

***CITY OF AURORA, OREGON
ANNUAL FINANCIAL REPORT
Year Ended June 30, 2017***

CITY OF AURORA, OREGON
CITY OFFICIALS
JUNE 30, 2017

MAYOR

Bill Graupp 14629 Ehlen Road NE
Aurora, Oregon 97002

CITY COUNCIL MEMBERS

Kris Sallee 21311 Main Street NE
Aurora, Oregon 97002

Brian Asher 21420 Main Street NE
Aurora, Oregon 97002

Mercedes Feely 21533 Liberty Street NE
Aurora, Oregon 97002

Tom Heitmanek 21354 Liberty Street NE
Aurora, Oregon 97002

CITY ADMINISTRATION

Kelly Richardson, City Recorder
35296 S. Sawtelle Road
Molalla, Oregon 97038

Mary Lambert, Finance Officer
11280 S Riggs Damm Road
Canby, Oregon 97013

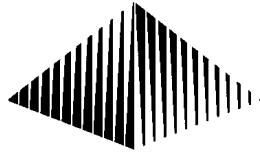
MAILING ADDRESS

21420 Main Street NE
Aurora, Oregon 97002

CITY OF AURORA, OREGON

TABLE OF CONTENTS

| | <u>Page</u> |
|---|-------------|
| FINANCIAL SECTION | |
| Independent Auditor's Report | 1-2 |
| Management's Discussion and Analysis | 3-7 |
| Basic Financial Statements | |
| Government-wide Financial Statements | |
| Statement of Net Position (Modified Cash Basis) | 8 |
| Statement of Activities (Modified Cash Basis) | 9 |
| Fund Financial Statements | |
| Balance Sheet (Modified Cash Basis) - Governmental Funds | 10 |
| Statement of Revenues, Expenditures and Changes in Fund Balances (Modified Cash Basis) - Governmental Funds | 11 |
| Statement of Fund Net Position (Modified Cash Basis) - Enterprise Funds | 12 |
| Statement of Revenues, Expenditures and Changes in Fund Net Position (Modified Cash Basis) - Enterprise Funds | 13 |
| Notes to Basic Financial Statements | 14-28 |
| Supplemental Information | |
| Governmental Funds - Statements and Schedules | |
| Combining Balance Sheet (Modified Cash Basis) - Nonmajor Funds | 29 |
| Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Modified Cash Basis) - Nonmajor Funds | 30 |
| Schedules of Revenues, Expenditures and Changes in Fund Balance (Modified Cash Basis) - Budget and Actual | |
| General Fund | 31 |
| Street/Storm Operating Fund | 32 |
| City Hall Building Fund | 33 |
| Aurora Colony Days | 34 |
| Park SDC Fund | 35 |
| Park Reserve Fund | 36 |
| Street/Storm SDC Fund | 37 |
| Street/Storm Reserve Fund | 38 |
| Enterprise Funds - Statements and Schedules | |
| Combining Statement of Fund Net Position (Modified Cash Basis) - Nonmajor Funds | 39 |
| Combining Statement of Revenues, Expenses and Changes in Fund Net Position (Modified Cash Basis) - Nonmajor Funds | 40 |
| Schedules of Revenues, Expenditures and Changes in Fund Balances (Modified Cash Basis) - Budget and Actual | |
| Water Fund | 41 |
| Sewer Fund | 42 |
| Water SDC Fund | 43 |
| Water Reserve Fund | 44 |
| G.O. Wastewater Bond Fund | 45 |
| Sewer SDC Fund | 46 |
| Sewer Reserve Fund | 47 |
| COMPLIANCE SECTION | |
| Independent Auditor's Report Required by Oregon State Regulations | 48-49 |



GROVE, MUELLER & SWANK, P.C.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS
475 Cottage Street NE, Suite 200, Salem, Oregon 97301
(503) 581-7788

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Council Members
City of Aurora
21420 Main Street NE
Aurora, Oregon 97002

Report on the Financial Statements

We have audited the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Aurora, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in the notes to the financial statements; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the modified cash basis financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Aurora, as of June 30, 2017, and the respective changes in modified cash basis financial position thereof for the year then ended in accordance with the basis of accounting described in the notes to the financial statements.

Basis of Accounting

We draw attention to the notes of the financial statements that describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Other Matters

Report on Supplemental and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements as a whole that collectively comprise the City's basic financial statements. Management's discussion and analysis, budgetary comparison information and combining nonmajor fund financial statements are presented for purposes of additional analysis and are not required parts of the basic financial statements.


The supplemental information as listed in the table of contents is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole on the basis of accounting described in notes to the financial statements.

Management's discussion and analysis has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on such information.

Other Legal and Regulatory Requirements

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated November 22, 2017, on our consideration of the City's compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.

GROVE, MUELLER & SWANK, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

By: 
Devan W. Esch, A Shareholder
November 22, 2017

CITY OF AURORA, OREGON

Management's Discussion and Analysis June 30, 2017

As management of the City of Aurora, we offer readers of the financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2017.

Financial Highlights

| | June 30, | | change |
|-------------------------------------|--------------|--------------|-----------|
| | 2017 | 2016 | |
| Net position | \$ 1,874,762 | \$ 1,794,290 | \$ 80,472 |
| Change in net position | 80,472 | 246,454 | (165,982) |
| Governmental net position | 1,043,969 | 927,100 | 116,869 |
| Proprietary net position | 830,793 | 867,190 | (36,397) |
| Change in governmental net position | 116,869 | 76,915 | 39,954 |
| Change in proprietary net position | (36,397) | 169,539 | (205,936) |

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Aurora's basic financial statements. The City's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains supplementary and other information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business. These statements include:

The Statement of Net Position (Modified Cash Basis). This presents information on the assets and liabilities of the City as of the date on the statement. Net position is what remains after the liabilities have been paid or otherwise satisfied. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities (Modified Cash Basis). The *statement of activities* presents information showing how the net position of the City changed over the most recent fiscal year by tracking revenues, expenditures and other transactions that increase or reduce net position.

In the government-wide financial statements, the City's activities are shown as governmental and business-type activities. Governmental activities include all basic City government functions, such as administration, city hall, legal, parks, streets and police. These activities are primarily financed through property taxes and other intergovernmental activities. Business-type activities are those which are primarily financed through charges to customers, and include water and sewer operations.

Fund financial statements. The *fund financial statements* provide more detailed information about the City’s funds, focusing on its most significant or “major” funds – not the City of Aurora as a whole. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Aurora, like state and other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

Governmental funds. The *governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful in obtaining an understanding of each fund’s activity.

Proprietary funds. Proprietary funds are used to account for funds which are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). Proprietary funds whose primary user is the public are known as enterprise funds.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *other supplemental information*, including the budgetary comparison schedules and the combining non-major fund financial statements.

Government-wide Financial Analysis

Statements of Net Position (modified cash basis)

June 30,

| | 2017 | | | 2016 | | |
|---------------------------|-------------------------|--------------------------|--------------|-------------------------|--------------------------|--------------|
| | Governmental Activities | Business-type Activities | Total | Governmental Activities | Business-type Activities | Total |
| Cash and cash equivalents | \$ 1,043,969 | \$ 830,793 | \$ 1,874,762 | \$ 927,100 | \$ 867,190 | \$ 1,794,290 |
| Liabilities | - | - | - | - | - | - |
| Net Position: | | | | | | |
| Restricted | 356,314 | 197,321 | 553,635 | 339,256 | 187,367 | 526,623 |
| Unrestricted | 687,655 | 633,472 | 1,321,127 | 587,844 | 679,823 | 1,267,667 |
| Total Net Position | \$ 1,043,969 | \$ 830,793 | \$ 1,874,762 | \$ 927,100 | \$ 867,190 | \$ 1,794,290 |

Statement of Net Position (modified cash basis). The *statement of net position* (modified cash basis) is provided on a comparative basis. As noted earlier, net position may serve over time as a useful indicator of a government’s financial position. In the case of the City of Aurora, assets exceeded liabilities by \$1,874,762 as of June 30, 2017.

Restricted net position represents sources that are subject to external restrictions on their use, such as debt service or capital projects.

Unrestricted net position is available for general operations of the City.

Statements of Activities (modified cash basis)
Year ended June 30,

| | 2017 | | | 2016 | | |
|---------------------------------|----------------------------|---------------------------------|---------------------|----------------------------|---------------------------------|---------------------|
| | Governmental Activities | Business- type Activities | Total | Governmental Activities | Business- type Activities | Total |
| Revenues | | | | | | |
| Program revenues | | | | | | |
| Charges for service | \$ 119,683 | \$ 581,820 | \$ 701,503 | \$ 152,245 | \$ 583,868 | \$ 736,113 |
| Operating grants | 57,501 | - | 57,501 | 57,323 | 15,752 | 73,075 |
| Capital grants | 12,315 | 7,575 | 19,890 | 37,125 | 68,175 | 105,300 |
| General revenues | | | | | | |
| Taxes and assessments | 274,190 | 333,442 | 607,632 | 251,730 | 322,393 | 574,123 |
| Franchise taxes | 63,837 | - | 63,837 | 63,799 | - | 63,799 |
| Intergovernmental | 27,717 | - | 27,717 | 21,593 | - | 21,593 |
| Miscellaneous | 58,862 | 11,340 | 70,202 | 78,484 | 5,955 | 84,439 |
| <i>Total revenues</i> | 614,105 | 934,177 | 1,548,282 | 662,299 | 996,143 | 1,658,442 |
| Expenses | | | | | | |
| General government | 122,924 | - | 122,924 | 130,568 | - | 130,568 |
| Public safety | 154,733 | - | 154,733 | 166,400 | - | 166,400 |
| Highways and streets | 81,755 | - | 81,755 | 92,707 | - | 92,707 |
| Community development | 137,824 | - | 137,824 | 155,999 | - | 155,999 |
| Water | - | 336,527 | 336,527 | - | 256,660 | 256,660 |
| Sewer | - | 634,047 | 634,047 | - | 609,654 | 609,654 |
| <i>Total expenses</i> | 497,236 | 970,574 | 1,467,810 | 545,674 | 866,314 | 1,411,988 |
| Transfers | - | - | - | (39,710) | 39,710 | - |
| Change in net position | 116,869 | (36,397) | 80,472 | 76,915 | 169,539 | 246,454 |
| Net position, beginning of year | 927,100 | 867,190 | 1,794,290 | 850,185 | 697,651 | 1,547,836 |
| Net position, end of year | <u>\$ 1,043,969</u> | <u>\$ 830,793</u> | <u>\$ 1,874,762</u> | <u>\$ 927,100</u> | <u>\$ 867,190</u> | <u>\$ 1,794,290</u> |

Statement of Activities (modified cash basis). During the current fiscal year, the City's total net position increased by \$80,472 to \$1,874,762 from \$1,794,290 at the beginning of the year. The key elements of the change in the City's net position for the year ended June 30, 2017 are as follows:

Governmental activities - The City's net position increased by \$116,869 from governmental activities. Revenues and expenses were both less than in the prior year.

