

***CITY OF AURORA, OREGON
ANNUAL FINANCIAL REPORT
Year Ended June 30, 2018***

CITY OF AURORA, OREGON
CITY OFFICIALS
JUNE 30, 2018

MAYOR

Bill Graupp 14629 Ehlen Road NE
Aurora, Oregon 97002

CITY COUNCIL MEMBERS

Kris Sallee 21311 Main Street NE
Aurora, Oregon 97002

Brian Asher 21514 Liberty 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

Scott W. Jorgensen, City Recorder
96 Oswego Summit
Lake Oswego, OR 97035

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
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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, 2018, 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, 2018, 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.

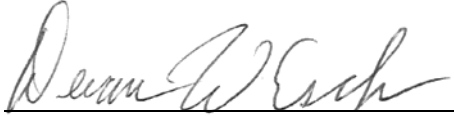
The supplemental information as listed in the table of contents is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures 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 27, 2018, 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 27, 2018

CITY OF AURORA, OREGON

Management's Discussion and Analysis June 30, 2018

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, 2018.

Financial Highlights

	June 30,		change
	2018	2017	
Net position	\$ 2,130,263	\$ 1,874,762	\$ 255,501
Change in net position	255,501	80,472	175,029
Governmental net position	1,199,346	1,043,969	155,377
Proprietary net position	930,917	830,793	100,124
Change in governmental net position	155,377	116,869	38,508
Change in proprietary net position	100,124	(36,397)	136,521

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 (business-type) 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,

	2018			2017		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Cash and cash equivalents	\$ 1,199,346	\$ 930,917	\$ 2,130,263	\$ 1,043,969	\$ 830,793	\$ 1,874,762
Liabilities	-	-	-	-	-	-
Net Position:						
Restricted	419,143	234,085	653,228	356,314	197,321	553,635
Unrestricted	780,203	696,832	1,477,035	687,655	633,472	1,321,127
Total Net Position	\$ 1,199,346	\$ 930,917	\$ 2,130,263	\$ 1,043,969	\$ 830,793	\$ 1,874,762

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 \$2,130,263 as of June 30, 2018.

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,

	2018			2017		
	Governmental Activities	Business- type Activities	Total	Governmental Activities	Business- type Activities	Total
Revenues						
Program revenues						
Charges for service	\$ 150,845	\$ 651,422	\$ 802,267	\$ 119,683	\$ 581,820	\$ 701,503
Operating grants	62,894	2,000	64,894	57,501	-	57,501
Capital grants	23,320	37,875	61,195	12,315	7,575	19,890
General revenues						
Taxes and assessments	286,012	331,583	617,595	274,190	333,442	607,632
Franchise taxes	69,526	-	69,526	63,837	-	63,837
Intergovernmental	34,350	-	34,350	27,717	-	27,717
Miscellaneous	70,353	22,437	92,790	58,862	11,340	70,202
<i>Total revenues</i>	<u>697,300</u>	<u>1,045,317</u>	<u>1,742,617</u>	<u>614,105</u>	<u>934,177</u>	<u>1,548,282</u>
Expenses						
General government	143,838	-	143,838	122,924	-	122,924
Public safety	182,527	-	182,527	154,733	-	154,733
Highways and streets	64,089	-	64,089	81,755	-	81,755
Community development	151,469	-	151,469	137,824	-	137,824
Water	-	335,761	335,761	-	336,527	336,527
Sewer	-	609,432	609,432	-	634,047	634,047
<i>Total expenses</i>	<u>541,923</u>	<u>945,193</u>	<u>1,487,116</u>	<u>497,236</u>	<u>970,574</u>	<u>1,467,810</u>
Change in net position	155,377	100,124	255,501	116,869	(36,397)	80,472
Net position, beginning 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>
Net position, end of year	<u>\$ 1,199,346</u>	<u>\$ 930,917</u>	<u>\$ 2,130,263</u>	<u>\$ 1,043,969</u>	<u>\$ 830,793</u>	<u>\$ 1,874,762</u>

Statement of Activities (modified cash basis). During the current fiscal year, the City's total net position increased by \$255,501 to \$2,130,263 from \$1,874,762 at the beginning of the year. The key elements of the change in the City's net position for the year ended June 30, 2018 are as follows:

Governmental activities - The City's net position increased by \$155,377 from governmental activities. Revenues and expenses were both more than in the prior year. The increase was more than the prior year's increase due to increased revenues.

Business type activities - The City's net position increased by \$100,124 from business type activities. This increase is due to increased revenue and decreased expenses. Revenues were higher than prior year revenues, and expenses were lower than prior year 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, 2018, the City's governmental funds reported combined ending fund balances of \$1,199,346 an increase of \$155,377 over the prior year.

Business-type funds. The business-type funds account for the City's water and sewer operations. Revenue exceeded expenses by \$100,124 for the year ended June 30, 2018.

General Fund Budgetary Highlights

The governing body made two changes to the General Fund budget for the fiscal year ended June 30, 2018.

