	115,920
Parks	334,370	30,694	15,903	217,964	(69,809)	-	(69,809)
Cemetery care	97,544	38,950	-	-	(58,594)	-	(58,594)
Finance and economic development	233,045	-	-	-	(233,045)	-	(233,045)
Code enforcement	108,286	-	-	-	(108,286)	-	(108,286)
Storm water control	408	-	-	-	(408)	-	(408)
Interest on long-term debt	172,098	-	-	-	(172,098)	-	(172,098)
Total governmental activities	4,643,356	244,286	372,283	389,322	(3,637,465)	-	(3,637,465)
Business-type activities:							
Sewer	904,990	1,108,412	12,155	7,580	-	223,157	223,157
Total business-type activities	904,990	1,108,412	12,155	7,580	-	223,157	223,157
Total Primary Government	\$ 5,548,346	\$ 1,352,698	\$ 384,438	\$ 396,902	(3,637,465)	223,157	(3,414,308)

General Revenues

Taxes:

Property taxes levied for general purposes	258,228	-	258,228
Property taxes levied for parks	8,784	-	8,784
Franchise taxes	691,289	-	691,289
Sales taxes	2,894,957	-	2,894,957
Use taxes	127,890	-	127,890
Building rent	200,100	-	200,100
Interest on investments	16,086	44,607	60,693
Miscellaneous	26,989	-	26,989
Transfers	77,000	(77,000)	-
Total general revenues and transfers	4,301,323	(32,393)	4,268,930
Change in net position	663,858	190,764	854,622
Net position beginning	13,637,026	5,826,614	19,463,640
Net position ending	\$ 14,300,884	\$ 6,017,378	\$ 20,318,262

See the accompanying notes to the financial statements.

CITY OF AURORA, MISSOURI
BALANCE SHEET-
GOVERNMENTAL FUNDS
DECEMBER 31, 2016

	General Fund	Transportation Fund	Community Hospital Fund	Capital Project Fund	Other Governmental Funds	Total Governmental Funds
<u>ASSETS</u>						
Cash and cash equivalents	\$ 1,770,175	\$ 246,234	\$ 1,525,535	\$ 406,886	\$ 284,596	\$ 4,233,426
Restricted assets:						
Cash and cash equivalents	87,161	-	-	-	-	87,161
Accounts receivable						
Property taxes	240,747	-	-	-	3,304	244,051
Sales taxes	102,988	51,494	-	51,494	46,787	252,763
Franchise taxes	66,844	-	-	-	-	66,844
Motor fuel taxes	-	24,185	-	-	-	24,185
Grants	4,325	1,315	-	-	7,618	13,258
Other	2,520	-	200,100	-	74	202,694
	<u>\$ 2,274,760</u>	<u>\$ 323,228</u>	<u>\$ 1,725,635</u>	<u>\$ 458,380</u>	<u>\$ 342,379</u>	<u>\$ 5,124,382</u>
Total Assets						
	<u>\$ 2,274,760</u>	<u>\$ 323,228</u>	<u>\$ 1,725,635</u>	<u>\$ 458,380</u>	<u>\$ 342,379</u>	<u>\$ 5,124,382</u>
<u>LIABILITIES</u>						
Liabilities-						
Accounts payable	\$ 40,842	\$ 12,039	\$ -	\$ 14,567	\$ 18,541	\$ 85,989
Accrued wages	56,280	12,193	-	-	2,121	70,594
Accrued payroll taxes and benefits	18,210	8,329	-	-	11	26,550
Compensated absences	64,406	-	-	-	1,269	65,675
Taxes paid under protest	85,311	-	-	-	-	85,311
Other liabilities	11,854	-	-	-	-	11,854
	<u>276,903</u>	<u>32,561</u>	<u>-</u>	<u>14,567</u>	<u>21,942</u>	<u>345,973</u>
Total Liabilities						
	<u>276,903</u>	<u>32,561</u>	<u>-</u>	<u>14,567</u>	<u>21,942</u>	<u>345,973</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>						
Unavailable property tax revenue	36,859	-	-	-	2,763	39,622
	<u>36,859</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,763</u>	<u>39,622</u>
<u>FUND BALANCES</u>						
Committed	-	-	1,725,635	-	-	1,725,635
Restricted:						
Transportation	-	290,667	-	-	-	290,667
Public Safety	-	-	-	443,813	-	443,813
Economic Development	-	-	-	-	15,776	15,776
Parks	-	-	-	-	1,345	1,345
Parks/Storm Water Control	-	-	-	-	300,553	300,553
Assigned-Cemetery	10	-	-	-	-	10
Unassigned	1,960,988	-	-	-	-	1,960,988
	<u>1,960,998</u>	<u>290,667</u>	<u>1,725,635</u>	<u>443,813</u>	<u>317,674</u>	<u>4,738,787</u>
Total Fund Balances						
	<u>1,960,998</u>	<u>290,667</u>	<u>1,725,635</u>	<u>443,813</u>	<u>317,674</u>	<u>4,738,787</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	<u>\$ 2,274,760</u>	<u>\$ 323,228</u>	<u>\$ 1,725,635</u>	<u>\$ 458,380</u>	<u>\$ 342,379</u>	<u>\$ 5,124,382</u>

See the accompanying notes to the financial statements.

