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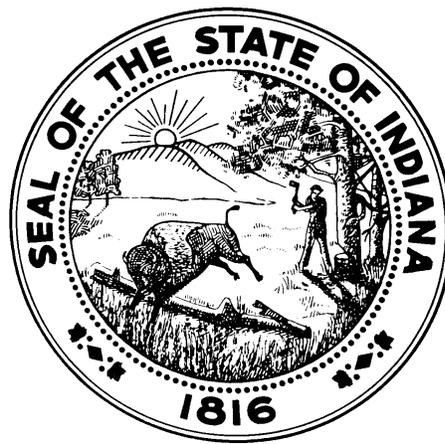
**STATE BOARD OF ACCOUNTS**  
**302 West Washington Street**  
**Room E418**  
**INDIANAPOLIS, INDIANA 46204-2769**

ANNUAL FINANCIAL REPORT

2007

CITY OF AURORA

DEARBORN COUNTY, INDIANA



**FILED**  
09/16/2008



TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials .....	3
Independent Auditor's Report on Financial Statements and Supplementary Schedule of Expenditures of Federal Awards .....	4-5
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 .....	6-7
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Activities and Net Assets – Cash and Investment Basis .....	8
Fund Financial Statements:	
Governmental Funds:	
Statement of Assets and Fund Balances and Receipts, Disbursements, and Changes in Fund Balances – Cash and Investment Basis – Governmental Funds .....	9
Proprietary Funds:	
Statement of Assets and Fund Balances and Receipts, Disbursements, and Changes in Fund Balances – Cash and Investment Basis – Proprietary Funds.....	10
Fiduciary Funds:	
Statement of Additions, Deductions, and Changes in Cash and Investment Balances – Fiduciary Funds .....	11
Notes to Financial Statements .....	12-25
Required Supplementary Information:	
Schedules of Funding Progress .....	26
Schedule of Contributions From the Employer and Other Contributing Entities .....	27
Supplementary Information:	
Combining Schedule of Assets and Fund Balances and Receipts, Disbursements, and Changes in Fund Balances – Cash and Investment Basis – Other Governmental Funds.....	28-32
Combining Schedule of Additions, Deductions, and Changes in Cash and Investment Balances – Pension Trust Funds .....	33
Combining Schedule of Additions, Deductions, and Changes in Cash and Investment Balances – Agency Funds.....	34
Schedule of Long-Term Debt .....	35

TABLE OF CONTENTS  
(Continued)

<u>Description</u>	<u>Page</u>
Audit Results and Comments:	
Unearned Vacation Leave Paid to Deputy Clerk-Treasurer .....	36-37
Overpayment of Compensatory Time Earned .....	37-38
Official Bond .....	38
Payroll Process .....	38-40
Old Outstanding Checks .....	40-41
Appropriations .....	41
Overdrawn Fund Balances .....	42
Transfer of Funds .....	42-43
Capital Asset Records .....	43
Credit Card Policy .....	43-44
Credit Card Payments .....	44-45
Vendor Disbursement Procedures .....	45-46
Prescribed Forms .....	46
Collection of Amounts Due .....	46
Local Road and Street Fund Disbursements .....	47
Internal Controls .....	47
Loans to Gas Utility Operating Fund .....	47-48
Annual Report .....	48
Payments to Not-For-Profit Organizations .....	48
Duplicate Payment .....	48
Customer Deposit Register .....	48-49
Operating Funds Used for City Expenses .....	49
Public Works Project .....	50
Supplemental Audit of Federal Awards:	
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 .....	42-53
Schedule of Expenditures of Federal Awards .....	54
Note to Schedule of Expenditures of Federal Awards .....	55
Schedule of Findings and Questioned Costs .....	56-61
Auditee Prepared Schedules:	
Summary Schedule of Prior Audit Findings .....	62
Corrective Action Plan .....	63-65
Exit Conference .....	66
Summary .....	67
Affidavit .....	69

### SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Randy C. Eaglin Dennis Kinnett	01-01-04 to 12-31-07 01-01-08 to 12-31-11
Mayor	Donnie Hastings, Jr.	01-01-04 to 12-31-11
President of the Board of Public Works	Donnie Hastings, Jr.	01-01-07 to 12-31-11
President of the Common Council	Donnie Hastings, Jr.	01-01-07 to 12-31-11
President of the Utility Service Board	Charles E. Thayer John Borgman	01-01-07 to 12-31-07 01-01-08 to 12-31-08
Superintendent of Utilities	Randolph J. Turner	01-01-07 to 12-31-08
Utility Office Manager	Avis L. Rivera	01-01-07 to 12-31-08



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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, 2007, 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, 2007, 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 June 30, 2008, 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

June 30, 2008



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

TO: THE 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, 2007, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 30, 2008. 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.

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 instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2007-1, 2007-2, 2007-3 and 2007-4.

We noted certain matters that we reported to management in a separate letter dated June 30, 2008.

The City's response to the findings identified in our audit is described in the accompanying section of the report entitled Corrective Action Plan and Official Response. We did not audit the City's response and accordingly, we express no opinion on it.

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

June 30, 2008

CITY OF AURORA  
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS  
For The Year Ended December 31, 2007

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	
<b>Primary government:</b>							
<b>Governmental activities:</b>							
General government	\$ 1,193,937	\$ 29,054	\$ 302,181	\$ 1,357	\$ (861,345)	\$ -	\$ (861,345)
Public safety	1,085,044	25,216	17,424	-	(1,042,404)	-	(1,042,404)
Highways and streets	644,273	-	176,434	-	(467,839)	-	(467,839)
Sanitation	278,840	10,541	-	-	(268,299)	-	(268,299)
Economic development	368,483	-	80,400	-	(288,083)	-	(288,083)
Culture and recreation	234,132	21,420	9,804	-	(202,908)	-	(202,908)
Urban redevelopment	393,605	-	120,989	-	(272,616)	-	(272,616)
Debt service	457,388	-	-	-	(457,388)	-	(457,388)
Capital outlay	55,188	-	-	17,258	(37,930)	-	(37,930)
<b>Total governmental activities</b>	<b>4,710,890</b>	<b>86,231</b>	<b>707,232</b>	<b>18,615</b>	<b>(3,898,812)</b>	<b>-</b>	<b>(3,898,812)</b>
<b>Business-type activities:</b>							
Water	848,705	954,736	-	-	-	106,031	106,031
Wastewater	950,954	1,429,627	-	-	-	478,673	478,673
Gas	3,972,127	3,663,359	-	-	-	(308,768)	(308,768)
<b>Total business-type activities</b>	<b>5,771,786</b>	<b>6,047,722</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>275,936</b>	<b>275,936</b>
<b>Total primary government</b>	<b>\$ 10,482,676</b>	<b>\$ 6,133,953</b>	<b>\$ 707,232</b>	<b>\$ 18,615</b>	<b>(3,898,812)</b>	<b>275,936</b>	<b>(3,622,876)</b>
<b>General receipts:</b>							
Property taxes					341,335	-	341,335
Other local sources					396,983	-	396,983
Grants and contributions not restricted to specific programs					80,582	-	80,582
Unrestricted investment earnings					312,598	33,082	345,680
Other nonoperating receipts					-	321,807	321,807
<b>Special items:</b>							
Riverboat revenue sharing					2,332,248	-	2,332,248
SRF wastewater loan - debt service reserve					(113,913)	-	(113,913)
<b>Total general receipts and special items</b>					<b>3,349,833</b>	<b>354,889</b>	<b>3,704,722</b>
Change in net assets					(548,979)	630,825	81,846
Net assets - beginning					5,648,155	646,073	6,294,228
Net assets - ending					<b>\$ 5,099,176</b>	<b>\$ 1,276,898</b>	<b>\$ 6,376,074</b>
<b>Assets</b>							
Cash and investments					\$ 3,705,524	\$ 203,128	\$ 3,908,652
Cash with fiscal agent					-	278,961	278,961
<b>Restricted assets:</b>							
Cash and investments					1,393,652	794,809	2,188,461
<b>Total assets</b>					<b>\$ 5,099,176</b>	<b>\$ 1,276,898</b>	<b>\$ 6,376,074</b>
<b>Net Assets</b>							
<b>Restricted for:</b>							
General government					\$ 149,636	\$ -	\$ 149,636
Public safety					3,588	-	3,588
Highway and streets					106,164	-	106,164
Economic development					570,652	-	570,652
Culture and recreation					350,455	-	350,455
Urban redevelopment					67,265	-	67,265
Capital outlay					145,892	-	145,892
Debt service					-	759,264	759,264
Customer deposit					-	221,348	221,348
Construction					-	93,158	93,158
Unrestricted					3,705,524	203,128	3,908,652
<b>Total net assets</b>					<b>\$ 5,099,176</b>	<b>\$ 1,276,898</b>	<b>\$ 6,376,074</b>

