



**City of Aurora, Texas
Comprehensive Annual Financial Report**

**Fiscal Year End
September 30, 2014**

INDEPENDENT AUDITORS REPORT

INDEPENDENT AUDITORS REPORT

Honorable Mayor, Terry Solomon,
Members of the City Council and
Dr. Toni Wheeler, City Manager
City of Aurora Texas

We have audited the accompanying financial statements of the governmental activities the business type activities each major fund the aggregate discretely presented component units and the aggregate remaining fund information of the City of Aurora Texas the City as of and for the year ended September 30, 2014 which collectively comprise the City's basic financial statements as listed in the table of contents These financial statements are the responsibility of the City's management Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion the financial statements referred to above present fairly in all material respects the respective financial position of the governmental activities the business type activities the aggregate discretely presented component units each major fund and the aggregate remaining fund information of City of Aurora Texas as of September 30, 2014 and the respective changes in financial position and where applicable and cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued a report on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws regulations contracts grants and other matters. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City's basic financial statements. The introductory section the combining and individual non-major fund financial statements individual fund schedules. Applied audit of the basic financial statements and in our opinion is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

E.C. Lairson, C.P.A., P.C.

**MANAGEMENT DISCUSSION AND ANALYSIS
“MDA”**

RESPECTFULLY PREPARED BY

**TONI WHEELER, Ph.D., MPA, PMP
CITY ADMINISTRATOR
CITY OF AURORA, TX**



MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the City of Aurora, Texas' (the "City") financial performance provides an overview of the City's financial activities for the fiscal year ending September 30, 2014. Please review in conjunction with the City's financial statements.

REVIEWING THE ANNUAL REPORT

The annual report covers multiple financial statements. The Statement of Net Assets and the Statement of Activities supply data about the activities of the City as a whole and provide thorough information regarding the City's finances. For government activities, these statements show how services were financed and what remains for future spending. Fund financial statements show City operations in more detail than government-wide statements, as they provide information about the City's most important funds.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components:

- (1) Government-wide financial statements,
- (2) Fund financial statements and
- (3) Notes to the financial statements.

This report also contains other supplementary 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.

The Statement of Net Assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities presents information showing how the City's net assets changed during the fiscal year. All changes in net assets are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods (e.g., uncollected taxes).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include General Government, Public Safety, and Public Works.

Fund Financial Statements – 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, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government’s near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government’s near-term financing decisions. Both the governmental funds balance sheet and the governmental fund statements of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

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.

THE CITY AS A WHOLE

For the Fiscal Year Ending September 30, 2014, net assets changed as follows:

Net Assets Beginning	524,614
<u>Net Assets Ending</u>	<u>643,051</u>
Change in net assets	\$110,517

ECONOMIC FACTORS AFFECTING NEXT YEAR’S BUDGETS AND RATES

This year income far exceeded expectations. We have seen an increase in building permits. Delinquent sales tax accounts have been collected. Still thousands of property tax dollars have gone delinquent.

Upcoming projects:

Road repair remains the top of our priority list. \$80,000 has been allocated to the maintenance and improvements of our 43 miles of roads within the City.

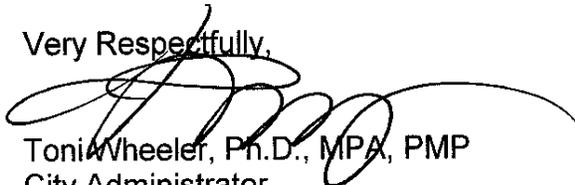
Water Improvement Projects will consume \$60,000 of the upcoming budget.

The City's financial position remains strong. I feel it is my responsibility to maintain tight control over budgetary expenditures. Each year, I have trimmed and trimmed the budget to control excesses. The City currently remains debt free. Cash revenues and reserves exceed operating expenditures.

CONTACTING THE CITY

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's financial accountability for the money it receives. If you have any questions about this report please contact the City Administrator at 817.636.2783, or in person at the Aurora City Hall, 303 Derting Rd Aurora, TX 76078.

Very Respectfully,



Toni Wheeler, Ph.D., MPA, PMP
City Administrator
City of Aurora, Texas

BASIC FINANCIAL STATEMENTS

The basic financial statements include integrated sets of financial statements as required by GASB. The sets include:

- Government-Wide Financial Statements
- Fund Financial Statements:

Governmental Funds

In addition, the notes to the financial statements are included to provide information that is essential to a user's understanding of the basic financial information.

**CITY OF AURORA
STATEMENT OF NET ASSETS
FISCAL YEAR END SEPTEMBER 30, 2014**

Assets	<u>Governmental Activities</u>
Current Assets	
Cash	14,242
Certificates of Deposit	<u>104,730</u>
Total Current Assets	<u>118,972</u>
Non-Current Assets	
Capital Assets (net)	547,500
Total Non-Current Assets	<u>547,500</u>
TOTAL ASSETS	<u>666,472</u>
Liabilities	
Current Liabilities:	
Accounts Payable	23,421
Total Current Liabilities	<u>23,421</u>
Total Liabilities	<u>23,421</u>
NET ASSETS	
Invested in capital assets, net of related debt	547,500
Unrestricted	<u>95,551</u>
Total Net Assets	<u>\$ 643,051</u>

