

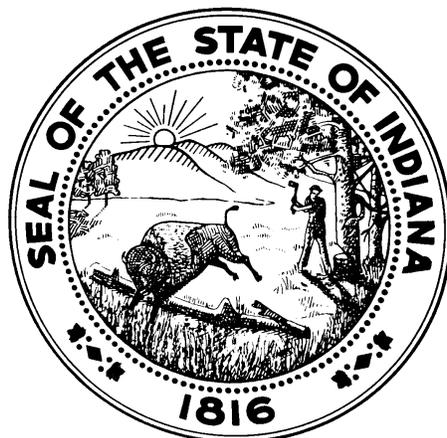
STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

ANNUAL FINANCIAL REPORT

2008

CITY OF AURORA

DEARBORN COUNTY, INDIANA



FILED
11/09/2009

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	12-24
Required Supplementary Information:	
Schedules of Funding Progress	25
Schedules of Contributions From the Employer and Other Contributing Entities	26
Supplementary Information:	
Combining Schedule of Assets and Fund Balances and Receipts, Disbursements, and Changes in Fund Balances – Cash and Investment Basis – Other Governmental Funds.....	27-31
Combining Schedule of Additions, Deductions, and Changes in Cash and Investment Balances – Pension Trust Funds	32
Combining Schedule of Additions, Deductions, and Changes in Cash and Investment Balances – Agency Funds.....	33
Schedule of Long-Term Debt	34

TABLE OF CONTENTS
(Continued)

<u>Description</u>	<u>Page</u>
Audit Results and Comments:	
Overdrawn Fund Balances	35
Old Outstanding Checks.....	35
Customer Deposit Register	36
Delinquent Wastewater Accounts.....	36
Capital Asset Records	37
Loans to Gas Utility Operating Fund	37
Operating Funds Used for City Expenses	38
Contracts	38
Penalties, Interest, and Other Charges	39
Bank Account Reconciliations	39
Sales Taxes and Utility Receipt Taxes	39-40
City User Fee Funds – Law Enforcement Continuing Education Program Fees	40
Investment Maturity Limitations	41
Credit Cards.....	41
Board Minutes.....	42
Local Road and Street Fund Disbursements	42
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.....	44-45
Schedule of Expenditures of Federal Awards	46
Note to Schedule of Expenditures of Federal Awards.....	47
Schedule of Findings and Questioned Costs	48
Auditee Prepared Schedule:	
Summary Schedule of Prior Audit Findings	49
Exit Conference.....	50

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Dennis Kinnett	01-01-08 to 12-31-11
Mayor	Donnie Hastings, Jr.	01-01-08 to 12-31-11
President of the Board of Public Works	Donnie Hastings, Jr.	01-01-08 to 12-31-11
President of the Common Council	Donnie Hastings, Jr.	01-01-08 to 12-31-11
President of the Utility Service Board	John Borgman	01-01-08 to 12-31-09
Superintendent of Utilities	Randolph J. Turner	01-01-08 to 12-31-09
Utility Office Manager	Avis L. Rivera	01-01-08 to 12-31-09



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

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

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

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Aurora (City), as of and for the year ended December 31, 2008, 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, 2008, and the respective cash receipts and cash disbursements during the year then ended on the basis of accounting described in Note I.

In accordance with Government Auditing Standards, we have also issued a report dated October 14, 2009, 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, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. 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.

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

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

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

STATE BOARD OF ACCOUNTS

October 14, 2009



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

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

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, 2008, which collectively comprise the City's basic financial statements and have issued our report thereon dated October 14, 2009. 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 no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

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

STATE BOARD OF ACCOUNTS

October 14, 2009

CITY OF AURORA
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For The Year Ended December 31, 2008

Functions/Programs	Program Receipts				Net (Disbursement) Receipt and Changes in Net Assets		
	Disbursements	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Totals
Primary government:							
Governmental activities:							
General government	\$ 917,180	\$ 95,397	\$ -	\$ -	\$ (821,783)	\$ -	\$ (821,783)
Public safety	1,139,152	9,798	-	-	(1,129,354)	-	(1,129,354)
Highways and streets	210,132	-	109,791	26,454	(73,887)	-	(73,887)
Sanitation	361,830	-	-	-	(361,830)	-	(361,830)
Economic development	274,010	-	-	-	(274,010)	-	(274,010)
Culture and recreation	322,190	24,504	-	76,020	(221,666)	-	(221,666)
Urban redevelopment and housing	228	-	-	-	(228)	-	(228)
Principal and interest on indebtedness	208,485	-	-	-	(208,485)	-	(208,485)
Total governmental activities	3,433,207	129,699	109,791	102,474	(3,091,243)	-	(3,091,243)
Business-type activities:							
Water	997,401	912,545	-	-	-	(84,856)	(84,856)
Wastewater	3,287,784	1,285,324	-	-	-	(2,002,460)	(2,002,460)
Gas	3,809,578	3,701,244	-	-	-	(108,334)	(108,334)
Total business-type activities	8,094,763	5,899,113	-	-	-	(2,195,650)	(2,195,650)
Total primary government	\$ 11,527,970	\$ 6,028,812	\$ 109,791	\$ 102,474	(3,091,243)	(2,195,650)	(5,286,893)
General receipts:							
Property taxes					1,642,305	-	1,642,305
Intergovernmental					458,947	-	458,947
Other local sources					492,102	-	492,102
Net proceeds from borrowings					-	2,029,346	2,029,346
Investment earnings					109,699	12,449	122,148
Other nonoperating receipts					-	167,514	167,514
Special items:							
Riverboat revenue sharing					2,111,042	-	2,111,042
Total general receipts and special items					4,814,095	2,209,309	7,023,404
Change in net assets					1,722,852	13,659	1,736,511
Net assets - beginning					5,099,176	1,276,898	6,376,074
Net assets - ending					\$ 6,822,028	\$ 1,290,557	\$ 8,112,585
Assets							
Cash and investments					\$ 4,947,453	\$ 44,958	\$ 4,992,411
Cash with fiscal agent					-	415,994	415,994
Restricted assets:							
Cash and investments					1,874,575	829,605	2,704,180
Total assets					\$ 6,822,028	\$ 1,290,557	\$ 8,112,585
Net Assets							
Restricted for:							
General government					\$ 164,277	\$ -	\$ 164,277
Public safety					37,100	-	37,100
Highways and streets					67,525	-	67,525
Economic development					1,096,161	-	1,096,161
Culture and recreation					280,765	-	280,765
Urban redevelopment and housing					67,412	-	67,412
Debt service					-	833,239	833,239
Capital outlay					161,335	-	161,335
Customer deposits					-	228,449	228,449
Construction					-	183,911	183,911
Unrestricted					4,947,453	44,958	4,992,411
Total net assets					\$ 6,822,028	\$ 1,290,557	\$ 8,112,585