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, 2007

	General	Riverboat	Other Governmental Funds	Totals
Receipts:				
Taxes	\$ 260,815	\$ -	\$ 80,520	\$ 341,335
Intergovernmental	386,029	2,332,248	347,500	3,065,777
Charges for services	31,825	-	54,406	86,231
Other	85,425	327,630	369,426	782,481
	<u>764,094</u>	<u>2,659,878</u>	<u>851,852</u>	<u>4,275,824</u>
Total receipts				
Disbursements:				
General government	547,222	549,063	97,652	1,193,937
Public safety	1,013,003	-	72,041	1,085,044
Highways and streets	-	-	644,273	644,273
Sanitation	278,840	-	-	278,840
Economic development	-	161,161	207,322	368,483
Culture and recreation	-	38,190	195,942	234,132
Urban redevelopment and housing	-	-	393,605	393,605
Debt service:				
Principal	-	303,750	-	303,750
Interest	-	153,638	-	153,638
SRF wastewater loan - debt service reserve	-	113,913	-	113,913
Capital outlay:				
Public safety	-	-	55,188	55,188
	<u>1,839,065</u>	<u>1,319,715</u>	<u>1,666,023</u>	<u>4,824,803</u>
Total disbursements				
Excess (deficiency) of receipts over (under) disbursements	<u>(1,074,971)</u>	<u>1,340,163</u>	<u>(814,171)</u>	<u>(548,979)</u>
Other financing sources (uses):				
Transfers in	1,025,784	-	587,158	1,612,942
Transfers out	(65,839)	(1,502,845)	(44,258)	(1,612,942)
	<u>959,945</u>	<u>(1,502,845)</u>	<u>542,900</u>	<u>-</u>
Total other financing sources (uses)				
Deficiency of receipts and other financing sources under disbursements and other financing uses	(115,026)	(162,682)	(271,271)	(548,979)
Cash and investment fund balance - beginning	<u>183,481</u>	<u>3,795,309</u>	<u>1,669,365</u>	<u>5,648,155</u>
Cash and investment fund balance - ending	<u>\$ 68,455</u>	<u>\$ 3,632,627</u>	<u>\$ 1,398,094</u>	<u>\$ 5,099,176</u>
<u>Cash and Investment Assets - December 31</u>				
Cash and investments	\$ 68,455	\$ 3,632,627	\$ 4,442	\$ 3,705,524
Restricted assets:				
Cash and investments	-	-	1,393,652	1,393,652
Total cash and investment assets - December 31	<u>\$ 68,455</u>	<u>\$ 3,632,627</u>	<u>\$ 1,398,094</u>	<u>\$ 5,099,176</u>
<u>Cash and Investment Fund Balance - December 31</u>				
Restricted for:				
General government	\$ -	\$ -	\$ 149,636	\$ 149,636
Public safety	-	-	3,588	3,588
Highways and streets	-	-	106,164	106,164
Economic development	-	-	570,652	570,652
Culture and recreation	-	-	350,455	350,455
Urban redevelopment	-	-	67,265	67,265
Capital outlay	-	-	145,892	145,892
Unrestricted	68,455	3,632,627	4,442	3,705,524
Total cash and investment fund balance - December 31	<u>\$ 68,455</u>	<u>\$ 3,632,627</u>	<u>\$ 1,398,094</u>	<u>\$ 5,099,176</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, 2007

	Water Utility	Wastewater Utility	Gas Utility	Totals
Operating receipts:				
Metered water receipts:				
Residential	\$ 438,747	\$ -	\$ -	\$ 438,747
Commercial and industrial sales	421,699	-	-	421,699
Residential sales	-	1,131,408	-	1,131,408
Commercial and industrial sales	-	142,417	-	142,417
Fire protection receipts	60,288	-	-	60,288
Penalties	4,965	25,243	13,104	43,312
Other water receipts	29,037	-	-	29,037
Measured revenue:				
Residential	-	-	2,511,223	2,511,223
Commercial	-	-	1,113,819	1,113,819
Insurance proceeds	-	-	1,280	1,280
Other	-	130,559	23,933	154,492
<b>Total operating receipts</b>	<b>954,736</b>	<b>1,429,627</b>	<b>3,663,359</b>	<b>6,047,722</b>
Operating disbursements:				
Equipment and capital improvements	44,708	124,713	5,300	174,721
Production and supply	-	-	3,044,339	3,044,339
Salaries and wages	200,225	174,116	211,066	585,407
Employee pensions and benefits	81,936	71,641	117,020	270,597
Purchased power	64,607	33,118	-	97,725
Purchased wastewater treatment	-	243,700	-	243,700
Chemicals	7,781	18,664	-	26,445
Material and supplies	94,206	92,972	-	187,178
Contractual services	109,194	74,103	43,633	226,930
Rents	-	-	4,232	4,232
Transportation disbursements	17,167	14,858	11,842	43,867
Insurance disbursements	21,209	17,516	11,961	50,686
Regulatory commission disbursements	3,885	-	2,067	5,952
Miscellaneous disbursements	58,978	25,208	230,416	314,602
<b>Total operating disbursements</b>	<b>703,896</b>	<b>890,609</b>	<b>3,681,876</b>	<b>5,276,381</b>
Excess (deficiency) of operating receipts over (under) operating disbursements	<u>250,840</u>	<u>539,018</u>	<u>(18,517)</u>	<u>771,341</u>
Nonoperating receipts (disbursements):				
Temporary loans	(50,000)	(125,000)	175,000	-
Contributions from City	-	122,746	-	122,746
Interest and investment receipts	6,648	17,096	9,338	33,082
Miscellaneous receipts	14,954	104,246	79,861	199,061
Debt service of principal	(77,819)	(2,712)	(175,699)	(256,230)
Interest and investment disbursement	(51,846)	(40,147)	(7,310)	(99,303)
Miscellaneous disbursements	(15,144)	(17,486)	(107,242)	(139,872)
<b>Total nonoperating receipts (disbursements)</b>	<b>(173,207)</b>	<b>58,743</b>	<b>(26,052)</b>	<b>(140,516)</b>
Excess (deficiency) of receipts, contributions and transfers in over (under) disbursements and transfers out	77,633	597,761	(44,569)	630,825
Cash and investment fund balance - beginning	<u>232,791</u>	<u>184,204</u>	<u>229,078</u>	<u>646,073</u>
Cash and investment fund balance - ending	<u>\$ 310,424</u>	<u>\$ 781,965</u>	<u>\$ 184,509</u>	<u>\$ 1,276,898</u>
<u>Cash and Investment Assets - December 31</u>				
Cash and investments	\$ 149,714	\$ 181,192	\$ (127,778)	\$ 203,128
Cash with fiscal agent	-	278,961	-	278,961
Restricted assets:				
Cash and investments	<u>160,710</u>	<u>321,812</u>	<u>312,287</u>	<u>794,809</u>
<b>Total cash and investment assets - December 31</b>	<b>\$ 310,424</b>	<b>\$ 781,965</b>	<b>\$ 184,509</b>	<b>\$ 1,276,898</b>
<u>Cash and Investment Fund Balance - December 31</u>				
Restricted for:				
Debt service	\$ 129,980	\$ 470,284	\$ 159,000	\$ 759,264
Customer deposit	30,730	37,331	153,287	221,348
Construction	-	93,158	-	93,158
Unrestricted	<u>149,714</u>	<u>181,192</u>	<u>(127,778)</u>	<u>203,128</u>
<b>Total cash and investment fund balance - December 31</b>	<b>\$ 310,424</b>	<b>\$ 781,965</b>	<b>\$ 184,509</b>	<b>\$ 1,276,898</b>

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, 2007

	<u>Pension Trust Funds</u>	<u>Agency Funds</u>
Additions:		
Contributions:		
Employer	\$ 45,389	\$ -
Other	<u>50,973</u>	<u>-</u>
Total contributions	<u>96,362</u>	<u>-</u>
Investment earnings:		
Net (decrease) in fair value of investments	12,919	-
Interest	14,966	-
Dividends	<u>1,517</u>	<u>-</u>
Total investment earnings	29,402	-
Agency fund additions	<u>-</u>	<u>1,978,387</u>
Total additions	<u>125,764</u>	<u>1,978,387</u>
Deductions:		
Benefits	125,131	-
Agency fund deductions	<u>-</u>	<u>2,023,795</u>
Total deductions	<u>125,131</u>	<u>2,023,795</u>
Excess (deficiency) of total additions over (under) total deductions	633	(45,408)
Cash and investment fund balance - beginning	<u>483,288</u>	<u>170,044</u>
Cash and investment fund balance - ending	<u>\$ 483,921</u>	<u>\$ 124,636</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 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, economic development and urban redevelopment.

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

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

The City is 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 \$243,700 to the Sewer District in 2007. 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 independent 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.

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.

CITY OF AURORA  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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.

Fund Financial Statements

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

CITY OF AURORA  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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 and the similar discretely presented component unit 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, 2007, disbursements exceeded budgeted appropriations in the following funds by the amounts below:

Fund	Amount
Local Road and Street	\$ 4,128
Riverboat	1,319,715
Park and Recreation	66,463
Unsafe Building	8,446
Cumulative Capital Development	37,856
Total	\$ 1,436,608

These disbursements were funded by available fund balances.

C. Cash and Investment Balance Deficits

At December 31, 2007, the following funds reported deficits in cash and investments, which are violations of the Uniform Compliance Guidelines and state statute:

CITY OF AURORA  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Fund	Amount
Unsafe Building	\$ 28,623
Gas Utility Operating	132,951
Total	\$ 161,574

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. As of December 31, 2007, the City had the following investments:

Investment Type	Primary Government Market Value
U.S. treasuries and securities	\$ 200,936
Corporate bonds	30,558
Mutual funds	158,278
Total	\$ 389,772

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

CITY OF AURORA  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

government sponsored enterprise. Indiana Code also authorizes the City 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.

Additionally, the City may enter into repurchase agreements with depositories designated by the State Board of Finance as depositories for state deposits involving the City'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.

Investment Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The City does not have a formal investment policy for custodial credit risk for investments.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City must follow state statute and limit the stated final maturities of the investments to no more than two years. The City does not have a formal investment policy for interest rate risk for investments.

Investment Type	Investment Maturities (in Years)		
	Less Than 1	1-2	More Than 2
U.S. treasuries and securities	\$ -	\$ 175,866	\$ 25,070
Corporate bonds	-	30,558	-
Mutual funds	158,278	-	-
Totals	<u>\$ 158,278</u>	<u>\$ 206,424</u>	<u>\$ 25,070</u>

CITY OF AURORA  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The distribution of securities with credit ratings is summarized below.

Standard and Poor's Rating	Moody's Rating	City's Investments	
		Mutual Funds	Corporate Bonds
A	AA	\$ -	\$ 30,558
Unrated	Unrated	158,278	-
Totals		\$ 158,278	\$ 30,558

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The City does not have a policy in regards to concentration of credit risk. United States of America government and United States of America governmental agency securities are exempt from this policy requirement. The City does not have a formal investment policy for concentration of credit risk for investments.

Foreign Currency Risk

The City does not have a formal policy in regards to foreign currency risk.

B. Interfund Transfers

Interfund transfers for the year ended December 31, 2007, were as follows:

Transfer From	Transfer To	2007
General Fund	Other governmental funds	\$ 65,839
Riverboat Fund	General Fund	1,012,630
Riverboat Fund	Other governmental funds	490,215
Other governmental funds	General Fund	13,154
Other governmental funds	Other governmental funds	31,104
Total		\$ 1,612,942

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

CITY OF AURORA  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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.

Job Related Illnesses or Injuries to Employees

During 2000, the City joined 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.

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 \$148,555.