Significant Fund Transactions

Major Governmental Funds:

General Fund. The General Funds is the primary operating funds of the City. The fund balance was \$609,456 as of June 30, 2018. The fund balance increased \$67,714 during the current fiscal year. The increase was due primarily to revenues in excess of expenditures in the amount of \$91,214 offset by net transfers out of \$23,500. Revenues were very close to the amount budgeted, while expenditures were significantly under budget. As a measure of the liquidity, it may be useful to compare total fund balances to total fund expenditures. Fund balance represents 131% of total expenditures.

Street/Storm Operating Fund. The Street/Storm Operating Fund accounts for street maintenance and improvements. The fund balance increased by \$19,288. Charges for services and State gas tax revenues exceeded street-related expenditures.

City Hall Building Fund – The fund balance increased by \$24,815 due to transfers in of \$20,000 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 increased \$36,809 during the year due to operating income in excess of debt service and capital outlay.

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 \$50,676 during the year due to operating income in excess of capital outlay.

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 \$29,913 during the year due to interest revenue and capital contributions and no expenditures.

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 decreased by \$5,228 during the current year, as budgeted.

Debt Administration

The City had total debt outstanding of \$2,075,996 at the end of the current fiscal year.

During the current fiscal year, the City’s total debt decreased by \$263,410 (13%).

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 \$188,169,925 for the current year; therefore, the current debt limitation is \$5,645,098 for the City of Aurora. The City had no general obligation debt subject to the limitation at June 30, 2018.

**City of Aurora
Outstanding Debt**

	Business-type Activities	
	2018	2017
General obligation bonds	\$ 1,840,000	\$ 2,090,000
Loans	235,996	249,406
Total	\$ 2,075,996	\$ 2,339,406

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 2018-19 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, 2018

	<i>Governmental Activities</i>	<i>Business-type Activities</i>	<i>Totals</i>
ASSETS			
Cash and cash equivalents	\$ 1,199,346	\$ 930,917	\$ 2,130,263
LIABILITIES			
	-	-	-
NET POSITION			
Restricted for:			
Customer deposits	-	9,585	9,585
Debt service	-	18,148	18,148
Capital outlay	177,930	206,352	384,282
Streets	241,213	-	241,213
Unrestricted	780,203	696,832	1,477,035
<i>Total Net Position</i>	<u>\$ 1,199,346</u>	<u>\$ 930,917</u>	<u>\$ 2,130,263</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, 2018

	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Fees, Fines and Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
FUNCTIONS/PROGRAMS				
Governmental activities:				
General government	\$ 143,838	\$ 8,531	\$ -	\$ -
Public safety	182,527	38,934	-	-
Highways and streets	64,089	32,183	61,894	14,500
Community development	151,469	71,197	1,000	8,820
	<u>541,923</u>	<u>150,845</u>	<u>62,894</u>	<u>23,320</u>
Business-type activities:				
Water	335,761	340,393	-	27,715
Sewer	609,432	311,029	2,000	10,160
	<u>945,193</u>	<u>651,422</u>	<u>2,000</u>	<u>37,875</u>
<i>Total Governmental activities</i>				
<i>Total Business-type activities</i>				
<i>Total Activities</i>	<u>\$ 1,487,116</u>	<u>\$ 802,267</u>	<u>\$ 64,894</u>	<u>\$ 61,195</u>
General Revenues:				
Property taxes				
Franchise taxes				
Intergovernmental				
Miscellaneous				
<i>Total General Revenues</i>				
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>
\$ (135,307)	\$ -	\$ (135,307)
(143,593)	-	(143,593)
44,488	-	44,488
(70,452)	-	(70,452)
(304,864)	-	(304,864)
-	32,347	32,347
-	(286,243)	(286,243)
-	(253,896)	(253,896)
(304,864)	(253,896)	(558,760)
286,012	331,583	617,595
69,526	-	69,526
34,350	-	34,350
70,353	22,437	92,790
460,241	354,020	814,261
155,377	100,124	255,501
1,043,969	830,793	1,874,762
\$ 1,199,346	\$ 930,917	\$ 2,130,263

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

CITY OF AURORA, OREGON

BALANCE SHEET (MODIFIED CASH BASIS) - GOVERNMENTAL FUNDS

JUNE 30, 2018

		<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	\$ 609,456	\$ 173,335	\$ 169,566
LIABILITIES AND FUND BALANCE			
Liabilities:	\$ -	\$ -	\$ -
Fund Balance:			
Restricted for:			
Capital acquisitions	-	-	-
Community development	-	-	-
Streets	-	173,335	-
Committed to:			
Capital acquisitions	-	-	169,566
Unassigned	609,456	-	-
Total Fund Balance	609,456	173,335	169,566
Total Liabilities and Fund Balance	\$ 609,456	\$ 173,335	\$ 169,566

<i>Other Governmental Funds</i>	<i>Total</i>
\$ 246,989	\$ 1,199,346
-	-
165,320	165,320
12,610	12,610
67,878	241,213
1,181	170,747
-	609,456
246,989	1,199,346
\$ 246,989	\$ 1,199,346