CITY OF AURORA, MISSOURI
RECONCILIATION OF BALANCE SHEET TO
STATEMENT OF NET POSITION
DECEMBER 31, 2016

Total Fund Balances-Governmental Funds	\$	4,738,787
<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		2,325,593
Depreciable assets		<u>8,406,421</u>
		10,732,014
<p>Revenue that is unavailable in the funds financial statement but is recognized as revenue in the government-wide financial statements.</p>		
		39,622
<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>		
		(11,424)
<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		515,374
Deferred outflows - pension related		752,316
Deferred inflows - pension related		(110,759)
<p>Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. Long-term liabilities at year-end consist of:</p>		
Long term debt		<u>(2,355,046)</u>
Net position of governmental activities	\$	<u><u>14,300,884</u></u>

See the accompanying notes to the financial statements.

CITY OF AURORA, MISSOURI
 STATEMENT OF REVENUES,
 EXPENDITURES AND CHANGES IN FUND BALANCES -
 GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2016

REVENUES	General Fund	Transportation Fund	Community Hospital Fund	Capital Project Fund	Other Governmental Funds	Total Governmental Funds
Taxes:						
Property taxes	\$ 263,550	\$ -	\$ -	\$ -	\$ 8,784	\$ 272,334
Franchise taxes	686,516	-	-	-	4,773	691,289
Sales taxes	1,308,425	547,405	-	547,307	491,820	2,894,957
Use tax	59,221	29,610	-	29,610	9,449	127,890
Intergovernmental:						
Missouri motor fuel taxes	-	297,955	-	-	-	297,955
Fee in lieu of tax	4,869	-	-	-	-	4,869
Cost reimbursement Marionville	6,930	-	-	-	-	6,930
Institutional tax	35,300	-	-	-	-	35,300
Licenses & permits	30,650	-	-	-	-	30,650
Fines & forfeitures	107,281	-	-	-	-	107,281
User charges:						
Park activities	34,453	-	-	-	30,694	65,147
Cemetery-sale of plots	38,950	-	-	-	-	38,950
Interest	648	-	15,437	-	-	16,085
Other:						
Building lease	-	-	200,100	-	-	200,100
Donations	2,168	-	-	-	15,903	18,071
Grants	9,159	171,358	-	-	217,964	398,481
Miscellaneous	24,166	3,027	-	1,144	908	29,245
Total Revenues	2,612,286	1,049,355	215,537	578,061	780,295	5,235,534
EXPENDITURES						
Current:						
General government	447,660	-	-	-	-	447,660
Police and court	1,125,153	-	-	162,837	-	1,287,990
Fire	459,442	-	-	23,976	-	483,418
E-911	237,005	-	-	-	-	237,005
Streets	-	662,924	-	-	-	662,924
Airport	-	9,470	-	-	-	9,470
Parks	-	-	-	-	262,146	262,146
Cemetery care	85,730	-	-	-	-	85,730
Finance and economic development	201,718	-	-	-	-	201,718
Code enforcement	108,286	-	-	-	-	108,286
Storm water control	-	-	-	-	408	408
UDAG	-	-	-	-	102,826	102,826
Capital outlay	60,215	413,168	-	-	343,823	817,206
Debt service:						
Principal	36,300	-	-	281,100	-	317,400
Interest	4,940	-	-	93,888	-	98,828
Bond issuance costs	-	-	-	106,092	-	106,092
Total Expenditures	2,766,449	1,085,562	-	667,893	709,203	5,229,107
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	(154,163)	(36,207)	215,537	(89,832)	71,092	6,427
OTHER FINANCING SOURCES (USES)						
Transfers In	105,000	-	-	-	-	105,000
Transfers (Out)	-	(28,000)	-	-	-	(28,000)
Payment to current refund certificate of participation	-	-	-	(2,445,000)	-	(2,445,000)
Certificate of participation issuance	-	-	-	2,463,500	-	2,463,500
NET CHANGE IN FUND BALANCES	(49,163)	(64,207)	215,537	(71,332)	71,092	101,927
FUND BALANCES - BEGINNING	2,010,161	354,874	1,510,098	515,145	246,582	4,636,860
FUND BALANCES - ENDING	<u>\$ 1,960,998</u>	<u>\$ 290,667</u>	<u>\$ 1,725,635</u>	<u>\$ 443,813</u>	<u>\$ 317,674</u>	<u>\$ 4,738,787</u>

See the accompanying notes to the financial statements.

CITY OF AURORA, MISSOURI
 RECONCILIATION OF STATEMENT OF REVENUES,
 EXPENDITURES AND CHANGES IN FUND BALANCES -
 TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016

Net change in fund balances--total governmental funds	\$	101,927
<p>Amounts reported for <i>governmental activities</i> in the statement of activities are different because:</p> <p>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.</p>		
Expenditures for Capital assets		817,206
Less current year depreciation expense		(409,574)
<p>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.</p>		
Change in pension expense		(181,165)
Change in compensated absences		1,247
<p>Decrease in bond interest payable reported in the Statement of Activities is not a source of current financial resources and, therefore, is not reported as revenue in the governmental funds.</p>		
		15,646
<p>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.</p>		
		(5,321)
<p>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.</p>		
Principal repayments		2,787,392
New debt issue		<u>(2,463,500)</u>
Change in net position of governmental activities	\$	<u><u>663,858</u></u>

See the accompanying notes to the financial statements.

