

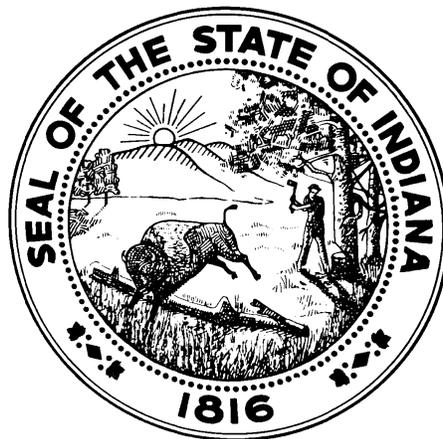
**STATE BOARD OF ACCOUNTS**  
**302 West Washington Street**  
**Room E418**  
**INDIANAPOLIS, INDIANA 46204-2769**

ANNUAL FINANCIAL REPORT

2006

CITY OF AURORA

DEARBORN COUNTY, INDIANA



**FILED**  
12/26/2007



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Randy C. Eaglin	01-01-04 to 12-31-07
Mayor	Donnie Hastings, Jr.	01-01-04 to 12-31-07
President of the Board of Public Works	Donnie Hastings, Jr.	01-01-04 to 12-31-07
President of the Common Council	Donnie Hastings, Jr.	01-01-04 to 12-31-07
President of the Utility Service Board	Charles E. Thayer	01-01-06 to 12-31-07
Superintendent of Utilities	Randolph J. Turner	01-01-06 to 12-31-07
Utility Office Manager	Avis L. Rivera	01-01-06 to 12-31-07



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS  
302 WEST WASHINGTON STREET  
ROOM E418  
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513  
Fax: (317) 232-4711  
Web Site: www.in.gov/sboa

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS  
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

TO: THE OFFICIALS OF THE CITY OF AURORA, DEARBORN COUNTY, INDIANA

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Aurora (City), as of and for the year ended December 31, 2006, which collectively comprise the City's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

As discussed in Note I, the City prepares its financial statements on the prescribed basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash and investment balances of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of December 31, 2006, and the respective cash receipts and cash disbursements during the year then ended on the basis of accounting described in Note I.

In accordance with Government Auditing Standards, we have also issued a report dated October 31, 2007, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. Our report on compliance and on internal control over financial reporting should be read along with this report.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of the City taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS  
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
(Continued)

The Schedules of Funding Progress and Schedule of Contributions From the Employer and Other Contributing Entities, as listed in the Table of Contents, are not required parts of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The City has not presented Management's Discussion and Analysis or Budgetary Comparison Schedules that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The Combining Schedules, as listed in the Table of Contents, and Schedule of Long-Term Debt are presented for additional analysis and are not required parts of the basic financial statements. The Combining Schedules, as listed in the Table of Contents, have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The Schedule of Long-Term Debt has not been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, accordingly, we express no opinion on it.

STATE BOARD OF ACCOUNTS

October 31, 2007



**STATE OF INDIANA**  
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Web Site: [www.in.gov/sboa](http://www.in.gov/sboa)

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

TO: THE OFFICIALS OF THE CITY OF AURORA, DEARBORN COUNTY, INDIANA

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Aurora (City), as of and for the year ended December 31, 2006, which collectively comprise the City's basic financial statements and have issued our report thereon dated October 31, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

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

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  
(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City'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.

We noted certain matters that we reported to management in a separate letter dated October 31, 2007.

This report is intended solely for the information and use of the City's management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

October 31, 2007

CITY OF AURORA  
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS  
For The Year Ended December 31, 2006

Functions/Programs	Program Receipts				Net (Disbursement) Receipt and Changes in Net Assets		
	Disbursements	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Totals
					Governmental Activities	Business-Type Activities	
Primary government:							
Governmental activities:							
General government	\$ 2,569,028	\$ 25,812	\$ 500,214	\$ 19,247	\$ (2,023,755)	\$ -	\$ (2,023,755)
Public safety	1,264,068	28,328	3,740	-	(1,232,000)	-	(1,232,000)
Highways and streets	837,843	-	153,897	50,348	(633,598)	-	(633,598)
Culture and recreation	147,589	22,322	41,634	-	(83,633)	-	(83,633)
Urban redevelopment	593,248	5,066	404,357	-	(183,825)	-	(183,825)
Debt service	552,958	-	-	-	(552,958)	-	(552,958)
Capital outlay	76,605	-	-	-	(76,605)	-	(76,605)
Total governmental activities	<u>6,041,339</u>	<u>81,528</u>	<u>1,103,842</u>	<u>69,595</u>	<u>(4,786,374)</u>	<u>-</u>	<u>(4,786,374)</u>
Business-type activities:							
Water	845,473	895,980	-	-	-	50,507	50,507
Wastewater	846,100	881,168	-	-	-	35,068	35,068
Gas	4,545,916	4,467,333	-	-	-	(78,583)	(78,583)
Total business-type activities	<u>6,237,489</u>	<u>6,244,481</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,992</u>	<u>6,992</u>
Total primary government	<u>\$ 12,278,828</u>	<u>\$ 6,326,009</u>	<u>\$ 1,103,842</u>	<u>\$ 69,595</u>	<u>(4,786,374)</u>	<u>6,992</u>	<u>(4,779,382)</u>
General receipts:							
Property taxes					1,266,041	-	1,266,041
Other local sources					609,217	-	609,217
Grants and contributions not restricted to specific programs					113,117	-	113,117
Unrestricted investment earnings					278,199	542	278,741
Riverboat revenue sharing					2,409,108	-	2,409,108
Total general receipts					<u>4,675,682</u>	<u>542</u>	<u>4,676,224</u>
Change in net assets					(110,692)	7,534	(103,158)
Net assets - beginning					<u>5,758,847</u>	<u>638,539</u>	<u>6,397,386</u>
Net assets - ending					<u>\$ 5,648,155</u>	<u>\$ 646,073</u>	<u>\$ 6,294,228</u>
<u>Assets</u>							
Cash and investments					\$ 4,431,541	\$ 13,897	\$ 4,445,438
Cash with fiscal agent					-	-	-
Restricted assets:							
Cash and investments					<u>1,216,614</u>	<u>632,176</u>	<u>1,848,790</u>
Total assets					<u>\$ 5,648,155</u>	<u>\$ 646,073</u>	<u>\$ 6,294,228</u>
<u>Net Assets</u>							
Restricted for:							
Culture and recreation					\$ 79,588	\$ -	\$ 79,588
Public safety					36,690	-	36,690
Highways and streets					116,339	-	116,339
Urban redevelopment					845,515	-	845,515
Economic development					24,354	-	24,354
Capital outlay					114,128	-	114,128
Debt service					-	405,862	405,862
Customer deposits					-	226,314	226,314
Unrestricted					<u>4,431,541</u>	<u>13,897</u>	<u>4,445,438</u>
Total net assets					<u>\$ 5,648,155</u>	<u>\$ 646,073</u>	<u>\$ 6,294,228</u>

The notes to the financial statements are an integral part of this statement.