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, 2018**

		<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	\$ 286,012	\$ -	\$ -
Fines and forfeitures	38,935	-	-
Licenses and permits	147,185	-	2,069
Charges for services	-	18,556	-
Intergovernmental	35,350	61,894	-
Miscellaneous	50,322	2,927	2,746
	<hr/>	<hr/>	<hr/>
<i>Total Revenues</i>	557,804	83,377	4,815
EXPENDITURES			
General government	133,176	-	-
Public safety	182,527	-	-
Highways and streets	-	63,939	-
Community development	105,255	-	-
Parks	41,910	-	-
Capital outlay	3,722	150	-
	<hr/>	<hr/>	<hr/>
<i>Total Expenditures</i>	466,590	64,089	-
REVENUES OVER (UNDER) EXPENDITURES			
	91,214	19,288	4,815
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	20,000
Transfers out	(23,500)	-	-
	<hr/>	<hr/>	<hr/>
<i>Total Other Financing Sources (Uses)</i>	(23,500)	-	20,000
NET CHANGE IN FUND BALANCE			
	67,714	19,288	24,815
FUND BALANCE, beginning of year			
	541,742	154,047	144,751
	<hr/>	<hr/>	<hr/>
FUND BALANCE, end of year			
	\$ 609,456	\$ 173,335	\$ 169,566
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

<i>Other Governmental Funds</i>	<i>Total</i>
\$ -	\$ 286,012
-	38,935
26,275	175,529
13,628	32,184
-	97,244
11,401	67,396
51,304	697,300
-	133,176
-	182,527
-	63,939
11,244	116,499
-	41,910
-	3,872
11,244	541,923
40,060	155,377
3,500	23,500
-	(23,500)
3,500	-
43,560	155,377
203,429	1,043,969
\$ 246,989	\$ 1,199,346

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, 2018

	<u>Water</u>	<u>Sewer</u>	<u>Water SDC</u>
ASSETS			
Cash and cash equivalents	\$ 259,478	\$ 318,016	\$ 149,483
LIABILITIES	-	-	-
NET POSITION			
Restricted for:			
Customer deposits	9,585	-	-
Debt service	-	-	-
Construction	-	-	149,483
Unrestricted	249,893	318,016	-
	<u>249,893</u>	<u>318,016</u>	<u>-</u>
<i>Total Net Position</i>	<u>\$ 259,478</u>	<u>\$ 318,016</u>	<u>\$ 149,483</u>

<i>G.O. Wastewater Bond Fund</i>	<i>Other Business- type Funds</i>	<i>Total</i>
\$ 18,148	\$ 185,792	\$ 930,917
-	-	-
-	-	9,585
18,148	-	18,148
-	56,869	206,352
-	128,923	696,832
\$ 18,148	\$ 185,792	\$ 930,917

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, 2018**

	<u>Water</u>	<u>Sewer</u>
OPERATING REVENUES		
Charges for services	\$ 340,393	\$ 311,029
Miscellaneous	4,814	545
<i>Total Operating Revenues</i>	345,207	311,574
OPERATING EXPENSES		
Personal services	96,347	88,356
Materials and services	157,892	145,987
<i>Total Operating Expenses</i>	254,239	234,343
OPERATING INCOME	90,968	77,231
NONOPERATING ITEMS		
Taxes and assessments	-	-
Intergovernmental	-	-
Interest revenue	3,766	4,805
Capital acquisitions	(37,033)	(31,360)
Debt payments		
Principal	(13,410)	-
Interest	(7,482)	-
<i>Total Nonoperating Items</i>	(54,159)	(26,555)
NET INCOME BEFORE CONTRIBUTIONS AND TRANSFERS	36,809	50,676
Capital contributions	-	-
CHANGE IN NET POSITION	36,809	50,676
NET POSITION, beginning of year	222,669	267,340
NET POSITION, end of year	\$ 259,478	\$ 318,016

<i>Water SDC</i>	<i>G.O. Wastewater Bond Fund</i>	<i>Other Business- type Funds</i>	<i>Total</i>
\$ -	\$ -	\$ -	\$ 651,422
-	-	-	5,359
-	-	-	656,781
-	-	-	184,703
-	-	-	303,879
-	-	-	488,582
-	-	-	168,199
-	331,582	-	331,582
-	-	2,000	2,000
2,198	3,165	3,145	17,079
-	-	(27,351)	(95,744)
-	(250,000)	-	(263,410)
-	(89,975)	-	(97,457)
2,198	(5,228)	(22,206)	(105,950)
2,198	(5,228)	(22,206)	62,249
27,715	-	10,160	37,875
29,913	(5,228)	(12,046)	100,124
119,570	23,376	197,838	830,793
\$ 149,483	\$ 18,148	\$ 185,792	\$ 930,917

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.

CITY OF AURORA, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2018

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.

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.

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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (continued)

Water Reserve Fund

This fund is used to accumulate resources for major repairs and improvements to the water 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.