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, 2008

	General	Riverboat	Other Governmental Funds	Totals
Receipts:				
Taxes	\$ 1,273,215	\$ -	\$ 369,090	\$ 1,642,305
Licenses and permits	365	-	-	365
Intergovernmental	435,128	2,111,042	159,077	2,705,247
Charges for services	57,740	-	54,766	112,506
Other	79,544	281,155	334,937	695,636
Total receipts	1,845,992	2,392,197	917,870	5,156,059
Disbursements:				
General government	527,606	314,695	74,879	917,180
Public safety	988,789	52,033	30,845	1,071,667
Highways and streets	-	-	210,132	210,132
Sanitation	317,094	44,736	-	361,830
Economic development	-	77,179	196,831	274,010
Culture and recreation	-	37,120	285,070	322,190
Urban redevelopment and housing	-	-	228	228
Debt service:				
Principal	-	134,500	-	134,500
Interest	-	73,985	-	73,985
Capital outlay:				
Public safety	-	-	67,485	67,485
Total disbursements	1,833,489	734,248	865,470	3,433,207
Excess of receipts over disbursements	12,503	1,657,949	52,400	1,722,852
Other financing sources (uses):				
Transfers in	-	-	855,480	855,480
Transfers out	-	(456,160)	(399,320)	(855,480)
Total other financing sources (uses)	-	(456,160)	456,160	-
Excess of receipts and other financing sources over disbursements and other financing uses	12,503	1,201,789	508,560	1,722,852
Cash and investment fund balance - beginning	68,455	3,632,627	1,398,094	5,099,176
Cash and investment fund balance - ending	<u>\$ 80,958</u>	<u>\$ 4,834,416</u>	<u>\$ 1,906,654</u>	<u>\$ 6,822,028</u>
<u>Cash and Investment Assets - Ending</u>				
Cash and investments	\$ 80,958	\$ 4,834,416	\$ 32,079	\$ 4,947,453
Restricted assets:				
Cash and investments	-	-	1,874,575	1,874,575
Total cash and investment assets - ending	<u>\$ 80,958</u>	<u>\$ 4,834,416</u>	<u>\$ 1,906,654</u>	<u>\$ 6,822,028</u>
<u>Cash and Investment Fund Balance - Ending</u>				
Restricted for:				
General government	\$ -	\$ -	\$ 164,277	\$ 164,277
Public safety	-	-	37,100	37,100
Highways and streets	-	-	67,525	67,525
Economic development	-	-	1,096,161	1,096,161
Culture and recreation	-	-	280,765	280,765
Urban redevelopment and housing	-	-	67,412	67,412
Capital outlay	-	-	161,335	161,335
Unrestricted	80,958	4,834,416	32,079	4,947,453
Total cash and investment fund balance - ending	<u>\$ 80,958</u>	<u>\$ 4,834,416</u>	<u>\$ 1,906,654</u>	<u>\$ 6,822,028</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, 2008

	Water Utility	Wastewater Utility	Gas Utility	Totals
Operating receipts:				
Metered/measured				
Residential	\$ 758,448	\$ -	\$ 2,479,685	\$ 3,238,133
Municipal	55,145	-	30,910	86,055
Industrial	54,292	-	1,141,905	1,196,197
Residential sales	-	1,127,930	-	1,127,930
Commercial and industrial sales	-	102,909	-	102,909
Penalties	4,997	27,274	12,639	44,910
Other water receipts	20,506	-	950	21,456
Miscellaneous	19,157	27,211	35,155	81,523
Total operating receipts	<u>912,545</u>	<u>1,285,324</u>	<u>3,701,244</u>	<u>5,899,113</u>
Operating disbursements:				
Salaries and wages	219,203	173,321	195,004	587,528
Employee pensions and benefits	96,320	67,951	90,464	254,735
Purchased gas	-	-	3,107,069	3,107,069
Purchased wastewater treatment	-	278,789	-	278,789
Purchased power	77,112	37,369	-	114,481
Chemicals	10,074	14,552	-	24,626
Material and supplies	115,613	87,047	15,774	218,434
Contractual services	116,299	99,774	48,323	264,396
Rents	-	-	4,200	4,200
Transportation	29,653	24,576	17,788	72,017
Insurance claims and expense	-	-	100	100
Regulatory commission	5,592	4,097	6,908	16,597
Maintenance and repairs	-	14,777	-	14,777
Equipment and capital improvements	73,021	2,086,386	29,973	2,189,380
Miscellaneous	67,330	24,151	233,225	324,706
Total operating disbursements	<u>810,217</u>	<u>2,912,790</u>	<u>3,748,828</u>	<u>7,471,835</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	<u>102,328</u>	<u>(1,627,466)</u>	<u>(47,584)</u>	<u>(1,572,722)</u>
Nonoperating receipts (disbursements):				
SRF loan proceed	-	2,029,346	-	2,029,346
Miscellaneous receipts	8,120	109,736	112,011	229,867
Miscellaneous disbursements	(2,444)	(5,813)	(54,096)	(62,353)
Temporary loans	-	(75,000)	75,000	-
Investment income	1,781	7,968	2,700	12,449
Debt service of principal	(130,154)	(246,949)	(58,948)	(436,051)
Interest disbursements	(57,030)	(128,045)	(1,802)	(186,877)
Total nonoperating receipts (disbursements)	<u>(179,727)</u>	<u>1,691,243</u>	<u>74,865</u>	<u>1,586,381</u>
Excess (deficiency) of receipts over (under) disbursements and nonoperating receipts (disbursements)	(77,399)	63,777	27,281	13,659
Cash and investment fund balance - beginning	<u>310,424</u>	<u>781,965</u>	<u>184,509</u>	<u>1,276,898</u>
Cash and investment fund balance - ending	<u>\$ 233,025</u>	<u>\$ 845,742</u>	<u>\$ 211,790</u>	<u>\$ 1,290,557</u>
<u>Cash and Investment Assets - December 31</u>				
Cash and investments	\$ 72,159	\$ 57,097	\$ (84,298)	\$ 44,958
Cash with fiscal agent	-	415,994	-	415,994
Restricted assets:				
Cash and investments	<u>160,866</u>	<u>372,651</u>	<u>296,088</u>	<u>829,605</u>
Total cash and investment assets - December 31	<u>\$ 233,025</u>	<u>\$ 845,742</u>	<u>\$ 211,790</u>	<u>\$ 1,290,557</u>
<u>Cash and Investment Fund Balance - December 31</u>				
Restricted for:				
Debt service	\$ 129,990	\$ 563,097	\$ 140,152	\$ 833,239
Customer deposits	30,876	41,637	155,936	228,449
Construction	-	183,911	-	183,911
Unrestricted	<u>72,159</u>	<u>57,097</u>	<u>(84,298)</u>	<u>44,958</u>
Total cash and investment fund balance - December 31	<u>\$ 233,025</u>	<u>\$ 845,742</u>	<u>\$ 211,790</u>	<u>\$ 1,290,557</u>