CITY OF AURORA  
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,  
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
GOVERNMENTAL FUNDS  
For The Year Ended December 31, 2006

	General	Riverboat	Other Governmental Funds	Totals
Receipts:				
Taxes	\$ 1,006,928	\$ -	\$ 259,113	\$ 1,266,041
Intergovernmental	325,561	2,409,108	830,993	3,565,662
Charges for services	44,664	-	36,864	81,528
Other	<u>354,906</u>	<u>220,672</u>	<u>441,838</u>	<u>1,017,416</u>
Total receipts	<u>1,732,059</u>	<u>2,629,780</u>	<u>1,568,808</u>	<u>5,930,647</u>
Disbursements:				
General government	760,917	1,234,548	650,168	2,645,633
Public safety	894,537	304,090	65,441	1,264,068
Highways and streets	-	-	837,843	837,843
Culture and recreation	-	20,000	127,589	147,589
Urban redevelopment	1,362	75,921	515,965	593,248
Debt service:				
Principal	-	423,500	-	423,500
Interest	<u>-</u>	<u>129,458</u>	<u>-</u>	<u>129,458</u>
Total disbursements	<u>1,656,816</u>	<u>2,187,517</u>	<u>2,197,006</u>	<u>6,041,339</u>
Excess (deficiency) of receipts over disbursements	<u>75,243</u>	<u>442,263</u>	<u>(628,198)</u>	<u>(110,692)</u>
Other financing sources (uses):				
Transfers in	23,749	366,998	675,238	1,065,985
Transfers out	<u>(5,068)</u>	<u>(691,302)</u>	<u>(369,615)</u>	<u>(1,065,985)</u>
Total other financing sources (uses)	<u>18,681</u>	<u>(324,304)</u>	<u>305,623</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	93,924	117,959	(322,575)	(110,692)
Cash and investment fund balance - beginning	<u>89,557</u>	<u>3,677,350</u>	<u>1,991,940</u>	<u>5,758,847</u>
Cash and investment fund balance - ending	<u>\$ 183,481</u>	<u>\$ 3,795,309</u>	<u>\$ 1,669,365</u>	<u>\$ 5,648,155</u>
<u>Cash and Investment Assets - December 31</u>				
Cash and investments	\$ 183,481	\$ 3,795,309	\$ 452,751	\$ 4,431,541
Restricted assets:				
Cash and investments	<u>-</u>	<u>-</u>	<u>1,216,614</u>	<u>1,216,614</u>
Total cash and investment assets - December 31	<u>\$ 183,481</u>	<u>\$ 3,795,309</u>	<u>\$ 1,669,365</u>	<u>\$ 5,648,155</u>
<u>Cash and Investment Fund Balance - December 31</u>				
Restricted for:				
Culture and recreation	\$ -	\$ -	\$ 79,588	\$ 79,588
Public safety	-	-	36,690	36,690
Highways and streets	-	-	116,339	116,339
Urban redevelopment	-	-	845,515	845,515
Economic development	-	-	24,354	24,354
Capital outlay	-	-	114,128	114,128
Unrestricted	<u>183,481</u>	<u>3,795,309</u>	<u>452,751</u>	<u>4,431,541</u>
Total cash and investment fund balance - December 31	<u>\$ 183,481</u>	<u>\$ 3,795,309</u>	<u>\$ 1,669,365</u>	<u>\$ 5,648,155</u>

The notes to the financial statements are an integral part of this statement.

CITY OF AURORA  
STATEMENT OF ASSETS AND FUND BALANCES AND  
RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
PROPRIETARY FUNDS  
As of and for the Year Ended December 31, 2006

	Water Utility	Wastewater Utility	Gas Utility	Total
Operating receipts:				
Metered water receipts:				
Residential	\$ 391,379	\$ -	\$ -	\$ 391,379
Commercial and industrial sales	391,578	-	-	391,578
Residential sales	-	691,202	-	691,202
Commercial and industrial sales	-	120,778	-	120,778
Fire protection receipts	54,052	-	-	54,052
Penalties	5,488	-	15,897	21,385
Other water receipts	53,483	-	-	53,483
Measured revenue:				
Residential	-	-	3,011,980	3,011,980
Commercial	-	-	1,422,888	1,422,888
Other	-	69,188	16,568	85,756
<b>Total operating receipts</b>	<b>895,980</b>	<b>881,168</b>	<b>4,467,333</b>	<b>6,244,481</b>
Operating disbursements:				
Production and supply	-	-	3,599,846	3,599,846
Transmission and distribution	241,439	-	145,870	387,309
Collection system - operations and maintenance	-	146,674	-	146,674
Customer accounts	33,834	-	33,413	67,247
Administration and general	75,353	64,657	230,112	370,122
Purchased power	68,829	36,746	-	105,575
Purchased wastewater treatment	-	230,027	-	230,027
Chemicals	6,240	11,099	-	17,339
Material and supplies	97,697	73,116	-	170,813
Salaries and wages	-	-	202,263	202,263
Contractual services	58,154	37,806	-	95,960
Rents	233	557	-	790
Transportation disbursements	25,093	15,263	-	40,356
Insurance disbursements	25,531	23,067	-	48,598
Regulatory commission disbursements	2,461	-	-	2,461
Miscellaneous disbursements	115,318	135,659	46,413	297,390
<b>Total operating disbursements</b>	<b>750,182</b>	<b>774,671</b>	<b>4,257,917</b>	<b>5,782,770</b>
Excess of operating receipts over operating disbursements	145,798	106,497	209,416	461,711
Nonoperating receipts (disbursements):				
Interest and investment receipts	8	-	534	542
Debt service	(95,291)	(71,429)	(287,999)	(454,719)
<b>Total nonoperating receipts (disbursements)</b>	<b>(95,283)</b>	<b>(71,429)</b>	<b>(287,465)</b>	<b>(454,177)</b>
Excess (deficiency) of receipts over disbursements and nonoperating receipts (disbursements)	50,515	35,068	(78,049)	7,534
Excess (deficiency) of receipts, contributions and transfers in over disbursements and transfers out	50,515	35,068	(78,049)	7,534
Cash and investment fund balance - beginning	182,276	149,136	307,127	638,539
Cash and investment fund balance - ending	<u>\$ 232,791</u>	<u>\$ 184,204</u>	<u>\$ 229,078</u>	<u>\$ 646,073</u>
<b>Cash and Investment Assets - December 31</b>				
Cash and investments	\$ 73,362	\$ 25,954	\$ (85,419)	\$ 13,897
Restricted assets:				
Cash and investments	159,429	158,250	314,497	632,176
<b>Total cash and investment assets - December 31</b>	<u>\$ 232,791</u>	<u>\$ 184,204</u>	<u>\$ 229,078</u>	<u>\$ 646,073</u>
<b>Cash and Investment Fund Balance - December 31</b>				
Restricted for:				
Debt service	\$ 130,498	\$ 122,731	\$ 152,633	\$ 405,862
Customer deposits	28,931	35,519	161,864	226,314
Unrestricted	73,362	25,954	(85,419)	13,897
<b>Total cash and investment fund balance - December 31</b>	<u>\$ 232,791</u>	<u>\$ 184,204</u>	<u>\$ 229,078</u>	<u>\$ 646,073</u>

The notes to the financial statements are an integral part of this statement.

CITY OF AURORA  
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES  
FIDUCIARY FUNDS  
For The Year Ended December 31, 2006

	<u>Pension Trust Funds</u>	<u>Agency Funds</u>
Additions:		
Contributions:		
Employer	\$ 51,291	\$ -
Other	<u>72,810</u>	<u>-</u>
Total contributions	<u>124,101</u>	<u>-</u>
Investment earnings:		
Net in fair value of investments	22,163	-
Interest	11,300	-
Dividends	<u>1,168</u>	<u>-</u>
Total investment earnings	34,631	-
Agency fund additions	<u>-</u>	<u>2,038,213</u>
Total additions	<u>158,732</u>	<u>2,038,213</u>
Deductions:		
Benefits	118,178	-
Agency fund deductions	<u>-</u>	<u>2,217,529</u>
Total deductions	<u>118,178</u>	<u>2,217,529</u>
Excess (deficiency) of total additions over total deductions	40,554	(179,316)
Cash and investment fund balance - beginning	<u>442,734</u>	<u>349,360</u>
Cash and investment fund balance - ending	<u>\$ 483,288</u>	<u>\$ 170,044</u>

The notes to the financial statements are an integral part of this statement.

CITY OF AURORA  
NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

The City was established under the laws of the State of Indiana. The City operates under a Council-Mayor Council form of government and provides the following services: public safety (police and fire), highways and streets, culture and recreation, public improvements, planning and zoning, general administrative services, gas, water, wastewater, and urban redevelopment.

The City's financial reporting entity is composed of the:

Primary Government: City of Aurora

In determining the financial reporting entity, the City complies with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*.

Joint Venture

In 2006, the City was a participant with the cities of Greendale and Lawrenceburg and Pernod Ricard, Inc., in a joint venture to operate the South Dearborn Regional Sewer District (Sewer District) which was created to provide wastewater treatment services for members. The City paid \$230,028 to the Sewer District in 2006. Complete financial statements for the Sewer District can be obtained from the Sewer District's office in Lawrenceburg, Indiana or at the Indiana State Board of Accounts website: [www.in.gov/sboa](http://www.in.gov/sboa).