Business type activities - The City's net position decreased by \$36,397 from business type activities. This decrease is due to decreased revenue and increased expenses.

Financial Analysis of the City of Aurora's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City's governmental funds is to provide information on relatively short-term cash flow and funding for future basic services. Such information is useful in assessing the City's financing requirements. In particular, *fund balance* may serve as a useful measure of a government's net resources available for spending at the end of a fiscal year. As of June 30, 2017, the City's governmental funds reported combined ending fund balances of \$1,043,969 an increase of \$116,869 over the prior year.

Business-type funds. The business-type funds account for the City's water and sewer operations. Expenses exceeded revenues by \$36,397 for the year ended June 30, 2017.

General Fund Budgetary Highlights

The governing body made no changes to the General Fund budget for the fiscal year ended June 30, 2017.

Significant Fund Transactions

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The following information details significant fund transactions during the year.

Major Governmental Funds:

General Fund. The General Funds is the primary operating funds of the City. The fund balance was \$541,742 as of June 30, 2017. The fund balance increased \$88,354 during the current fiscal year. The increase was due primarily to revenues in excess of expenditures in the amount of \$103,854 offset by net transfers out of \$15,500. As a measure of the liquidity, it may be useful to compare total fund balances to total fund expenditures. Fund balance represents 137% of total expenditures.

Street/Storm Operating Fund. The Street/Storm Operating Fund accounts for street maintenance and improvements. The fund balance increased by \$387 during the year.

City Hall Building Fund – The fund balance increased by \$11,445 due to transfers in of \$13,000 and minimal expenditures.

Major Proprietary Funds:

Water Fund – The Water fund revenues are from charges for services and expenses are for personal services, materials and services, capital outlay, and debt service. The fund's net position decreased \$31,009 during the year due to nonoperating expense of \$106,056 which was substantially used for capital acquisitions and debt payments.

Sewer Fund – The Sewer fund revenues are from charges for services and expenses are for personal services, materials and services, and capital outlay. The fund's net position increased by \$35,617 during the year due to operating income of \$75,785, some of which was used for capital acquisitions.

Water SDC Fund - This fund was established to account for revenues from water system development charges and to provide for future capital improvements to the water system. The fund's net position increased by \$6,771 during the year due to interest revenue and capital contributions.

Water Reserve Fund - This fund is used to accumulate resources for major repairs and improvements to the water system through transfers from other funds. The fund's net position decreased by \$5,335 during the year due to capital acquisitions.

G. O. Wastewater Bond Fund – This fund is used to make payments on the 2009 Sewer bonds. Revenues are primarily property taxes and expenditures are for debt payments. The fund balance increased by \$1,084 during the current year.

Debt Administration

The City had total debt outstanding of \$2,339,406 at the end of the current fiscal year.

During the current fiscal year, the City's total debt decreased by \$248,019 (11%).

State statutes limit the amount of general obligation debt a governmental entity may issue to 3 percent of its total assessed valuation. The assessed valuation of the City of Aurora is \$139,777,108 for the current year; therefore, the current debt limitation is \$4,193,313 for the City of Aurora. The City had \$2,090,000 general obligation debt subject to the limitation at June 30, 2017.

City of Aurora Outstanding Debt

| | Business-type Activities | |
|--------------------------|--------------------------|---------------------|
| | 2017 | 2016 |
| General obligation bonds | \$ 2,090,000 | \$ 2,325,000 |
| Loans | 249,406 | 262,425 |
| Total | <u>\$ 2,339,406</u> | <u>\$ 2,587,425</u> |

Additional information on the City of Aurora's long-term debt can be found in the notes to the basic financial statements of this report.

Economic Factors and the Next Year's Budget

The City of Aurora's Budget Committee considered all the following factors while preparing the City budget for the 2017-18 fiscal year:

- a. Prior history of revenues and expenditures
- b. Capital projects in the water and sewer funds
- c. Expected property tax revenues

Requests for Information

This financial report is designed to present the user (citizens, taxpayers, investors and creditors) with a general overview of the City's finances and to demonstrate the City's accountability. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

City Recorder
City of Aurora
21420 Main Street NE
Aurora, Oregon 97002

BASIC FINANCIAL STATEMENTS

CITY OF AURORA, OREGON
STATEMENT OF NET POSITION (MODIFIED CASH BASIS)
JUNE 30, 2017

| | <i>Governmental Activities</i> | <i>Business-type Activities</i> | <i>Totals</i> |
|---------------------------|---|--|----------------------|
| ASSETS | | | |
| Cash and cash equivalents | \$ 1,043,969 | \$ 830,793 | \$ 1,874,762 |
| LIABILITIES | | | |
| | - | - | - |
| NET POSITION | | | |
| Restricted for: | | | |
| Customer deposits | - | 8,505 | 8,505 |
| Debt service | - | 23,376 | 23,376 |
| Capital outlay | 149,870 | 165,440 | 315,310 |
| Streets | 206,444 | - | 206,444 |
| Unrestricted | 687,655 | 633,472 | 1,321,127 |
| <i>Total Net Position</i> | <u>\$ 1,043,969</u> | <u>\$ 830,793</u> | <u>\$ 1,874,762</u> |

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

CITY OF AURORA, OREGON
STATEMENT OF ACTIVITIES (MODIFIED CASH BASIS)
YEAR ENDED JUNE 30, 2017

| FUNCTIONS/PROGRAMS | Expenses | Program Revenues | | |
|---------------------------------------|-----------------|---|---|---|
| | | Fees, Fines and Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| Governmental activities: | | | | |
| General government | \$ 122,924 | \$ 7,787 | \$ - | \$ 9,415 |
| Public safety | 154,733 | 18,505 | - | - |
| Highways and streets | 81,755 | 36,804 | 57,501 | 2,900 |
| Community development | 137,824 | 56,587 | - | - |
| <i>Total Governmental activities</i> | 497,236 | 119,683 | 57,501 | 12,315 |
| Business-type activities: | | | | |
| Water | 336,527 | 295,837 | - | 5,543 |
| Sewer | 634,047 | 285,983 | - | 2,032 |
| <i>Total Business-type activities</i> | 970,574 | 581,820 | - | 7,575 |
| <i>Total Activities</i> | \$ 1,467,810 | \$ 701,503 | \$ 57,501 | \$ 19,890 |

General Revenues:

Property taxes
Franchise taxes
Intergovernmental
Miscellaneous

Total General Revenues

Change in net position

Net Position - beginning of year

Net Position - end of year

***Net (Expenses) Revenues
and Changes in Net Position***

| <i>Governmental Activities</i> | <i>Business-type Activities</i> | <i>Total</i> |
|---|--|---------------------|
| \$ (105,722) | \$ - | \$ (105,722) |
| (136,228) | - | (136,228) |
| 15,450 | - | 15,450 |
| (81,237) | - | (81,237) |
| <hr/> | | <hr/> |
| (307,737) | - | (307,737) |
| - | (35,147) | (35,147) |
| - | (346,032) | (346,032) |
| <hr/> | | <hr/> |
| - | (381,179) | (381,179) |
| <hr/> | | <hr/> |
| (307,737) | (381,179) | (688,916) |
| 274,190 | 333,442 | 607,632 |
| 63,837 | - | 63,837 |
| 27,717 | - | 27,717 |
| 58,862 | 11,340 | 70,202 |
| <hr/> | | <hr/> |
| 424,606 | 344,782 | 769,388 |
| <hr/> | | <hr/> |
| 116,869 | (36,397) | 80,472 |
| 927,100 | 867,190 | 1,794,290 |
| <hr/> | | <hr/> |
| \$ 1,043,969 | \$ 830,793 | \$ 1,874,762 |
| <hr/> <hr/> | <hr/> <hr/> | <hr/> <hr/> |

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

CITY OF AURORA, OREGON

BALANCE SHEET (MODIFIED CASH BASIS) - GOVERNMENTAL FUNDS

JUNE 30, 2017

| | | <u>Special Revenue</u> | <u>Capital Projects</u> |
|---|-------------------|-------------------------------------|-------------------------------|
| | <u>General</u> | <u>Street / Storm Operating</u> | <u>City Hall Building</u> |
| ASSETS | | | |
| Cash and cash equivalents | \$ 541,742 | \$ 154,047 | \$ 144,751 |
| | | | |
| LIABILITIES AND FUND BALANCE | | | |
| Liabilities: | \$ - | \$ - | \$ - |
| | | | |
| Fund Balance: | | | |
| Restricted for: | | | |
| Capital acquisitions | - | - | - |
| Community development | - | - | - |
| Streets | - | 154,047 | - |
| Committed to: | | | |
| Capital acquisitions | - | - | 144,751 |
| Unassigned | 541,742 | - | - |
| | | | |
| Total Fund Balance | <u>541,742</u> | <u>154,047</u> | <u>144,751</u> |
| | | | |
| Total Liabilities and Fund Balance | <u>\$ 541,742</u> | <u>\$ 154,047</u> | <u>\$ 144,751</u> |

| <i>Other Governmental Funds</i> | <i>Total</i> |
|---|--------------|
| \$ 203,429 | \$ 1,043,969 |
| - | - |
| 140,374 | 140,374 |
| 9,496 | 9,496 |
| 52,397 | 206,444 |
| 1,162 | 145,913 |
| - | 541,742 |
| 203,429 | 1,043,969 |
| \$ 203,429 | \$ 1,043,969 |