C. Loan Payable - 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, 2007, \$1,384,519 had been drawn down and the City still had \$2,615,481 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 2007, the City paid \$130,250 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 2007, the City paid \$3,500 more than the scheduled rental.

CITY OF AURORA  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

E. Rate Structure – Enterprise Funds

Water Utility

The current rate structure was approved by the Indiana Utility Regulatory Commission on October 12, 2005.

Wastewater Utility

The current rate structure was approved by the City Council on November 20, 2006.

Gas Utility

The current rate structure was approved by the Indiana Utility Regulatory Commission on October 30, 2007.

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. 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.

CITY OF AURORA  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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.

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.

CITY OF AURORA  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Actuarial Information for the Above Plans

	PERF	1925 Police Officers' Pension	Utility Retirement Plan
Annual required contribution	\$ 7,055	\$ 71,800	\$ 20,918
Interest on net pension obligation	(794)	34,400	(692)
Adjustment to annual required contribution	904	(37,500)	1,254
Annual pension cost	7,165	68,700	21,480
Contributions made	5,038	121,758	39,433
Increase (decrease) in net pension obligation	2,127	(53,058)	(17,953)
Net pension obligation, beginning of year	(10,945)	509,363	(12,590)
Net pension obligation, end of year	<u>\$ (8,818)</u>	<u>\$ 456,305</u>	<u>\$ (30,543)</u>

	PERF	1925 Police Officers' Pension	Utility Retirement Pension
Contribution rates:			
City	6.5%	100%	2%
Plan members	3%	None	None
Actuarial valuation date	07-01-06	01-01-06	01-01-08
Actuarial cost method	Entry age	Entry age	Aggregate actuarial
Amortization method	Level percentage of projected payroll, closed	Level percentage of projected payroll, closed	
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 the investment fund

N/A = Not available

CITY OF AURORA  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Actuarial Assumptions	PERF	1925 Police Officers' Pension	Utility Retirement Pension
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	70%	(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	12-31-05	40,250	103%	(5,117)
	12-31-06	31,960	123%	(12,590)
	12-31-07	21,480	184%	(30,543)

Membership in the 1925 Police Officers' Pension Plan at January 1, 2007, was comprised of the following:

	1925 Police Officers' Pension
Retirees and beneficiaries currently receiving benefits	5

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.

CITY OF AURORA  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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, 2007, 2006, and 2005, were \$81,174, \$76,529, and \$77,368, 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)	Excess (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)
01-01-02	\$ 329,151	\$ 261,581	\$ 67,570	126%	\$ 474,671	14%
01-01-03	370,529	294,366	76,163	126%	471,913	16%
01-01-04	376,819	318,325	58,494	118%	580,859	10%
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%)
01-01-07	442,493	438,834	3,659	101%	585,407	1%

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 Plan	12-31-02	13,525	139%
	12-31-03	11,929	99%
	12-31-04	15,814	105%
	12-31-05	40,250	103%
	12-31-06	31,960	123%
	12-31-07	21,480	184%

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, 2007

	Motor Vehicle Highway	Local Road and Streets	Park Department	Donations	Local Law Enforcement Continuing Education	Unsafe Building	Court
<b>Receipts:</b>							
Taxes	\$ 23,262	\$ -	\$ 43,439	\$ -	\$ -	\$ -	\$ -
Intergovernmental	147,908	28,526	9,804	-	-	1,357	-
Charges for services	-	-	21,419	-	1,368	2,565	24,665
Other	-	-	-	50,997	-	-	-
<b>Total receipts</b>	<b>171,170</b>	<b>28,526</b>	<b>74,662</b>	<b>50,997</b>	<b>1,368</b>	<b>3,922</b>	<b>24,665</b>
<b>Disbursements:</b>							
General government	-	-	-	36,365	-	-	35,698
Public safety	-	-	-	-	11,212	46,837	-
Highways and streets	175,592	32,450	-	-	-	-	-
Economic development	-	-	-	-	-	-	-
Culture and recreation	-	-	190,542	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-	-
Capital outlay:							
Public safety	-	-	-	-	-	-	-
<b>Total disbursements</b>	<b>175,592</b>	<b>32,450</b>	<b>190,542</b>	<b>36,365</b>	<b>11,212</b>	<b>46,837</b>	<b>35,698</b>
Excess (deficiency) of receipts over (under) disbursements	(4,422)	(3,924)	(115,880)	14,632	(9,844)	(42,915)	(11,033)
<b>Other financing sources (uses):</b>							
Transfers in	-	2,547	67,668	-	-	-	12,953
Transfers out	(4,376)	-	-	(12,724)	-	-	-
<b>Total other financing sources (uses)</b>	<b>(4,376)</b>	<b>2,547</b>	<b>67,668</b>	<b>(12,724)</b>	<b>-</b>	<b>-</b>	<b>12,953</b>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(8,798)	(1,377)	(48,212)	1,908	(9,844)	(42,915)	1,920
Cash and investment fund balance - beginning	114,962	1,377	48,212	28,722	12,006	14,292	(44)
Cash and investment fund balance - ending	\$ 106,164	\$ -	\$ -	\$ 30,630	\$ 2,162	\$ (28,623)	\$ 1,876
<b>Cash and Investment Assets - December 31</b>							
Cash and investments	\$ -	\$ -	\$ -	\$ 30,630	\$ -	\$ (28,623)	\$ -
Restricted assets:							
Cash and investments	106,164	-	-	-	2,162	-	1,876
<b>Total cash and investment assets - December 31</b>	<b>\$ 106,164</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 30,630</b>	<b>\$ 2,162</b>	<b>\$ (28,623)</b>	<b>\$ 1,876</b>
<b>Cash and Investment Fund Balance - December 31</b>							
Restricted for:							
General government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,876
Public safety	-	-	-	-	2,162	-	-
Highways and streets	106,164	-	-	-	-	-	-
Economic development	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Unrestricted	-	-	-	30,630	-	(28,623)	-
<b>Total cash and investment fund balance - December 31</b>	<b>\$ 106,164</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 30,630</b>	<b>\$ 2,162</b>	<b>\$ (28,623)</b>	<b>\$ 1,876</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, 2007  
 (Continued)

	Rainy Day	Cumulative Capital Improvement	Cumulative Capital Development	Housing Improvement	Cumulative Fire and Police	Cumulative Park and Recreation
<b>Receipts:</b>						
Taxes	\$ -	\$ -	\$ 13,819	\$ -	\$ -	\$ -
Intergovernmental	-	13,927	3,331	-	-	-
Charges for services	-	-	-	-	-	-
Other	-	-	-	1,186	-	868
<b>Total receipts</b>	<b>-</b>	<b>13,927</b>	<b>17,150</b>	<b>1,186</b>	<b>-</b>	<b>868</b>
<b>Disbursements:</b>						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Economic development	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-
Capital outlay:						
Public safety	-	-	55,188	-	-	-
<b>Total disbursements</b>	<b>-</b>	<b>-</b>	<b>55,188</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Excess (deficiency) of receipts over (under) disbursements</b>	<b>-</b>	<b>13,927</b>	<b>(38,038)</b>	<b>1,186</b>	<b>-</b>	<b>868</b>
<b>Other financing sources (uses):</b>						
Transfers in	-	-	26,728	-	-	-
Transfers out	-	(26,728)	-	(430)	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>(26,728)</b>	<b>26,728</b>	<b>(430)</b>	<b>-</b>	<b>-</b>
<b>Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses</b>	<b>-</b>	<b>(12,801)</b>	<b>(11,310)</b>	<b>756</b>	<b>-</b>	<b>868</b>
Cash and investment fund balance - beginning	2,435	101,615	12,513	57,224	23,631	31,376
Cash and investment fund balance - ending	<u>\$ 2,435</u>	<u>\$ 88,814</u>	<u>\$ 1,203</u>	<u>\$ 57,980</u>	<u>\$ 23,631</u>	<u>\$ 32,244</u>
<b><u>Cash and Investment Assets - December 31</u></b>						
Cash and investments	\$ 2,435	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted assets:						
Cash and investments	-	88,814	1,203	57,980	23,631	32,244
<b>Total cash and investment assets - December 31</b>	<u>\$ 2,435</u>	<u>\$ 88,814</u>	<u>\$ 1,203</u>	<u>\$ 57,980</u>	<u>\$ 23,631</u>	<u>\$ 32,244</u>
<b><u>Cash and Investment Fund Balance - December 31</u></b>						
<b>Restricted for:</b>						
General government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Public safety	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Economic development	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	57,980	-	-
Capital outlay	-	88,814	1,203	-	23,631	32,244
Unrestricted	2,435	-	-	-	-	-
<b>Total cash and investment fund balance - December 31</b>	<u>\$ 2,435</u>	<u>\$ 88,814</u>	<u>\$ 1,203</u>	<u>\$ 57,980</u>	<u>\$ 23,631</u>	<u>\$ 32,244</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, 2007  
 (Continued)

	Local Grants	Operation Pullover	HD 970-020	Conwell Project	ALT Trail	Main Streetscape
<b>Receipts:</b>						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	9,500	12,158	120,989	-	-	-
Charges for services	-	-	-	-	-	-
Other	72,900	-	-	-	-	-
<b>Total receipts</b>	<b>82,400</b>	<b>12,158</b>	<b>120,989</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Disbursements:</b>						
General government	-	-	-	-	-	-
Public safety	2,242	11,750	-	-	-	-
Highways and streets	-	-	-	-	-	-
Economic development	89,040	-	-	-	-	3,000
Culture and recreation	-	-	-	-	-	-
Urban redevelopment and housing	-	-	123,275	270,330	-	-
Capital outlay:						
Public safety	-	-	-	-	-	-
<b>Total disbursements</b>	<b>91,282</b>	<b>11,750</b>	<b>123,275</b>	<b>270,330</b>	<b>-</b>	<b>3,000</b>
Excess (deficiency) of receipts over (under) disbursements	(8,882)	408	(2,286)	(270,330)	-	(3,000)
<b>Other financing sources (uses):</b>						
Transfers in	-	-	-	100,000	152,507	593
Transfers out	-	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>100,000</b>	<b>152,507</b>	<b>593</b>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(8,882)	408	(2,286)	(170,330)	152,507	(2,407)
Cash and investment fund balance - beginning	264,288	(35)	11,571	224,986	(152,052)	2,407
Cash and investment fund balance - ending	\$ 255,406	\$ 373	\$ 9,285	\$ 54,656	\$ 455	\$ -
<b>Cash and Investment Assets - December 31</b>						
Cash and investments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted assets:						
Cash and investments	255,406	373	9,285	54,656	455	-
<b>Total cash and investment assets - December 31</b>	<b>\$ 255,406</b>	<b>\$ 373</b>	<b>\$ 9,285</b>	<b>\$ 54,656</b>	<b>\$ 455</b>	<b>\$ -</b>
<b>Cash and Investment Fund Balance - December 31</b>						
Restricted for:						
General government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Public safety	-	373	-	-	-	-
Highways and streets	-	-	-	-	-	-
Economic development	255,406	-	-	54,656	-	-
Culture and recreation	-	-	-	-	455	-
Urban redevelopment and housing	-	-	9,285	-	-	-
Capital outlay	-	-	-	-	-	-
Unrestricted	-	-	-	-	-	-
<b>Total cash and investment fund balance - December 31</b>	<b>\$ 255,406</b>	<b>\$ 373</b>	<b>\$ 9,285</b>	<b>\$ 54,656</b>	<b>\$ 455</b>	<b>\$ -</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, 2007  
 (Continued)