CITY OF AURORA, MISSOURI

STATEMENT OF NET POSITION -

PROPRIETARY FUND (SEWER)

DECEMBER 31, 2016

ASSETS	
Current Assets:	
Cash and cash equivalents	\$ 560,205
Accounts receivable	
Utilities	110,010
Total Current Assets	<u>670,215</u>
Restricted Assets:	
Cash and cash equivalents	<u>341,667</u>
Total Restricted Assets	<u>341,667</u>
Noncurrent Assets:	
Capital Assets:	
Construction in progress	14,345
Other capital assets, net of accumulated depreciation	6,134,744
Net pension assets	<u>16,070</u>
Total Noncurrent Assets	<u>6,165,159</u>
TOTAL ASSETS	<u>7,177,041</u>
DEFERRED OUTFLOW OF RESOURCES	
Deferred amounts related to pensions	<u>80,378</u>
LIABILITIES	
Current Liabilities:	
Accounts payable	9,584
Accrued wages	6,068
Accrued payroll taxes and benefits	2,030
Compensated absences	2,620
Current portion of long-term debt	<u>180,000</u>
Total Current Liabilities	<u>200,302</u>
Noncurrent Liabilities:	
Revenue bonds	975,000
Meter deposits	<u>57,429</u>
Total Noncurrent Liabilities	<u>1,032,429</u>
Total Liabilities	<u>1,232,731</u>
DEFERRED INFLOW OF RESOURCES	
Deferred amounts related to pensions	<u>7,309</u>
NET POSITION	
Net investment in capital assets	4,994,089
Restricted-Depreciation and replacement	132,800
Unrestricted	<u>890,489</u>
Total Net Position	<u>\$ 6,017,378</u>

See the accompanying notes to the financial statements.

CITY OF AURORA, MISSOURI
STATEMENT OF REVENUES,
EXPENSES AND CHANGES IN NET POSITION -
PROPRIETARY FUND (SEWER)
FOR THE YEAR ENDED DECEMBER 31, 2016

OPERATING REVENUES:	
Charges for services	<u>\$ 1,108,412</u>
OPERATING EXPENSES:	
Chemicals	8,119
Collection system	20,255
Computer software and expenses	2,573
Depreciation	234,083
Dues and training	1,459
Empire water reconnect	2,514
Employee benefits	34,105
Fuel	7,798
Insurance	24,527
Miscellaneous	3,242
Office supplies and postage	21,422
Payroll taxes	12,242
Permits, licenses and fees	4,364
Professional fees	98,510
Repairs & maintenance	84,073
Retirement expense	27,415
Salaries	157,417
Supplies	3,576
Telephone	4,917
Uniforms	3,425
Utilities	75,446
Total Operating Expenses	<u>831,482</u>
OPERATING INCOME	<u>276,930</u>
NON-OPERATING REVENUES (EXPENSES):	
Interest earned on SRF accounts	44,607
Interest expense and agents fee	(73,508)
Total Non-operating Revenues (Expenses)	<u>(28,901)</u>
GRANTS AND TRANSFERS	
Transfer (out)	(77,000)
Grant income	19,735
Net grants and transfers	<u>(57,265)</u>
CHANGE IN NET POSITION	190,764
TOTAL NET POSITION - BEGINNING	<u>5,826,614</u>
TOTAL NET POSITION - ENDING	<u>\$ 6,017,378</u>

See the accompanying notes to the financial statements.

CITY OF AURORA, MISSOURI
STATEMENT OF CASH FLOWS
PROPRIETARY FUND (SEWER)
FOR THE YEAR ENDED DECEMBER 31, 2016

CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from customers	\$ 1,077,896
Payments to suppliers	(428,202)
Payments to employees	<u>(156,596)</u>
Net Cash Provided by Operating Activities	<u>493,098</u>
 CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Transfer for operating reimbursements	(77,000)
Grant proceeds for operating expenses	<u>12,155</u>
Net Cash (Used for) Noncapital financing activities	<u>(64,845)</u>
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Grants for capital improvements	9,647
Capital expenditure	(29,505)
Principal paid	(175,000)
Interest paid	<u>(28,900)</u>
Net Cash (Used for) Capital and Related Financing Activities	<u>(223,758)</u>
NET CASH INCREASE FOR THE YEAR	204,495
CASH AT BEGINNING OF YEAR	<u>697,377</u>
CASH AT END OF YEAR	<u><u>\$ 901,872</u></u>
 CASH SUMMARY	
Cash and cash equivalents	\$ 560,205
Restricted assets-cash and cash equivalents	<u>341,667</u>
Total	<u><u>\$ 901,872</u></u>
 Reconciliation of operating income to net cash provided by operating activities:	
Operating Income	\$ 292,929
Adjustments to reconcile net operating income to net cash provided by operating activities:	
Depreciation	234,083
(Increase) in accounts receivable	(39,078)
(Decrease) in accounts payable	(4,918)
Increase in accrued wages, taxes, and benefits	1,520
Increase in sewer deposits	<u>8,562</u>
Net Cash Provided by Operating Activities	<u><u>\$ 493,098</u></u>

See the accompanying notes to the financial statements.