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.

CITY OF AURORA, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2018

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Definitions of Governmental Fund Types (Continued)

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, 2018

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, 2018

CASH AND CASH EQUIVALENTS

Cash and cash equivalents are comprised of the following at June 30, 2018:

Cash

Cash on hand	\$	400
Deposits with financial institutions		117,589
Local Government Investment Pool		2,012,274
		<hr/>
	\$	2,130,263
		<hr/> <hr/>

Deposits

The City's deposits with various financial institutions had a book value of \$117,589 a bank value of \$159,054 as of June 30, 2018. 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, 2018 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, 2018, 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, 2018

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 to 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, 2017</u>	<u>Issued</u>	<u>Matured/ Redeemed During Year</u>	<u>Outstanding June 30, 2018</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	\$ 2,090,000	\$ -	\$ (250,000)	\$ 1,840,000	\$ 270,000
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	249,406	-	(13,410)	235,996	13,812
	<u>\$ 3,840,818</u>	<u>\$ 2,339,406</u>	<u>\$ -</u>	<u>\$ (263,410)</u>	<u>\$ 2,075,996</u>	<u>\$ 283,812</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, 2018

LONG-TERM DEBT (Continued)

Future debt service requirements are as follows:

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	370,546	33,696	404,242
2024-2028	360,009	31,824	391,833
2029-2032	77,657	5,909	83,566
	<u>\$ 2,075,996</u>	<u>\$ 347,163</u>	<u>\$ 2,423,159</u>

PENSION PLAN

Plan Description - City employees are provided pension benefits through the Oregon Public Employees Retirement System (PERS). PERS is a cost-sharing multiple-employer defined benefit pension plan for units of state and local government in Oregon, containing multiple actuarial pools. Benefits are established and amended by the Oregon State Legislature pursuant to ORS Chapters 238 and 238A. The legislature has delegated the authority to administer and manage PERS to the Public Employees Retirement Board. PERS issues a publicly available financial report that can be found at: <https://www.oregon.gov/pers/Pages/Financials/Actuarial-Financial-Information.aspx>

Benefits Provided - PERS provides retirement, disability, and death benefits which vary based on a qualified employee's hiring date and employment class (general service or police/fire). All City employees are eligible to participate after six months of covered employment. Details applicable to police/fire employees are noted in [square brackets] where different.

The Tier One/Tier Two Retirement Plan applies to qualifying employees hired before August 29, 2003 and is closed to new members.

Monthly retirement benefits are based on final 3-year average salary multiplied by years of service and a factor of 1.67% [2.00%]. Benefits may also be based on a money match computation, or formula plus annuity (for members contributing before August 21, 1981), if a greater benefit results. Employees are fully vested after making contributions in each of five calendar years, and are eligible to retire at age 55 [50]. Tier One benefits are reduced if retirement occurs prior to age 58 [55] with less than 30 [25] years of service; Tier Two benefits are reduced for retirement prior to age 60.

Employees are eligible for service-related disability benefits regardless of length of service; 10 years of service is required for nonservice-related benefits. Disability benefits are determined in the same manner as retirement benefits with service time computed to age 58 [55].

Upon the death of a non-retired member, the beneficiary receives a lump-sum refund of the member's account balance. The beneficiary may also receive a matching lump-sum payment from employer funds if the member was in covered employment at the time of death, or if the member died less than 120 days after termination, while on official leave of absence, or as a result of a job-related injury.

CITY OF AURORA, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2018

PENSION PLAN (Continued)

Monthly benefits are subject to annual cost-of-living adjustments (COLA). For benefits earned after the relevant effective dates, the COLA is subject to a cap of 1.25% on the first \$60,000 of annual benefits and 0.15% thereafter (ORS 238.360).

The Oregon Public Service Retirement Plan (OPSRP) applies to qualifying employees hired on or after August 29, 2003.

Monthly retirement benefits are based on final 3-year average salary multiplied by years of service and a factor of 1.50% [1.80%]. Employees are fully vested after completing 600 hours of service in each of five calendar years, and are eligible to retire at age 58 [53] with 30 [25] years of service, or at age 65 [60] otherwise.

Employees are eligible for service-related disability benefits regardless of length of service; 10 years of service is required for nonservice-related benefits. The benefit is 45% of the employee's salary during the last full month of employment before the disability occurred.

Upon the death of a non-retired member, the beneficiary receives a monthly benefit equal to 50% of the retirement benefit that would have been paid to the member.

Monthly benefits are subject to annual cost-of-living adjustments (COLA). For benefits earned after the relevant effective dates, the COLA is subject to a cap of 1.25% on the first \$60,000 of annual benefits and 0.15% thereafter (ORS 238A.210).

Contribution Requirements – As a participating employer, the City is required to make monthly contributions to PERS based on actuarially determined percentages of covered payroll. Rates in effect for fiscal year 2018 were 8.14% for Tier One/Tier Two employees, 0.43% for OPSRP general service employees, and 3.31% for OPSRP police/fire employees. The City's total contributions to PERS were \$1,021 for fiscal year ended June 30, 2018.