	Northside Project	City Hall Project	Micro Loan	Utility Construction 350 Loan	Record Preservation	Police Seizure
Receipts:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	4,389	-
Other	86,669	-	-	1,406	-	-
Total receipts	<u>86,669</u>	<u>-</u>	<u>-</u>	<u>1,406</u>	<u>4,389</u>	<u>-</u>
Disbursements:						
General government	-	25,589	-	-	-	-
Public safety	-	-	-	-	-	-
Highways and streets	436,231	-	-	-	-	-
Economic development	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-
Capital outlay:						
Public safety	-	-	-	-	-	-
Total disbursements	<u>436,231</u>	<u>25,589</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(349,562)</u>	<u>(25,589)</u>	<u>-</u>	<u>1,406</u>	<u>4,389</u>	<u>-</u>
Other financing sources (uses):						
Transfers in	124,162	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	<u>124,162</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	<u>(225,400)</u>	<u>(25,589)</u>	<u>-</u>	<u>1,406</u>	<u>4,389</u>	<u>-</u>
Cash and investment fund balance - beginning	<u>225,400</u>	<u>147,301</u>	<u>24,354</u>	<u>140,477</u>	<u>21,659</u>	<u>1,053</u>
Cash and investment fund balance - ending	<u>\$ -</u>	<u>\$ 121,712</u>	<u>\$ 24,354</u>	<u>\$ 141,883</u>	<u>\$ 26,048</u>	<u>\$ 1,053</u>
<u>Cash and Investment Assets - December 31</u>						
Cash and investments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted assets:						
Cash and investments	-	121,712	24,354	141,883	26,048	1,053
Total cash and investment assets - December 31	<u>\$ -</u>	<u>\$ 121,712</u>	<u>\$ 24,354</u>	<u>\$ 141,883</u>	<u>\$ 26,048</u>	<u>\$ 1,053</u>
<u>Cash and Investment Fund Balance - December 31</u>						
Restricted for:						
General government	\$ -	\$ 121,712	\$ -	\$ -	\$ 26,048	\$ -
Public safety	-	-	-	-	-	1,053
Highways and streets	-	-	-	-	-	-
Economic development	-	-	24,354	141,883	-	-
Culture and recreation	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Unrestricted	-	-	-	-	-	-
Total cash and investment fund balance - December 31	<u>\$ -</u>	<u>\$ 121,712</u>	<u>\$ 24,354</u>	<u>\$ 141,883</u>	<u>\$ 26,048</u>	<u>\$ 1,053</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, 2007  
 (Continued)

	Main Streetscape Phase II	SR 56 Riverfront Development	Lesko RFD DNR Match	Park Improvement	Cabin Restoration	Totals
<b>Receipts:</b>						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 80,520
Intergovernmental	-	-	-	-	-	347,500
Charges for services	-	-	-	-	-	54,406
Other	-	-	-	150,000	5,400	369,426
<b>Total receipts</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>150,000</b>	<b>5,400</b>	<b>851,852</b>
<b>Disbursements:</b>						
General government	-	-	-	-	-	97,652
Public safety	-	-	-	-	-	72,041
Highways and streets	-	-	-	-	-	644,273
Economic development	101,622	13,660	-	-	-	207,322
Culture and recreation	-	-	-	-	5,400	195,942
Urban redevelopment and housing	-	-	-	-	-	393,605
Capital outlay: Public safety	-	-	-	-	-	55,188
<b>Total disbursements</b>	<b>101,622</b>	<b>13,660</b>	<b>-</b>	<b>-</b>	<b>5,400</b>	<b>1,666,023</b>
Excess (deficiency) of receipts over (under) disbursements	(101,622)	(13,660)	-	150,000	-	(814,171)
<b>Other financing sources (uses):</b>						
Transfers in	100,000	-	-	-	-	587,158
Transfers out	-	-	-	-	-	(44,258)
<b>Total other financing sources (uses)</b>	<b>100,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>542,900</b>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(1,622)	(13,660)	-	150,000	-	(271,271)
Cash and investment fund balance - beginning	53,175	56,460	200,000	-	-	1,669,365
Cash and investment fund balance - ending	<u>\$ 51,553</u>	<u>\$ 42,800</u>	<u>\$ 200,000</u>	<u>\$ 150,000</u>	<u>\$ -</u>	<u>\$ 1,398,094</u>
<b><u>Cash and Investment Assets - December 31</u></b>						
Cash and investments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,442
Restricted assets: Cash and investments	51,553	42,800	200,000	150,000	-	1,393,652
<b>Total cash and investment assets - December 31</b>	<b><u>\$ 51,553</u></b>	<b><u>\$ 42,800</u></b>	<b><u>\$ 200,000</u></b>	<b><u>\$ 150,000</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 1,398,094</u></b>
<b><u>Cash and Investment Fund Balance - December 31</u></b>						
<b>Restricted for:</b>						
General government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 149,636
Public safety	-	-	-	-	-	3,588
Highways and streets	-	-	-	-	-	106,164
Economic development	51,553	42,800	-	-	-	570,652
Culture and recreation	-	-	200,000	150,000	-	350,455
Urban redevelopment and housing	-	-	-	-	-	67,265
Capital outlay	-	-	-	-	-	145,892
Unrestricted	-	-	-	-	-	4,442
<b>Total cash and investment fund balance - December 31</b>	<b><u>\$ 51,553</u></b>	<b><u>\$ 42,800</u></b>	<b><u>\$ 200,000</u></b>	<b><u>\$ 150,000</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 1,398,094</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, 2007

	<u>Police Pension</u>	<u>Utility Retirement Plan</u>	<u>Totals</u>
Additions:			
Contributions:			
Employer	\$ 5,956	\$ 39,433	\$ 45,389
Other	<u>50,973</u>	<u>-</u>	<u>50,973</u>
 Total contributions	 <u>56,929</u>	 <u>39,433</u>	 <u>96,362</u>
Investment receipts:			
Net increase in investments	-	12,919	12,919
Interest	-	14,966	14,966
Dividends	<u>-</u>	<u>1,517</u>	<u>1,517</u>
 Total investment receipts	 <u>-</u>	 <u>29,402</u>	 <u>29,402</u>
 Total additions	 <u>56,929</u>	 <u>68,835</u>	 <u>125,764</u>
Deductions:			
Benefits	<u>84,611</u>	<u>40,520</u>	<u>125,131</u>
 Excess (deficiency) of total additions over (under) total deductions	 (27,682)	 28,315	 633
 Cash and investment fund balance - beginning	 <u>57,430</u>	 <u>425,858</u>	 <u>483,288</u>
 Cash and investment fund balance - ending	 <u>\$ 29,748</u>	 <u>\$ 454,173</u>	 <u>\$ 483,921</u>

CITY OF AURORA  
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES  
 AGENCY FUNDS  
 For The Year Ended December 31, 2007

	Payroll	Law Enforcement Continuing Education	Sales Tax	City Court	Northside Neighborhood Project Retainage	Telecommunication Escrow	Utility SR 350 Tank Retainage	County Court Fees	Totals
Additions:									
Agency fund additions	\$ 1,761,833	\$ 3,246	\$ 590	\$ 179,895	\$ 9,082	\$ 8,500	\$ 93	\$ 15,148	\$ 1,978,387
Deductions:									
Agency fund deductions	1,748,291	12,426	386	173,700	86,669	2,323	-	-	2,023,795
Excess (deficiency) of total additions over (under) total deductions	13,542	(9,180)	204	6,195	(77,587)	6,177	93	15,148	(45,408)
Cash and investment fund balance - beginning	19,776	16,728	154	14,778	77,680	13,375	27,301	252	170,044
Cash and investment fund balance - ending	\$ 33,318	\$ 7,548	\$ 358	\$ 20,973	\$ 93	\$ 19,552	\$ 27,394	\$ 15,400	\$ 124,636

CITY OF AURORA  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF LONG-TERM DEBT  
 December 31, 2007

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	\$ 1,558,000	\$ 147,445
Loans payable:		
City hall	<u>1,319,749</u>	<u>159,389</u>
Total governmental activities debt	<u>\$ 2,877,749</u>	<u>\$ 306,834</u>
Business-type Activities:		
Water Utility		
Loan payable:		
Water tower	\$ 302,306	\$ 55,118
Revenue bonds:		
1996 Waterworks improvements	<u>870,000</u>	<u>122,620</u>
Total Water Utility	<u>1,172,306</u>	<u>177,738</u>
Wastewater Utility		
Loan payable:		
State revolving loan fund	1,384,519	154,000
Revenue bonds:		
2005 Sewage works refunding	<u>962,000</u>	<u>170,910</u>
Total Wastewater Utility	<u>2,346,519</u>	<u>324,910</u>
Gas Utility		
Revenue bonds:		
1997 Gas utility improvements	<u>55,000</u>	<u>56,540</u>
Total business-type activities debt:	<u>\$ 3,573,825</u>	<u>\$ 559,188</u>

CITY OF AURORA  
AUDIT RESULTS AND COMMENTS

UNEARNED VACATION LEAVE PAID TO DEPUTY CLERK-TREASURER (Applies to Clerk-Treasurer)

Tammy Pruitt, former Deputy Clerk-Treasurer, was paid on November 20, 2007, for all unused vacation and sick leave that was available to her for the year 2007. A review of payroll records showed the following additional checks were written to Tammy Pruitt, former Deputy Clerk-Treasurer, on December 28, 2007, from the City's payroll bank account:

<u>Check Number</u>	<u>Gross Payroll Check Amount</u>
10658	\$ 596.40
10659	<u>596.40</u>
Total	<u>\$ 1,192.80</u>

The following is additional information regarding the above payments:

1. The Clerk-Treasurer's office uses payroll folders that include such items as check registers detailing payroll payments to individual employees; copies of individual employee pay stubs; and a copy of the check used to transfer funds from the regular City bank account to the payroll bank account so payroll payments can be processed. These items were not included in the December 2007 payroll folder for the above payments.
2. Claim No. 36211, used to process the transfer of \$1,192.80 from the regular City bank account to the payroll bank account, had a notation: "vacation pay accrued 2007". There were no notations or information on the Payroll Claim No. 36211 identifying the employee being paid the two checks.