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

CITY OF AURORA, OREGON**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
(MODIFIED CASH BASIS) – GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2017**

| | | <u>Special Revenue</u> | <u>Capital Projects</u> |
|---|-------------------|-------------------------------------|-------------------------------|
| | <u>General</u> | <u>Street / Storm Operating</u> | <u>City Hall Building</u> |
| REVENUES | | | |
| Taxes and assessments | \$ 274,190 | \$ - | \$ - |
| Fines and forfeitures | 18,505 | - | - |
| Licenses and permits | 126,327 | - | 1,883 |
| Charges for services | - | 23,064 | - |
| Intergovernmental | 37,132 | 57,501 | - |
| Miscellaneous | 44,485 | 1,577 | 1,562 |
| <i>Total Revenues</i> | <u>500,639</u> | <u>82,142</u> | <u>3,445</u> |
| EXPENDITURES | | | |
| General government | 116,624 | - | - |
| Public safety | 154,733 | - | - |
| Highways and streets | - | 64,292 | - |
| Community development | 85,732 | - | - |
| Parks | 38,031 | - | - |
| Capital outlay | 1,665 | 17,463 | 5,000 |
| <i>Total Expenditures</i> | <u>396,785</u> | <u>81,755</u> | <u>5,000</u> |
| REVENUES OVER (UNDER) EXPENDITURES | 103,854 | 387 | (1,555) |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers in | - | - | 13,000 |
| Transfers out | (15,500) | - | - |
| <i>Total Other Financing Sources (Uses)</i> | <u>(15,500)</u> | <u>-</u> | <u>13,000</u> |
| NET CHANGE IN FUND BALANCE | 88,354 | 387 | 11,445 |
| FUND BALANCE, beginning of year | <u>453,388</u> | <u>153,660</u> | <u>133,306</u> |
| FUND BALANCE, end of year | <u>\$ 541,742</u> | <u>\$ 154,047</u> | <u>\$ 144,751</u> |

| <i>Other Governmental Funds</i> | <i>Total</i> |
|---|--------------|
| \$ - | \$ 274,190 |
| - | 18,505 |
| 6,930 | 135,140 |
| 13,741 | 36,805 |
| - | 94,633 |
| 7,208 | 54,832 |
| <hr/> | <hr/> |
| 27,879 | 614,105 |
| | |
| 13,696 | 130,320 |
| - | 154,733 |
| - | 64,292 |
| - | 85,732 |
| - | 38,031 |
| - | 24,128 |
| <hr/> | <hr/> |
| 13,696 | 497,236 |
| <hr/> | <hr/> |
| | |
| 14,183 | 116,869 |
| | |
| 2,500 | 15,500 |
| - | (15,500) |
| <hr/> | <hr/> |
| 2,500 | - |
| <hr/> | <hr/> |
| 16,683 | 116,869 |
| | |
| 186,746 | 927,100 |
| <hr/> | <hr/> |
| \$ 203,429 | \$ 1,043,969 |
| <hr/> | <hr/> |

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

CITY OF AURORA, OREGON

STATEMENT OF FUND NET POSITION (MODIFIED CASH BASIS) - ENTERPRISE FUNDS

JUNE 30, 2017

| | <u>Water</u> | <u>Sewer</u> | <u>Water SDC</u> |
|---------------------------|-------------------|-------------------|-------------------|
| ASSETS | | | |
| Cash and cash equivalents | \$ 222,669 | \$ 267,340 | \$ 119,570 |
| LIABILITIES | - | - | - |
| NET POSITION | | | |
| Restricted for: | | | |
| Customer deposits | 8,505 | - | - |
| Debt service | - | - | - |
| Construction | - | - | 119,570 |
| Unrestricted | 214,164 | 267,340 | - |
| | <u>222,669</u> | <u>267,340</u> | <u>119,570</u> |
| <i>Total Net Position</i> | <u>\$ 222,669</u> | <u>\$ 267,340</u> | <u>\$ 119,570</u> |

| <u>Water Reserve</u> | <u>G.O. Wastewater Bond Fund</u> | <u>Other Business- type Funds</u> | <u>Total</u> |
|----------------------|--------------------------------------|---------------------------------------|-------------------|
| \$ 101,714 | \$ 23,376 | \$ 96,124 | \$ 830,793 |
| - | - | - | - |
| - | - | - | 8,505 |
| - | 23,376 | - | 23,376 |
| - | - | 45,870 | 165,440 |
| 101,714 | - | 50,254 | 633,472 |
| <u>\$ 101,714</u> | <u>\$ 23,376</u> | <u>\$ 96,124</u> | <u>\$ 830,793</u> |

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

CITY OF AURORA, OREGON**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
(MODIFIED CASH BASIS) - ENTERPRISE FUNDS
YEAR ENDED JUNE 30, 2017**

| | <u>Water</u> | <u>Sewer</u> |
|--|--------------|--------------|
| OPERATING REVENUES | | |
| Charges for services | \$ 295,837 | \$ 285,983 |
| Miscellaneous | 666 | 40 |
| <i>Total Operating Revenues</i> | 296,503 | 286,023 |
| OPERATING EXPENSES | | |
| Personal services | 83,924 | 76,279 |
| Materials and services | 140,079 | 133,959 |
| <i>Total Operating Expenses</i> | 224,003 | 210,238 |
| OPERATING INCOME | 72,500 | 75,785 |
| NONOPERATING ITEMS | | |
| Taxes and assessments | - | - |
| Interest revenue | 2,547 | 2,518 |
| Capital acquisitions | (85,164) | (42,686) |
| Debt payments | | |
| Principal | (13,019) | - |
| Interest | (7,873) | - |
| <i>Total Nonoperating Items</i> | (103,509) | (40,168) |
| NET INCOME BEFORE CONTRIBUTIONS AND TRANSFERS | (31,009) | 35,617 |
| Capital contributions | - | - |
| CHANGE IN NET POSITION | (31,009) | 35,617 |
| NET POSITION, beginning of year | 253,678 | 231,723 |
| NET POSITION, end of year | \$ 222,669 | \$ 267,340 |

| <i>Water SDC</i> | <i>Water Reserve</i> | <i>G.O. Wastewater Bond Fund</i> | <i>Other Business- type Funds</i> | <i>Total</i> |
|------------------|----------------------|--------------------------------------|---------------------------------------|--------------|
| \$ - | \$ - | \$ - | \$ - | \$ 581,820 |
| - | - | - | - | 706 |
| - | - | - | - | 582,526 |
| - | - | - | - | 160,203 |
| - | - | - | - | 274,038 |
| - | - | - | - | 434,241 |
| - | - | - | - | 148,285 |
| - | - | 333,442 | - | 333,442 |
| 1,228 | 1,133 | 2,017 | 1,191 | 10,634 |
| - | (6,468) | - | (46,748) | (181,066) |
| - | - | (235,000) | - | (248,019) |
| - | - | (99,375) | - | (107,248) |
| 1,228 | (5,335) | 1,084 | (45,557) | (192,257) |
| 1,228 | (5,335) | 1,084 | (45,557) | (43,972) |
| 5,543 | - | - | 2,032 | 7,575 |
| 6,771 | (5,335) | 1,084 | (43,525) | (36,397) |
| 112,799 | 107,049 | 22,292 | 139,649 | 867,190 |
| \$ 119,570 | \$ 101,714 | \$ 23,376 | \$ 96,124 | \$ 830,793 |

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Aurora, Oregon is governed by an elected mayor and four council members who comprise the City Council. The City Council exercises supervisory responsibilities over City operations, but day-to-day management control is the responsibility of a city recorder. All significant activities and organizations for which the City is financially accountable are included in the basic financial statements.

There are certain governmental agencies and various service districts which provide services within the City. These agencies have independently elected governing boards and the City is not financially accountable for these organizations. Therefore, financial information for these agencies is not included in the accompanying basic financial statements.

As discussed further under *Measurement Focus and Basis of Accounting*, these financial statements are presented on a modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) established by the Governmental Accounting Standards Board (GASB). These modified cash basis financial statements generally meet the presentation and disclosure requirements applicable to GAAP, in substance, but are limited to the elements presented in the financial statements and the constraints of the measurement and recognition criteria of the modified cash basis of accounting.

Basic Financial Statements

Basic financial statements are presented at both the government-wide and fund financial level. Both levels of statements categorize primary activities as either governmental or business-type. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

Government-wide financial statements display information about the City as a whole. For the most part, the effect of interfund activity has been removed from these statements. These statements focus on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. These aggregated statements consist of the Statement of Net Position (modified cash basis) and the Statement of Activities (modified cash basis).

The Statement of Net Position (modified cash basis) presents the assets and liabilities of the City. Net position, representing assets less liabilities, is shown in two components: restricted for special purposes, amounts which must be spent in accordance with legal restrictions; and unrestricted, the amount available for ongoing City activities.

The Statement of Activities (modified cash basis) demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Fund financial statements display information at the individual fund level. Each fund is considered to be a separate accounting entity. Funds are classified and summarized as governmental, proprietary or fiduciary. Currently, the City has governmental funds (general, special revenue, and capital projects) and proprietary type funds (enterprise). Major individual governmental funds and proprietary funds are reported as separate columns in the fund financial statements.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation

The financial transactions of the City are recorded in individual funds. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures / expenses. The various funds are reported by generic classification within the financial statements.

Accounting principles generally accepted in the United States of America set forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures / expenses of either fund category or the government and enterprise combined) for the determination of major funds.

The City reports the following governmental funds as major funds:

General Fund

This fund accounts for the basic governmental financial operations of the City. Principal sources of revenues are property taxes, licenses and permits, franchise taxes and State shared revenues. Primary expenditures are for administration, police protection, parks, community development and municipal court.

Street/Storm Operating Fund

Gas tax apportionments received from the State are recorded in this fund. Expenditures are for road construction and maintenance.

City Hall Building Fund

This fund accounts for monies set aside by the City for the renovation of the City Hall building.

The following governmental funds are considered non-major:

Aurora Colony Days

This fund accounts for revenues and expenditures related to the annual Colony Days events.

Park SDC Fund

This fund was established to account for revenues from park system development charges and to provide for future parks capital improvement projects.

Park Reserve Fund

This fund accounts for monies set aside by the City Council and designated for park projects.

Street/Storm SDC Fund

This fund was established to account for revenues from street/storm system development charges and to provide for future capital improvements to the street and storm system.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (continued)

Street/Storm Reserve Fund

This fund was established to account for revenues set aside to provide for future street/storm capital improvement projects.

Proprietary funds are used to account for the acquisition, operation, maintenance and debt service of the sewer and water systems. These funds are entirely or predominantly self-supported through user charges to customers.

The City reports the following proprietary funds as major funds:

Water Fund

Financial activities of the City's water utility are recorded in this fund. Revenues consist primarily of user charges. Expenditures are primarily for operation of the utility and for acquisition of property, plant and equipment.

Sewer Fund

Financial activities of the City's sewer utility are recorded in this fund. Revenues consist primarily of user charges. Expenses are primarily for operation of the utility and for acquisition of property, plant and equipment.

Water SDC Fund

This fund was established to account for revenues from water system development charges and to provide for future capital improvements to the water system.