Contribution requirements are established by Oregon statute and may be amended by an act of the Oregon State Legislature. Employer contribution rates for fiscal year 2018 were based on the December 31, 2015 actuarial valuation using the entry age normal actuarial cost method. It is important to note that the actuarial valuations used for rate setting are based on different methods and assumptions than those used for financial reporting which are described later in this note.

Employee contributions are set by statute at 6% of salary and are remitted by participating employers, who may agree to make employee contributions on the employee's behalf. Prior to January 1, 2004, employee contributions were credited to the defined benefit pension plan. Beginning January 1, 2004, all employee contributions were placed in the OPSRP Individual Account Program (IAP), a defined contribution pension plan described further at the end of this note.

Pension Assets/Liabilities, Pension Expense, and Pension-Related Deferrals – At June 30, 2018, the City reported a net pension liability of \$124,512 as its proportionate share of the collective net pension liability for PERS, measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was based on a December 31, 2015 actuarial valuation, rolled forward to the measurement date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to PERS relative to the projected contributions of all participating employers, as actuarially determined. The City's proportion was 0.000924% as of the June 30, 2017 measurement date, compared to 0.001026% as of June 30, 2016.

CITY OF AURORA, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2018

PENSION PLAN (Continued)

Actuarial Methods and Assumptions – The total pension liability in the December 31, 2015 actuarial valuation was determined using the entry age normal method and the following actuarial assumptions, applied to all periods included in the measurement: inflation rate of 2.50%, projected salary increases of 3.50%, investment rate of return of 7.50%, and mortality rates based on the RP-2000 sex-distinct mortality tables, with generational adjustments per scale BB. These assumptions were based on the results of an actuarial experience study for the four-year period ending December 31, 2014.

The long-term expected rate of return on pension plan investments was developed by combining estimated rates of return for each major asset class weighted by target asset allocation percentages and adjusting for inflation.

Target allocations and estimated geometric rates of return for each major asset class are available in the PERS publicly available financial report previously mentioned.

The discount rate used to measure the total pension liability was 7.50%. 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 was applied to all periods of projected benefit payments to determine the total pension liability.

The following chart shows the sensitivity of the net pension liability (asset) to changes in the discount rate, based on calculations using the discount rates of 6.50%, 4.50%, and 8.50%.

	<u>1% Decrease</u> <u>(6.50%)</u>	<u>Discount Rate</u> <u>(7.50%)</u>	<u>1% Increase</u> <u>(8.50%)</u>
Proportionate share of the net pension liability	\$ 212,192	\$ 124,512	\$ 51,196

Pension Plan Fiduciary Net Position – Detailed information about PERS' net position is available in its separately issued financial report.

Defined Contribution Plan – PERS-eligible employees are statutorily required to contribute 6% of their annual covered salary to the OPSRP Individual Account Program (IAP), a defined contribution pension plan. Benefits terms, including contribution requirements, are established by the Oregon Legislature. The City has opted to not pick-up the contributions on behalf of employees. PERS contracts with VOYA Financial to administer the IAP.

Changes in Plan Provisions Subsequent to Measurement Date – The PERS Board lowered the Assumed Rate of Return from 7.50% to 7.20% on July 28, 2017. This change is effective January 1, 2018 and will decrease the net OPEB asset or increase the net OPEB liability in future periods.

CITY OF AURORA, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2018

POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS

The other postemployment benefits (OPEB) for the City combines two separate plans. The City provides an implicit rate subsidy for retiree health insurance premiums administered by City/County Insurance Services (CIS), and a contribution to the State of Oregon’s PERS cost-sharing multiple-employer defined health insurance benefit plan. The total OPEB liability is based on a valuation provided by an independent actuarial firm based on assumptions including inflation rate, projected salary increases, discount rate, medical, dental and vision increases, and mortality rates and other inputs. The total OPEB liability was estimated at June 30, 2018 by Milliman Actuarial Services for both plans. Management has determined that the total OPEB liability is not material to the financial statements taken as a whole.

TRANSFERS

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General	\$ -	\$ 23,500
City Hall Building	20,000	-
Aurora Colony Days	3,500	-
	<u>\$ 23,500</u>	<u>\$ 23,500</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.

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.