Claim No. 36211 showed the above checks were to be paid from a salary account of the Police Department that was approved by the City Council on January 7, 2008.

3. The City does not have a written vacation leave policy covering the position of Deputy Clerk-Treasurer. A review of Tammy Pruitt's Employee Service Records for the years 2006 and 2007, showed that vacation days were recorded as earned on January 1 of each year.
4. Payroll records showed that Tammy Pruitt's last day of work was December 31, 2007, and she was not employed by the City as of January 1, 2008.

Tammy Pruitt, former Deputy Clerk-Treasurer, stated in an interview that the above mentioned checks were for vacation leave which she would have earned as of January 1, 2008. Tammy Pruitt, former Deputy Clerk-Treasurer, stated that the payments were approved by Randy Eaglin, former Clerk-Treasurer.

CITY OF AURORA  
 AUDIT RESULTS AND COMMENTS  
 (Continued)

Mr. Eaglin stated the following:

1. It has been the practice of the Clerk-Treasurer's office to report earned vacation leave for the Deputy Clerk-Treasurer at the beginning of each year. Tammy Pruitt, former Deputy Clerk-Treasurer, would not be eligible for any leave time for 2008 because her last day as a City employee was December 31, 2007.
2. That Tammy Pruitt, former Deputy Clerk-Treasurer, was responsible for processing payroll including preparing the claim to transfer funds from the regular City bank account to the payroll bank account; preparing payroll checks; and using his signature stamp to sign payroll checks.
3. He was not aware that Check Numbers 10658 and 10659 were written to Tammy Pruitt, former Deputy Clerk-Treasurer, and he did not approve these payments.

Donnie Hastings, Jr., Mayor, stated the City Council was not aware that Claim Number 36211 was for the purpose of paying Tammy Pruitt, former Deputy Clerk-Treasurer, for 2008 earned vacation leave. Mr. Hastings further stated that the City Council would not have approved the claim because the payments were not in accordance with the City's practice of providing vacation benefits to the position of Deputy Clerk-Treasurer or the policy of providing vacation benefits to other City employees.

Kimberly Schmaltz, City Attorney, stated in a letter to the State Board Accounts date April 24, 2008, that Tammy Pruitt, former Deputy Clerk-Treasurer, was not entitled to the 2008 vacation leave because she was not employed as of January 1, 2008.

Funds misappropriated, diverted or unaccounted for through malfeasance, misfeasance, or non-feasance in office of any officer or employee may be the personal obligation of the responsible officer or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

We requested Tammy Pruitt, former Deputy Clerk-Treasurer, to refund \$1,192.80 to the City of Aurora on June 30, 2008. (See Summary, page 67)

OVERPAYMENT OF COMPENSATORY TIME EARNED (Applies to Clerk-Treasurer)

Tammy Pruitt, former Deputy Clerk-Treasurer, was paid \$335.48 in excess of compensatory time earned as shown in the following schedule:

<u>Year Earned</u>	<u>Amount Earned</u>	<u>Amount Paid</u>	<u>Date Paid</u>	<u>Variance</u>
2006	\$ 834.96	\$ 916.97	12-12-07	\$ (82.01)
2007	<u>790.23</u>	<u>1,043.70</u>	12-22-07	<u>(253.47)</u>
Totals	<u>\$ 1,625.19</u>	<u>\$ 1,960.67</u>		<u>\$ (335.48)</u>

CITY OF AURORA  
AUDIT RESULTS AND COMMENTS  
(Continued)

The above payments were not supported with adequate documentation due to errors made by Tammy Pruitt, former Deputy Clerk-Treasurer, when computing the compensatory time earned.

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for audit to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

On June 30, 2008, we requested Tammy Pruitt, former Deputy Clerk-Treasurer, to refund \$335.48 to the City of Aurora. (See Summary, page 67)

OFFICIAL BOND

Tamara (Tammy) Pruitt, former Deputy Clerk-Treasurer, was covered by the following official bond:

Bond No.: 70319482  
Surety: Western Surety Company  
Term: 07-13-07 to 07-13-11  
Amount: \$100,000

PAYROLL PROCESS (Applies to Clerk-Treasurer and City Council)

The following instances of noncompliance were noted during the review of the City's payroll:

1. General Payroll Form 99 (Payroll Schedule and Voucher) was not in use.

This form requires the following information to process payroll payments:

- a. A certification by a department head that each employee has performed the services for which the salaries or compensation is paid.
- b. Recording of any compensatory time used during the payroll period.

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

2. Four out of nine payroll periods we examined for non-utility employees did not record any payroll information on the Accounts Payable Voucher Register (Register) that documents the Council's approval of disbursements. For the four payroll periods that were recorded on the Register, only the gross payroll by appropriation account number was recorded. There was no information presented for audit showing the names and amounts paid to individual employees had been presented to Council for approval.

This form (Accounts Payable Voucher Register) shall be prepared by, or filed with, the Clerk-Treasurer or Controller of the municipality together with the supporting account payable vouchers and all such documents shall be carefully preserved by the disbursing

CITY OF AURORA  
AUDIT RESULTS AND COMMENTS  
(Continued)

officer as a part of the official records of the office. It will be optional with each Clerk-Treasurer or Controller and each governing board having jurisdiction over the allowance of accounts payable vouchers as to whether to sign each voucher or to sign only General Form No. 364, Accounts Payable Voucher Register. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 4)

3. Tammy Pruitt, former Deputy Clerk-Treasurer, was paid \$2,400.51 on November 20, 2007, for all of her unused accumulated vacation and sick leave in addition to her regular compensation. Tammy Pruitt, former Deputy Clerk-Treasurer, was also paid \$1,960.67 for accumulated compensatory time.

No policy was presented for audit authorizing the position of Deputy Clerk-Treasurer to be paid for unused accumulated vacation and sick leave or for compensatory time not taken.

Mr. Randy Eaglin, former Clerk-Treasurer, stated that he authorized the payments of unused vacation and sick leave to Tammy Pruitt, former Deputy Clerk-Treasurer, because the payment of unused leave and the payment of compensatory time not taken were authorized in personnel policies covering other City and Utility employees.

Donnie Hastings, Jr., Mayor, stated the Council would retroactively approve the payment of unused vacation, sick, and compensatory time in 2008 since these types of payments are authorized in personnel policies covering other City employees.

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

4. The City's Administrative Assistant received compensation in excess of the approved wage rate approved on the 2007 Salary Ordinance. No amendment to the salary ordinance pertaining to the Administrative Assistant's compensation was presented for audit.

Donnie Hastings, Jr., Mayor, stated it was the City's intention to pay the wage rate paid to the Administrative Assistant and that the wage rate would be retroactively approved in 2008 by the City Council.

Indiana Code 36-4-7-3 states in part: "(b) Subject to the approval of the city legislative body, the city executive shall fix the compensation of each appointive officer, deputy, and other employee of the city. . . ."

All compensation and benefits paid to officials and employees must be included in the salary ordinance adopted by the legislative 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)

5. The 2007 Salary Ordinance approved by the City (Common) Council did not include the City's Utility employees. The Utility employees' compensation for 2007 was based upon the approval of the Utility Service Board on April 2, 2007, by approving a percentage increase from the 2006 wages.

CITY OF AURORA  
 AUDIT RESULTS AND COMMENTS  
 (Continued)

In Official Opinion No. 30 of 1967, the Attorney General held as follows:

1. In a city of the third class operating a public utility, the salary of those utility officers and employees who receive an annual salary as in the first instance set by the board operating that utility (whether a committee of the common council, a utility service board, or the board of public works and safety), but such salary must be approved by the common council, which council may lower but cannot raise the salary so set.
2. In a city of the third class operating a public utility, the wages of those utility employees who receive an hourly wage is in the first instance set by the board operating that utility (whether a committee of the common council, a utility service board, or the board of public works and safety), but such wages must be approved by the common council, which council may lower but cannot raise the wages so set.

(Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

6. The former Clerk-Treasurer and the former Deputy Clerk-Treasurer were paid on a weekly basis. However, they received all of their December compensation on December 4, 2007. The Mayor and the members of the City Council who received their salary on a monthly basis received their December compensation on December 4, 2007.

Indiana Code 5-7-3-1(a) states: "Public officers may not draw or receive their salaries in advance."

OLD OUTSTANDING CHECKS (Applies to Clerk-Treasurer and Utilities)

The following is a summary of checks by bank account that have been outstanding in excess of two years as of December 31, 2007:

Bank Account	Amount
City Account	\$ 1,594
City Payroll	3,161
Utility Payroll	322
Water Utility	1,795
Wastewater Utility	4,950
Gas Utility	5,447
 Total	 \$ 17,269

Indiana Code 5-11-10.5-2 states in part: "All warrants or checks drawn upon public funds of a political subdivision that are outstanding and unpaid for a period of two (2) or more years as of the last day of December of each year are void."