Water Reserve Fund

This fund is used to accumulate resources for major repairs and improvements to the water system through transfers from other funds.

General Obligation Wastewater Bond Fund

This fund was established to account for revenues set aside for debt service on the general obligation bond and loan repayments. Taxes and interfund transfers are the primary revenues. Payments are for debt service.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (continued)

The following proprietary funds are considered non-major:

Sewer SDC Fund

This fund was established to account for revenues from sewer system development charges and to provide for future capital improvements to the sewer system.

Sewer Reserve Fund

This fund accumulates resources for major repairs and improvements to the sewer system through transfers from other funds.

Fund Balance

In governmental funds, the City's policy is to first apply the expenditure toward restricted fund balance and then to other less-restrictive classifications - committed and then assigned fund balances before using unassigned fund balances.

Fund balance is reported as non-spendable when the resources cannot be spent because they are either in a legally or contractually required to be maintained intact or non-spendable form. Resources in non-spendable form include inventories, prepaids and deposits, and assets held for resale.

Fund balance is reported as restricted when the constraints placed on the use of resources are either: (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Fund balance is reported as committed when the City Council takes formal action that places specific constraints on how the resources may be used. The City Council can modify or rescind the commitment at any time through taking a similar formal action.

Resources that are constrained by the City's intent to use them for a specific purpose, but are neither restricted nor committed, are reported as assigned fund balance. Intent is expressed when the City Council approves which resources should be "reserved" during the adoption of the annual budget. The City's Finance Officer uses that information to determine whether those resources should be classified as assigned or unassigned for presentation in the City's Annual Financial Report.

Unassigned fund balance is the residual classification for the General Fund. This classification represents fund balance that has not been restricted, committed, or assigned within the General Fund. This classification is also used to report any negative fund balance amounts in other governmental funds.

Definitions of Governmental Fund Types

The General Fund is used to account for the basic operations of the City, which include general government, public safety, highways and streets, and community development.

CITY OF AURORA, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2017

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Definitions of Governmental Fund Types (Continued)

Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The term “proceeds of specific revenues sources” means that the revenue sources for the fund must be from restricted or committed sources, specifically that a substantial portion of the revenue must be from these sources and be expended in accordance with those requirements.

Capital Projects Funds are utilized to account for financial resources to be used for the acquisition or construction of capital equipment and facilities.

Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe what transactions or events are recorded within the various financial statements. Basis of accounting refers to when and how transactions or events are recorded, regardless of the measurement focus applied.

In the government-wide Statement of Net Position (Modified Cash Basis) and Statement of Activities (Modified Cash Basis), both governmental and business-type activities are presented using the economic resource measurement focus, within the limitations of the modified cash basis of accounting, as defined below.

In the fund financial statements, the current financial resources measurement focus or the economic resources measurement focus is applied to the modified cash basis of accounting, is used as appropriate:

- a. All governmental funds utilize a current financial resources measurement focus within the limitations of the modified cash basis of accounting. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. The proprietary funds utilize an economic resource measurement focus within the limitations of the modified cash basis of accounting. The accounting objectives of this measurement focus are the determination of operating income, change in net position (or cost recovery), net financial position, and cash flows. All assets, deferred outflows, liabilities, and deferred inflows (whether current or noncurrent or financial or nonfinancial) associated with their activities are generally reported within the limitations of the modified cash basis of accounting.

The financial statements are presented on a modified cash basis of accounting, which is a basis of accounting other than GAAP as established by GASB. This basis of accounting involves modifications to the cash basis of accounting to report in the statements of net position or balance sheets cash transactions or events that provide a benefit or result in an obligation that covers a period greater than the period in which the cash transaction or event occurred. Such reported balances include:

1. Interfund receivables and payables that are temporary borrowing and result from transactions involving cash or cash equivalents are recognized.
2. Assets that normally convert to cash or cash equivalents (e.g., certificates of deposit, external cash pools, and marketable investments) that arise from transactions and events involving cash or cash equivalents are recognized.
3. Liabilities for cash (or cash equivalents) held on behalf of others or held in escrow are recognized.

CITY OF AURORA, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2017

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus and Basis of Accounting (Continued)

The modified cash basis of accounting differs from GAAP primarily because certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected and other accrued revenue and receivables) and certain liabilities and their related expenses or expenditures (such as accounts payable and expenses for goods and services received but not yet paid and other accrued expenses and liabilities) are not recorded in these financial statements. In addition, other economic assets, deferred outflows, liabilities, and deferred inflows that do not arise from a cash transaction or event are not reported, and the measurement of reported assets and liabilities does not involve adjustment to fair value. Additionally, long-term liabilities such as debt are only reported in the notes to the financial statements.

If the City utilized the basis of accounting recognized as generally accepted in the United States of America, the fund financial statements for the governmental funds would use the modified accrual basis of accounting, and the fund financial statements for the enterprise funds would use the accrual basis of accounting. All government-wide financial statements would be presented on the accrual basis of accounting.

The City's policy, although not in accordance with accounting principles generally accepted in the United States of America, is acceptable under Oregon Law (ORS 294.333), which leaves the selection of the method of accounting to the discretion of the municipal corporation.

Enterprise funds distinguish between operating revenues and expenses and non-operating items. Operating revenues and expenses result from providing services to customers in connection with ongoing utility operations. The principal operating revenues are charges to customers for service. Operating expenses include payroll and related costs, materials and supplies, and capital outlay. All revenues not considered operating are reported as non-operating items.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

Cash and Cash Equivalents

The City maintains cash and cash equivalents in a common pool that is available for use by all funds. Each fund type's portion of this pool is displayed as cash and cash equivalents. The City considers cash on hand, demand deposits and savings accounts, and short-term investments with an original maturity of three months or less from the date of acquisition to be cash and cash equivalents.

Oregon Revised Statutes authorize the City to invest in certificates of deposit, savings accounts, bank repurchase agreements, bankers' acceptances, general obligations of U.S. Government and its agencies, certain bonded obligations of Oregon municipalities, and the State Treasurer's Local Government Investment Pool, among others.

For the purpose of financial reporting, cash and cash equivalents includes all demand and savings accounts and certificates of deposit or short-term investments with an original maturity of three months or less.

Investments in the Local Government Investment Pool are stated at cost, which approximates fair value.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property Taxes

Property taxes are levied by the County Assessor and collected by the County Tax Collector. The taxes are levied and become a lien as of July 1. They may be paid in three installments payable in equal payments due November 15, February 15 and May 15. The City's property tax collection records show that most of the property taxes due are collected during the year of levy and delinquent taxes are collected in the next few years.

Capital Assets

The City does not maintain historical cost or depreciation records for capital assets. Therefore, capital assets are not reported on the government-wide Statement of Net Position or the enterprise funds statements of Fund Net Position or in the notes to the financial statements.

Long-Term Debt

Long-term debt is presented only in the notes to the financial statements. Payments of principal and interest are recorded as expenditures / expenses when paid.

Accrued Compensated Absences

Accumulated unpaid vacation pay is not accrued. Earned but unpaid sick pay is recorded as an expenditure / expense when paid.

Budget and Budgetary Accounting

The City adopts the budget on an object basis; therefore, expenditures of a specific object within a fund may not legally exceed that object's appropriations. The City Council may amend the budget to expend unforeseen revenues by supplemental appropriations. All supplemental appropriations are included in the budget comparison statements. Appropriations lapse at year end and may not be carried over. The City does not use encumbrance accounting.

Use of Estimates

The preparation of basic financial statements in conformity with the modified cash basis of accounting requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the basic financial statements and reported amounts of revenues and expenditures during the reporting period. Actual results may differ from those estimates.

CITY OF AURORA, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2017

CASH AND CASH EQUIVALENTS

Cash and cash equivalents are comprised of the following at June 30, 2017:

Cash

| | | |
|--------------------------------------|----|-------------|
| Cash on hand | \$ | 400 |
| Deposits with financial institutions | | 72,876 |
| Local Government Investment Pool | | 1,801,486 |
| | | <hr/> |
| | \$ | 1,874,762 |
| | | <hr/> <hr/> |

Deposits

The City's deposits with various financial institutions had a book value of \$72,876 a bank value of \$105,345 as of June 30, 2017. The difference is due to transactions in process. Bank deposits are secured to legal limits by federal deposit insurance. The remaining amount is secured in accordance with ORS 295 under a collateral program administered by the Oregon State Treasurer.

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the City's deposits may not be returned. The Federal Depository Insurance Corporation (FDIC) provides insurance for the City's deposits with financial institutions for up to \$250,000 for the aggregate of all demand deposits and the aggregate of all time deposit and savings accounts at each institution. Deposits in excess of FDIC coverage are with institutions participating in the Oregon Public Funds Collateralization Program (PFCP). The PFCP is a shared liability structure for participating bank depositories, better protecting public funds though still not guaranteeing that all funds are 100% protected. Barring any exceptions, a bank depository is required to pledge collateral valued at least 10% of their quarter-end public fund deposits if they are well capitalized, 25% of their quarter-end public fund deposits if they are adequately capitalized, or 110% of their quarter-end public fund deposits if they are undercapitalized or assigned to pledge 110% by the Office of the State Treasurer. In the event of a bank failure, the entire pool of collateral pledged by all qualified Oregon public funds bank depositories is available to repay deposits of public funds of government entities. As of June 30, 2017 all of the City's bank balances were covered by FDIC insurance.

Local Government Investment Pool

The State Treasurer of the State of Oregon maintains the Oregon Short-Term Fund, of which the Local Government Investment Pool is part. Participation by local governments is voluntary. The State of Oregon investment policies are governed by statute and the Oregon Investment Council. In accordance with Oregon Statutes, the investment funds are invested as a prudent investor would do, exercising reasonable care, skill and caution. The Oregon Short-Term Fund is the LGIP for local governments and was established by the State Treasurer. It was created to meet the financial and administrative responsibilities of federal arbitrage regulations.

The investments are regulated by the Oregon Short-Term Fund Board and approved by the Oregon Investment Council (ORS 294.805 to 294.895). At June 30, 2017, the fair value of the position in the Oregon State Treasurer's Short-Term Investment Pool was approximately equal to the value of the pool shares. The investment in the Oregon Short-Term Fund is not subject to risk evaluation. The LGIP is not rated for credit quality.

Separate financial statements for the Oregon Short-Term Fund are available from the Oregon State Treasurer.

CITY OF AURORA, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2017

CASH AND CASH EQUIVALENTS (Continued)

Interest Rate Risk

In accordance with its investment policy, the City manages its exposure to declines in fair value of its investments by limiting its investments the LGIP.