Related Organizations

The City's officials are also responsible for appointing the members of the boards of other organizations, but the City's accountability for these organizations does not extend beyond making the appointments. The City appoints the board members of the Aurora Redevelopment Authority.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The Statement of Activities and Net Assets – Cash and Investment Basis displays information about the reporting government as a whole. It includes all funds of the reporting entity except for fiduciary funds. The statement distinguishes between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, liabilities, fund equity, receipts, and disbursements. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

CITY OF AURORA  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

The City reports the following major governmental funds:

The general fund is the primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The riverboat fund is funded by distributions from other local governmental entities that have elected to share gaming taxes they have received. The fund may be used for the same purposes as the general fund.

The City reports the following major proprietary funds:

The water utility fund accounts for the operation of the water distribution system.

The wastewater utility fund accounts for the operation of the wastewater treatment plant, pumping stations, and collection systems.

The gas utility fund accounts for the operation of the gas distribution system.

Additionally, the City reports the following fund types:

The pension trust funds account for the activities of the 1925 police pension fund and the utilities pension fund which accumulate resources for pension benefit payments.

Agency funds account for assets held by the City as an agent for other governments, City employees, and contractors.

C. Measurement Focus and Basis of Accounting

The government-wide, governmental fund, proprietary fund, and fiduciary fund financial statements are reported using the basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Receipts are recorded when received and disbursements are recorded when paid.

The cash and investment basis of accounting differs from accounting principles generally accepted in the United States of America in that receipts are recognized when received in cash rather than when earned and disbursements are recognized when paid rather than when a liability is incurred. Investment transactions are not presented on the financial statements.

If the City utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types would use the accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the enterprise fund statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

CITY OF AURORA  
NOTES TO FINANCIAL STATEMENTS  
(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 payments-in-lieu of taxes and other charges between the City and City-owned utilities. Elimination of these charges would distort the direct costs and program receipts reported for the various functions concerned.

Enterprise funds distinguish operating receipts and disbursements from nonoperating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. The principal operating receipts of the enterprise funds are charges to customers for sales and services. Operating disbursements for enterprise funds include the cost of sales and services and administrative costs. All receipts and disbursements not meeting this definition are reported as nonoperating receipts and disbursements. Internal service funds are used to account for activities provided to other departments or agencies primarily with the government. The City does not have any internal service funds.

D. Assets and Cash and Investment Balances

1. Cash and Investments

Investments are stated at cost. Any changes in fair value of the investments are reported as interest receipts in the year of the sale of the investment.

2. Capital Assets

Capital assets arising from cash transactions acquired for use in governmental or proprietary fund operations are accounted for as capital outlay disbursements of the fund upon acquisition.

3. Long-Term Debt

Long-term debt arising from cash basis transactions of governmental and proprietary funds is not reported as liabilities in the basic financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as disbursements.

4. Equity Classification

Government-Wide Statements

Equity is classified as net assets and displayed in two components:

- a. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or (2) law through constitutional provisions or enabling legislation.
- b. Unrestricted net assets – All other net assets that do not meet the definition of "restricted."

It is the City's policy to first use restricted net assets prior to the use of unrestricted net assets when a disbursement is incurred for purposes for which both restricted and unrestricted net assets are available.

CITY OF AURORA  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Fund Financial Statements

Governmental fund equity is classified as fund balance. Proprietary fund equity is classified the same as in the government-wide statements.

E. Receipts and Disbursements

1. Program Receipts

Amounts reported as program receipts 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. Internally dedicated resources are reported as general receipts rather than as program receipts. Likewise, general receipts include all taxes.

2. Operating Receipts and Disbursements

Operating receipts and disbursements for proprietary funds result from providing services and producing and delivering goods and/or services. They also include all receipts and disbursements not related to capital and related financing, noncapital financing, or investing activities.

F. Internal and Interfund Balances and Activities

In the process of aggregating the financial information for the government-wide Statement of Activities and Net Assets – Cash and Investment Basis, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified.

Fund Financial Statements

1. Interfund services – Sales or purchases of goods and services between funds are reported as receipts and disbursements.
2. Interfund reimbursements – Repayments from funds responsible for certain disbursements to the funds that initially paid for them are not reported as reimbursements but as adjustments to disbursements in the respective funds.
3. Interfund transfers – Flow of assets from one fund to another where repayment is not expected is reported as transfers in and out.

Government-Wide Financial Statements

Interfund activity and balances, if any, are eliminated or reclassified in the government-wide financial statements as follows:

Internal activities – Amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide Statement of Activities and Net Assets – Cash and Investment Basis except for the net amount of transfers between governmental and business-type activities, which are reported as Transfers – Internal Activities. The effects of interfund services between funds, if any, are not eliminated in the Statement of Activities and Net Assets – Cash and Investment Basis.

CITY OF AURORA  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

II. Stewardship, Compliance and Accountability

A. Budgetary Information

Annual budgets are adopted on the cash basis, which is not consistent with accounting principles generally accepted in the United States of America. All annual appropriations lapse at calendar year end.

Prior to the first required publication, the fiscal officer of the City submits to the governing board a proposed operating budget for the year commencing the following January 1. Prior to adoption, the budget is advertised and public hearings are conducted by the governing board to obtain taxpayer comments. In September of each year, the governing board, through the passage of a resolution/ordinance, approves the budget for the next year. Copies of the budget resolution/ordinance and the advertisement for funds for which property taxes are levied or highway use taxes are received are sent to the Indiana Department of Local Government Finance. The budget becomes legally enacted after the fiscal officer of the City receives approval of the Indiana Department of Local Government Finance.

The City's management cannot transfer budgeted appropriations between object classifications of a budget without approval of the governing board. The Indiana Department of Local Government Finance must approve any revisions to the appropriations for any fund or any department of the General Fund. The legal level of budgetary control is by object and department within the fund for the General Fund and by object within the fund for all other budgeted funds.

B. Disbursements in Excess of Appropriations

For the year ended December 31, 2006, disbursements exceeded budgeted appropriations in the following funds by the amounts below:

Fund	2006
Riverboat	\$ 2,878,819
General	196,867
Total	\$ 3,075,686

These disbursements were funded by available fund balances.

C. Cash and Investment Balance Deficits

At December 31, 2006, the following funds reported deficits in cash and investments, which are violations of the Uniform Compliance Guidelines and state statute:

Fund	2006
ALT Trail	\$ 152,052
Gas Utility Operating	85,419
Total	\$ 237,471

CITY OF AURORA  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Cash and investment deficits arose primarily from disbursements exceeding receipts due to the underestimate of current requirements; these deficits are to be repaid from future receipts.

III. Detailed Notes on All Funds

A. Deposits and Investments

1. Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Indiana Code 5-13-8-1 allows a political subdivision of the State of Indiana to deposit public funds in a financial institution only if the financial institution is a depository eligible to receive state funds and has a principal office or branch that qualifies to receive public funds of the political subdivision. The bank balances were insured by the Federal Deposit Insurance Corporation or the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

2. Investments

Authorization for investment activity is stated in Indiana Code 5-13.

Investment Policies

Indiana Code 5-13-9 authorizes the City to invest in securities backed by the full faith and credit of the United States Treasury or fully guaranteed by the United States of America and issued by the United States Treasury, a federal agency, a federal instrumentality, or a federal government sponsored enterprise. Indiana Code also authorizes the unit to invest in securities fully guaranteed and issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise. These investments are required by statute to have a stated final maturity of not more than two years.

Indiana Code also provides for investment in money market mutual funds that are in the form of securities of, or interest in, an open-end, no-load, management-type investment company or investment trust registered under the provision of the federal Investment Company Act of 1940, as amended. Investments in money market mutual funds may not exceed 50% of the funds held by the City and available for investment. The portfolio of an investment company or investment trust used must be limited to direct obligations of the United States of America, obligations issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise or repurchase agreements fully collateralized by direct obligations of the United States of America or obligations issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise. The form of securities of, or interest in, an investment company or investment trust must be rated as AAA, or its equivalent by Standard and Poor's Corporation or its successor or Aaa, or its equivalent, by Moody's Investors Service, Inc., or its successor. The form of securities in an investment company or investment trust should have a stated final maturity of one day.