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

CITY OF AURORA
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
FIDUCIARY FUNDS
For The Year Ended December 31, 2008

	Pension Trust Funds	Agency Funds
Additions:		
Contributions:		
Employer	\$ 142,371	
Other	<u>54,815</u>	
Total contributions	<u>197,186</u>	
Investment earnings:		
Net decrease in investments	(4,527)	
Interest	13,960	
Dividends	<u>3,148</u>	
Total investment earnings	<u>12,581</u>	
Total additions	<u>209,767</u>	
Deductions:		
Benefits	<u>156,741</u>	
Excess of total additions over total deductions	53,026	
Cash and investment fund balance - beginning	<u>483,921</u>	
Cash and investment fund balance - ending	<u>\$ 536,947</u>	<u>\$ 124,189</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, sanitation, culture and recreation, public improvements, planning and zoning, general administrative services, economic development, gas, water, wastewater, and urban redevelopment and housing.

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 \$278,289 to the Sewer District in 2008. 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.

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, 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 governmental entities, 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.

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

CITY OF AURORA
NOTES TO FINANCIAL STATEMENTS
(Continued)

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the City and City-owned utilities. Elimination of these charges would distort the direct costs and program receipts reported for the various functions concerned.

Enterprise funds distinguish operating receipts and disbursements from nonoperating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. The principal operating receipts of the enterprise funds are charges to customers for sales and services. Operating disbursements for enterprise funds include the cost of sales and services and administrative costs. All receipts and disbursements not meeting this definition are reported as non-operating 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. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the City in June and in December. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100% of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which become delinquent if not paid by May 10 and November 10, respectively. All property taxes collected by the County Treasurer and available for distribution were distributed to the City on or prior to December 31 of the year collected.

3. 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.

4. 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.

5. Equity Classification

Government-Wide Statements

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

CITY OF AURORA
NOTES TO FINANCIAL STATEMENTS
(Continued)

- 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.

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.

CITY OF AURORA
 NOTES TO FINANCIAL STATEMENTS
 (Continued)

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 government-wide Statement of Activities and Net Assets – Cash and Investment Basis.

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. Cash and Investment Balance Deficits

At December 31, 2008, the following funds reported deficits in cash and investments, which are violations of the Uniform Compliance Guidelines and state statute:

Fund	2008
Gas Utility Operating	\$ 72,303
Utility Clearing Account	12,656
Total	\$ <u>84,959</u>

CITY OF AURORA
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

III. Detailed Notes on All Funds

A. Deposits and Investments

1. Deposits

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

2. Investments

As of December 31, 2008, the City had the following investments:

Investment Type	Primary Government Market Value
U.S. treasuries and securities	\$ 54,000
Corporate bonds	146,763
Mutual funds	98,283
Total	\$ 299,046

Statutory Authorization for Investments

Indiana Code 5-13-9 authorizes the City to invest in securities backed by the full faith and credit of the United States Treasury or fully guaranteed by the United States of America and issued by the United States Treasury, a federal agency, a federal instrumentality, or a federal government sponsored enterprise. Indiana Code also authorizes the 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

CITY OF AURORA
NOTES TO FINANCIAL STATEMENTS
(Continued)

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	\$ -	\$ -	\$ 54,000
Corporate bonds	80,190	-	66,573
Mutual funds	98,283	-	-
Totals	<u>\$ 178,473</u>	<u>\$ -</u>	<u>\$ 120,573</u>

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. The City does not have a formal investment policy for credit risk for investments.

CITY OF AURORA
NOTES TO FINANCIAL STATEMENTS
(Continued)

Standard and Poor's Rating	Moody's Rating	City's Investments	
		Mutual Funds	Corporate Bonds
AA-	AA3	\$ -	\$ 66,573
AA-	AAA	-	49,996
A	A2	-	30,194
Unrated	Unrated	<u>98,283</u>	<u>-</u>
Totals		<u>\$ 98,283</u>	<u>\$ 146,763</u>

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.