CITY OF AURORA, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

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.

CITY OF AURORA, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund financial statements. 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.

Governmental Fund Types: Governmental funds are those through which most governmental functions of the City are financed. The acquisition, use and balances of the City's expendable financial resources and the related liabilities (other than those in proprietary funds) are account for through governmental funds.

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.

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.

CITY OF AURORA, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

Park/Storm Water Fund

This fund was established to account for the proceeds of one-half cent park/storm water sales tax revenue that is legally restricted to expenditures for the purpose of park and storm water projects.

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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 recognized at the time liabilities are 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.

CITY OF AURORA, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING - continued

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.

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.

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.

CITY OF AURORA, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 \$ 5,790. 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.

CITY OF AURORA, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets and Depreciation - continued

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, 2016, the City did not capitalize any interest and interest expense for the Sewer Fund was \$ 73,508 less interest earned by SRF accounts applied to bring the net cost down to \$ 28,901 by the City of Aurora.

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.

CITY OF AURORA, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2016 the City had no outstanding arbitrage rebate liability.

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 report 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 BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balances-Governmental Funds

As of December 31, 2016, fund balances of the governmental funds are classified as follows:

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

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

Net Position

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

CITY OF AURORA, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

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 2016 was \$.3804 for the General Fund only with a valuation base of \$ 70,916,604.

Sales Taxes

The City has four sales tax authorizations, a one cent City general sales tax, ½ cent transportation tax, ½ cent capital improvement sales tax and a ½ cent park/storm water sales tax.

Use Tax

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

STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgets and Budgetary Accounting

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

CITY OF AURORA, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY - continued

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, 2016, 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.

Correction of Accounting Estimate

For 2016 the City included in the General Fund and Park Fund the current portion of compensated absences liability. That adjustment decreased the General Fund by \$ 63,661 and the Park Fund \$ 1,510.

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 10 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, 2016 the City had no outstanding General Obligation Bonds.

CITY OF AURORA, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

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, 2016 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 cover 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 BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE C – RESTRICTED CASH

Restricted cash consisted of the following as of December 31, 2016:

General Fund

Cemetery reserve	\$	11
Police reserve		1,839
Taxes paid under protest		<u>85,311</u>
	<u>\$</u>	<u>87,161</u>

Sewer Fund

Reserve for Depreciation and replacement	\$	205,286
Construction		78,952
Meter deposits		<u>57,429</u>
	<u>\$</u>	<u>341,667</u>

CITY OF AURORA, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE D – CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended December 31, 2016 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	\$ -	\$ 26,962	\$ -	\$ 26,962
Capital assets being depreciated:				
Buildings	\$ 6,620,980	\$ -	\$ -	\$ 6,620,980
Infrastructure	2,748,605	695,397	-	3,444,002
Equipment	2,272,763	98,090	-	2,370,853
Vehicles	1,756,116	35,038	41,148	1,750,006
Total capital assets being depreciated	13,398,464	828,525	41,148	14,185,841
Less: Accumulated depreciation for:				
Buildings	2,278,335	137,010	-	2,415,345
Infrastructure	313,680	134,006	-	447,686
Equipment	1,452,647	82,023	-	1,534,670
Vehicles	1,329,299	56,535	4,115	1,381,719
Total accumulated depreciation	5,373,961	409,574	4,115	5,779,420
Capital assets being depreciated, net	\$ 8,024,503	\$ 418,951	\$ 37,033	\$ 8,406,421
Governmental activities capital assets, net	\$ 10,323,134	\$ 445,913	\$ 37,033	\$ 10,732,014

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

Governmental Activities:

General government	\$ 42,281
Police and courts	125,368
Fire	19,263
Streets and airport	157,182
Parks	63,738
Cemetery	1,742
	<u>\$ 409,574</u>

CITY OF AURORA, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE D – CAPITAL ASSETS AND DEPRECIATION (Continued)

Business-type Activities:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Construction in progress	\$ 1,591,334	\$ 29,505	\$ 1,606,494	\$ 14,345
Capital assets being depreciated:				
Plant	\$ 8,733,568	\$ 1,606,494	\$ -	\$ 10,340,062
Equipment	286,131	-	-	286,131
Vehicles	601,650	-	-	601,650
Total capital assets being depreciated	9,621,349	1,606,494	-	11,227,843
Less: Accumulated depreciation for:				
Plant	4,102,753	199,221	-	4,301,974
Equipment	518,125	28,064	-	546,189
Vehicles	238,138	6,798	-	244,936
	4,859,016	234,083	-	5,093,099
Capital assets being depreciated, net	\$ 4,762,333			\$ 6,134,744
Business-type activities capital assets, net	\$ 6,353,667			\$ 6,149,089

CITY OF AURORA, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE E – LONG-TERM DEBT

Business-type activities

The following is a summary of debt transactions of the City for the year ended December 31, 2016 as it relates to the business-type activities:

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within One Year
Revenue Bonds	\$ 1,330,000	\$ -	\$ 175,000	\$ 1,155,000	\$ 180,000
Compensated Absences	\$ 2,407	\$ 7,351	\$ 7,138	\$ 2,620	\$ 2,620
				\$ 180,000	
				Due and payable in more than one year	
				Revenue bond	
				975,000	
				\$ 1,155,000	

The Proprietary Fund long-term debt as of December 31, 2016 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. \$ 1,155,000

CITY OF AURORA, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE E – LONG-TERM DEBT (Continued)

The annual requirements to amortize bonded debt as of December 31, 2016 follow:

Year Ending December 31,	Sewer Fund		
	Principal	Interest	Totals
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	200,000	20,250	220,250
2022	205,000	10,250	215,250
	<u>\$ 1,155,000</u>	<u>\$ 208,563</u>	<u>\$ 1,363,563</u>

CITY OF AURORA, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

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, 2016:

	<u>Beginning Balance</u>	<u>Issued</u>	<u>Retired</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Capital Leases -					
1996 Spartan Aerial Ladder truck at 3.67% at a cost of \$ 230,200	\$ 119,928	\$ -	\$ 28,346	\$ 91,582	\$ 29,410
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	7,954	-	7,954	-	-
Cad server system at 3.955 % at a cost of \$ 130,788	106,056	-	24,992	81,064	25,980
2016 Certificate of Participation on November 11, 2016 interest rate 1.76% with payments of principal and interest semi-annually and ranging from \$ 165,605 to \$ 164,182 with the final payment November 1, 2023	<u>2,445,000</u>	<u>2,463,500</u>	<u>2,726,100</u>	<u>2,182,400</u>	<u>292,800</u>
Total	<u>\$ 2,686,857</u>	<u>\$ 2,463,500</u>	<u>\$ 2,795,311</u>	<u>\$ 2,355,046</u>	<u>\$ 348,190</u>
Compensated Absences	<u>\$ 58,307</u>	<u>\$ 80,289</u>	<u>\$ 73,425</u>	<u>\$ 65,171</u>	<u>\$ 65,171</u>
				\$ 348,190	
				<u>2,006,856</u>	
				<u>\$ 2,355,046</u>	

CITY OF AURORA, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

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>(1,360,782)</u>
Total	<u><u>\$ 3,425,165</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>
2017	\$ 391,958
2018	394,469
2019	396,049
2020	329,899
2021	329,644
2022-2023	<u>673,631</u>
Total minimum lease payment	2,515,650
Less: amount representing interest	<u>(160,604)</u>
Present value of minimum lease payments	<u><u>\$ 2,355,046</u></u>

CITY OF AURORA, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

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 3 years of credited service. Employees who retire on or after age 60 (55 for police and fire) with 3 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 3 years of credited service and after attaining age 55 (50 for police and fire) and receive a reduced allowance.

	<u>2016 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 BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE F – DEFINED BENEFIT PENSION PLAN (Continued)

Employees covered by benefit terms

At June 30, 2016, the following employees were covered by the benefits terms:

Inactive employees or beneficiaries currently receiving benefits	25
Inactive employees entitled to but not yet receiving benefits	50
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 7.9 % General, 1.9% Fire and 12.0% Police of annual covered payroll.

Net Pension Liability

The employer’s net pension liability was measured as June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of February 29, 2016.

Actuarial assumptions

The total pension liability in the February 28, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.25% wage inflation: 2.50% price inflation
Salary increase	3.25% to 6.55% including wage inflation
Investment rate of return	7.25% net of investment

Mortality rates were based on the healthy retiree mortality tables, for post-retirement mortality, were the RP-2014 Healthy Annuitant mortality table for males and females. The disabled retiree mortality tables, for post-retirement mortality, were the RP-2014 disabled mortality table for males and females. The pre-retirement mortality tables used were the RP-2014 employees’ mortality table for males and females.

Both the post-retirement and pre-retirement tables were adjusted for mortality improvement back to the observation period base year of 2006. The base year for males was then established to be 2017. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale.

CITY OF AURORA, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE F – DEFINED BENEFIT PENSION PLAN (Continued)

The actuarial assumptions were based on the 5-year experience study for the period March 1, 2010 through February 28, 2015.

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 BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

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 7/1/2015	\$ (4,987,104)	\$ 6,187,163	\$ 1,200,059
Changes for the year:			
Service Cost	(183,131)	-	(183,131)
Interest	(364,866)	-	(364,866)
Changes in Benefit terms	(242,364)	-	(242,364)
Difference between expected and actual	39,774	-	39,774
Contribution - employer	-	135,506	135,506
Net investment income	-	(12,265)	(12,265)
Benefit payments, including refunds	90,465	(90,465)	-
Administrative expense	-	(7,573)	(7,573)
Other changes	-	(33,696)	(33,696)
Net changes	<u>(660,122)</u>	<u>(8,493)</u>	<u>(668,615)</u>
Balances at 6/30/2016	<u>\$ (5,647,226)</u>	<u>\$ 6,178,670</u>	<u>\$ 531,444</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>\$ 393,757</u>	<u>\$ (531,444)</u>	<u>\$ (1,281,769)</u>

CITY OF AURORA, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

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, 2016 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	\$ 27,901	\$ (118,068)
Differences in assumptions	181,291	-
Excess(deficit) in investment returns	559,529	-
Contributions subsequent to the measurement date*	63,973	-
Total	<u>\$ 832,694</u>	<u>\$ (118,068)</u>

*The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the Net Pension Liability for the year ending December 31, 2017.