CITY OF AURORA  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Additionally, the City may enter into repurchase agreements with depositories designated by the State Board of Finance as depositories for state deposits involving the unit's purchase and guaranteed resale of any interest-bearing obligations issued or fully insured or guaranteed by the United States of America, a United States of America government agency, an instrumentality of the United States of America, or a federal government sponsored enterprise. The repurchase agreement is considered to have a stated final maturity of one day. This agreement must be fully collateralized by interest-bearing obligations as determined by their current market value.

B. Interfund Transfers

Interfund transfers for the year ended December 31, 2006, were as follows:

Transfer From	Transfer To	2006
General Fund	Riverboat Fund	\$ 5,068
Riverboat Fund	General Fund	23,749
	Other governmental	667,553
Other governmental	Riverboat Fund	361,930
	Other governmental	7,685
Total		\$ 1,065,985

The City typically uses transfers for cash flow purposes as provided by various statutory provisions.

IV. Other Information

A. 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; job related illnesses or injuries to employees; and natural disasters.

The risks of torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters- except flooding- are covered by commercial insurance from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance by major category of risk.

The City has chosen not to obtain flood insurance.

During 2000, the City joined together with other governmental entities in the Indiana Public Employer's Plan, a public entity risk pool currently operating as a common risk management and insurance program for member governmental entities. This risk pool was formed in 1989. The purpose of the risk pool is to provide a medium for the funding and administration of workers compensation claims. The City pays an annual premium to the risk pool for its workman's compensation coverage. The risk pool is considered a self-sustaining risk pool that will provide coverage for its members for up to \$1,000,000 per insured event.

CITY OF AURORA  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

B. Holding Corporation

The City has entered into a capital lease with the Aurora Redevelopment Authority (lessor). The lessor was organized as a not-for-profit corporation pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the City. The lessor has been determined to be a related party of the City. Lease payments during the year totaled \$150,866.

C. State Revolving Fund Loan

Per terms of an agreement with the Indiana Finance Authority for a loan under the State Revolving Fund loan program, the City has a \$4,000,000 line of credit. As of December 31, 2006, \$297,066 had been drawn down and the City still had \$3,702,934 available to borrow.

D. Prepayment on Loans and Leases Payable

The City has a loan from the Lawrenceburg Bond Bank. The loan agreement allows the City to prepay the loan principal at any time. In 2006, the City paid \$250,000 more than the scheduled payment on principal. Interest in subsequent periods will be adjusted based on the remaining outstanding principal balance after the prepayment.

The City has a capital lease with the Aurora Redevelopment Commission (lessor). The lease agreement permits the City to pay additional rental to enable the lessor to purchase or redeem bonds prior to maturity. In 2006, the City paid \$3,500 more than the scheduled rental.

E. Rate Structure – Enterprise Funds

Water Utility

The current rate structure was approved by the Indiana Utility Regulatory Commission on May 29, 1997.

Wastewater Utility

The current rate structure was approved by the City Council on November 29, 2006.

Gas Utility

The current rate structure was approved by the Indiana Utility Regulatory Commission on December 8, 1997.

F. Pension Plans

1. Agent Multiple-Employer and Single-Employer Defined Benefit Pension Plans

a. Public Employees' Retirement Fund

Plan Description

The City contributes to the Indiana Public Employees' Retirement Fund (PERF), a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries.

CITY OF AURORA  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

All full-time employees are eligible to participate in the defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the PERF Board, most requirements of the system and give the City authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of member's contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

PERF administers the plan and issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. The report may be obtained by contacting:

Public Employees' Retirement Fund  
Harrison Building, Room 800  
143 West Market Street  
Indianapolis, IN 46204  
Ph. (317) 233-4162

Funding Policy and Annual Pension Cost

The contribution requirements of plan members for PERF are established by the Board of Trustees of PERF. The City's annual pension cost and related information, as provided by the actuary, is presented in this note.

Information to segregate the assets/liabilities and the actuarial study figures between the City and the Utilities is not available.

b. 1925 Police Officers' Pension Plan

Plan Description

The City contributes to the 1925 Police Officers' Pension Plan, which is a single-employer defined benefit pension plan. The plan is administered by the local pension board as authorized by state statute (IC 36-8-6). The plan provides retirement, disability, and death benefits to plan members and beneficiaries. The plan was established by the plan administrator, as provided by state statute. The plan administrator does not issue a publicly available financial report that includes financial statements and required supplementary information of the plan.

Funding Policy and Annual Pension Cost

The contribution requirements of plan members for the 1925 Police Officers' Pension Plan are established by state statute. The City's annual pension cost and related information as provided by the actuary, is presented in this note.

The use of the pay-as-you-go actuarial cost method by the City results in significant underfunding of the plan. Therefore, the Net Pension Obligation (NPO) is not reflected in the financial statements of the pension trust funds.

CITY OF AURORA  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

c. Utility Pension Plan

Plan Description

The Aurora Utilities (Water, Wastewater, and Gas) contribute to a Utilities Retirement Plan (URP) which is a single-employer defined benefit plan. The plan is administered by the City of Aurora Municipal Utilities and an appointed trustee as authorized by state statute (IC 8-1.5-3-7) for all employees over age twenty-one with one year service.

Funding Policy and Annual Pension Cost

Employee contributions are not required by the plan agreement.

Actuarial Information for the Above Plans

	PERF	1925 Police Officers' Pension	Utilities Pension
Annual required contribution	\$ 7,055	\$ 71,800	\$ 31,731
Interest on met pension obligation	(794)	34,400	-
Adjustment to annual required contribution	904	(37,500)	-
Annual pension cost	7,165	68,700	31,731
Contributions made	5,038	121,758	74,063
Increase in net pension obligation	2,127	(53,058)	(42,332)
Net pension obligation, beginning of year	(10,945)	509,363	20,165
Net pension obligation, end of year	\$ (8,818)	\$ 456,305	\$ (22,167)

	PERF	1925 Police Officers' Pension	Utility Retirement Plan
Contribution rates:			
City	4.5%	100%	2%
Plan members	3%	None	None
Actuarial valuation date	07-01-06	01-01-06	01-01-06
Actuarial cost method	Entry age	Entry age	Aggregate
Amortization method	Level percentage of projected payroll, closed	Level percentage of projected payroll, closed	actuarial
Amortization period	40 years	30 years	N/A
Amortization period (from date)	07-01-97	01-01-05	N/A
Asset valuation method	75% of expected actuarial value plus 25% of market value	4 year phase in of unrealized and realized capital	Market value of the investment fund

N/A = Not available

CITY OF AURORA  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Actuarial Assumptions	PERF	1925 Police Officers' Pension	Utility Retirement Plan
Investment rate of return	7.25%	6%	4%
Projected future salary increases:			
Total	5%	*	**
Attributed to inflation	4%	*	**
Attributed to merit/seniority	1%	*	**
Cost-of-living adjustments	2%	**	**

\* no active members

\*\* none assumed

Three Year Trend Information

	Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
PERF	06-30-04	\$ 3,570	195%	\$ (10,379)
	06-30-05	4,999	111%	(10,945)
	06-30-06	7,165	101%	(8,818)
1925 Police Officers' Pension Plan	12-31-03	89,400	115%	534,489
	12-31-04	92,100	127%	509,363
	12-31-05	68,700	177%	456,305
Utility Retirement Plan	12-31-03	11,929	99%	\$ (2,982)
	12-31-04	15,814	105%	(3,775)
	12-31-05	31,731	121%	(21,065)

Membership in the 1925 Police Officers' Pension Plan at January 1, 2006, was comprised of the following:

	1925 Police Officers' Pension
Retirees and beneficiaries currently receiving benefits	5
Terminated employees entitled to but not yet receiving benefits	0
Current active employees	0

CITY OF AURORA  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

2. Cost-Sharing Multiple-Employer Defined Benefit Pension Plan

1977 Police Officers' and Firefighters' Pension and Disability Fund

Plan Description

The City contributes to the 1977 Police Officers' and Firefighters' Pension and Disability Fund, a cost-sharing multiple-employer defined benefit pension plan administered by the Indiana Public Employees' Retirement Plan (PERF) for all police officers and firefighters hired after April 30, 1977.