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, 2008, were as follows:

Transfer From	Transfer To	2008
Riverboat	Other governmental funds	\$ 456,160
Other governmental funds	Other governmental funds	<u>399,320</u>
Total		<u>\$ 855,480</u>

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

IV. Other Information

A. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; and natural disasters.

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

CITY OF AURORA
NOTES TO FINANCIAL STATEMENTS
(Continued)

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 workers 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 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 \$151,945.

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, 2008, \$3,413,865 had been drawn down and the City still had \$586,135 available to borrow.

D. Prepayment on Leases Payable

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 \$4,500 more than the scheduled rental. As of December 31, 2008, the City had an outstanding lease balance of \$1,478,500.

E. Subsequent Events

Beginning in 2009, the State Pension Relief Fund shall pay to each unit of local government with Pre-1977 Local Police and Fire Fighter Pension obligations, the total amount of pension, disability, and survivor benefit payments. The Pre-1977 funds include the 1925 Police Pension Fund, the 1937 Firefighters' Fund, and the 1953 Police Pension Fund. For property taxes due and payable after December 31, 2008, the Department of Local Government Finance shall reduce the maximum permissible property tax levy of any civil taxing unit and special service district by the amount of the payment to be made in 2009 by the State for the obligations.

F. 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.

CITY OF AURORA
NOTES TO FINANCIAL STATEMENTS
(Continued)

Gas Utility

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

G. 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.

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

CITY OF AURORA
NOTES TO FINANCIAL STATEMENTS
(Continued)

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.

Actuarial Information for the Above Plans

	<u>PERF</u>	<u>1925 Police Officers' Pension</u>	<u>Utility Retirement Pension</u>
Annual required contribution	\$ 2,236	\$ 72,200	\$ 14,906
Interest on net pension obligation	(552)	26,500	(1,680)
Adjustment to annual required contribution	<u>629</u>	<u>(33,500)</u>	<u>3,043</u>
Annual pension cost	2,313	65,200	16,269
Contributions made	<u>4,820</u>	<u>161,038</u>	<u>39,433</u>
Decrease in net pension obligation	(2,507)	(95,838)	(23,164)
Net pension obligation, beginning of year	<u>(7,613)</u>	<u>442,007</u>	<u>(30,543)</u>
Net pension obligation, end of year	<u>\$ (10,120)</u>	<u>\$ 346,169</u>	<u>\$ (53,707)</u>

CITY OF AURORA
NOTES TO FINANCIAL STATEMENTS
(Continued)

	PERF	1925 Police Officers' Pension	Utility Retirement Pension
Contribution rates:			
City	6%	100%	2%
Plan members	3%	None	None
Actuarial valuation date	07-01-08	01-01-09	01-01-09
Actuarial cost method	Entry age	Entry age	Aggregate actuarial
Amortization method	Level percentage of projected payroll, closed	Level percentage of projected payroll, closed	N/A
Amortization period	30 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

<u>Actuarial Assumptions</u>	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	06-30-06	\$ 7,165	70%	\$ (8,818)
	06-30-07	6,701	82%	(7,613)
	06-30-08	2,313	208%	(10,120)
1925 Police Officers' Pension Plan	12-31-06	65,600	129%	(433,336)
	12-31-07	65,600	87%	(442,007)
	12-31-08	65,200	247%	(346,169)
Utility Retirement Plan	12-31-06	31,960	123%	(12,590)
	12-31-07	21,480	184%	(30,543)
	12-31-08	16,269	242%	(53,707)

CITY OF AURORA
 NOTES TO FINANCIAL STATEMENTS
 (Continued)

Membership in the 1925 Police Officers' Pension Plan at January 1, 2008, 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.

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, 2008, 2007, and 2006, were \$81,905, \$81,174, and \$76,529, 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)	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)
07-01-06	\$ 180,510	\$ 181,591	\$ (1,081)	99%	\$ 113,251	(1%)
07-01-07	205,054	183,093	21,961	112%	70,222	31%
07-01-08	225,400	197,840	27,560	114%	109,461	25%

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)
01-01-03	\$ 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%	*	*
01-01-07	57,430	991,300	(933,870)	6%	*	*
01-01-08	29,748	982,000	(952,252)	3%	*	*

*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)
01-01-03	\$ 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%
01-01-08	472,795	436,725	36,070	108%	587,528	6%

N/A - Not available

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

	<u>Year Ending</u>	<u>Annual Required Contribution (ARC)</u>	<u>Percentage of ARC Contributed</u>
1925 Police Officers' Pension Plan	12-31-03	\$ 114,100	90%
	12-31-04	119,000	99%
	12-31-05	71,200	171%
	12-31-06	71,800	118%
	12-31-07	71,900	79%
	12-31-08	72,200	223%
Utility Retirement Plan	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%
	12-31-08	16,269	242%