Custodial Credit Risk - Investments

For an investment, this is the risk that, in the event of a failure of the counterparty, the City will not be able to recover the value of its investments or collateralized securities that are in the possession of an outside party. The City's investment policy limits the types of investments that may be held and does not allow securities to be held by the counterparty.

The LGIP is administered by the Oregon State Treasury with the advice of other state agencies and is not registered with the U.S. Securities and Exchange Commission. The LGIP is an open-ended no-load diversified portfolio offered to any agency, political subdivision, or public corporation of the state that by law is made the custodian of, or has control of any fund. The LGIP is commingled with the State's short-term funds. In seeking to best serve local governments of Oregon, the Oregon Legislature established the Oregon Short Term Fund Board, which has established diversification percentages and specifies the types and maturities of the investments.

The purpose of the Board is to advise the Oregon State Treasury in the management and investment of the LGIP. These investments within the LGIP must be invested and managed as a prudent investor would, exercising reasonable care, skill and caution. Professional standards indicate that the investments in external investment pools are not subject to custodial risk because they are not evidenced by securities that exist in physical or book entry form. Nevertheless, management does not believe that there is any substantial custodial risk related to investments in the LGIP.

LONG-TERM DEBT

As a result of the use of the modified cash basis of accounting in this report, obligations related to long-term debt and other obligations are not reported as liabilities in the financial statements. Long-term debt transactions for the year were as follows:

| | <u>Original Issue</u> | <u>Outstanding July 1, 2016</u> | <u>Issued</u> | <u>Matured/ Redeemed During Year</u> | <u>Outstanding June 30, 2017</u> | <u>Due Within One Year</u> |
|--|---------------------------|---|---------------|--|--|------------------------------------|
| <i>Business-type activities</i> | | | | | | |
| General Obligation Bonds issued May 2009, semi-annual payments through 2024 with interest from 2.5% to 4.5% | \$ 3,530,000 | \$ 2,325,000 | \$ - | \$ (235,000) | \$ 2,090,000 | \$ 250,000 |
| Safe Drinking Water Revolving Loan Fund Award Contract Loan issued through OECD issued 2011 with interest and principal payments of \$20,892 through 2031 with interest at 3.0% | 310,818 | 262,425 | - | (13,019) | 249,406 | 13,410 |
| | <u>\$ 3,840,818</u> | <u>\$ 2,587,425</u> | <u>\$ -</u> | <u>\$ (248,019)</u> | <u>\$ 2,339,406</u> | <u>\$ 263,410</u> |

Debt payments on the general obligation bonds are made from the G.O. Wastewater Bond Fund.

CITY OF AURORA, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2017

LONG-TERM DEBT (Continued)

Future debt service requirements are as follows:

| <i>Fiscal Year Ending June 30,</i> | <i>Principal</i> | <i>Interest</i> | <i>Total</i> |
|---|-------------------------|------------------------|---------------------|
| 2018 | \$ 263,410 | \$ 97,457 | \$ 360,867 |
| 2019 | 283,812 | 87,055 | 370,867 |
| 2020 | 309,226 | 75,841 | 385,067 |
| 2021 | 324,653 | 63,614 | 388,267 |
| 2022 | 350,093 | 49,224 | 399,317 |
| 2023-2027 | 712,534 | 62,650 | 775,184 |
| 2028-2032 | 95,678 | 8,779 | 104,457 |
| | \$ 2,339,406 | \$ 444,620 | \$ 2,784,026 |

PENSION PLAN

The Oregon Public Employees Retirement System (OPERS) is a cost-sharing multiple employer defined benefit plan. Qualified employees of the City are provided with pensions through OPERS. Employees hired before August 29, 2003 belong to the Tier One/Tier Two Retirement Benefit Program (established pursuant to ORS Chapter 238), while employees hired on or after August 29, 2003 belong to the OPSRP Pension Program (established pursuant to ORS Chapter 238A). OPERS issues a publicly available financial report that can be obtained at

http://www.oregon.gov/pers/pages/section/financial_reports/financials.aspx.

Benefits provided under ORS Chapter 238 – Tier One/ Tier Two

Pension Benefits: The PERS retirement allowance is payable monthly for life. It may be selected from 13 retirement benefit options. These options include survivorship benefits and lump-sum refunds. The basic benefit is based on years of service and final average salary. A percentage (2.0 percent for police and fire employees, 1.67 percent for general service employees) is multiplied by the number of years of service and the final average salary. Benefits may also be calculated under a formula plus annuity (for members who were contributing before August 21, 1981) or a money match computation if a greater benefit results.

A member is considered vested and will be eligible at minimum retirement age for a service retirement allowance if he or she has had a contribution in each of five calendar years or has reached at least 50 years of age before ceasing employment with a participating employer (age 45 for police and fire members). General service employees may retire after reaching age 55. Police and fire members are eligible after reaching age 50. Tier One general service employee benefits are reduced if retirement occurs prior to age 58 with fewer than 30 years of service. Police and fire member benefits are reduced if retirement occurs prior to age 55 with fewer than 25 years of service. Tier Two members are eligible for full benefits at age 60. The ORS Chapter 238 Defined Benefit Pension Plan is closed to new members hired on or after August 29, 2003.

Death Benefits: Upon the death of a non-retired member, the beneficiary receives a lump-sum refund of the member's account balance (accumulated contributions and interest). In addition, the beneficiary will receive a lump-sum payment from employer funds equal to the account balance, provided one or more of the following conditions are met: the member was employed by a PERS employer at the time of death; the member died within 120 days after termination of PERS-covered employment; the member died as a result of injury sustained while

CITY OF AURORA, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2017

PENSION PLAN (Continued)

Benefits provided under ORS Chapter 238 – Tier One/ Tier Two (Continued)

employed in a PERS-covered job, or; the member was on an official leave of absence from a PERS-covered job at the time of death.

Disability Benefits: A member with 10 or more years of creditable service who becomes disabled from other than duty connected causes may receive a non-duty disability benefit. A disability resulting from a job-incurred injury or illness qualifies a member (including PERS judge members) for disability benefits regardless of the length of PERS-covered service. Upon qualifying for either a non-duty or duty disability, service time is computed to age 58 when determining the monthly benefit.

Benefit Changes After Retirement: Members may choose to continue participation in a variable equities investment account after retiring and may experience annual benefit fluctuations due to changes in the market value of equity investments. Under ORS 238.360 monthly benefits are adjusted annually through cost-of-living changes. Under current law, the cap on the COLA in fiscal year 2015 and beyond will vary based on 1.25 percent on the first \$60,000 of annual benefit and 0.15 percent on annual benefits above \$60,000.

Benefits provided under Chapter 238A - OPSRP Pension Program (OPSRP DB)

This portion of OPSRP provides a life pension funded by employer contributions. Benefits are calculated with the following formula for members who attain normal retirement age: General service: 1.5 percent is multiplied by the number of years of service and the final average salary. Normal retirement age for general service members is age 65, or age 58 with 30 years of retirement credit.

Police and Fire: 1.8 percent is multiplied by the number of years of service and the final average salary. Normal retirement age for police and fire members is age 60 or age 53 with 25 years of retirement credit. To be classified as a police and fire member, the individual must have been employed continuously as a police and fire member for at least five years immediately preceding retirement.

General Service: 1.5 percent is multiplied by the number of years of service and the final average salary. Normal retirement age for general service members is age 65, or age 58 with 30 years of retirement credit.

A member of the OPSRP Pension Program becomes vested on the earliest of the following dates: the date the member completes 600 hours of service in each of five calendar years, the date the member reaches normal retirement age, and, if the pension program is terminated, the date on which termination becomes effective.

Death Benefits: Upon the death of a non-retired member, the spouse or other person who is constitutionally required to be treated in the same manner as the spouse receives for life 50 percent of the pension that would otherwise have been paid to the deceased member.

Disability Benefits: A member who has accrued 10 or more years of retirement credits before the member becomes disabled or a member who becomes disabled due to job-related injury shall receive a disability benefit of 45 percent of the member's salary determined as of the last full month of employment before the disability occurred.

Benefit Changes After Retirement: Under ORS 238A.210 monthly benefits are adjusted annually through cost-of-living changes. Under current law, the cap on the COLA in fiscal year 2016 and beyond will vary based on 1.25 percent on the first \$60,000 of annual benefit and 0.15 percent on annual benefits above \$60,000.

CITY OF AURORA, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2017

PENSION PLAN (Continued)

Contributions

PERS funding policy provides for monthly employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due. This funding policy applies to the PERS Defined Benefit Plan and the Other Postemployment Benefit Plans.

Employer contribution rates during the period were based on the December 31, 2014 actuarial valuation. The City's contribution rates in effect for the fiscal year ended June 30, 2016 were 0.53 percent for Tier One/Two members, 0.45 percent for OPSRP general service members, and 0.45 percent for OPSRP uniformed members. The City's contributions for the year ended June 30, 2016 were \$1,092, excluding amounts to fund employer specific liabilities.

Members of PERS are required to contribute 6% of their salary covered under the plan, which is invested in the OPSRP Individual Account Program. The total contributed by the City on behalf of employees for the year ended December 31, 2015 was \$1,092.

Actuarial Methods and Assumptions:

The employer contribution rates effective July 1, 2015, through June 30, 2017, were set by OPERS using the projected unit credit actuarial cost method. For the Tier One/Tier Two component of the PERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (1) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), (2) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over 20 years. For the OPSRP Pension Program component of the PERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (a) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), (b) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over 16 years.

| | |
|-----------------------------------|---|
| Valuation Date | December 31, 2014 rolled forward to June 30, 2016 |
| Experience Study Report | 2014, published September 2015 |
| Actuarial cost method | Entry Age Normal |
| Amortization method | Amortized as a level percentage of payroll as layered amortization bases over a closed period; Tier One/Tier Two UAL is amortized over 20 years and OPSRP pension UAL is amortized over 16 years. |
| Asset valuation method | Market value of assets |
| Actuarial assumptions: | |
| Inflation rate | 2.50 percent |
| Investment rate of return | 7.50 percent |
| Projected salary increases | 3.50 percent overall payroll growth |
| Cost of living adjustments (COLA) | Blend of 2.00% COLA and graded COLA (1.25%/0.15%) in accordance with <i>Moro</i> decision; blend based on service |
| Mortality | Healthy retirees and beneficiaries: RP-2000 Sex-distinct, generational per Scale AA, with collar adjustments and set-backs as described in the valuation. Active members: |

CITY OF AURORA, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2017

PENSION PLAN (Continued)

Actuarial Methods and Assumptions (Continued):

Mortality rates are a percentage of healthy retiree rates that vary by group, as described in the valuation.