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

Year ended:		
2016	\$	248,008
2017		185,719
2018		195,728
2019		89,481
2020		(2,712)
Thereafter		<u>(1,598)</u>
Total	<u>\$</u>	<u>714,626</u>

Payable to the Pension Plan

At December 31, 2016, the City of Aurora reported a payable of \$ 10,517.90 for the outstanding amount of contributions to the pension plan required for the year ended December 31, 2016.

CITY OF AURORA, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

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. In the past three years the City had no losses that exceeded commercial insurance coverage.

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 BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE K – TRANSFER BETWEEN FUNDS

The transfers from the Transportation Fund (\$28,000) which is included in the operational expense and the Sewer Fund (\$ 105,000) 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). As of the year end the City had started on Phase II and construction in progress represents preliminary engineering fees on the new project.

NOTE M – CORRECTION OF AN ACCOUNTING ESTIMATE

In prior years the City had recorded in the Governmental Activities the compensated absence and had not included in the General Fund and Park Fund the current portion of that liability. To make that adjustment the General Fund was decreased \$ 63,661 and the Park Fund \$ 1,510.

NOTE N – ADVANCE REFUNDING

The City issued the 2016 Certificates of Participation \$ 2,463,500 with an interest rate of 1.760%. The proceeds were used to advance refund \$ 2,445,000 of 2011 Certificate of Participation which had interest rates ranging from 3.950% to 2.300%. The net proceeds of \$ 2,463,500 plus debt reserve account of \$ 100,050 less cost of issuance of \$ 81,100 were deposited in an irrevocable trust with an escrow agent to provide funds for the future debt service payment on the refunded certificates. As a result the 2011 Certificates of Participation are considered defeased and the liability for those certificates have been removed from the statement of net position.

By advance refunding the 2011 issue the City obtained an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$ 179,302.

NOTE O – FUTURE 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 BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE O – FUTURE ACCOUNTING PRONOUNCEMENTS (Continued)

The City adopted the following statements during the year ended December 31, 2016:

GASB Statement No. 77, *Tax Abatement Disclosures*. This Statement requires governments that enter into tax abatement agreements to disclose the following information about the agreements:

*Brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatement recipients,

*The gross dollar amount of taxes abated during the period,

*Commitments made by a government, other than to abate taxes, as part of a tax abatement agreement.

The City had no abatement issues to report for the year ending December 31, 2016.

The Statements which might impact the City are as follows:

GASB Statement No. 80, *Blending Requirements for Certain Component Units-an amendment of GASB Statement NO. 14*, issued June 2016, will be effective for the City beginning with its fiscal year ending December 31, 2017. This Statement establishes additional blending requirement for the financial statement presentation of component units that are organized as not-for-profit corporation in which the primary government is the sole corporate member.

GASB Statement No. 81, *Irrevocable Split-Interest Agreements*, issued March 2016, will be effective for the City beginning with its fiscal year ending December 31, 2017. This Statement is to improve accounting and financial reporting by establishing recognition and measurement requirements for irrevocable split-interest agreements. Another objective of this Statement is to enhance the transparency and decision-usefulness of general purpose external financial reports, and their value for assessing accountability, by more clearly identifying resources that are available to a government.

GASB Statement No. 82, *Pension Issues-an amendment of GASB Statements No. 67, No. 68, and No. 73* issued March 2016, will be effective for the City beginning with its fiscal year ending December 31, 2017 except for the requirement of paragraph 7 in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements of paragraph 7 are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. This Statement is to improve consistency in the application of pension accounting and financial reporting requirements by addressing certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68 *Accounting and Financial Reporting for Pension*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 683*

CITY OF AURORA, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE O – FUTURE ACCOUNTING PRONOUNCEMENTS (Continued)

GASB Statement No. 83, *Certain Asset Retirement Obligations*, issued November 2016, will be effective for the City beginning with its fiscal year ending December 31, 2019. This Statement is to provide financial statement users with information about assets retirement obligations (AROs) that were not addressed in GASB standards establishing uniform accounting and financial reporting requirement for these obligations.

The City’s management has not yet determined the effect these statements will have on the City’s financial statements.

In February 2016, 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, 2016.

In June 2016, 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, 2016.

In August 2016, 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, 2016.