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, 2008

	Motor Vehicle Highway	Local Road and Street	Donations	Court	Unsafe Building	Grant Park Improvements	Parks And Recreation
Receipts:							
Taxes	\$ 34,251	\$ -	\$ -	\$ -	\$ 79,482	\$ -	\$ 186,908
Intergovernmental	110,788	26,454	-	-	1,450	-	3,920
Charges for services	-	-	-	15,172	9,536	-	24,240
Other	-	-	20,226	128	-	-	312
Total receipts	145,039	26,454	20,226	15,300	90,468	-	215,380
Disbursements:							
General government	-	-	24,666	37,439	-	-	-
Public safety	-	-	-	-	29,175	-	-
Highways and streets	183,678	26,454	-	-	-	-	-
Economic development	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	114,766
Urban redevelopment and housing	-	-	-	-	-	-	-
Capital outlay:							
Public safety	-	-	-	-	-	-	-
Total disbursements	183,678	26,454	24,666	37,439	29,175	-	114,766
Excess (deficiency) of receipts over (under) disbursements	(38,639)	-	(4,440)	(22,139)	61,293	-	100,614
Other financing sources (uses):							
Transfers in	-	-	3,454	20,263	-	-	-
Transfers out	-	-	-	-	-	(150,000)	-
Total other financing sources (uses)	-	-	3,454	20,263	-	(150,000)	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(38,639)	-	(986)	(1,876)	61,293	(150,000)	100,614
Cash and investment fund balance - beginning	106,164	-	30,630	1,876	(28,623)	150,000	-
Cash and investment fund balance - ending	<u>\$ 67,525</u>	<u>\$ -</u>	<u>\$ 29,644</u>	<u>\$ -</u>	<u>\$ 32,670</u>	<u>\$ -</u>	<u>\$ 100,614</u>
Cash and Investment Assets - Ending							
Cash and investments	\$ -	\$ -	\$ 29,644	\$ -	\$ -	\$ -	\$ -
Restricted assets:							
Cash and investments	67,525	-	-	-	32,670	-	100,614
Total cash and investment assets - ending	\$ 67,525	\$ -	\$ 29,644	\$ -	\$ 32,670	\$ -	\$ 100,614
Cash and Investment Fund Balance - Ending							
Restricted for:							
General government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Public safety	-	-	-	-	32,670	-	-
Highways and streets	67,525	-	-	-	-	-	-
Economic development	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	100,614
Urban redevelopment and housing	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Unrestricted	-	-	29,644	-	-	-	-
Total cash and investment fund balance - ending	\$ 67,525	\$ -	\$ 29,644	\$ -	\$ 32,670	\$ -	\$ 100,614

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, 2008
 (Continued)

	Local Grants	Rainy Day	Local Law Enforcement Continuing Education	Operation Pullover	HD 970-020	Lesko RFD DNR Match	HRA
Receipts:							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	2,250	-	-	-
Charges for services	-	-	262	-	-	-	-
Other	283,045	-	-	-	-	-	23,999
Total receipts	283,045	-	262	2,250	-	-	23,999
Disbursements:							
General government	-	-	-	-	-	-	12,774
Public safety	-	-	-	1,670	-	-	-
Highways and streets	-	-	-	-	-	-	-
Economic development	105,291	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	20,599	-
Urban redevelopment and housing	-	-	-	-	-	-	-
Capital outlay:							
Public safety	-	-	-	-	-	-	-
Total disbursements	105,291	-	-	1,670	-	20,599	12,774
Excess (deficiency) of receipts over (under) disbursements	177,754	-	262	580	-	(20,599)	11,225
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	-
Transfers out	(103,454)	-	-	-	-	-	-
Total other financing sources (uses)	(103,454)	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	74,300	-	262	580	-	(20,599)	11,225
Cash and investment fund balance - beginning	255,406	2,435	2,162	373	9,285	200,000	-
Cash and investment fund balance - ending	<u>\$ 329,706</u>	<u>\$ 2,435</u>	<u>\$ 2,424</u>	<u>\$ 953</u>	<u>\$ 9,285</u>	<u>\$ 179,401</u>	<u>\$ 11,225</u>
Cash and Investment Assets - Ending							
Cash and investments	\$ -	\$ 2,435	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted assets:							
Cash and investments	329,706	-	2,424	953	9,285	179,401	11,225
Total cash and investment assets - ending	<u>\$ 329,706</u>	<u>\$ 2,435</u>	<u>\$ 2,424</u>	<u>\$ 953</u>	<u>\$ 9,285</u>	<u>\$ 179,401</u>	<u>\$ 11,225</u>
Cash and Investment Fund Balance - Ending							
Restricted for:							
General government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,225
Public safety	-	-	2,424	953	-	-	-
Highways and streets	-	-	-	-	-	-	-
Economic development	329,706	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	179,401	-
Urban redevelopment and housing	-	-	-	-	9,285	-	-
Capital outlay	-	-	-	-	-	-	-
Unrestricted	-	2,435	-	-	-	-	-
Total cash and investment fund balance - ending	<u>\$ 329,706</u>	<u>\$ 2,435</u>	<u>\$ 2,424</u>	<u>\$ 953</u>	<u>\$ 9,285</u>	<u>\$ 179,401</u>	<u>\$ 11,225</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, 2008
 (Continued)

	Corporation Construction 350K Loan	Conwell Project	Micro Loan	Utility Construction 350K Loan	Record Preservation	Police Seizure	Cumulative Capital Development
Receipts:							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 68,449
Intergovernmental	-	-	-	-	-	-	1,321
Charges for services	-	-	-	-	5,292	-	-
Other	-	987	500	3,758	-	-	-
Total receipts	-	987	500	3,758	5,292	-	69,770
Disbursements:							
General government	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-	-
Economic development	-	91,540	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-	-
Capital outlay:							
Public safety	-	-	-	-	-	-	67,485
Total disbursements	-	91,540	-	-	-	-	67,485
Excess (deficiency) of receipts over (under) disbursements	-	(90,553)	500	3,758	5,292	-	2,285
Other financing sources (uses):							
Transfers in	145,641	435,897	-	-	-	-	-
Transfers out	-	-	-	(145,641)	-	-	-
Total other financing sources (uses)	145,641	435,897	-	(145,641)	-	-	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	145,641	345,344	500	(141,883)	5,292	-	2,285
Cash and investment fund balance - beginning	-	54,656	24,354	141,883	26,048	1,053	1,203
Cash and investment fund balance - ending	<u>\$ 145,641</u>	<u>\$ 400,000</u>	<u>\$ 24,854</u>	<u>\$ -</u>	<u>\$ 31,340</u>	<u>\$ 1,053</u>	<u>\$ 3,488</u>
Cash and Investment Assets - Ending							
Cash and investments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted assets:							
Cash and investments	145,641	400,000	24,854	-	31,340	1,053	3,488
Total cash and investment assets - ending	<u>\$ 145,641</u>	<u>\$ 400,000</u>	<u>\$ 24,854</u>	<u>\$ -</u>	<u>\$ 31,340</u>	<u>\$ 1,053</u>	<u>\$ 3,488</u>
Cash and Investment Fund Balance - Ending							
Restricted for:							
General government	\$ -	\$ -	\$ -	\$ -	\$ 31,340	\$ -	\$ -
Public safety	-	-	-	-	-	1,053	-
Highways and streets	-	-	-	-	-	-	-
Economic development	145,641	400,000	24,854	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	3,488
Unrestricted	-	-	-	-	-	-	-
Total cash and investment fund balance - ending	<u>\$ 145,641</u>	<u>\$ 400,000</u>	<u>\$ 24,854</u>	<u>\$ -</u>	<u>\$ 31,340</u>	<u>\$ 1,053</u>	<u>\$ 3,488</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, 2008
 (Continued)