Disabled retirees:

Mortality rates are a percentage (70% for males, 95% for females) of the RP-2000 static combined disabled mortality sex-distinct table.

Actuarial valuations of an ongoing plan involve estimates of the value of projected benefits and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Experience studies are performed as of December 31 of even numbered years. The methods and assumptions shown above are based on the 2014 Experience Study which reviewed experience for the four-year period ending on December 31, 2014.

Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent for the Defined Benefit Pension Plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Defined Benefit Pension Plan was applied to all periods of projected benefit payments to determine the total pension liability.

Long-Term Expected Rate of Return

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in July 2015 the PERS Board reviewed long-term assumptions developed by both Milliman's capital market assumptions team and the Oregon Investment Council's (OIC) investment advisors. The table below shows Milliman's assumptions for each of the asset classes in which the plan was invested at that time based on the OIC long-term target asset allocation. The OIC's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

CITY OF AURORA, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2017

PENSION PLAN (Continued)

Long-Term Expected Rate of Return (Continued)

| <u>Asset Class</u> | <u>Target Allocation*</u> | <u>Compound Annual (Geometric) Return</u> |
|-----------------------------------|---------------------------|---|
| Core Fixed Income | 8.00 % | 4.00 % |
| Short-Term Bonds | 8.00 | 3.61 |
| Bank/Leveraged Loans | 3.00 | 5.42 |
| High Yield Bonds | 1.00 | 6.20 |
| Large/Mid Cap US Equities | 15.75 | 6.70 |
| Small Cap US Equities | 1.31 | 6.99 |
| Micro Cap US Equities | 1.31 | 7.01 |
| Developed Foreign Equities | 13.13 | 6.73 |
| Emerging Market Equities | 4.12 | 7.25 |
| Non-US Small Cap Equities | 1.88 | 7.22 |
| Private Equity | 17.50 | 7.97 |
| Real Estate (Property) | 10.00 | 5.84 |
| Real Estate (REITS) | 2.50 | 6.69 |
| Hedge Fund of Funds - Diversified | 2.50 | 4.64 |
| Hedge Fund - Event-driven | 0.63 | 6.72 |
| Timber | 1.88 | 5.85 |
| Farmland | 1.88 | 6.37 |
| Infrastructure | 3.75 | 7.13 |
| Commodities | 1.88 | 4.58 |
| Assumed Inflation - Mean | | 2.50 % |

Sensitivity of the City's proportionate share of the net pension liability to changes in the discount rate

The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.50, as well as what City's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

| | <u>1% Decrease (6.50%)</u> | <u>Discount Rate (7.50%)</u> | <u>1% Increase (8.50%)</u> |
|--|--------------------------------|----------------------------------|--------------------------------|
| Proportionate share of the net pension liability | \$ 248,692 | \$ 154,020 | \$ 74,892 |

CITY OF AURORA, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2017

TRANSFERS

| <u>Fund</u> | <u>Transfers In</u> | <u>Transfers Out</u> |
|--------------------|---------------------|----------------------|
| General | \$ - | \$ 15,500 |
| City Hall Building | 13,000 | - |
| Aurora Colony Days | 2,500 | - |
| | <u>\$ 15,500</u> | <u>\$ 15,500</u> |

Transfers are used to (1) move resources from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move revenues restricted to debt service from the funds collecting the revenues to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NEW PRONOUNCEMENTS

The City implemented the following pronouncement during the current fiscal year:

GASB Statement No. 77, “Tax Abatement Disclosures,” addresses the disclosure requirements for governments that have tax abated properties in their jurisdiction. It will require governments to disclose the description of the tax abatement program, the gross dollar amount of taxes abated during the period, and commitments made by a government, other than to abate taxes, as part of the tax abatement agreement. The implementation of the pronouncement had not effect on the financial statements.

The City will implement applicable new GASB pronouncements no later than the required fiscal year. Management has not determined the effect on the financial statements from implementing any of the following pronouncements.

GASB Statement No. 75, “Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions”, addresses reporting by governments that provide OPEB to their employees and for governments that finance OPEB for employees of other governments. It requires governments in all types of OPEB plans to present more extensive note disclosures and required supplementary information (RSI) about their OPEB liabilities. The statement is effective for fiscal years beginning after June 15, 2017.

CONTINGENCIES

The City purchases commercial insurance to cover all commonly insurable risks, which includes property damage, liability and employee bonds. Most policies carry a small deductible amount. No insurance claims settled in each of the prior three years have exceeded policy coverage.

SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 22, 2017, the date on which the financial statements were available to be issued. Management is not aware of any subsequent events that require recognition or disclosure in the financial statements.

SUPPLEMENTAL INFORMATION

CITY OF AURORA, OREGON

COMBINING BALANCE SHEET (MODIFIED CASH BASIS) - NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2017

| | <u>Special Revenue</u> | <u>Capital Projects</u> | |
|---|-------------------------------|-------------------------|---------------------|
| | <u>Aurora Colony Days</u> | <u>Park SDC</u> | <u>Park Reserve</u> |
| ASSETS | | | |
| Cash and cash equivalents | \$ 9,496 | \$ 43,232 | \$ 1,162 |
| | <u>9,496</u> | <u>43,232</u> | <u>1,162</u> |
| LIABILITIES AND FUND BALANCE | | | |
| Liabilities: | \$ - | \$ - | \$ - |
| Fund Balance: | | | |
| Restricted for: | | | |
| Capital acquisitions | - | 43,232 | - |
| Streets | - | - | - |
| Community development | 9,496 | - | - |
| Committed to: | | | |
| Capital acquisitions | - | - | 1,162 |
| | <u>9,496</u> | <u>43,232</u> | <u>1,162</u> |
| Total Fund Balance | 9,496 | 43,232 | 1,162 |
| | <u>9,496</u> | <u>43,232</u> | <u>1,162</u> |
| Total Liabilities and Fund Balance | \$ 9,496 | \$ 43,232 | \$ 1,162 |

| <i>Capital Projects</i> | | |
|-------------------------------|-----------------------------------|--------------|
| <i>Street / Storm SDC</i> | <i>Street / Storm Reserve</i> | <i>Total</i> |
| \$ 52,397 | \$ 97,142 | \$ 203,429 |
| \$ - | \$ - | \$ - |
| - | 97,142 | 140,374 |
| 52,397 | - | 52,397 |
| - | - | 9,496 |
| - | - | 1,162 |
| 52,397 | 97,142 | 203,429 |
| \$ 52,397 | \$ 97,142 | \$ 203,429 |

CITY OF AURORA, OREGON**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
(MODIFIED CASH BASIS) - NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2017**

| | <i>Special Revenue</i> | <i>Capital Projects</i> | |
|---|-------------------------------|-------------------------|---------------------|
| | <i>Aurora Colony Days</i> | <i>Park SDC</i> | <i>Park Reserve</i> |
| REVENUES | | | |
| Licenses and permits | \$ 4,030 | \$ - | \$ - |
| Charges for services | - | - | - |
| Miscellaneous | 5,250 | 455 | 12 |
| <i>Total Revenues</i> | 9,280 | 455 | 12 |
| EXPENDITURES | | | |
| General government | 13,696 | - | - |
| REVENUES OVER (UNDER) EXPENDITURES | (4,416) | 455 | 12 |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers in | 2,500 | - | - |
| NET CHANGE IN FUND BALANCE | (1,916) | 455 | 12 |
| FUND BALANCE, beginning of year | 11,412 | 42,777 | 1,150 |
| FUND BALANCE, end of year | \$ 9,496 | \$ 43,232 | \$ 1,162 |

Capital Projects

| <i>Street / Storm SDC</i> | <i>Street / Storm Reserve</i> | <i>Total</i> |
|-------------------------------|-----------------------------------|-------------------|
| \$ 2,900 | \$ - | \$ 6,930 |
| - | 13,741 | 13,741 |
| 536 | 955 | 7,208 |
| 3,436 | 14,696 | 27,879 |
| - | - | 13,696 |
| 3,436 | 14,696 | 14,183 |
| - | - | 2,500 |
| 3,436 | 14,696 | 16,683 |
| 48,961 | 82,446 | 186,746 |
| <u>\$ 52,397</u> | <u>\$ 97,142</u> | <u>\$ 203,429</u> |

CITY OF AURORA, OREGON**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE****(MODIFIED CASH BASIS) - BUDGET AND ACTUAL - GENERAL FUND****YEAR ENDED JUNE 30, 2017**

| | <i>Budget Amounts</i> | | <i>Actual</i> | <i>Variance</i> |
|---|-----------------------|--------------|---------------|-----------------|
| | <i>Original</i> | <i>Final</i> | | |
| REVENUES | | | | |
| Taxes and assessments | \$ 256,524 | \$ 256,524 | \$ 274,190 | \$ 17,666 |
| Fines and forfeitures | 15,500 | 15,500 | 18,505 | 3,005 |
| Licenses and permits | 106,150 | 106,150 | 126,327 | 20,177 |
| Intergovernmental | 56,000 | 56,000 | 37,132 | (18,868) |
| Miscellaneous | 68,820 | 68,820 | 44,485 | (24,335) |
| <i>Total Revenues</i> | 502,994 | 502,994 | 500,639 | (2,355) |
| EXPENDITURES | | | | |
| Personal services | 94,022 | 94,022 | 87,577 | 6,445 |
| Materials and services | 443,885 | 443,885 | 305,843 | 138,042 |
| Capital outlay | 7,000 | 7,000 | 3,365 | 3,635 |
| Contingency | 392,587 | 392,587 | - | 392,587 |
| <i>Total Expenditures</i> | 937,494 | 937,494 | 396,785 | 540,709 |
| REVENUES OVER (UNDER) EXPENDITURES | (434,500) | (434,500) | 103,854 | 538,354 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers out | (15,500) | (15,500) | (15,500) | - |
| NET CHANGE IN FUND BALANCE | (450,000) | (450,000) | 88,354 | 538,354 |
| FUND BALANCE, beginning of year | 450,000 | 450,000 | 453,388 | 3,388 |
| FUND BALANCE, end of year | \$ - | \$ - | \$ 541,742 | \$ 541,742 |