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,
CHANGES IN FUND BALANCES
-BUDGET AND ACTUAL- MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016

REVENUES	General Fund			
	Budget		Actual	Variance With Final Budget
	Original	Final		
Property taxes	\$ 243,580	\$ 244,792	\$ 263,550	\$ 18,758
Franchise taxes	909,281	909,281	686,516	(222,765)
Sales taxes	1,150,000	1,150,000	1,308,425	158,425
Use taxes	66,607	66,607	59,221	(7,386)
Financial institutional tax	1,000	4,580	35,300	30,720
Fee in lieu of tax	5,099	9,585	4,869	(4,716)
Licenses & permits	31,700	31,700	30,650	(1,050)
Fines & forfeitures	93,228	93,228	107,281	14,053
User charges	35,300	35,300	34,453	(847)
Cemetery-sale of plots	40,000	40,000	38,950	(1,050)
Interest	600	600	648	48
Grants	29,517	36,447	9,159	(27,288)
Donations	100	100	2,168	2,068
Intergovernmental cost reimbursements	6,930	6,930	6,930	-
Miscellaneous	7,692	7,692	24,166	16,474
Total Revenues	<u>2,620,634</u>	<u>2,636,842</u>	<u>2,612,286</u>	<u>(24,556)</u>
EXPENDITURES				
Current:				
General government	321,376	457,940	447,660	10,280
Police and courts	1,117,254	1,172,208	1,125,153	47,055
Fire	448,036	456,414	459,442	(3,028)
E-911	243,502	243,502	237,005	6,497
Cemetery care	105,845	105,845	85,730	20,115
Finance and economic development	205,656	205,656	201,718	3,938
Code enforcement	143,624	143,624	108,286	35,338
Capital outlay	31,200	81,737	60,215	21,522
Debt service:				
Principal	32,848	32,848	36,300	(3,452)
Interest	-	-	4,940	(4,940)
Total Expenditures	<u>2,649,341</u>	<u>2,899,774</u>	<u>2,766,449</u>	<u>133,325</u>
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	(28,707)	(262,932)	(154,163)	(108,769)
OTHER FINANCING SOURCES (USES)				
Transfers In	105,000	105,000	105,000	-
Insurance claims	-	18,482	-	(18,482)
NET CHANGE IN FUND BALANCE	<u>\$ 76,293</u>	<u>\$ (139,450)</u>	(49,163)	<u>\$ (127,251)</u>
FUND BALANCES - BEGINNING			<u>2,010,161</u>	
FUND BALANCES - ENDING			<u>\$ 1,960,998</u>	

See the accompanying notes to the financial statements.

CITY OF AURORA, MISSOURI
SCHEDULE OF REVENUES, EXPENDITURES,
CHANGES IN FUND BALANCES
-BUDGET AND ACTUAL- MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016

REVENUES	Transportation Fund			Variance With Final Budget
	Budget		Actual	
	Original	Final		
Sales tax	\$ 575,000	\$ 575,000	\$ 547,405	\$ (27,595)
Use tax	36,000	36,000	29,610	(6,390)
Missouri motor fuel taxes	294,200	294,200	297,955	3,755
Grants	161,000	334,500	171,358	(163,142)
Miscellaneous	1,950	1,950	3,027	1,077
Total Revenues	<u>1,068,150</u>	<u>1,241,650</u>	<u>1,049,355</u>	<u>(192,295)</u>
EXPENDITURES				
Current:				
Street	728,317	728,317	662,924	65,393
Airport	11,500	11,500	9,470	2,030
Capital Outlay	502,000	502,000	413,168	88,832
Total Expenditures	<u>1,241,817</u>	<u>1,241,817</u>	<u>1,085,562</u>	<u>156,255</u>
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	<u>\$ (173,667)</u>	<u>\$ (167)</u>	(36,207)	<u>\$ (36,040)</u>
OTHER FINANCING SOURCES (USES)				
Transfers (Out)			<u>(28,000)</u>	
NET CHANGE IN FUND BALANCE			(64,207)	
FUND BALANCE-BEGINNING			<u>354,874</u>	
FUND BALANCE - ENDING			<u>\$ 290,667</u>	

See the accompanying notes to the financial statements.

CITY OF AURORA, MISSOURI
REQUIRED SUPPLEMENTARY INFORMATION -UNAUDITED
SCHEDULE OF CHANGES IN NET PENSION
LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED DECEMBER 31, 2016

	2016	2015
Total Pension Liability		
Service costs	\$ (183,131)	\$ (157,649)
Interest on Total Pension Liability	(364,866)	(311,206)
Changes in Benefit Terms	-	(453,772)
Difference between expected and actual experience	39,774	91,055
Changes in Assumptions	(242,364)	15,242
Benefit payments, including refunds	90,465	87,031
Net change in total pension liability	(660,122)	(729,299)
Total Pension Liability-beginning	(4,987,104)	(4,257,805)
Total Pension Liability-ending	\$ (5,647,226)	\$ (4,987,104)
 Plan Fiduciary Net Position		
Contributions - employer	\$ 135,506	\$ 120,405
Net investment income	(12,265)	115,480
Benefits payments, including refunds	(90,465)	(87,031)
Pension Plan Administrative Expense	(7,573)	(8,761)
Other (Net Transfer)	(33,696)	159,669
Net change in plan fiduciary net position	(8,493)	299,762
Plan Fiduciary Net Position-beginning	6,187,163	5,887,401
Plan Fiduciary Net Position-ending	\$ 6,178,670	\$ 6,187,163
 Net Pension (Liability)/Asset	\$ 531,444	\$ 1,200,059
 Plan fiduciary net position as a percentage of the total pension liability	9.41%	24.06%
 Covered-employee payroll	\$ 1,698,505	\$ 1,658,498
 Net Pension liability as a percentage of covered employee payroll	31.29%	72.36%