	Cumulative Fire and Police	Cumulative Park and Recreation	Cumulative Capital Improvement	Housing Improvement	SR 56 Riverfront Development	ALT Trail Project
Receipts:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	12,894	-	-	-
Charges for services	-	264	-	-	-	-
Other	-	-	-	375	-	-
Total receipts	-	264	12,894	375	-	-
Disbursements:						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Economic development	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	228	-	-
Capital outlay:						
Public safety	-	-	-	-	-	-
Total disbursements	-	-	-	228	-	-
Excess (deficiency) of receipts over (under) disbursements	-	264	12,894	147	-	-
Other financing sources (uses):						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	-	264	12,894	147	-	-
Cash and investment fund balance - beginning	23,631	32,244	88,814	57,980	42,800	455
Cash and investment fund balance - ending	<u>\$ 23,631</u>	<u>\$ 32,508</u>	<u>\$ 101,708</u>	<u>\$ 58,127</u>	<u>\$ 42,800</u>	<u>\$ 455</u>
Cash and Investment Assets - Ending						
Cash and investments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted assets:						
Cash and investments	23,631	32,508	101,708	58,127	42,800	455
Total cash and investment assets - ending	<u>\$ 23,631</u>	<u>\$ 32,508</u>	<u>\$ 101,708</u>	<u>\$ 58,127</u>	<u>\$ 42,800</u>	<u>\$ 455</u>
Cash and Investment Fund Balance - Ending						
Restricted for:						
General government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Public safety	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Economic development	-	-	-	-	42,800	-
Culture and recreation	-	-	-	-	-	455
Urban redevelopment and housing	-	-	-	58,127	-	-
Capital outlay	23,631	32,508	101,708	-	-	-
Unrestricted	-	-	-	-	-	-
Total cash and investment fund balance - ending	<u>\$ 23,631</u>	<u>\$ 32,508</u>	<u>\$ 101,708</u>	<u>\$ 58,127</u>	<u>\$ 42,800</u>	<u>\$ 455</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, 2008
 (Continued)

	Main Streetscape Phase II	Northside Project	City Hall Project	Park Improvements	Low Interest Loan Program	Totals
Receipts:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 369,090
Intergovernmental	-	-	-	-	-	159,077
Charges for services	-	-	-	-	-	54,766
Other	-	-	-	-	1,607	334,937
Total receipts	-	-	-	-	1,607	917,870
Disbursements:						
General government	-	-	-	-	-	74,879
Public safety	-	-	-	-	-	30,845
Highways and streets	-	-	-	-	-	210,132
Economic development	-	-	-	-	-	196,831
Culture and recreation	-	-	-	149,705	-	285,070
Urban redevelopment and housing	-	-	-	-	-	228
Capital outlay:						
Public safety	-	-	-	-	-	67,485
Total disbursements	-	-	-	149,705	-	865,470
Excess (deficiency) of receipts over (under) disbursements	-	-	-	(149,705)	1,607	52,400
Other financing sources (uses):						
Transfers in	-	225	-	150,000	100,000	855,480
Transfers out	-	(225)	-	-	-	(399,320)
Total other financing sources (uses)	-	-	-	150,000	100,000	456,160
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	-	-	-	295	101,607	508,560
Cash and investment fund balance - beginning	51,553	-	121,712	-	-	1,398,094
Cash and investment fund balance - ending	<u>\$ 51,553</u>	<u>\$ -</u>	<u>\$ 121,712</u>	<u>\$ 295</u>	<u>\$ 101,607</u>	<u>\$ 1,906,654</u>
<u>Cash and Investment Assets - Ending</u>						
Cash and investments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 32,079
Restricted assets:						
Cash and investments	51,553	-	121,712	295	101,607	1,874,575
Total cash and investment assets - ending	<u>\$ 51,553</u>	<u>\$ -</u>	<u>\$ 121,712</u>	<u>\$ 295</u>	<u>\$ 101,607</u>	<u>\$ 1,906,654</u>
<u>Cash and Investment Fund Balance - Ending</u>						
Restricted for:						
General government	\$ -	\$ -	\$ 121,712	\$ -	\$ -	\$ 164,277
Public safety	-	-	-	-	-	37,100
Highways and streets	-	-	-	-	-	67,525
Economic development	51,553	-	-	-	101,607	1,096,161
Culture and recreation	-	-	-	295	-	280,765
Urban redevelopment and housing	-	-	-	-	-	67,412
Capital outlay	-	-	-	-	-	161,335
Unrestricted	-	-	-	-	-	32,079
Total cash and investment fund balance - ending	<u>\$ 51,553</u>	<u>\$ -</u>	<u>\$ 121,712</u>	<u>\$ 295</u>	<u>\$ 101,607</u>	<u>\$ 1,906,654</u>

CITY OF AURORA
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 PENSION TRUST FUNDS
 For The Year Ended December 31, 2008