State statute (IC 36-8-8) regulates the operations of the system, including benefits, vesting and requirements for contributions by employers and by employees. Covered employees may retire at age 55 with 20 years of service. An employee with 20 years of service may leave service, but will not receive benefits until reaching age 55. The plan also provides for death and disability benefits.

PERF issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. That report may be obtained by contacting:

Public Employees' Retirement Fund  
Harrison Building, Room 800  
143 West Market Street  
Indianapolis, IN 46204  
Ph. (317) 233-4162

Funding Policy and Annual Pension Costs

Plan members are required to contribute 6% of the first-class police officers' and firefighters' salary and the City is to contribute at an actuarially determined rate. The current rate, which has not changed since the inception of the plan, is 21% of the first-class police officers' and firefighters' salary. The contribution requirements of plan members and the City are established by the Board of Trustees of PERF. The City's contributions to the plan for the years ending December 31, 2006, 2005, and 2004, were \$76,529, \$77,368, and \$66,726, respectively, equal to the required contributions for each year.

CITY OF AURORA  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULES OF FUNDING PROGRESS

Public Employees' Retirement Fund

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-04	\$ 133,668	\$ 141,261	\$ (7,593)	95%	\$ 105,649	7%
07-01-05	138,035	164,572	(26,537)	84%	114,613	23%
07-01-06	180,510	181,591	(1,081)	99%	113,251	1%

1925 Police Officers' Pension Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c)
01-01-01	\$ 53,632	\$ 2,066,800	\$ (2,013,168)	3%	*	*
01-01-02	74,069	972,700	(898,631)	8%	*	*
01-01-03	113,284	773,700	(660,416)	15%	*	*
01-01-04	98,145	1,042,000	(943,855)	9%	*	*
01-01-05	43,514	1,008,400	(964,886)	4%	*	*
01-01-06	55,387	1,003,800	(948,413)	6%	*	*

\* No covered payroll

Utility Retirement Pension Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Excess of Assets Over (Unfunded) AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Excess (Unfunded) AAL as a Percentage of Covered Payroll ((a-b)/c)
01-01-01	\$ 297,683	\$ 232,084	\$ 65,599	128%	\$ 509,436	N/A
01-01-02	329,151	261,581	67,570	126%	474,671	N/A
01-01-03	370,529	294,366	76,163	126%	471,913	N/A
01-01-04	376,819	318,325	58,494	118%	580,859	N/A
01-01-05	N/A	N/A	N/A	N/A	N/A	N/A
01-01-06	405,496	425,661	(20,165)	95%	513,471	(4%)

N/A - Not available

CITY OF AURORA  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULES OF CONTRIBUTIONS FROM THE  
 EMPLOYER AND OTHER CONTRIBUTING ENTITIES

<u>1925 Police Officers' Pension Plan</u>			
	<u>Year Ending</u>	<u>Annual Required Contribution (ARC)</u>	<u>Percentage of ARC Contributed</u>
1925 Police Officers' Pension Plan	12-31-00	\$ 177,800	37%
	12-31-01	208,400	32%
	12-31-02	101,800	60%
	12-31-03	114,100	90%
	12-31-04	119,000	99%
	12-31-05	71,800	170%
Utility Retirement Pension Plan	12-31-00	*	*
	12-31-01	*	*
	12-31-02	13,525	139%
	12-31-03	11,929	99%
	12-31-04	15,814	105%
	12-31-05	31,731	121%

\*Information not available

CITY OF AURORA  
 COMBINING SCHEDULE OF ASSETS AND FUND  
 BALANCES AND RECEIPTS, DISBURSEMENTS, AND  
 CHANGES IN FUND BALANCES - CASH AND  
 INVESTMENT BASIS  
 OTHER GOVERNMENTAL FUNDS  
 For The Year Ended December 31, 2006

	Motor Vehicle Highway	Local Roads and Streets	Park Department	Donations	Local Law Enforcement Continuing Education	Unsafe Building
Receipts:						
Taxes	\$ 74,858	\$ -	\$ 139,785	\$ -	\$ -	\$ -
Intergovernmental	153,897	27,848	13,694	62,260	-	727
Charges for services	-	-	22,322	-	4,077	5,066
Other	20,741	1,475	-	-	-	-
Total receipts	<u>249,496</u>	<u>29,323</u>	<u>175,801</u>	<u>62,260</u>	<u>4,077</u>	<u>5,793</u>
Disbursements:						
General government	-	-	-	47,709	-	-
Public safety	-	-	-	-	-	36,697
Highways and streets	139,867	32,656	-	-	-	-
Culture and recreation	-	-	127,589	-	-	-
Urban redevelopment	-	-	-	-	-	-
Total disbursements	<u>139,867</u>	<u>32,656</u>	<u>127,589</u>	<u>47,709</u>	<u>-</u>	<u>36,697</u>
Excess (deficiency) of receipts over disbursements	<u>109,629</u>	<u>(3,333)</u>	<u>48,212</u>	<u>14,551</u>	<u>4,077</u>	<u>(30,904)</u>
Other financing sources (uses):						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	(7,685)	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(7,685)</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	109,629	(3,333)	48,212	6,866	4,077	(30,904)
Cash and investment fund balance - beginning	<u>5,333</u>	<u>4,710</u>	<u>-</u>	<u>21,856</u>	<u>7,929</u>	<u>45,196</u>
Cash and investment fund balance - ending	<u>\$ 114,962</u>	<u>\$ 1,377</u>	<u>\$ 48,212</u>	<u>\$ 28,722</u>	<u>\$ 12,006</u>	<u>\$ 14,292</u>
<u>Cash and Investment Assets - December 31</u>						
Cash and investments	\$ -	\$ -	\$ -	\$ 28,722	\$ -	\$ -
Restricted assets:						
Cash and investments	114,962	1,377	48,212	-	12,006	14,292
Total cash and investment assets - December 31	<u>\$ 114,962</u>	<u>\$ 1,377</u>	<u>\$ 48,212</u>	<u>\$ 28,722</u>	<u>\$ 12,006</u>	<u>\$ 14,292</u>
<u>Cash and Investment Fund Balance - December 31</u>						
Restricted for:						
Culture and recreation	\$ -	\$ -	\$ 48,212	\$ -	\$ -	\$ -
Public safety	-	-	-	-	12,006	-
Highways and streets	114,962	1,377	-	-	-	-
Urban redevelopment	-	-	-	-	-	14,292
Economic development	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Unrestricted	<u>-</u>	<u>-</u>	<u>-</u>	<u>28,722</u>	<u>-</u>	<u>-</u>
Total cash and investment fund balance - December 31	<u>\$ 114,962</u>	<u>\$ 1,377</u>	<u>\$ 48,212</u>	<u>\$ 28,722</u>	<u>\$ 12,006</u>	<u>\$ 14,292</u>

CITY OF AURORA  
 COMBINING SCHEDULE OF ASSETS AND FUND  
 BALANCES AND RECEIPTS, DISBURSEMENTS, AND  
 CHANGES IN FUND BALANCES - CASH AND  
 INVESTMENT BASIS  
 OTHER GOVERNMENTAL FUNDS  
 For The Year Ended December 31, 2006  
 (Continued)