CITY OF AURORA  
 AUDIT RESULTS AND COMMENTS  
 (Continued)

Indiana Code 5-11-10.5-3 states in part: "Not later than March 1 of each year, the treasurer of each political subdivision shall prepare or cause to be prepared a list in triplicate of all warrants or checks that have been outstanding for a period of two (2) or more years as of December 31 of the preceding year. The original copy of each list shall be filed with the board of finance of the political subdivision or the fiscal body of a city or town. The duplicate copy shall be transmitted to the disbursing officer of the political subdivision. The triplicate copy of each list shall be filed in the office of the treasurer of the political subdivision. If the treasurer serves also as the disbursing officer of the political subdivision, only two (2) copies of each list need be prepared or caused to be prepared by the treasurer."

Indiana Code 5-11-10.5-5(a) states: "Upon the preparation and transmission of the copies of the list of the outstanding warrants or checks, the treasurer of the political subdivision shall enter the amounts so listed as a receipt into the fund or funds from which they were originally drawn and shall also remove the warrants or checks from the record of outstanding warrants or checks."

APPROPRIATIONS (Applies to Clerk-Treasurer)

The records presented for audit showed the following expenditures in excess of budgeted appropriations:

Fund	Amount
Local Road and Street	\$ 4,128
Parks and Recreation	66,463
Unsafe Building	8,446
Cumulative Capital Development	37,856
 Total	 \$ 116,893

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."

No ordinance appropriating the disbursements from the Riverboat (Gaming) Fund was presented for audit. The Riverboat (Gaming) Fund expended \$1,319,715 during the year 2007.

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 . . ."

A similar comment was reported in the prior Report B31379.

CITY OF AURORA  
AUDIT RESULTS AND COMMENTS  
(Continued)

OVERDRAWN FUND BALANCES (Applies to Clerk-Treasurer and Gas Utility)

The Unsafe Building Fund and the Gas Utility Operating Fund were overdrawn by \$28,623 and \$132,951, respectively, as of December 31, 2007.

The fund 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)

A similar comment was reported in the prior Report B31379.

TRANSFER OF FUNDS (Applies to Clerk-Treasurer)

The following transfers of funds were made in 2007:

Date of Transfer	Fund Transfer From	Fund Transfer To	Amount
07-29-07	Riverboat	General	\$ 908,000
05-08-07	Home Improvement	General	430
12-29-07	Riverboat	General	100,000
12-29-07	Donation	General	12,724
11-18-07	Riverboat	General	4,630
12-29-07	Motor Vehicle Highway	Local Road and Street	2,547
12-02-07	General	Park	65,839
12-29-07	Motor Vehicle Highway	Park	1,829
12-08-07	Riverboat	Court	12,953
12-08-07	Cumulative Capital Improvement	Cumulative Capital Development	26,728
12-08-07	Riverboat	Conwell Project	100,000
12-08-07	Riverboat	ALT Trail	120,557
12-08-07	Riverboat	ALT Trail	31,950
12-08-07	Riverboat	Main Streetscape	593
12-08-07	Riverboat	Northside Project	124,162
12-08-07	Riverboat	Main Streetscape Phase II	<u>100,000</u>
Total			<u>\$ 1,612,942</u>

No ordinances or resolutions approving the transfers of funds were presented for audit and the Council minutes did not show that the above transfers were brought before the Council for their approval. The above transfers have not been paid back to the original fund as of June 30, 2008. No information was presented for audit to show why these transfers would be considered permanent transfers.

Indiana Code 36-1-8-4 concerning temporary transfers states in part:

"(a) . . . (3) Except as provided in subsection (b), the prescribed period must end during the budget year of the year in which the transfer occurs. (4) The amount transferred must be returned to the other fund at the end of the prescribed period. . . ."

CITY OF AURORA  
AUDIT RESULTS AND COMMENTS  
(Continued)

"(b) If the fiscal body of a political subdivision determines that an emergency exists that requires an extension of the prescribed period of a transfer under this section, the prescribed period may be extended for not more than six (6) months beyond the budget year of the year in which the transfer occurs if the fiscal body does the following: (1) Passes an ordinance or a resolution that contains the following: (A) A statement that the fiscal body has determined that an emergency exists. (B) A brief description of the grounds for the emergency. (C) The date the loan will be repaid that is not more than six (6) months beyond the budget year in which the transfer occurs. (2) Immediately forwards the ordinance or resolution to the state board of accounts and the department of local government finance."

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 on the applicable Capital Asset 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)

A similar comment was reported in the prior Report B31379.

CREDIT CARD POLICY (Applies to Clerk-Treasurer and Mayor)

Credit cards used by the Clerk-Treasurer and the Mayor to purchase items were made without an approved credit card policy.

The State Board of Accounts will not take exception to the use of credit cards by a governmental unit provided the following criteria are observed:

1. The governing board must authorize credit card use through an ordinance or resolution, which has been approved in the minutes.
2. Issuance and use should be handled by an official or employee designated by the board.
3. The purposes for which the credit card may be used must be specifically stated in the ordinance or resolution.
4. When the purpose for which the credit card has been issued has been accomplished, the card should be returned to the custody of the responsible person.

CITY OF AURORA  
AUDIT RESULTS AND COMMENTS  
(Continued)

5. The designated responsible official or employee should maintain an accounting system or log which would include the names of individuals requesting usage of the cards, their position, estimated amounts to be charged, fund and account numbers to be charged, date the card is issued and returned, etc.
6. Credit cards should not be used to bypass the accounting system. One reason that purchase orders are issued is to provide the fiscal officer with the means to encumber and track appropriations to provide the governing board and other officials with timely and accurate accounting information and monitoring of the accounting system.
7. Payment should not be made on the basis of a statement or a credit card slip only. Procedures for payments should be no different than for any other claim. Supporting documents such as paid bills and receipts must be available. Additionally, any interest or penalty incurred due to late filing or furnishing of documentation by an officer or employee should be the responsibility of that officer or employee.
8. If properly authorized, an annual fee may be paid.

(Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CREDIT CARD PAYMENTS (Applies to Clerk-Treasurer)

The following deficiencies were noted in reviewing 20 credit card payments totaling \$10,713.43:

1. There were payments on credit cards totaling \$4,283.14 that were not supported by itemized documentation as summarized below:
  - a. There were three credit card payments totaling \$1,321.55 not supported with an Accounts Payable Voucher, credit card statement, or with paid receipts and invoices. The Accounts Payable Voucher is required to document that the invoice or bill was approved by the officer or person receiving the goods and services.
  - b. The remaining 17 credit card payments were supported with Accounts Payable Vouchers and a credit card statement. However, there were no paid receipts or invoices totaling \$2,961.59 presented for audit to identify what supplies or services were purchased.

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. For the period January 1, 2007 to January 14, 2008, the City paid penalties and late charges in the amount of \$464.93 to the City's credit card company.

CITY OF AURORA  
AUDIT RESULTS AND COMMENTS  
(Continued)

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the governmental unit.

Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the governmental unit.

Any penalties, interest or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee.

(Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

VENDOR DISBURSEMENT PROCEDURES

The following deficiencies were identified during our audit of disbursements to vendors:

1. There was one Accounts Payable Voucher in the amount of \$21.19 which was not presented for audit. The Accounts Payable Voucher is required to document that the invoice or bill was approved by the officer or person receiving the goods and services.
2. Supporting documentation was not available in the form of paid receipts or invoices for seven percent of disbursements we examined. This represented 1% of disbursements based on the dollar amount of the payments we examined.
3. We found that 11% of the Accounts Payable Vouchers were not reported on the Accounts Payable Voucher Registers. The Accounts Payable Register is the document that shows the Council's approval of disbursements.
4. We found that 38% of the Accounts Payable Vouchers we examined were not certified by the department head documenting that a City official verified that the goods or services reported on the invoice were received.
5. We found that 98% of the Accounts Payable Vouchers we examined were not certified by the Clerk-Treasurer that the payments were audited and the invoices or bills were true or correct.

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;

CITY OF AURORA  
AUDIT RESULTS AND COMMENTS  
(Continued)

- (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."

A similar comment was reported in the prior Report B31379.

PRESCRIBED FORMS (Applies to Clerk-Treasurer)

Three payments for mileage reimbursements for City employees were not submitted on the prescribed Mileage Claim (General Form 101).

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

COLLECTION OF AMOUNTS DUE (Applies to Clerk-Treasurer)

The City loaned money to three local businesses under a microloan program to promote economic development. Under the agreements with the respective businesses, the loans were to be repaid in monthly payments. The following reflects the activity on delinquent loans at December 31, 2007.

1. There were no payments received in 2007 from Hoosier Wings and Rings, Inc., on two loans. Hoosier Wings and Rings, Inc., was in arrears \$37,059 on scheduled payments on December 31, 2007.
2. George's Truck Accessories made no payments in 2007 on its loan. George's Truck Accessories was in arrears \$2,343 on scheduled payments on December 31, 2007.
3. Smithers Insulation made no payments in 2007 on its loan. Smithers Insulation was in arrears \$10,551 on scheduled payments at December 31, 2007.

No information was presented for audit showing that the City has contacted the above businesses regarding the reasons why the businesses are delinquent or how the City and the businesses plan to resolve the delinquent loan payments. The City has also not recalculated the additional interest due on the above loans due to the delinquent payments.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

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)

A similar comment was reported in the prior Report B31379.

CITY OF AURORA  
 AUDIT RESULTS AND COMMENTS  
 (Continued)

LOCAL ROAD AND STREET FUND DISBURSEMENTS (Applies to Clerk-Treasurer)

Duke Energy, Inc., was paid \$24,998 from the Local Road and Street Fund for electric usage, security lighting and street lighting.

Indiana Code 8-14-2-5 restricts the use of Local Road and Street Funds to certain uses. Indiana Code 8-14-2-5 states in part: "Money from the local road and street account shall be used exclusively by the cities . . . for:

- (1) engineering, land acquisition, construction, resurfacing, maintenance, restoration, or rehabilitation of both local and arterial road and street systems;
- (2) the payment of principal and interest on bonds sold primarily to finance road, street, or thoroughfare projects;
- (3) any local costs required to undertake a recreational or reservoir road project under Indiana Code 8-23-5; or
- (4) the purchase, rental, or repair of highway equipment."

INTERNAL CONTROLS (Applies to Parks Department)

Controls for receipts generated by the pool are insufficient. Currently, the only records submitted with cash are Daily Receipts reports. Neither daily admission tickets nor a cash register is used to record daily sales. There is no method used to record admissions to the pool. Accordingly, there is no accountability for monies received from pool admissions.