CITY OF AURORA, OREGON**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE****(MODIFIED CASH BASIS) - BUDGET AND ACTUAL - STREET/STORM OPERATING FUND****YEAR ENDED JUNE 30, 2017**

| | <i>Budget Amounts</i> | | <i>Actual</i> | <i>Variance</i> |
|--|-----------------------|--------------|---------------|-----------------|
| | <i>Original</i> | <i>Final</i> | | |
| REVENUES | | | | |
| Charges for services | \$ 23,300 | \$ 23,300 | \$ 23,064 | \$ (236) |
| Intergovernmental | 104,600 | 104,600 | 57,501 | (47,099) |
| Miscellaneous | 7,950 | 7,950 | 1,577 | (6,373) |
| <i>Total Revenues</i> | 135,850 | 135,850 | 82,142 | (53,708) |
| EXPENDITURES | | | | |
| Personal services | 24,795 | 24,795 | 23,923 | 872 |
| Materials and services | 72,100 | 72,100 | 40,369 | 31,731 |
| Capital outlay | 90,500 | 90,500 | 17,463 | 73,037 |
| Contingency | 97,455 | 97,455 | - | 97,455 |
| <i>Total Expenditures</i> | 284,850 | 284,850 | 81,755 | 203,095 |
| NET CHANGE IN FUND BALANCE | (149,000) | (149,000) | 387 | 149,387 |
| FUND BALANCE, beginning of year | 149,000 | 149,000 | 153,660 | 4,660 |
| FUND BALANCE, end of year | \$ - | \$ - | \$ 154,047 | \$ 154,047 |

CITY OF AURORA, OREGON**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
(MODIFIED CASH BASIS) - BUDGET AND ACTUAL – CITY HALL BUILDING FUND
YEAR ENDED JUNE 30, 2017**

| | <i>Budget Amounts</i> | | <i>Actual</i> | <i>Variance</i> |
|---|-----------------------|--------------|---------------|-----------------|
| | <i>Original</i> | <i>Final</i> | | |
| REVENUES | | | | |
| Licenses and permits | \$ 1,700 | \$ 1,700 | \$ 1,883 | \$ 183 |
| Miscellaneous | 600 | 600 | 1,562 | 962 |
| <i>Total Revenues</i> | 2,300 | 2,300 | 3,445 | 1,145 |
| EXPENDITURES | | | | |
| Capital outlay | 148,300 | 148,300 | 5,000 | 143,300 |
| REVENUES OVER (UNDER) EXPENDITURES | (146,000) | (146,000) | (1,555) | 144,445 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | 13,000 | 13,000 | 13,000 | - |
| NET CHANGE IN FUND BALANCE | (133,000) | (133,000) | 11,445 | 144,445 |
| FUND BALANCE, beginning of year | 133,000 | 133,000 | 133,306 | 306 |
| FUND BALANCE, end of year | \$ - | \$ - | \$ 144,751 | \$ 144,751 |

CITY OF AURORA, OREGON**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
(MODIFIED CASH BASIS) - BUDGET AND ACTUAL – AURORA COLONY DAYS FUND
YEAR ENDED JUNE 30, 2017**

| | <i>Budget Amounts</i> | | <i>Actual</i> | <i>Variance</i> |
|---|-----------------------|--------------|---------------|-----------------|
| | <i>Original</i> | <i>Final</i> | | |
| REVENUES | | | | |
| Licenses and permits | \$ 4,400 | \$ 4,400 | \$ 4,030 | \$ (370) |
| Miscellaneous | 6,800 | 6,800 | 5,250 | (1,550) |
| <i>Total Revenues</i> | 11,200 | 11,200 | 9,280 | (1,920) |
| EXPENDITURES | | | | |
| Personal services | 2,568 | 2,568 | 2,466 | 102 |
| Materials and services | 17,200 | 17,200 | 11,230 | 5,970 |
| Contingency | 5,932 | 5,932 | - | 5,932 |
| <i>Total Expenditures</i> | 25,700 | 25,700 | 13,696 | 12,004 |
| REVENUES OVER (UNDER) EXPENDITURES | (14,500) | (14,500) | (4,416) | 10,084 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | 2,500 | 2,500 | 2,500 | - |
| NET CHANGE IN FUND BALANCE | (12,000) | (12,000) | (1,916) | 10,084 |
| FUND BALANCE, beginning of year | 12,000 | 12,000 | 11,412 | (588) |
| FUND BALANCE, end of year | \$ - | \$ - | \$ 9,496 | \$ 9,496 |

CITY OF AURORA, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

(MODIFIED CASH BASIS) - BUDGET AND ACTUAL – PARK SDC FUND

YEAR ENDED JUNE 30, 2017

| | <i>Budget Amounts</i> | | <i>Actual</i> | <i>Variance</i> |
|--|-----------------------|--------------|---------------|-----------------|
| | <i>Original</i> | <i>Final</i> | | |
| REVENUES | | | | |
| Licenses and permits | \$ 6,615 | \$ 6,615 | \$ - | \$ (6,615) |
| Miscellaneous | 200 | 200 | 455 | 255 |
| <i>Total Revenues</i> | 6,815 | 6,815 | 455 | (6,360) |
| EXPENDITURES | | | | |
| Capital outlay | 49,815 | 49,815 | - | 49,815 |
| NET CHANGE IN FUND BALANCE | (43,000) | (43,000) | 455 | 43,455 |
| FUND BALANCE, beginning of year | 43,000 | 43,000 | 42,777 | (223) |
| FUND BALANCE, end of year | \$ - | \$ - | \$ 43,232 | \$ 43,232 |

CITY OF AURORA, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

(MODIFIED CASH BASIS) - BUDGET AND ACTUAL – PARK RESERVE FUND

YEAR ENDED JUNE 30, 2017

| | <i>Budget Amounts</i> | | <i>Actual</i> | <i>Variance</i> |
|--|-----------------------|--------------|---------------|-----------------|
| | <i>Original</i> | <i>Final</i> | | |
| REVENUES | | | | |
| Miscellaneous | \$ 7 | \$ 7 | \$ 12 | \$ 5 |
| EXPENDITURES | | | | |
| Capital outlay | 1,157 | 1,157 | - | 1,157 |
| NET CHANGE IN FUND BALANCE | (1,150) | (1,150) | 12 | 1,162 |
| FUND BALANCE, beginning of year | 1,150 | 1,150 | 1,150 | - |
| FUND BALANCE, end of year | \$ - | \$ - | \$ 1,162 | \$ 1,162 |

CITY OF AURORA, OREGON

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
(MODIFIED CASH BASIS) - BUDGET AND ACTUAL – STREET/STORM SDC FUND
YEAR ENDED JUNE 30, 2017**

| | <i>Budget Amounts</i> | | <i>Actual</i> | <i>Variance</i> |
|--|-----------------------|--------------|---------------|-----------------|
| | <i>Original</i> | <i>Final</i> | | |
| REVENUES | | | | |
| Licenses and permits | \$ 11,600 | \$ 11,600 | \$ 2,900 | \$ (8,700) |
| Miscellaneous | 170 | 170 | 536 | 366 |
| <i>Total Revenues</i> | 11,770 | 11,770 | 3,436 | (8,334) |
| EXPENDITURES | | | | |
| Capital outlay | 60,670 | 60,670 | - | 60,670 |
| NET CHANGE IN FUND BALANCE | (48,900) | (48,900) | 3,436 | 52,336 |
| FUND BALANCE, beginning of year | 48,900 | 48,900 | 48,961 | 61 |
| FUND BALANCE, end of year | \$ - | \$ - | \$ 52,397 | \$ 52,397 |

CITY OF AURORA, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

(MODIFIED CASH BASIS) - BUDGET AND ACTUAL – STREET/STORM RESERVE FUND

YEAR ENDED JUNE 30, 2017

| | <i>Budget Amounts</i> | | <i>Actual</i> | <i>Variance</i> |
|--|-----------------------|--------------|---------------|-----------------|
| | <i>Original</i> | <i>Final</i> | | |
| REVENUES | | | | |
| Charges for services | \$ 13,800 | \$ 13,800 | \$ 13,741 | \$ (59) |
| Miscellaneous | 350 | 350 | 955 | 605 |
| <i>Total Revenues</i> | 14,150 | 14,150 | 14,696 | 546 |
| EXPENDITURES | | | | |
| Capital outlay | 95,150 | 95,150 | - | 95,150 |
| NET CHANGE IN FUND BALANCE | (81,000) | (81,000) | 14,696 | 95,696 |
| FUND BALANCE, beginning of year | 81,000 | 81,000 | 82,446 | 1,446 |
| FUND BALANCE, end of year | \$ - | \$ - | \$ 97,142 | \$ 97,142 |

CITY OF AURORA, OREGON

**COMBINING STATEMENT OF FUND NET POSITION (MODIFIED CASH BASIS) –
NONMAJOR ENTERPRISE FUNDS**

JUNE 30, 2017

| | <u><i>Sewer SDC</i></u> | <u><i>Sewer Reserve</i></u> | <u><i>Total</i></u> |
|---------------------------|-------------------------|-----------------------------|---------------------|
| ASSETS | | | |
| Cash and cash equivalents | \$ 45,870 | \$ 50,254 | \$ 96,124 |
| LIABILITIES | - | - | - |
| NET POSITION | | | |
| Restricted for: | | | |
| Construction | 45,870 | - | 45,870 |
| Unrestricted | - | 50,254 | 50,254 |
| | | | |
| <i>Total Net Position</i> | <u>\$ 45,870</u> | <u>\$ 50,254</u> | <u>\$ 96,124</u> |

CITY OF AURORA, OREGON**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION****(MODIFIED CASH BASIS) - NONMAJOR ENTERPRISE FUNDS****YEAR ENDED JUNE 30, 2017**

| | <u>Sewer SDC</u> | <u>Sewer Reserve</u> | <u>Total</u> |
|--|------------------|----------------------|--------------|
| OPERATING REVENUES | \$ - | \$ - | \$ - |
| OPERATING EXPENSES | - | - | - |
| OPERATING INCOME | - | - | - |
| NONOPERATING ITEMS | | | |
| Interest revenue | 472 | 719 | 1,191 |
| Capital acquisitions | - | (46,748) | (46,748) |
| <i>Total Nonoperating Items</i> | 472 | (46,029) | (45,557) |
| NET INCOME BEFORE CONTRIBUTIONS AND TRANSFERS | 472 | (46,029) | (45,557) |
| Capital contributions | 2,032 | - | 2,032 |
| CHANGE IN NET POSITION | 2,504 | (46,029) | (43,525) |
| NET POSITION, beginning of year | 43,366 | 96,283 | 139,649 |
| NET POSITION, end of year | \$ 45,870 | \$ 50,254 | \$ 96,124 |