	Police Pension	Utility Retirement Plan	Totals
Additions:			
Contributions:			
Employer	\$ 109,510	\$ 32,861	\$ 142,371
Other	<u>51,529</u>	<u>3,286</u>	<u>54,815</u>
Total contributions	<u>161,039</u>	<u>36,147</u>	<u>197,186</u>
Investment receipts:			
Net decrease in investments	-	(4,527)	(4,527)
Interest	-	13,960	13,960
Dividends	<u>-</u>	<u>3,148</u>	<u>3,148</u>
Total investment receipts	<u>-</u>	<u>12,581</u>	<u>12,581</u>
Total additions	<u>161,039</u>	<u>48,728</u>	<u>209,767</u>
Deductions:			
Benefits	<u>86,618</u>	<u>70,123</u>	<u>156,741</u>
Excess (deficiency) of total additions over total deductions	74,421	(21,395)	53,026
Cash and investment fund balance - beginning	<u>29,748</u>	<u>454,173</u>	<u>483,921</u>
Cash and investment fund balance - ending	<u>\$ 104,169</u>	<u>\$ 432,778</u>	<u>\$ 536,947</u>

CITY OF AURORA
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 AGENCY FUNDS
 For The Year Ended December 31, 2008

	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	\$ 1,653,563	\$ 23,971	\$ 636	\$ 432,856	\$ 127	\$ -	\$ 60	\$ 64,985	\$ 2,176,198
Deductions:									
Agency fund deductions	1,672,304	15,026	818	434,828	-	5,275	-	48,394	2,176,645
Excess (deficiency) of total additions over total deductions	(18,741)	8,945	(182)	(1,972)	127	(5,275)	60	16,591	(447)
Cash and investment fund balance - beginning	33,318	7,548	358	20,973	93	19,552	27,394	15,400	124,636
Cash and investment fund balance - ending	\$ 14,577	\$ 16,493	\$ 176	\$ 19,001	\$ 220	\$ 14,277	\$ 27,454	\$ 31,991	\$ 124,189

CITY OF AURORA
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 December 31, 2008

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	\$ 1,478,500	\$ 144,745
Loans payable:		
City Hall	<u>1,319,749</u>	<u>159,389</u>
Total governmental activities debt	<u>\$ 2,798,249</u>	<u>\$ 304,134</u>
Business-type activities:		
Water Utility:		
Loan payable:		
Water tower	\$ 251,665	\$ 55,118
Revenue bonds:		
1996 Waterworks improvement	<u>795,000</u>	<u>123,645</u>
Total Water Utility	<u>1,046,665</u>	<u>178,763</u>
Wastewater Utility:		
Loan payable:		
State revolving loan fund	3,259,865	259,919
Revenue bonds:		
2005 Sewage works refunding	<u>873,000</u>	<u>100,812</u>
Total Wastewater Utility	<u>4,132,865</u>	<u>360,731</u>
Total business-type activities debt	<u>\$ 5,179,530</u>	<u>\$ 539,494</u>

CITY OF AURORA
AUDIT RESULTS AND COMMENTS

OVERDRAWN FUND BALANCES (Applies to Gas Utility)

The Gas Operating Fund and the Utility Clearing Account Fund were overdrawn by \$72,303 and \$12,656, respectively, as of December 31, 2008.

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 prior Reports B31379 and B32679.

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, 2008:

<u>Bank Account</u>	<u>Amount</u>
Water Utility	\$ 3,528
Wastewater Utility	4,951
Gas Utility	<u>5,447</u>
Total	<u>\$ 13,926</u>

IC 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."

IC 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."

IC 5-11-10.5-5 states:

"(a) 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."

A similar comment was reported in prior Report B32679.

CITY OF AURORA
AUDIT RESULTS AND COMMENTS
(Continued)

CUSTOMER DEPOSIT REGISTER (Applies to All Utilities)

As of December 31, 2008, 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.

At all times, the manual and 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)

A similar comment was reported in prior Report B32679.

DELINQUENT WASTEWATER ACCOUNTS (Applies to Wastewater Utility)

Delinquent wastewater fees and penalties had not been recorded with the County Recorder nor were they certified to the County Auditor which would result in a lien against the property.

IC 36-9-23-33 states in part:

"(b) Except as provided in subsection (l), the officer charged with the collection of fees and penalties assessed under this chapter shall enforce their payment. As often as the officer determines is necessary in a calendar year, the officer shall prepare either of the following:

- (1) A list of the delinquent fees and penalties that are enforceable under this section, which must include the following:
 - (A) The name or names of the owner or owners of each lot or parcel of real property on which fees are delinquent.
 - (B) A description of the premises, as shown by the records of the county auditor.
 - (C) The amount of the delinquent fees, together with the penalty.
- (2) An individual instrument for each lot or parcel of real property on which the fees are delinquent."

"(c) The officer shall record a copy of each list or each individual instrument with the county recorder . . ."

"(e) Using the lists and instruments prepared under subsection (b) and recorded under subsection (c), the officer shall, not later than ten (10) days after the list or each individual instrument is recorded under subsection (c), certify to the county auditor a list of the liens that remain unpaid for collection in the next May. . . ."

CITY OF AURORA
AUDIT RESULTS AND COMMENTS
(Continued)

CAPITAL ASSET RECORDS (Applies to City and Utilities)

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

The City's Utilities do not maintain sufficient detailed records of capital assets for their 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 each Utility's capital assets are incomplete. Deletions or disposals of capital assets are not recorded.

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

A similar comment was reported in prior Reports B31379 and B32679.

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	100,000
01-30-08	Gas Utility Operating	Wastewater Utility Operating	25,000
02-28-08	Gas Utility Operating	Wastewater Utility Operating	50,000
Total			<u>\$ 300,000</u>

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.

IC 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."

A similar comment was reported in prior Report B32679.

CITY OF AURORA
AUDIT RESULTS AND COMMENTS
(Continued)

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. Each quarter the City is invoiced by the Gas Utility for reimbursement of these non-utility related expenses. In 2008, payments totaling \$2,407.30 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, 2008, the City owed the Gas Utility Operating Fund a total of \$85,354.04.

The unpaid City obligations contributed to the Gas Operating Fund having a deficit cash balance as of December 31, 2008, 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)

IC 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)

A similar comment was reported in prior Report B32679.