SUPPLEMENTAL INFORMATION

CITY OF AURORA, OREGON

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

JUNE 30, 2018

	<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	\$ 12,610	\$ 52,818	\$ 1,181
	<u>12,610</u>	<u>52,818</u>	<u>1,181</u>
 LIABILITIES AND FUND BALANCE			
Liabilities:	\$ -	\$ -	\$ -
 Fund Balance:			
Restricted for:			
Capital acquisitions	-	52,818	-
Streets	-	-	-
Community development	12,610	-	-
Committed to:			
Capital acquisitions	-	-	1,181
	<u>12,610</u>	<u>52,818</u>	<u>1,181</u>
Total Fund Balance	<u>12,610</u>	<u>52,818</u>	<u>1,181</u>
 Total Liabilities and Fund Balance	<u>\$ 12,610</u>	<u>\$ 52,818</u>	<u>\$ 1,181</u>

<i>Capital Projects</i>		
<i>Street / Storm SDC</i>	<i>Street / Storm Reserve</i>	<i>Total</i>
\$ 67,878	\$ 112,502	\$ 246,989
\$ -	\$ -	\$ -
-	112,502	165,320
67,878	-	67,878
-	-	12,610
-	-	1,181
67,878	112,502	246,989
\$ 67,878	\$ 112,502	\$ 246,989

CITY OF AURORA, OREGON**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
(MODIFIED CASH BASIS) - NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2018**

	<i>Special Revenue</i>	<i>Capital Projects</i>	
	<i>Aurora Colony Days</i>	<i>Park SDC</i>	<i>Park Reserve</i>
<i>REVENUES</i>			
Licenses and permits	\$ 2,955	\$ 8,820	\$ -
Charges for services	-	-	-
Miscellaneous	7,903	766	19
<i>Total Revenues</i>	10,858	9,586	19
<i>EXPENDITURES</i>			
Community development	11,244	-	-
<i>REVENUES OVER (UNDER) EXPENDITURES</i>	(386)	9,586	19
<i>OTHER FINANCING SOURCES (USES)</i>			
Transfers in	3,500	-	-
<i>NET CHANGE IN FUND BALANCE</i>	3,114	9,586	19
<i>FUND BALANCE, beginning of year</i>	9,496	43,232	1,162
<i>FUND BALANCE, end of year</i>	\$ 12,610	\$ 52,818	\$ 1,181

Capital Projects

<i>Street / Storm SDC</i>	<i>Street / Storm Reserve</i>	<i>Total</i>
\$ 14,500	\$ -	\$ 26,275
-	13,628	13,628
981	1,732	11,401
15,481	15,360	51,304
-	-	11,244
15,481	15,360	40,060
-	-	3,500
15,481	15,360	43,560
52,397	97,142	203,429
\$ 67,878	\$ 112,502	\$ 246,989

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, 2018**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Taxes and assessments	\$ 278,749	\$ 278,749	\$ 286,012	\$ 7,263
Fines and forfeitures	15,500	15,500	38,935	23,435
Licenses and permits	132,000	132,000	147,185	15,185
Intergovernmental	52,000	52,000	35,350	(16,650)
Miscellaneous	73,050	73,050	50,322	(22,728)
<i>Total Revenues</i>	551,299	551,299	557,804	6,505
EXPENDITURES				
Personal services	114,757	124,757	101,109	23,648
Materials and services	440,240	443,740	361,759	81,981
Capital outlay	12,700	12,700	3,722	8,978
Contingency	445,102	431,602	-	431,602
<i>Total Expenditures</i>	1,012,799	1,012,799	466,590	546,209
REVENUES OVER (UNDER) EXPENDITURES	(461,500)	(461,500)	91,214	552,714
OTHER FINANCING SOURCES (USES)				
Transfers out	(23,500)	(23,500)	(23,500)	-
NET CHANGE IN FUND BALANCE	(485,000)	(485,000)	67,714	552,714
FUND BALANCE, beginning of year	485,000	485,000	541,742	56,742
FUND BALANCE, end of year	\$ -	\$ -	\$ 609,456	\$ 609,456

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, 2018**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Charges for services	\$ 17,940	\$ 17,940	\$ 18,556	\$ 616
Intergovernmental	106,000	106,000	61,894	(44,106)
Miscellaneous	8,300	8,300	2,927	(5,373)
<i>Total Revenues</i>	132,240	132,240	83,377	(48,863)
EXPENDITURES				
Personal services	33,209	33,209	22,524	10,685
Materials and services	69,940	69,940	41,415	28,525
Capital outlay	65,000	65,000	150	64,850
Contingency	106,841	106,841	-	106,841
<i>Total Expenditures</i>	274,990	274,990	64,089	210,901
NET CHANGE IN FUND BALANCE	(142,750)	(142,750)	19,288	162,038
FUND BALANCE, beginning of year	142,750	142,750	154,047	11,297
FUND BALANCE, end of year	\$ -	\$ -	\$ 173,335	\$ 173,335

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, 2018**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Licenses and permits	\$ 4,700	\$ 4,700	\$ 2,069	\$ (2,631)
Miscellaneous	1,200	1,200	2,746	1,546
<i>Total Revenues</i>	5,900	5,900	4,815	(1,085)
EXPENDITURES				
Capital outlay	175,900	175,900	-	175,900
REVENUES OVER (UNDER) EXPENDITURES	(170,000)	(170,000)	4,815	174,815
OTHER FINANCING SOURCES (USES)				
Transfers in	20,000	20,000	20,000	-
NET CHANGE IN FUND BALANCE	(150,000)	(150,000)	24,815	174,815
FUND BALANCE, beginning of year	150,000	150,000	144,751	(5,249)
FUND BALANCE, end of year	\$ -	\$ -	\$ 169,566	\$ 169,566