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,

Fiscal Year	Actuarially Determined Contribution	Contribution in Relation	Contribution Deficiency	Covered Employee Payroll	Contribution as Percentage
2007	\$ 98,984	\$ 93,538	\$ 5,446	\$ 1,549,672	6.04%
2008	91,792	91,792	-	1,396,192	6.57%
2009	102,363	102,363	-	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	102,773	102,530	243	1,471,447	6.97%
2014	103,217	103,218	(1)	1,638,254	6.30%
2015	142,929	142,929	-	1,747,658	8.18%
2016	125,754	125,753	1	1,772,073	7.10%

NOTES TO SCHEDULE OF CONTRIBUTIONS

Valuation Date: February 29, 2016

Notes: The roll-forward of total pension liability from February 29, 2016 to June 30, 2016 reflects expected service cost and interest reduced by actual benefit payments.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal and Modified Terminal Funding
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	Multiple bases from 13 to 18 years
Asset Valuation Method	5-Year smoothed market: 20% corridor
Inflation	3.25% wage inflation; 2.50% price inflation
Salary increases	3.25% to 6.55% including wage inflation
Investment Rate of Return	7.25%, net of investment
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition.
Mortality	The healthy retiree mortality tables, for post-retirement mortality, were the RP-2014 Healthy Annuitant mortality table for males and females. The disabled retiree mortality tables, for post-retirement mortality, were the RP-2014 disabled mortality table for males and females. The pre-retirement mortality tables used were the RP-2014 employees mortality table for males and females.

Both the post-retirement and pre-retirement tables were adjusted for mortality improvement back to the observation period base year of 2006. The base year for males was then established to be 2017. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to the above described tables.

Other information: New assumptions adopted based on the 5-year experience study for the period March 1, 2010 through February 28, 2015.

See the accompanying notes to the financial statements.

CITY OF AURORA, MISSOURI

COMBINING BALANCE SHEET-

NON MAJOR GOVERNMENTAL FUNDS

DECEMBER 31, 2016

ASSETS	UDAG Fund	Park/Storm Water Fund	Park Fund	Total
Cash and cash equivalents	\$ 15,776	\$ 259,991	\$ 8,829	\$ 284,596
Accounts receivable-				
Property taxes	-	-	3,304	3,304
Sales taxes	-	46,787	-	46,787
Grants	-	-	7,618	7,618
Other	-	-	74	74
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL ASSETS	<u>\$ 15,776</u>	<u>\$ 306,778</u>	<u>\$ 19,825</u>	<u>\$ 342,379</u>
LIABILITIES				
Accounts payable	\$ -	\$ 2,846	\$ 15,695	\$ 18,541
Accrued wages	-	2,121	-	2,121
Other liabilities	-	(11)	22	11
Compensated absences	-	1,269	-	1,269
	<hr/>	<hr/>	<hr/>	<hr/>
Total Liabilities	<u>-</u>	<u>6,225</u>	<u>15,717</u>	<u>21,942</u>
DEFERRED OUTFLOW OF RESOURCES				
Unavailable property tax revenue	-	-	2,763	2,763
	<hr/>	<hr/>	<hr/>	<hr/>
FUND BALANCES				
Restricted	<u>15,776</u>	<u>300,553</u>	<u>1,345</u>	<u>317,674</u>
	<hr/>	<hr/>	<hr/>	<hr/>
Total Fund Balances	<u>15,776</u>	<u>300,553</u>	<u>1,345</u>	<u>317,674</u>
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 15,776</u>	<u>\$ 306,778</u>	<u>\$ 19,825</u>	<u>\$ 342,379</u>

See the accompanying notes to the financial statements.

CITY OF AURORA, MISSOURI
COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES -
NON MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016

	UDAG Fund	Park/ Storm Water Fund	Park Fund	Total
REVENUES;				
Property taxes	\$ -	\$ -	\$ 23,006	\$ 23,006
Sales taxes	-	491,820	-	491,820
Park activities	-	30,694	-	30,694
Grants	-	-	217,964	217,964
Contributions	-	-	15,903	15,903
Miscellaneous	-	116	792	908
Total Revenues	<u>-</u>	<u>522,630</u>	<u>257,665</u>	<u>780,295</u>
EXPENDITURES:				
Current:				
UDAG	102,826	-	-	102,826
Park	-	201,160	60,986	262,146
Storm water	-	408	-	408
Capital outlay	-	20,509	323,314	343,823
Total Expenditures	<u>102,826</u>	<u>222,077</u>	<u>384,300</u>	<u>709,203</u>
EXCESS (DEFICIT) OF REVENUE OVER EXPENDITURES	(102,826)	300,553	(126,635)	71,092
FUND BALANCES - BEGINNING	<u>118,602</u>	<u>-</u>	<u>127,980</u>	<u>246,582</u>
FUND BALANCES - ENDING	<u>\$ 15,776</u>	<u>\$ 300,553</u>	<u>\$ 1,345</u>	<u>\$ 317,674</u>

See the accompanying notes to the financial statements.