	Court	Rainy Day	Cumulative Capital Improvement	Cumulative Capital Development	Housing Improvement	Cumulative Fire and Police
Receipts:						
Taxes	\$ -	\$ -	\$ -	\$ 44,470	\$ -	\$ -
Intergovernmental	26,510	-	14,165	5,082	-	-
Charges for services	-	-	-	-	-	-
Other	1,936	-	-	-	1,768	-
<b>Total receipts</b>	<b>28,446</b>	<b>-</b>	<b>14,165</b>	<b>49,552</b>	<b>1,768</b>	<b>-</b>
Disbursements:						
General government	38,806	-	10,937	65,668	-	-
Public safety	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Urban redevelopment	-	-	-	-	747	-
<b>Total disbursements</b>	<b>38,806</b>	<b>-</b>	<b>10,937</b>	<b>65,668</b>	<b>747</b>	<b>-</b>
Excess (deficiency) of receipts over disbursements	(10,360)	-	3,228	(16,116)	1,021	-
Other financing sources (uses):						
Transfers in	10,316	-	10,937	-	7,685	-
Transfers out	-	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>10,316</b>	<b>-</b>	<b>10,937</b>	<b>-</b>	<b>7,685</b>	<b>-</b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(44)	-	14,165	(16,116)	8,706	-
Cash and investment fund balance - beginning	-	2,435	87,450	28,629	48,518	23,631
Cash and investment fund balance - ending	\$ (44)	\$ 2,435	\$ 101,615	\$ 12,513	\$ 57,224	\$ 23,631
<b><u>Cash and Investment Assets - December 31</u></b>						
Cash and investments	\$ (44)	\$ 2,435	\$ -	\$ -	\$ -	\$ -
Restricted assets:						
Cash and investments	-	-	101,615	12,513	57,224	23,631
<b>Total cash and investment assets - December 31</b>	<b>\$ (44)</b>	<b>\$ 2,435</b>	<b>\$ 101,615</b>	<b>\$ 12,513</b>	<b>\$ 57,224</b>	<b>\$ 23,631</b>
<b><u>Cash and Investment Fund Balance - December 31</u></b>						
Restricted for:						
Culture and recreation	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Public safety	-	-	-	-	-	23,631
Highways and streets	-	-	-	-	-	-
Urban redevelopment	-	-	-	-	57,224	-
Economic development	-	-	-	-	-	-
Capital outlay	-	-	101,615	12,513	-	-
Unrestricted	(44)	2,435	-	-	-	-
<b>Total cash and investment fund balance - December 31</b>	<b>\$ (44)</b>	<b>\$ 2,435</b>	<b>\$ 101,615</b>	<b>\$ 12,513</b>	<b>\$ 57,224</b>	<b>\$ 23,631</b>

CITY OF AURORA  
 COMBINING SCHEDULE OF ASSETS AND FUND  
 BALANCES AND RECEIPTS, DISBURSEMENTS, AND  
 CHANGES IN FUND BALANCES - CASH AND  
 INVESTMENT BASIS  
 OTHER GOVERNMENTAL FUNDS  
 For The Year Ended December 31, 2006  
 (Continued)

	Cumulative Park and Recreation	Local Grants	Law Enforcement Assistance	Operation Pullover	HD 970-020	Conwell Project
Receipts:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	1,540	69,000	-	3,740	28,630	-
Charges for services	-	-	-	-	-	-
Other	-	130,000	-	-	-	-
<b>Total receipts</b>	<b>1,540</b>	<b>199,000</b>	<b>-</b>	<b>3,740</b>	<b>28,630</b>	<b>-</b>
Disbursements:						
General government	-	19,431	-	-	-	-
Public safety	-	1,150	18,377	9,217	-	-
Highways and streets	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Urban redevelopment	-	6,997	-	-	28,630	160,534
<b>Total disbursements</b>	<b>-</b>	<b>27,578</b>	<b>18,377</b>	<b>9,217</b>	<b>28,630</b>	<b>160,534</b>
Excess (deficiency) of receipts over disbursements	1,540	171,422	(18,377)	(5,477)	-	(160,534)
Other financing sources (uses):						
Transfers in	-	49,300	-	-	-	-
Transfers out	-	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>49,300</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	1,540	220,722	(18,377)	(5,477)	-	(160,534)
Cash and investment fund balance - beginning	29,836	43,566	18,377	5,442	11,571	385,520
Cash and investment fund balance - ending	\$ 31,376	\$ 264,288	\$ -	\$ (35)	\$ 11,571	\$ 224,986
<b>Cash and Investment Assets - December 31</b>						
Cash and investments	\$ -	\$ 264,288	\$ -	\$ (35)	\$ -	\$ -
Restricted assets:						
Cash and investments	31,376	-	-	-	11,571	224,986
<b>Total cash and investment assets - December 31</b>	<b>\$ 31,376</b>	<b>\$ 264,288</b>	<b>\$ -</b>	<b>\$ (35)</b>	<b>\$ 11,571</b>	<b>\$ 224,986</b>
<b>Cash and Investment Fund Balance - December 31</b>						
Restricted for:						
Culture and recreation	\$ 31,376	\$ -	\$ -	\$ -	\$ -	\$ -
Public safety	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Urban redevelopment	-	-	-	-	11,571	224,986
Economic development	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Unrestricted	-	264,288	-	(35)	-	-
<b>Total cash and investment fund balance - December 31</b>	<b>\$ 31,376</b>	<b>\$ 264,288</b>	<b>\$ -</b>	<b>\$ (35)</b>	<b>\$ 11,571</b>	<b>\$ 224,986</b>

CITY OF AURORA  
 COMBINING SCHEDULE OF ASSETS AND FUND  
 BALANCES AND RECEIPTS, DISBURSEMENTS, AND  
 CHANGES IN FUND BALANCES - CASH AND  
 INVESTMENT BASIS  
 OTHER GOVERNMENTAL FUNDS  
 For The Year Ended December 31, 2006  
 (Continued)

	ALT Trail	Main Streetscape	Northside Project	City Hall Project	Micro Loan	Utility Const 350 Loan
Receipts:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	26,400	-	375,000	-	-	-
Charges for services	-	-	-	-	-	-
Other	-	-	147	272,296	1,880	11,595
<b>Total receipts</b>	<b>26,400</b>	<b>-</b>	<b>375,147</b>	<b>272,296</b>	<b>1,880</b>	<b>11,595</b>
Disbursements:						
General government	-	-	-	457,532	-	9,188
Public safety	-	-	-	-	-	-
Highways and streets	-	3,273	662,047	-	-	-
Culture and recreation	-	-	-	-	-	-
Urban redevelopment	231,192	-	-	-	-	-
<b>Total disbursements</b>	<b>231,192</b>	<b>3,273</b>	<b>662,047</b>	<b>457,532</b>	<b>-</b>	<b>9,188</b>
Excess (deficiency) of receipts over disbursements	(204,792)	(3,273)	(286,900)	(185,236)	1,880	2,407
Other financing sources (uses):						
Transfers in	-	-	222,000	-	-	-
Transfers out	-	-	-	-	-	(361,930)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>222,000</b>	<b>-</b>	<b>-</b>	<b>(361,930)</b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(204,792)	(3,273)	(64,900)	(185,236)	1,880	(359,523)
Cash and investment fund balance - beginning	52,740	5,680	290,300	332,537	22,474	500,000
Cash and investment fund balance - ending	\$ (152,052)	\$ 2,407	\$ 225,400	\$ 147,301	\$ 24,354	\$ 140,477
<b><u>Cash and Investment Assets - December 31</u></b>						
Cash and investments	\$ (152,052)	\$ -	\$ -	\$ 147,301	\$ -	\$ 140,477
Restricted assets:						
Cash and investments	-	2,407	225,400	-	24,354	-
<b>Total cash and investment assets - December 31</b>	<b>\$ (152,052)</b>	<b>\$ 2,407</b>	<b>\$ 225,400</b>	<b>\$ 147,301</b>	<b>\$ 24,354</b>	<b>\$ 140,477</b>
<b><u>Cash and Investment Fund Balance - December 31</u></b>						
Restricted for:						
Culture and recreation	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Public safety	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Urban redevelopment	-	2,407	225,400	-	-	-
Economic development	-	-	-	-	24,354	-
Capital outlay	-	-	-	-	-	-
Unrestricted	(152,052)	-	-	147,301	-	140,477
<b>Total cash and investment fund balance - December 31</b>	<b>\$ (152,052)</b>	<b>\$ 2,407</b>	<b>\$ 225,400</b>	<b>\$ 147,301</b>	<b>\$ 24,354</b>	<b>\$ 140,477</b>

CITY OF AURORA  
 COMBINING SCHEDULE OF ASSETS AND FUND  
 BALANCES AND RECEIPTS, DISBURSEMENTS, AND  
 CHANGES IN FUND BALANCES - CASH AND  
 INVESTMENT BASIS  
 OTHER GOVERNMENTAL FUNDS  
 For The Year Ended December 31, 2006  
 (Continued)