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, 2018**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Licenses and permits	\$ 4,400	\$ 4,400	\$ 2,955	\$ (1,445)
Miscellaneous	4,350	4,350	7,903	3,553
<i>Total Revenues</i>	<u>8,750</u>	<u>8,750</u>	<u>10,858</u>	<u>2,108</u>
EXPENDITURES				
Personal services	3,038	3,038	2,285	753
Materials and services	12,300	12,300	8,959	3,341
Contingency	6,412	6,412	-	6,412
<i>Total Expenditures</i>	<u>21,750</u>	<u>21,750</u>	<u>11,244</u>	<u>10,506</u>
REVENUES OVER (UNDER) EXPENDITURES	(13,000)	(13,000)	(386)	12,614
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>3,500</u>	<u>3,500</u>	<u>3,500</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(9,500)	(9,500)	3,114	12,614
FUND BALANCE, beginning of year	<u>9,500</u>	<u>9,500</u>	<u>9,496</u>	<u>(4)</u>
FUND BALANCE, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,610</u>	<u>\$ 12,610</u>

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, 2018**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Licenses and permits	\$ 6,615	\$ 6,615	\$ 8,820	\$ 2,205
Miscellaneous	400	400	766	366
<i>Total Revenues</i>	7,015	7,015	9,586	2,571
EXPENDITURES				
Capital outlay	50,213	50,213	-	50,213
NET CHANGE IN FUND BALANCE	(43,198)	(43,198)	9,586	52,784
FUND BALANCE, beginning of year	43,198	43,198	43,232	34
FUND BALANCE, end of year	\$ -	\$ -	\$ 52,818	\$ 52,818

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, 2018**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Miscellaneous	\$ 11	\$ 11	\$ 19	\$ 8
EXPENDITURES				
Capital outlay	1,178	1,178	-	1,178
NET CHANGE IN FUND BALANCE	(1,167)	(1,167)	19	1,186
FUND BALANCE, beginning of year	1,167	1,167	1,162	(5)
FUND BALANCE, end of year	\$ -	\$ -	\$ 1,181	\$ 1,181

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, 2018**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Licenses and permits	\$ 11,600	\$ 11,600	\$ 14,500	\$ 2,900
Miscellaneous	500	500	981	481
<i>Total Revenues</i>	12,100	12,100	15,481	3,381
EXPENDITURES				
Capital outlay	64,437	64,437	-	64,437
NET CHANGE IN FUND BALANCE	(52,337)	(52,337)	15,481	67,818
FUND BALANCE, beginning of year	52,337	52,337	52,397	60
FUND BALANCE, end of year	\$ -	\$ -	\$ 67,878	\$ 67,878

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, 2018

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Charges for services	\$ 13,800	\$ 13,800	\$ 13,628	\$ (172)
Miscellaneous	800	800	1,732	932
<i>Total Revenues</i>	14,600	14,600	15,360	760
EXPENDITURES				
Capital outlay	111,500	111,500	-	111,500
NET CHANGE IN FUND BALANCE	(96,900)	(96,900)	15,360	112,260
FUND BALANCE, beginning of year	96,900	96,900	97,142	242
FUND BALANCE, end of year	\$ -	\$ -	\$ 112,502	\$ 112,502

CITY OF AURORA, OREGON

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

JUNE 30, 2018

	<u>Sewer SDC</u>	<u>Sewer Reserve</u>	<u>Water Reserve</u>
ASSETS			
Cash and cash equivalents	\$ 56,869	\$ 49,309	\$ 79,614
LIABILITIES	-	-	-
NET POSITION			
Restricted for:			
Construction	56,869	-	-
Unrestricted	-	49,309	79,614
Total Net Position	<u>\$ 56,869</u>	<u>\$ 49,309</u>	<u>\$ 79,614</u>

Total

\$ 185,792

-

56,869
128,923

\$ 185,792

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, 2018**

	<u>Sewer SDC</u>	<u>Sewer Reserve</u>	<u>Water Reserve</u>
OPERATING REVENUES	\$ -	\$ -	\$ -
OPERATING EXPENSES	-	-	-
OPERATING INCOME	-	-	-
NONOPERATING ITEMS			
Intergovernmental	-	2,000	
Interest revenue	839	807	1,499
Capital acquisitions	-	(3,752)	(23,599)
<i>Total Nonoperating Items</i>	839	(945)	(22,100)
NET INCOME BEFORE CONTRIBUTIONS AND TRANSFERS	839	(945)	(22,100)
Capital contributions	10,160	-	-
CHANGE IN NET POSITION	10,999	(945)	(22,100)
NET POSITION, beginning of year	45,870	50,254	101,714
NET POSITION, end of year	\$ 56,869	\$ 49,309	\$ 79,614

<i>Total</i>	
\$	-
	-
	-
	2,000
	3,145
	(27,351)
	<u>(22,206)</u>
	(22,206)
	10,160
	<u>(12,046)</u>
	197,838
\$	<u><u>185,792</u></u>