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)

A similar comment was reported in the prior Report B31379.

LOANS TO GAS UTILITY OPERATING FUND (Applies to Gas Utility)

The following schedule shows outstanding temporary loans from the Water Utility Operating Fund and the Wastewater Utility Operating Fund to the Gas Utility Operating Fund.

<u>Date of Loan</u>	<u>Fund Loan To</u>	<u>Fund Loan From</u>	<u>Amount</u>
01-03-06	Gas Utility Operating	Water Utility Operating	\$ 50,000
02-03-07	Gas Utility Operating	Water Utility Operating	50,000
05-03-07	Gas Utility Operating	Wastewater Utility Operating	25,000
12-03-07	Gas Utility Operating	Wastewater Utility Operating	<u>100,000</u>
Total			<u>\$ 225,000</u>

CITY OF AURORA  
AUDIT RESULTS AND COMMENTS  
(Continued)

Ordinances approving the temporary loans by the City Council were not presented for audit. Cash reserve funds were not established for the Water Utility or the Wastewater Utility.

Indiana Code 8-1.5-3-11(f) states: "A cash reserve fund, if authorized by ordinance, may be used to make loans to another utility owned by the same municipality, for periods not to exceed five (5) years, at any interest rate. The repayment of the loan and interest shall be returned to the cash reserve fund."

ANNUAL REPORT (Applies to Clerk-Treasurer)

The Annual City and Town Financial Report (Form CTAR-1) for 2007 was filed on April 29, 2008.

Indiana Code 5-3-1-3(a) states in part: "Within sixty (60) days after the expiration of each calendar year, the fiscal officer of each civil city and town in Indiana shall publish an annual report of the receipts and expenditures of the city or town . . ."

PAYMENTS TO NOT-FOR-PROFIT ORGANIZATIONS (Applies to Council)

The City made payments totaling \$87,958 to various not-for-profit organizations without entering into a contractual agreement.

Payments made or received for contractual services should be supported by a written contract. Each governmental unit is responsible for complying with the provisions of its contracts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Governmental funds should not be donated or given to other organizations, individuals, or governmental units unless specifically authorized by statute. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

DUPLICATE PAYMENT (Applies to Clerk-Treasurer)

A duplicate payment was made to Prus Construction in the amount of \$8,077. On February 8, 2007, the City paid \$8,077 on Check 10282, for work done on Richmond Street based on a faxed invoice from Prus Construction. On April 27, 2007, the City, again, paid \$8,077 on Check 2462, to Prus Construction for the same work on Richmond Street. The second payment was based on the original invoice which was previously faxed to the City for the first payment. A refund has not been received as of June 30, 2008.

Governmental units should collect any overpayments made. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CUSTOMER DEPOSIT REGISTER (Applies to all Utilities)

As of December 31, 2007, the detailed customer deposit register does not reconcile with the customer deposit amount recorded on the general ledger for the Water Utility, Wastewater Utility and Gas Utility. Each of the Utilities' Customer Deposit Cash Funds had amounts in excess of the detailed customer deposit register.

CITY OF AURORA  
AUDIT RESULTS AND COMMENTS  
(Continued)

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

OPERATING FUNDS USED FOR CITY EXPENSES (Applies to Gas Utility)

For the past several years the Gas Utility has been paying expenses from its Operating Fund for expenses related to the City's Street Department and the City's Parks and Recreation Department with the intended purpose of being reimbursed by the City. In 2007, payments totaling \$46,146.75 were paid from the Gas Utility Operating Fund. These payments were obligations of the Street Department and Parks and Recreation Department. As of December 31, 2007, the City owed the Gas Utility Operating Fund a total of \$102,509.25.

The unpaid City obligations contributed to the Gas Operating Fund having a deficit cash balance as of December 31, 2007, and having to borrow money from the Water Utility and Wastewater Utility to pay expenses.

Expenses paid from utility funds should be directly related to the operation of the municipally owned utility. Expenditures for city and town operating costs should not be paid from utility funds . . . Establishment of a Cash Reserve Fund permits transfer of surplus utility funds to the city or town general fund. After appropriation, such transferred funds may then be used for any legal general fund purpose. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Indiana Code 8-1.5-3-11 states in part:

"(a) The money belonging to each municipally owned utility shall be kept by the municipal fiscal officer as separate funds as required by any bond ordinance or accounting procedures established by the commission or the state board of accounts. The municipal legislative body, with the approval of the board, may transfer surplus earnings of the utility to the general fund. The money may not, however, be transferred unless the terms and conditions of any bond ordinance, resolution . . . or similar instrument binding upon the utility are complied with. . . ."

"(c) 'Surplus earnings' are those cash earnings remaining after provision has been made to take care of current obligations, including: (1) operating expense; (2) depreciation or replacement fund; (3) bond and interest sinking fund; (4) retirement fund; or (5) any other priority fund requirements fixed by law."

"(d) . . . transfers may not be made from any utility funds to the general fund except from the cash reserve fund . . ."

Payments or transfers which are not authorized by statute, ordinance, resolution or court order must be reimbursed or transferred to the appropriate fund. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CITY OF AURORA  
AUDIT RESULTS AND COMMENTS  
(Continued)

PUBLIC WORKS PROJECT (Applies to Council)

On February 24, 2006, the City entered into a contract with Prus Construction to do the North Side Neighborhood Revitalization Project for \$763,553.97. The project was completed in 2007 in the amount of \$883,044.72. Of the two change orders shown on the "Application and Certification for Payment" submitted for payment by Prus Construction, we could only verify that the City Council approved one change order for \$14,330.75 on May 26, 2006. No evidence was presented for audit that the other change order in the amount of \$133,821 was presented to the City Council for their approval.

Indiana Code 36-1-12-18 states in part:

"(a) If, in the course of the construction, reconstruction, or repair of a public work project, it becomes necessary to change or alter the original specifications, a change order may be issued to add, delete, or change an item or items in the original contract. The change order becomes an addendum to the contract and must be approved and signed by the board and contractor . . .

(e) All change orders must be directly related to the original public work project."

Subsequently on June 30, 2008, the City presented supporting documentation which they had obtained from the contractor for the second change order. This change order was signed by the Mayor on February 5, 2007.

SUPPLEMENTAL AUDIT OF  
FEDERAL AWARDS



**STATE OF INDIANA**  
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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, 2007. 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, 2007.

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.

The City's response to the findings identified in our audit is described in the accompanying Corrective Action Plan and Official Response section of the report. We did not audit the City's response and, accordingly, we express no opinion on it.

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

June 30, 2008

CITY OF AURORA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For The Year Ended December 31, 2007

Federal Grantor Agency/Pass-Through Entity Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
Pass-Through Indiana Lieutenant Governor's Office of Community and Rural Affairs Community Development Block Grants/State's Program	14.228	FY 06	\$ 7,500
Pass-Through Indiana Housing and Community Development Authority Community Development Block Grants/State's Program	14.228	HD-005-022	<u>123,275</u>
Total for federal grantor agency			<u>130,775</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
Pass-Through Dearborn County, Indiana Highway Safety Cluster Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants	20.601	K8-07-03-01-22	5,297
Safety Belt Performance Grants	20.609	PT-07-04-01-51	<u>6,860</u>
Total for federal grantor agency			<u>12,157</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>478,967</u>
Total federal awards expended			<u>\$ 621,899</u>

The accompanying notes are 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?	none reported

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? yes

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
66.458	Capitalization Grants for Clean Water State Revolving Funds

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

FINDING 2007-1, PAYROLL PROCESS

The following instances of noncompliance were noted during the review of the City's payroll:

1. General Payroll Form 99 (Payroll Schedule and Voucher) was not in use.

This form requires the following information to process payroll payments:

- a. A certification by a department head that each employee has performed the services for which the salaries or compensation is paid.
- b. Recording of any compensatory time used during the payroll period.

CITY OF AURORA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

2. Four out of nine payroll periods we examined for non-utility employees did not record any payroll information on the Accounts Payable Voucher Register (Register) that documents the Council's approval of disbursements. For the four payroll periods that were recorded on the Register, only the gross payroll by appropriation account number was recorded. There was no information presented for audit showing the names and amounts paid to individual employees had been presented to Council for approval.

This form (Accounts Payable Voucher Register) shall be prepared by, or filed with, the Clerk-Treasurer or Controller of the municipality together with the supporting account payable vouchers and all such documents shall be carefully preserved by the disbursing officer as a part of the official records of the office. It will be optional with each Clerk-Treasurer or Controller and each governing board having jurisdiction over the allowance of accounts payable vouchers as to whether to sign each voucher or to sign only General Form No. 364, Accounts Payable Voucher Register. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 4)

3. Tammy Pruitt, former Deputy Clerk-Treasurer, was paid \$2,400.51 on November 20, 2007, for all of her unused accumulated vacation and sick leave in addition to her regular compensation. Tammy Pruitt, former Deputy Clerk-Treasurer, was also paid \$1,960.67 for accumulated compensatory time.

No policy was presented for audit authorizing the position of Deputy Clerk-Treasurer to be paid for unused accumulated vacation and sick leave or for compensatory time not taken.

Mr. Randy Eaglin, former Clerk-Treasurer, stated that he authorized the payments of unused vacation and sick leave to Tammy Pruitt, former Deputy Clerk-Treasurer, because the payment of unused leave and the payment of compensatory time not taken were authorized in personnel policies covering other City and Utility employees.

Donnie Hastings, Jr., Mayor, stated the Council would retroactively approve the payment of unused vacation, sick, and compensatory time in 2008 since these types of payments are authorized in personnel policies covering other City employees.

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

4. The City's Administrative Assistant received compensation in excess of the approved wage rate approved on the 2007 Salary Ordinance. No amendment to the salary ordinance pertaining to the Administrative Assistant's compensation was presented for audit.

Donnie Hastings, Jr., Mayor, stated it was the City's intention to pay the wage rate paid to the Administrative Assistant and that the wage rate would be retroactively approved by the City Council.

CITY OF AURORA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

Indiana Code 36-4-7-3 states in part: "(b) Subject to the approval of the city legislative body, the city executive shall fix the compensation of each appointive officer, deputy, and other employee of the city. . . ."