CONTRACTS (Applies to Clerk-Treasurer)

Business District Development Program Loan agreements were not presented for audit for loans between the City and Crystal Lewis and the City and Martin Rahe.

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)

CITY OF AURORA
AUDIT RESULTS AND COMMENTS
(Continued)

PENALTIES, INTEREST, AND OTHER CHARGES (Applies to Clerk-Treasurer)

Penalties and interest totaling \$3,672.92 were paid to the Indiana Department of Revenue on September 30, 2008, for the late filing of state payroll tax withholdings for the period January to September 2008.

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)

BANK ACCOUNT RECONCILIATIONS (Applies to Utilities)

For the following Utility bank accounts, the depository reconciliations of the cash account balances in the Utilities' General Ledger to the bank account balances which were presented for audit were incorrect.

- (1) Utility Clearing Account
- (2) Utility Deposit Clearing Account
- (3) Sewer Utility Cash - Bank of New York (P&I) Account

In reviewing the reconciliations presented for the month of December 2008 it was noted that interest earned was not being posted and receipts and/or disbursements were not posted or posted incorrectly.

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

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)

SALES TAXES AND UTILITY RECEIPT TAXES (Applies to Water Utility and Gas Utility)

The following deficiencies were noted for the payment of sales tax and utility receipt taxes during the audit period:

CITY OF AURORA
AUDIT RESULTS AND COMMENTS
(Continued)

- (1) Claims were not prepared for the payments of sales taxes and utility receipt taxes to the Indiana Department of Revenue.
- (2) No documentation was presented for audit showing how the amount of sales taxes and utility receipts taxes was determined.

IC 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."

CITY USER FEE FUNDS - LAW ENFORCEMENT CONTINUING
EDUCATION PROGRAM FEES (Applies to Clerk-Treasurer)

Fees collected by the Police Department for handgun application permits, accident reports and VIN checks were being receipted into the Law Enforcement Continuing Education Fund (LECE Fund), an agency fund. The LECE Fund was established for the depositing of the \$4.00 law enforcement continuing education program fee collected by the City Court. Disbursements from this fund were made to law enforcement agencies for their share of the \$4.00 law enforcement continuing education program fees; however, expenditures were also made for law enforcement training expenses.

The \$4.00 law enforcement continuing education program fee assessed by the city court shall be transmitted by the court clerk to the city fiscal officer to be deposited into a City User Fee Fund. A law enforcement agency may receive the fees that are attributable to the enforcement efforts of that agency by filing a claim with the City. The fees claimed by the local law enforcement shall be placed into a Local Law Enforcement Continuing Education Fund by the city fiscal officer. These fees then can be used for the continuing education and training of law enforcement officers employed by the agency. (Cities and Towns Bulletin and Uniform Compliance Guidelines, June 2005)

The following types of revenues shall be deposited into local law enforcement continuing education fund established under IC 5-2-8-2: (1) law enforcement continuing education fees; (2) inspection of motor vehicles fees; (3) vehicle accident report fees; (4) handgun licenses fees; and (5) proceeds from the sale of confiscated weapons. (Cities and Towns Bulletin and Uniform Compliance Guidelines, September 2003)

CITY OF AURORA
AUDIT RESULTS AND COMMENTS
(Continued)

INVESTMENT MATURITY LIMITATIONS (Applies to Clerk-Treasurer)

The City purchased certificates of deposits which have a stated maturity in excess of two years.

IC 5-13-9-5.6 states: "Investments made under IC 5-13-9 must have a stated final maturity of not more than two years after the date of purchase or entry into a repurchase agreement."

CREDIT CARD POLICY (Applies to Clerk Treasurer and Mayor)

The Clerk-Treasurer and the Mayor are using credit cards to purchase items 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.
- (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)

A similar comment was reported in prior Report B32679.

CITY OF AURORA
AUDIT RESULTS AND COMMENTS
(Continued)

BOARD MINUTES (Applies to Park and Recreation Board)

Not all minutes of meetings of the Park and Recreation Board were presented for audit.

IC 5-14-1.5-4 states in part:

"(b) As the meeting progresses, the following memoranda shall be kept:

- (1) The date, time, and place of the meeting.
- (2) The members of the governing body recorded as either present or absent.
- (3) The general substance of all matters proposed, discussed, or decided.
- (4) A record of all votes taken, by individual members if there is a roll call.
- (5) Any additional information required under IC 5-1.5-2-2.5 or IC 20-12-63-7."

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

Duke Energy, Inc., was paid \$18,692.77 from the Local Road and Street Fund for electric usage and security lighting.

IC 8-14-2-5 restricts the use of Local Road and Street Funds to certain uses. IC 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 IC 8-23-5; or
- (4) the purchase, rental, or repair of highway equipment."

A similar comment was reported in prior Report B32679.

SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

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

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, 2008. 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, 2008.

Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

A control deficiency in a City's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

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

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

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

STATE BOARD OF ACCOUNTS

October 14, 2009

CITY OF AURORA
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For The Year Ended December 31, 2008

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 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	\$ 944
Safety Belt Performance Grants	20.609	PT-07-04-01-51	<u>726</u>
Total for federal grantor agency			<u>1,670</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>731,985</u>
Total federal awards expended			<u>\$ 733,655</u>

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

CITY OF AURORA
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Basis of Presentation

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

CITY OF AURORA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Unqualified

Internal control over financial reporting:
 Material weaknesses identified? no
 Significant deficiencies 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
 Significant deficiencies identified that are not considered to be material weaknesses? none reported

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

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

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
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

No matters are reportable.

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.

CITY OF AURORA
EXIT CONFERENCE

The contents of this report were discussed on October 14, 2009, with Linda Hughes, Deputy Clerk-Treasurer; Donnie Hastings, Jr., Mayor; Brett Fehrman, Councilman; Randy Turner, Utility Superintendent; and Jennifer Fehrman, Utility Clerk. The officials concurred with our audit findings.