CITY OF AURORA, OREGON**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE****(MODIFIED CASH BASIS) - BUDGET AND ACTUAL - WATER FUND****YEAR ENDED JUNE 30, 2017**

| | <i>Budget Amounts</i> | | <i>Actual</i> | <i>Variance</i> |
|--|-----------------------|--------------|---------------|-----------------|
| | <i>Original</i> | <i>Final</i> | | |
| REVENUES | | | | |
| Charges for services | \$ 299,100 | \$ 299,100 | \$ 295,837 | \$ (3,263) |
| Miscellaneous | 2,100 | 2,100 | 666 | (1,434) |
| Interest earnings | 1,300 | 1,300 | 2,547 | 1,247 |
| <i>Total Revenues</i> | 302,500 | 302,500 | 299,050 | (3,450) |
| EXPENDITURES | | | | |
| Personal services | 91,935 | 91,935 | 83,924 | 8,011 |
| Materials and services | 147,715 | 147,715 | 140,079 | 7,636 |
| Debt service | | | | |
| Principal | 13,019 | 13,019 | 13,019 | - |
| Interest | 7,873 | 7,873 | 7,873 | - |
| Capital outlay | 89,500 | 89,500 | 85,164 | 4,336 |
| Contingency | 209,158 | 209,158 | - | 209,158 |
| <i>Total Expenditures</i> | 559,200 | 559,200 | 330,059 | 229,141 |
| CHANGE IN FUND BALANCE | (256,700) | (256,700) | (31,009) | 225,691 |
| FUND BALANCE, beginning of year | 256,700 | 256,700 | 253,678 | (3,022) |
| FUND BALANCE, end of year | \$ - | \$ - | \$ 222,669 | \$ 222,669 |

CITY OF AURORA, OREGON**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE****(MODIFIED CASH BASIS) - BUDGET AND ACTUAL - SEWER FUND****YEAR ENDED JUNE 30, 2017**

| | <i>Budget Amounts</i> | | <i>Actual</i> | <i>Variance</i> |
|--|-----------------------|--------------|---------------|-----------------|
| | <i>Original</i> | <i>Final</i> | | |
| REVENUES | | | | |
| Charges for services | \$ 281,500 | \$ 281,500 | \$ 285,983 | \$ 4,483 |
| Miscellaneous | 2,000 | 2,000 | 40 | (1,960) |
| Interest earnings | 1,100 | 1,100 | 2,518 | 1,418 |
| <i>Total Revenues</i> | 284,600 | 284,600 | 288,541 | 3,941 |
| EXPENDITURES | | | | |
| Personal services | 84,969 | 84,969 | 76,279 | 8,690 |
| Materials and services | 195,165 | 195,165 | 133,959 | 61,206 |
| Capital outlay | 57,500 | 57,500 | 42,686 | 14,814 |
| Contingency | 167,966 | 167,966 | - | 167,966 |
| <i>Total Expenditures</i> | 505,600 | 505,600 | 252,924 | 252,676 |
| CHANGE IN FUND BALANCE | (221,000) | (221,000) | 35,617 | 256,617 |
| FUND BALANCE, beginning of year | 221,000 | 221,000 | 231,723 | 10,723 |
| FUND BALANCE, end of year | \$ - | \$ - | \$ 267,340 | \$ 267,340 |

CITY OF AURORA, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

(MODIFIED CASH BASIS) - BUDGET AND ACTUAL – WATER SDC FUND

YEAR ENDED JUNE 30, 2017

| | <i>Budget Amounts</i> | | <i>Actual</i> | <i>Variance</i> |
|--|-----------------------|--------------|---------------|-----------------|
| | <i>Original</i> | <i>Final</i> | | |
| REVENUES | | | | |
| Licenses and permits | \$ 31,412 | \$ 31,412 | \$ 5,543 | \$ (25,869) |
| Interest earnings | 300 | 300 | 1,228 | 928 |
| <i>Total Revenues</i> | 31,712 | 31,712 | 6,771 | (24,941) |
| EXPENDITURES | | | | |
| Capital outlay | 144,312 | 144,312 | - | 144,312 |
| CHANGE IN FUND BALANCE | (112,600) | (112,600) | 6,771 | 119,371 |
| FUND BALANCE, beginning of year | 112,600 | 112,600 | 112,799 | 199 |
| FUND BALANCE, end of year | \$ - | \$ - | \$ 119,570 | \$ 119,570 |

CITY OF AURORA, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

(MODIFIED CASH BASIS) - BUDGET AND ACTUAL – WATER RESERVE FUND

YEAR ENDED JUNE 30, 2017

| | <i>Budget Amounts</i> | | <i>Actual</i> | <i>Variance</i> |
|--|-----------------------|--------------|---------------|-----------------|
| | <i>Original</i> | <i>Final</i> | | |
| REVENUES | | | | |
| Interest earnings | \$ 550 | \$ 550 | \$ 1,133 | \$ 583 |
| EXPENDITURES | | | | |
| Capital outlay | 107,550 | 107,550 | 6,468 | 101,082 |
| CHANGE IN FUND BALANCE | (107,000) | (107,000) | (5,335) | 101,665 |
| FUND BALANCE, beginning of year | 107,000 | 107,000 | 107,049 | 49 |
| FUND BALANCE, end of year | \$ - | \$ - | \$ 101,714 | \$ 101,714 |

CITY OF AURORA, OREGON**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE****(MODIFIED CASH BASIS) - BUDGET AND ACTUAL – GENERAL OBLIGATION WASTEWATER BOND FUND
YEAR ENDED JUNE 30, 2017**

| | <i>Budget Amounts</i> | | <i>Actual</i> | <i>Variance</i> |
|--|-----------------------|--------------|---------------|-----------------|
| | <i>Original</i> | <i>Final</i> | | |
| REVENUES | | | | |
| Taxes and assessments | \$ 327,278 | \$ 327,278 | \$ 333,442 | \$ 6,164 |
| Interest earnings | 800 | 800 | 2,017 | 1,217 |
| <i>Total Revenues</i> | 328,078 | 328,078 | 335,459 | 7,381 |
| EXPENDITURES | | | | |
| Debt service | | | | |
| Principal | 235,000 | 235,000 | 235,000 | - |
| Interest | 99,375 | 99,375 | 99,375 | - |
| <i>Total Expenditures</i> | 334,375 | 334,375 | 334,375 | - |
| CHANGE IN FUND BALANCE | (6,297) | (6,297) | 1,084 | 7,381 |
| FUND BALANCE, beginning of year | 16,297 | 16,297 | 22,292 | 5,995 |
| FUND BALANCE, end of year | \$ 10,000 | \$ 10,000 | \$ 23,376 | \$ 13,376 |

CITY OF AURORA, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

(MODIFIED CASH BASIS) - BUDGET AND ACTUAL – SEWER SDC FUND

YEAR ENDED JUNE 30, 2017

| | <i>Budget Amounts</i> | | <i>Actual</i> | <i>Variance</i> |
|--|-----------------------|--------------|---------------|-----------------|
| | <i>Original</i> | <i>Final</i> | | |
| REVENUES | | | | |
| Licenses and permits | \$ 8,128 | \$ 8,128 | \$ 2,032 | \$ (6,096) |
| Interest earnings | 175 | 175 | 472 | 297 |
| <i>Total Revenues</i> | 8,303 | 8,303 | 2,504 | (5,799) |
| EXPENDITURES | | | | |
| Capital outlay | 51,603 | 51,603 | - | 51,603 |
| CHANGE IN FUND BALANCE | (43,300) | (43,300) | 2,504 | 45,804 |
| FUND BALANCE, beginning of year | 43,300 | 43,300 | 43,366 | 66 |
| FUND BALANCE, end of year | \$ - | \$ - | \$ 45,870 | \$ 45,870 |

CITY OF AURORA, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

(MODIFIED CASH BASIS) - BUDGET AND ACTUAL – SEWER RESERVE FUND

YEAR ENDED JUNE 30, 2017

| | <i>Budget Amounts</i> | | <i>Actual</i> | <i>Variance</i> |
|--|-----------------------|--------------|---------------|-----------------|
| | <i>Original</i> | <i>Final</i> | | |
| REVENUES | | | | |
| Interest earnings | \$ 300 | \$ 300 | \$ 719 | \$ 419 |
| EXPENDITURES | | | | |
| Capital outlay | 94,300 | 94,300 | 46,748 | 47,552 |
| CHANGE IN FUND BALANCE | (94,000) | (94,000) | (46,029) | 47,971 |
| FUND BALANCE, beginning of year | 94,000 | 94,000 | 96,283 | 2,283 |
| FUND BALANCE, end of year | \$ - | \$ - | \$ 50,254 | \$ 50,254 |

COMPLIANCE SECTION



GROVE, MUELLER & SWANK, P.C.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS
475 Cottage Street NE, Suite 200, Salem, Oregon 97301
(503) 581-7788

INDEPENDENT AUDITOR'S REPORT REQUIRED BY OREGON STATE REGULATIONS

Honorable Mayor and Council Members
City of Aurora
21420 Main Street NE
Aurora, Oregon 97002

We have audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of the City of Aurora, Oregon as of and for the year ended June 30, 2017, and have issued our report thereon dated November 22, 2017.

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 grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations, noncompliance with which could have a direct and material effect on the determination of financial statements 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.

We performed procedures to the extent we considered necessary to address the required comments and disclosures which included, but were not limited to the following:

- Deposit of public funds with financial institutions (ORS Chapter 295).
- Indebtedness limitations, restrictions and repayment.
- Budgets legally required (ORS Chapter 294).
- Insurance and fidelity bonds in force or required by law.
- Programs funded from outside sources.
- Highway revenues used for public highways, roads, and streets.
- Authorized investment of surplus funds (ORS Chapter 294).
- Public contracts and purchasing (ORS Chapters 279A, 279B, 279C).
- Accountability for collecting or receiving money by elected officials - no money was collected or received by elected officials.

In connection with our testing nothing came to our attention that caused us to believe the City was not in substantial compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations, except the City does not maintain historical cost or depreciation records for capital assets.


Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Restriction on Use

This report is intended solely for the information and use of the City Council and management of the City of Aurora, Oregon and the Oregon Secretary of State and is not intended to be and should not be used by anyone other than these parties.

*GROVE, MUELLER & SWANK, P.C.
CERTIFIED PUBLIC ACCOUNTANTS*

By: 
Devan W. Esch, A Shareholder
November 22, 2017