All compensation and benefits paid to officials and employees must be included in the salary ordinance adopted by the legislative 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)

5. The 2007 Salary Ordinance approved by the City (Common) Council did not include the City's Utility employees. The Utility employees' compensation for 2007 was based upon the approval of the Utility Service Board on April 2, 2007, by approving a percentage increase from the 2006 wages.

In Official Opinion No. 30 of 1967, the Attorney General held as follows:

1. In a city of the third class operating a public utility, the salary of those utility officers and employees who receive an annual salary as in the first instance set by the board operating that utility (whether a committee of the common council, a utility service board, or the board of public works and safety), but such salary must be approved by the common council, which council may lower but cannot raise the salary so set.
2. In a city of the third class operating a public utility, the wages of those utility employees who receive an hourly wage is in the first instance set by the board operating that utility (whether a committee of the common council, a utility service board, or the board of public works and safety), but such wages must be approved by the common council, which council may lower but cannot raise the wages so set.

(Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

6. The former Clerk-Treasurer and the former Deputy Clerk-Treasurer were paid on a weekly basis. However, they received all of their December compensation on December 4, 2007. The Mayor and the members of the City Council who received their salary on a monthly basis received their December compensation on December 4, 2007.

Indiana Code 5-7-3-1(a) states: "Public officers may not draw or receive their salaries in advance."

We recommended that City officials implement procedures to ensure that all employee salaries and wages have been approved by the City Council and are in compliance with City personnel policies.

FINDING 2007-2. VENDOR DISBURSEMENT PROCEDURES

The following deficiencies were identified during our audit of disbursements to vendors:

1. There was one Accounts Payable Voucher in the amount of \$21.19 which was not presented for audit. The Accounts Payable Voucher is required to document that the invoice or bill was approved by the officer or person receiving the goods and services.

CITY OF AURORA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

2. Supporting documentation was not available in the form of paid receipts or invoices for 7% of disbursements we examined. This represented 1% of disbursements based on the dollar amount of the payments we examined.
3. We found that 11% of Accounts Payable Vouchers were not reported on the Accounts Payable Voucher Registers. The Accounts Payable Register is the document that shows the Council's approval of disbursements.
4. We found that 38% of the Accounts Payable Vouchers we examined were not certified by the department head documenting that the City official verified that the goods or services reported on the invoice were received.
5. We found that 98% of the Accounts Payable Vouchers we examined were not certified by the Clerk-Treasurer that the payments were audited and the invoices or bills were true or correct.

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."

We recommended that City officials implement procedures for the proper payment of account payable vouchers to ensure compliance with all state statutes.

FINDING 2007-3. CREDIT CARD PAYMENTS

The following deficiencies were noted in reviewing 20 credit card payments totaling \$10,713.43:

1. There were payments on credit cards totaling \$4,283.14 that were not supported by itemized documentation as summarized below:
  - a. There were three credit card payments totaling \$1,321.55 not supported with an Accounts Payable Voucher, credit card statement, or with paid receipts and invoices. The Accounts Payable Voucher is required to document that the invoice or bill was approved by the officer or person receiving the goods and services.

CITY OF AURORA  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 (Continued)

b. The remaining 17 credit card payments were supported with Accounts Payable Vouchers and a credit card statement. However, there were no paid receipts or invoices totaling \$2,961.59 presented for audit to identify what supplies or services were purchased.

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."

We recommended that City officials implement procedures to ensure that all credit card purchases have supporting documentation.

FINDING 2007-4. TRANSFER OF FUNDS

The following transfers of funds were made in 2007:

Date of Transfer	Fund Transfer From	Fund Transfer To	Amount
07-29-07	Riverboat Fund	General Fund	\$ 908,000
05-08-07	Home Improvement Fund	General Fund	430
12-29-07	Riverboat Fund	General Fund	100,000
12-29-07	Donation Fund	General Fund	12,724
11-18-07	Riverboat Fund	General Fund	4,630
12-29-07	Motor Vehicle Highway Fund	Local Road and Street Fund	2,547
12-02-07	General Fund	Park Fund	65,839
12-29-07	Motor Vehicle Highway Fund	Park Fund	1,829
12-08-07	Riverboat Fund	Court Fund	12,953
12-08-07	Cumulative Capital Improvement Fund	Cumulative Capital Development Fund	26,728
12-08-07	Riverboat Fund	Conwell Project Fund	100,000
12-08-07	Riverboat Fund	ALT Trail Fund	120,557
12-08-07	Riverboat Fund	ALT Trail Fund	31,950
12-08-07	Riverboat Fund	Main Streetscape Fund	593
12-08-07	Riverboat Fund	Northside Project Fund	124,162
12-08-07	Riverboat Fund	Main Streetscape Phase II Fund	100,000
Total			<u>\$ 1,612,942</u>

No ordinances or resolutions approving the transfers of funds were presented for audit and the Council minutes did not show that the above transfers were brought before the Council for their approval. The above transfers have not been paid back to the original fund as of June 30, 2008. No information was presented for audit to show why these transfers would be considered permanent transfers.

CITY OF AURORA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

Indiana Code 36-1-8-4 concerning temporary transfers states in part:

"(a) . . . (3) Except as provided in subsection (b), the prescribed period must end during the budget year of the year in which the transfer occurs. (4) The amount transferred must be returned to the other fund at the end of the prescribed period. . . ."

"(b) If the fiscal body of a political subdivision determines that an emergency exists that requires an extension of the prescribed period of a transfer under this section, the prescribed period may be extended for not more than six (6) months beyond the budget year of the year in which the transfer occurs if the fiscal body does the following: (1) Passes an ordinance or a resolution that contains the following: (A) A statement that the fiscal body has determined that an emergency exists. (B) A brief description of the grounds for the emergency. (C) The date the loan will be repaid that is not more than six (6) months beyond the budget year in which the transfer occurs. (2) Immediately forwards the ordinance or resolution to the state board of accounts and the department of local government finance."

We recommended that City officials implement procedures to document the purpose and approval of transfers of funds.

Section III – Federal Award Findings and Questioned Costs

No matter are reportable.

CITY OF AURORA  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.

**DONNIE HASTINGS, JR.**  
*Mayor*

**DENNIS KINNETT**  
*Clerk-Treasurer*

**KIMBERLY SCHMALTZ**  
*City Attorney*

**AVIS RIVERA**  
*City Judge*

**RICK GRUBBS**  
*Code Enforcer*



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*Members of Council:*

**JOHN E. BORGMAN**

**MIKE CRIDER**

**RICK ORCUTT**

**FRED LESTER**

**BRETT FEHRMAN**

## CORRECTIVE ACTION PLAN

### FINDING NO. 2007-1, PAYROLL PROCESS

Contract Person: Dennis Kinnett

Title: Clerk-Treasurer

Phone Number: 812-926-1777

Expected Completion Date: December 31, 2008

Corrective Action:

- (1) The City is going to obtain and start using General Payroll Form 99 (Payroll Schedule and Voucher).
- (2) All Accounts Payable Voucher Registers will be reviewed by the Clerk-Treasurer's office to ensure that all claims for payment are listed for City Council's approval.
- (3) The City is in the process of reviewing and updating all City personal policies.
- (4) and (5) The City is in the process of reviewing the 2007 and 2008 salary ordinances to determine that all City and Utility employees are listed and are paid the approved salaries or wages.
- (6) The City is taking steps to review all payments for payroll to ensure that work had been performed before payment is made.



FINDING NO. 2007-2, VENDOR DISBURSEMENT PROCEDURES

Contract Person: Dennis Kinnett

Title: Clerk-Treasurer

Phone Number: 812-926-1777

Expected Completion Date: December 31, 2008

Corrective Action:

All vendor accounts payable voucher are going to be reviewed to be sure that supporting documentation is attached and all necessary signature are include on the vouchers. The Accounts Payable Voucher Payable Register will be reviewed to ensure that all vouchers for payment are listed for the Council's approval.

FINDING NO. 2007-3, CREDIT CARD PAYMENTS

Contract Person: Dennis Kinnett

Title: Clerk-Treasurer

Phone Number: 812-926-1777

Expected Completion Date: December 31, 2008

Corrective Action:

As stated above in the vendor disbursement procedures corrective, the credit card payments are included with all the other vendor voucher payments; therefore, they will be reviewed by the Clerk-Treasurer's office and all supporting documentation will be attached to the voucher.

In 2008 the Council has approved an ordinance to pay certain vendor payments prior to Council approval. This ordinance does provide for credit card payments; therefore, all credit card payments should be made on or before the due date.

FINDING NO. 2007-3, TRANSFER OF FUNDS

Contract Person: Dennis Kinnett

Title: Clerk-Treasurer

Phone Number: 812-926-1777

Expected Completion Date: December 31, 2008

Corrective Action:

An ordinance or resolution will be written for the Council to approve all transfers of funds.



Dennis Kinnett

Clerk=Treasurer



Donnie Hasting  
Mayor

CITY OF AURORA  
EXIT CONFERENCE

The contents of this report were discussed on June 30, 2008, with Donnie Hastings, Jr., Mayor; Dennis Kinnett, Clerk-Treasurer; and Brett Fehrman, City Council member.

In a separate exit conference, the contents of this report were discussed on June 30, 2008, with Tammy Pruitt, former Deputy Clerk-Treasurer.

The contents of this report were discussed on July 2, 2008, with Randy C. Eaglin, former Clerk-Treasurer.

CITY OF AURORA  
SUMMARY

	Charges	Credits	Balance Due
Tammy Pruitt, former Deputy Clerk-Treasurer:			
Unearned Vacation Leave Paid to Deputy Clerk-Treasurer, pages 36 through 37	\$ 1,192.80	\$ -	\$ 1,192.80
Overpayment of Compensatory Time Earned, pages 37 through 38	335.48	-	335.48
Totals	\$ 1,528.28	\$ -	\$ 1,528.28

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AFFIDAVIT

STATE OF INDIANA )  
Dearborn COUNTY )

We, Richard N. Ahlrich and Sara Wert, Field Examiners, being duly sworn on our oaths, state that the foregoing report based on the official records of the City of Aurora, Dearborn County, Indiana, for the period from January 1, 2007 to December 31, 2007, is true and correct to the best of our knowledge and belief.

Richard N Ahlrich  
Sara Wert  
Field Examiners

Subscribed and sworn to before me this 21 day of Aug, 2008.

Shelby D Weaver

\_\_\_\_\_  
Clerk of the Circuit Court