	Record Preservation	Police Seizure	Main Streetscape Phase II	SR 56 Riverfront Development	Lesko RFD DNR Match	Totals
Receipts:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 259,113
Intergovernmental	-	-	-	22,500	-	830,993
Charges for services	5,399	-	-	-	-	36,864
Other	-	-	-	-	-	441,838
<b>Total receipts</b>	<b>5,399</b>	<b>-</b>	<b>-</b>	<b>22,500</b>	<b>-</b>	<b>1,568,808</b>
Disbursements:						
General government	897	-	-	-	-	650,168
Public safety	-	-	-	-	-	65,441
Highways and streets	-	-	-	-	-	837,843
Culture and recreation	-	-	-	-	-	127,589
Urban redevelopment	-	-	46,825	41,040	-	515,965
<b>Total disbursements</b>	<b>897</b>	<b>-</b>	<b>46,825</b>	<b>41,040</b>	<b>-</b>	<b>2,197,006</b>
Excess (deficiency) of receipts over disbursements	4,502	-	(46,825)	(18,540)	-	(628,198)
Other financing sources (uses):						
Transfers in	-	-	100,000	75,000	200,000	675,238
Transfers out	-	-	-	-	-	(369,615)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>100,000</b>	<b>75,000</b>	<b>200,000</b>	<b>305,623</b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	4,502	-	53,175	56,460	200,000	(322,575)
Cash and investment fund balance - beginning	17,157	1,053	-	-	-	1,991,940
Cash and investment fund balance - ending	<u>\$ 21,659</u>	<u>\$ 1,053</u>	<u>\$ 53,175</u>	<u>\$ 56,460</u>	<u>\$ 200,000</u>	<u>\$ 1,669,365</u>
<b><u>Cash and Investment Assets - December 31</u></b>						
Cash and investments	\$ 21,659	\$ -	\$ -	\$ -	\$ -	\$ 452,751
Restricted assets:						
Cash and investments	-	1,053	53,175	56,460	200,000	1,216,614
<b>Total cash and investment assets - December 31</b>	<b><u>\$ 21,659</u></b>	<b><u>\$ 1,053</u></b>	<b><u>\$ 53,175</u></b>	<b><u>\$ 56,460</u></b>	<b><u>\$ 200,000</u></b>	<b><u>\$ 1,669,365</u></b>
<b><u>Cash and Investment Fund Balance - December 31</u></b>						
Restricted for:						
Culture and recreation	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 79,588
Public safety	-	1,053	-	-	-	36,690
Highways and streets	-	-	-	-	-	116,339
Urban redevelopment	-	-	53,175	56,460	200,000	845,515
Economic development	-	-	-	-	-	24,354
Capital outlay	-	-	-	-	-	114,128
Unrestricted	21,659	-	-	-	-	452,751
<b>Total cash and investment fund balance - December 31</b>	<b><u>\$ 21,659</u></b>	<b><u>\$ 1,053</u></b>	<b><u>\$ 53,175</u></b>	<b><u>\$ 56,460</u></b>	<b><u>\$ 200,000</u></b>	<b><u>\$ 1,669,365</u></b>

CITY OF AURORA  
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES  
 PENSION TRUST FUNDS  
 For The Year Ended December 31, 2006

	Police Pension	Utility Retirement Plan	Totals
Additions:			
Contributions:			
Employer	\$ 11,859	\$ 39,432	\$ 51,291
Other	72,810	-	72,810
	84,669	39,432	124,101
Investment receipts:			
Net increase in investments	-	22,163	22,163
Interest	-	11,300	11,300
Dividends	-	1,168	1,168
	-	34,631	34,631
Total additions	84,669	74,063	158,732
Deductions:			
Benefits	82,626	35,552	118,178
	82,626	35,552	118,178
Excess of total additions over total deductions	2,043	38,511	40,554
Cash and investment fund balance - beginning	55,387	387,347	442,734
Cash and investment fund balance - ending	\$ 57,430	\$ 425,858	\$ 483,288

CITY OF AURORA  
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES  
 AGENCY FUNDS  
 For The Year Ended December 31, 2006

	<u>Payroll</u>	<u>Law Enforcement Continuing Education</u>	<u>Sales Tax</u>	<u>City Court</u>	<u>Northside Neighborhood Project Retainage</u>
Additions:					
Agency fund additions	\$ 1,706,991	\$ 3,696	\$ 707	\$ 187,147	\$ 77,680
Deductions:					
Agency fund deductions	<u>1,703,633</u>	<u>25,659</u>	<u>1,271</u>	<u>187,386</u>	<u>-</u>
Excess (deficiency) of total additions over total deductions	3,358	(21,963)	(564)	(239)	77,680
Cash and investment fund balance - beginning	<u>16,418</u>	<u>38,691</u>	<u>718</u>	<u>15,017</u>	<u>-</u>
Cash and investment fund balance - ending	<u>\$ 19,776</u>	<u>\$ 16,728</u>	<u>\$ 154</u>	<u>\$ 14,778</u>	<u>\$ 77,680</u>

CITY OF AURORA  
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES  
 AGENCY FUNDS  
 For The Year Ended December 31, 2006  
 (Continued)

	City Hall Escrow	Telecommunications Escrow	Utility SR 350 Tank Retainage	County Court Fees	Totals
Additions:					
Agency fund additions	\$ 765	\$ 8,500	\$ 35,441	\$ 17,286	\$ 2,038,213
Deductions:					
Agency fund deductions	<u>272,296</u>	<u>-</u>	<u>10,250</u>	<u>17,034</u>	<u>2,217,529</u>
Excess (deficiency) of total additions over total deductions	(271,531)	8,500	25,191	252	(179,316)
Cash and investment fund balance - beginning	<u>271,531</u>	<u>4,875</u>	<u>2,110</u>	<u>-</u>	<u>349,360</u>
Cash and investment fund balance - ending	<u>\$ -</u>	<u>\$ 13,375</u>	<u>\$ 27,301</u>	<u>\$ 252</u>	<u>\$ 170,044</u>

CITY OF AURORA  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF LONG-TERM DEBT  
December 31, 2006

The City has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental Activities:		
Capital leases:		
Firehouse	\$ 1,631,500	\$ 145,055
Loans payable:		
City hall	<u>1,549,999</u>	<u>125,500</u>
Total governmental activities debt	<u>\$ 3,181,499</u>	<u>\$ 270,555</u>
Business-type Activities:		
Water Utility		
Revenue bonds:		
1996 Waterworks improvements	<u>945,000</u>	<u>126,520</u>
Wastewater Utility		
Revenue bonds:		
2005 Sewage works refunding	<u>962,000</u>	<u>98,652</u>
Gas Utility		
Revenue bonds:		
1997 Gas utility improvements	110,000	59,620
2001 Refunding revenue bonds	<u>118,000</u>	<u>123,723</u>
Total Gas Utility	<u>228,000</u>	<u>183,343</u>
Total business-type activities debt:	<u>\$ 2,135,000</u>	<u>\$ 408,515</u>

CITY OF AURORA  
AUDIT RESULTS AND COMMENTS

OVERDRAWN CASH BALANCES (Applies to Clerk-Treasurer)

The cash balances of the following funds were overdrawn on December 31, 2006:

<u>Fund</u>	<u>2006</u>
ALT Trail	\$ 152,052
Gas Utility Operating	<u>85,419</u>
Total	<u>\$ 237,471</u>

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

APPROPRIATIONS (Applies to Clerk-Treasurer)

The records presented for audit indicated expenditures in excess of the budgeted appropriations for the General Fund of \$196,867.

No ordinance appropriating the disbursements from the Riverboat (Gaming) Fund was presented for audit.

Indiana Code 6-1.1-18-4 states in part: ". . . the proper officers of a political subdivision shall appropriate funds in such a manner that the expenditures for a year do not exceed its budget for that year as finally determined under this article."

Indiana Code 36-4-8-2 states in part: ". . . Unless a statute provides otherwise, the fiscal officer may draw a warrant against a fund of the city only if:

- (1) an appropriation has been made for that purpose and the appropriation is not exhausted . . ."

DEPOSIT NOT MADE INTACT (Applies to Clerk-Treasurer)

During 2006, a \$7,685 check was issued from the City's corporation bank account for deposit into the housing improvement bank account. The bank records credited \$7,133 to the housing improvement account. The difference, \$552, was taken out in cash and deposited back into the City's corporation bank account.