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, 2018**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Charges for services	\$ 341,900	\$ 341,900	\$ 340,393	\$ (1,507)
Miscellaneous	3,100	3,100	4,814	1,714
Interest earnings	2,000	2,000	3,766	1,766
<i>Total Revenues</i>	347,000	347,000	348,973	1,973
EXPENDITURES				
Personal services	141,766	141,766	96,347	45,419
Materials and services	199,125	229,125	157,892	71,233
Debt service				
Principal	13,410	13,410	13,410	-
Interest	7,482	7,482	7,482	-
Capital outlay	77,900	77,900	37,033	40,867
Contingency	140,317	110,317	-	110,317
<i>Total Expenditures</i>	580,000	580,000	312,164	267,836
CHANGE IN FUND BALANCE	(233,000)	(233,000)	36,809	269,809
FUND BALANCE, beginning of year	233,000	233,000	222,669	(10,331)
FUND BALANCE, end of year	\$ -	\$ -	\$ 259,478	\$ 259,478

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, 2018**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Charges for services	\$ 318,744	\$ 318,744	\$ 311,029	\$ (7,715)
Miscellaneous	2,000	2,000	545	(1,455)
Interest earnings	2,000	2,000	4,805	2,805
<i>Total Revenues</i>	322,744	322,744	316,379	(6,365)
EXPENDITURES				
Personal services	123,545	123,545	88,356	35,189
Materials and services	207,325	217,325	145,987	71,338
Capital outlay	45,000	45,000	31,360	13,640
Contingency	211,874	201,874	-	201,874
<i>Total Expenditures</i>	587,744	587,744	265,703	322,041
CHANGE IN FUND BALANCE	(265,000)	(265,000)	50,676	315,676
FUND BALANCE, beginning of year	265,000	265,000	267,340	2,340
FUND BALANCE, end of year	\$ -	\$ -	\$ 318,016	\$ 318,016

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, 2018**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Licenses and permits	\$ 22,172	\$ 22,172	\$ 27,715	\$ 5,543
Interest earnings	1,000	1,000	2,198	1,198
<i>Total Revenues</i>	23,172	23,172	29,913	6,741
EXPENDITURES				
Capital outlay	142,664	142,664	-	142,664
CHANGE IN FUND BALANCE	(119,492)	(119,492)	29,913	149,405
FUND BALANCE, beginning of year	119,492	119,492	119,570	78
FUND BALANCE, end of year	\$ -	\$ -	\$ 149,483	\$ 149,483

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, 2018**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Taxes and assessments	\$ 325,875	\$ 325,875	\$ 331,582	\$ 5,707
Interest earnings	1,700	1,700	3,165	1,465
<i>Total Revenues</i>	327,575	327,575	334,747	7,172
EXPENDITURES				
Debt service				
Principal	250,000	250,000	250,000	-
Interest	89,975	89,975	89,975	-
<i>Total Expenditures</i>	339,975	339,975	339,975	-
CHANGE IN FUND BALANCE	(12,400)	(12,400)	(5,228)	7,172
FUND BALANCE, beginning of year	22,400	22,400	23,376	976
FUND BALANCE, end of year	\$ 10,000	\$ 10,000	\$ 18,148	\$ 8,148

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, 2018**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Licenses and permits	\$ 8,128	\$ 8,128	\$ 10,160	\$ 2,032
Interest earnings	450	450	839	389
<i>Total Revenues</i>	8,578	8,578	10,999	2,421
EXPENDITURES				
Capital outlay	54,400	54,400	-	54,400
CHANGE IN FUND BALANCE	(45,822)	(45,822)	10,999	56,821
FUND BALANCE, beginning of year	45,822	45,822	45,870	48
FUND BALANCE, end of year	\$ -	\$ -	\$ 56,869	\$ 56,869

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, 2018**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Intergovernmental	\$ -	\$ -	\$ 2,000	\$ 2,000
Interest earnings	700	700	807	107
<i>Total Revenues</i>	700	700	2,807	2,107
EXPENDITURES				
Capital outlay	33,700	33,700	3,752	29,948
CHANGE IN FUND BALANCE	(33,000)	(33,000)	(945)	32,055
FUND BALANCE, beginning of year	33,000	33,000	50,254	17,254
FUND BALANCE, end of year	\$ -	\$ -	\$ 49,309	\$ 49,309

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, 2018**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Interest earnings	\$ 1,000	\$ 1,000	\$ 1,499	\$ 499
EXPENDITURES				
Capital outlay	109,000	109,000	23,599	85,401
CHANGE IN FUND BALANCE	(108,000)	(108,000)	(22,100)	85,900
FUND BALANCE, beginning of year	108,000	108,000	101,714	(6,286)
FUND BALANCE, end of year	\$ -	\$ -	\$ 79,614	\$ 79,614

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, 2018, and have issued our report thereon dated November 27, 2018.

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.


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 27, 2018