Public funds deposited should be deposited in the same form in which they were received. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CITY OF AURORA  
AUDIT RESULTS AND COMMENTS  
(Continued)

PARK FACILITY RENTAL (Applies to Park Board and Clerk-Treasurer)

The park facilities rental agreement requires renters whose functions will include alcoholic beverages on the rental premises to contact the Aurora Police Department and arrange for security services by an Aurora police officer or an Aurora reserve officer during the renter's event. The agreement stated the cost of the police coverage would be \$20 per hour. From a list of volunteers, an off-duty police officer or reserve officer is assigned security duties for the event. It has been the City's practice to have the renter pay the police officer or reserve officer who was assigned to the event directly for his services. The following items were noted in the review of the rental agreements:

1. There was no evidence presented for audit to show that the \$20 fee for the police coverage was approved by the Park Board.

Fees should only be collected as specifically authorized by statute or properly authorized resolutions or ordinances, as applicable, which are not contrary to statutory or Constitutional provisions. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

2. The fees collected for the security service performed by the city's police department were not being remitted to the Clerk-Treasurer.

Indiana Code 36-10-3-22 requires a park and recreation department to deposit monies it receives with the city fiscal officer at least once a month. However, it is our audit position that this provision would not relieve a park and recreation department from making daily deposits in a city depository before turning the monies over to the city fiscal officer. (Cities and Towns Bulletin and Uniform Compliance Guidelines, March 1999)

Receipts shall be issued and recorded at the time of the transaction, for example, a receipt is to be immediately prepared and given to the person making payment. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

All financial transactions pertaining to the governmental unit should be recorded in the records of the government unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

3. Since the renter was paying the police officer or reserve officer directly, the time worked was not being processed and reported through the City's payroll system. The compensation for the security service was not included in the salary ordinance. Payroll taxes were neither reported nor remitted on the security service compensation.

All compensation and benefits paid to officials and employees must be included in the labor contract, salary ordinance, resolution, or salary schedule adopted by the governing body unless otherwise authorized by statute. Compensation should be made in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

A similar comment was made in prior Report B29114.

CITY OF AURORA  
AUDIT RESULTS AND COMMENTS  
(Continued)

ERRORS ON CLAIMS (Applies to Clerk-Treasurer)

We found the following deficiencies in the processing of vendor claims for payment.

1. Claims were not certified by an officer or employee in evidence of the receipt of goods or services for 37% of payments reviewed.
2. Claims tested were not listed on the registers of claims signed by the Clerk-Treasurer and Council to document approval for 7% of claims reviewed.

Indiana Code 5-11-10-1.6 states in part:

"(b) As used in this section, 'claim' means a bill or an invoice submitted to a governmental entity for goods or services."

(c) The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless:

- (1) there is a fully itemized invoice or bill for the claim;
- (2) the invoice or bill is approved by the officer or person receiving the goods and services;
- (3) the invoice or bill is filed with the governmental entity's fiscal officer;
- (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and
- (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim."

INTERNAL CONTROLS (Applies to City Pool)

Controls for receipts generated by the pool are insufficient. Currently, the only records submitted with cash are Daily Receipts reports. Tickets are not sold nor is a cash register used to record daily sales. As a result, full accountability for all money received from admissions could not be determined.

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

BANK ACCOUNT RECONCILIATIONS (Applies to Utilities)

Depository reconciliations of the bank accounts to the Utility Clearing account balances were not presented for audit.

CITY OF AURORA  
AUDIT RESULTS AND COMMENTS  
(Continued)

Indiana Code 5-13-6-1(e) states in part: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

A similar condition was reported in the prior Report B29114.

COLLECTION OF AMOUNTS DUE (Applies to City Council)

To promote economic development, the City loaned money to three local businesses under a microloan program. Under the agreements with the respective businesses, the loans were to be repaid in monthly payments. The following reflect the most recent activity on delinquent loans at December 31, 2006:

1. There were no payments received in 2006 from Hoosier Wings, Inc., on two loans. Hoosier Wings and Rings, Inc., was in arrears \$22,677 on scheduled payments on December 31, 2006.
2. George's Truck Accessories made no payments in 2006 on its loan. George's Truck Accessories was in arrears \$2,343, on scheduled payments on December 31, 2006.
3. Smithers Insulation made two partial payments on its loan with the City. After deducting the \$1,880 paid in 2006, Smithers Insulation was in arrears \$5,026 on scheduled payments at December 31, 2006.

Governmental units have a responsibility to collect amounts owed to the governmental unit pursuant to procedures authorized by statute. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CAPITAL ASSET RECORDS (Applies to City and Utilities)

The City does not maintain a detailed inventory of capital assets.

The Utility does not maintain sufficient detailed records of capital assets for its Utility Plant in Service accounts. Upon purchase, the costs of the capital assets are added to an aggregate Utility Plant in Service account, and to subsidiary accounts for land, buildings, etc., in the General Ledger. However, records providing historical costs for some of the Utility's capital assets are not available, and records classifying and summarizing the Utility's capital assets are incomplete. Deletions or disposals of capital assets are not recorded.

Every governmental unit should have a complete inventory of all capital assets owned which reflects their acquisition value. Such inventory should be recorded in the Capital Assets Ledger. A complete inventory should be taken every year for good internal control and for verifying account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

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SUPPLEMENTAL AUDIT OF  
FEDERAL AWARDS



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS  
302 WEST WASHINGTON STREET  
ROOM E418  
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513  
Fax: (317) 232-4711  
Web Site: [www.in.gov/sboa](http://www.in.gov/sboa)

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

TO: THE OFFICIALS OF THE CITY OF AURORA, DEARBORN COUNTY, INDIANA

Compliance

We have audited the compliance of the City of Aurora (City) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended December 31, 2006. The City's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City'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. Our audit does not provide a legal determination of the City's compliance with those requirements.

In our opinion, the City complied in all material respects with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2006.

Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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's internal control over compliance.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133  
(Continued)

A control deficiency in a City's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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

This report is intended solely for the information and use of the City's management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

October 31, 2007

CITY OF AURORA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For The Year Ended December 31, 2006

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Direct Grant			
Rural Housing Preservation Grants	10.433	FY 06	\$ <u>5,454</u>
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
Pass-through Lt. Governor's Office of Community and Rural Affairs			
Community Development Block Grants/State's Program	14.228	CF-05-101 FY 06	375,000 <u>22,500</u>
Pass-through Indiana Housing and Community Development Authority			
Community Development Block Grants/State's Program	14.228	HD-005-022	<u>28,630</u>
Total for federal grantor agency			<u>426,130</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
Pass-through Indiana Department of Transportation			
Highway Safety Cluster			
Highway Planning and Construction	20.205	FY 06	<u>26,400</u>
Pass-through Indiana Criminal Justice Institute			
State and Community Highway Safety	20.600	FY 06	<u>5,999</u>
Total for federal grantor agency			<u>32,399</u>
<u>U.S. ENVIRONMENTAL PROTECTION AGENCY</u>			
Pass-through Indiana Finance Authority			
Capitalization Grants for Clean Water State Revolving Funds	66.458	CS18236601	<u>130,828</u>
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>			
Pass-through Indiana State Emergency Management Agency			
Public Assistance Grants	97.036	FY 06	<u>20,741</u>
Total federal awards expended			<u>\$ <u>615,552</u></u>

The accompanying note is an integral part of the Schedule of Expenditures of Federal Awards.

CITY OF AURORA  
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Aurora (City) and is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Accordingly, the amount of federal awards expended is based on when the activity related to the award occurs. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

CITY OF AURORA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified? no

Reportable conditions identified that are not considered to be material weaknesses? no

Noncompliance material to financial statements noted? no

Federal Awards:

Internal control over major programs:

Material weaknesses identified? no

Reportable conditions identified that are not considered to be material weaknesses? none reported

Type of auditor's report issued on compliance for major programs: Unqualified

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

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
14.228	Community Development Block Grants/State's Program

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? no

Section II – Financial Statement Findings

No matters are reportable.

Section III – Federal Award Findings and Questioned Costs

No matters are reportable.

CITY OF AURORA  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.

CITY OF AURORA  
EXIT CONFERENCE

The contents of this report were discussed on October 31, 2007, with Donnie Hastings, Jr., Mayor.