The accompanying notes are an integral part of this financial statement

Statement 2

**CITY OF AURORA, TEXAS
STATEMENT OF ACTIVITIES
FY END - SEPTEMBER 30, 2014**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Revenue</u>	<u>Net (Expense) Revenue</u>
Governmental Activities:			
General Government	(235,317)	0	(235,317)
Total Government Activities	(235,317)	0	(235,317)
Changes in Net Assets:			
		<u>Government Activities</u>	
Net (expense) revenue		(235,317)	
General Revenues:			
Taxes			
Ad valorem		254,688	
Sales and use tax		30,634	
Franchise and public service tax		32,324	
Miscellaneous		<u>18,188</u>	
Total General Revenues		<u>335,834</u>	
Change in net assets		<u>110,517</u>	
Net Assets Beginning		<u>524,614</u>	
Net Assets Ending		<u>\$ 643,051</u>	

The accompanying notes are an integral part of this financial statement

**CITY OF AURORA, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
FY END - SEPTEMBER 30, 2014**

ASSETS	General Fund
Cash, including time deposits	14,242
Certificates of Deposit	<u>104,730</u>
TOTAL ASSETS	<u>\$ 118,972</u>
 LIABILITIES	
Accounts Payable	<u>23,421</u>
TOTAL LIABILITIES	<u>23,421</u>
 FUND BALANCES	
Unreserved, general fund	<u>95,551</u>
TOTAL FUND BALANCES	<u>95,551</u>
 Accounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in government activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation	<u>547,500</u>
Debt used to acquire capital assets are not Reported in the funds	<u>-</u>
Net Assets of Governmental Activities	<u>\$ 643,051</u>

The accompanying notes are an integral part of this financial statement

CITY OF AURORA, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES
GOVERNMENTAL FUNDS
FY END - SEPTEMBER 30, 2014

REVENUES	General Fund
Taxes	285,322
Franchise Fees	32,324
License and Permits	14,186
Miscellaneous	<u>4,002</u>
Total Revenues	<u>335,834</u>
 EXPENDITURES	
Current:	
General Government	137,106
Public Safety	19,778
Development Services	74,333
Parks and Recreation	<u>4,100</u>
Debt Service:	
Interest and other charges	<u>-</u>
Total Expenditures	235,317
Excess (deficiency) of revenues	
Over Expenditures	<u>110,517</u>
Net changes in fund balances	110,517
Fund Balances – beginning	<u>532,534</u>
Fund Balances – ending	<u>\$ 643,051</u>

The accompanying notes are an integral part of this financial statement

**AUDITORS REPORT ON
INTERNAL CONTROLS**

CITY OF AURORA

**FISCAL YEAR END
SEPTEMBER 30, 2014**

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*
*Independent Auditor's Report***

To the Honorable Mayor Terry Solomon,
Members of the City Council
and Dr. Toni Wheeler, City Manager
City of Aurora, Texas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Aurora, Texas as of and for the year ended September 30, 2014, which collectively comprise the City of Aurora's basic financial statements and have issued our report. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered City of Aurora's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Aurora's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the City's management, City Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

E. C. Lairson, C.P.A, P.C.
Earl Lairson & Company

NOTES TO THE FINANCIAL STATEMENT

CITY OF AURORA

**FISCAL YEAR END
SEPTEMBER 30, 2014**

City of Aurora, Texas
Notes to Basic Financial Statements
Fiscal Year End September 30, 2014

NOTE 1 – Summary of Significant Accounting Policies

The City of Aurora is a Type A General Law Municipality in Wise County, Texas. The City operates under a Council-Manager form of government and provides the following service to the citizens of Aurora: public works, code compliance, parks and recreation, public safety and general administrative services.

The Comprehensive Annual Financial Report (CAFR or “Report”) of the City includes all funds and component units. The financial statements of the City have been prepared to conform to generally accepted accounting principles (GAAP) as applicable to State and local government code. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant accounting and reporting policies and practices used by the City are described below:

ACCOUNTING STANDARDS

Since 2005, the City has operated under financial accounting standards and interpretations issued by the Governmental Accounting Standards Board (GASB):

- Statement No 34 – Basic Financial Statements and Management Discussion and Analysis for State and Local Governments
- Statement No 38 - Certain Financial Statement Disclosures
- Interpretation No 6 – Recognition and Measurements of Certain Liabilities and Expenditures in Governmental Fund Financial Statements

Statement No 34 (as amended by Statement No 37) represents a very significant change in the financial reporting model used by State and Local Governments.

Statement No 34 requires government-wide financial statements to be prepared using the accrual basis of accounting and the economic resources measurement focus, government wide financial statements do not provided information by fund or account group, but distinguish between the City’s governmental activities and business type activities and activities of its discretely presented component units on the statement of net assets and statement of activities.

Statement No 34 also requires certain supplementary information in the form of Management’s Discussion and Analysis (MD&A) which includes an analytical overview of the City’s financial activities.

Reporting Entity

The City operates under a Council-Manager form of government. The government board is comprised of a Mayor and six member council; with two representative members from each ward. As required by generally accepted accounting principles, these financial statements present the City (the primary government) and its component units, entities for which the government is financially accountable.

Government-wide and Fund Financial Statements

The basic financial statements include both government-wide (based on the City as a whole) and fund financial statements. The government-wide financial statements (i.e. the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units.

Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities (i.e. sewer and water funds) which rely on fees and charges for service.

The government-wide statement of activities demonstrates the degree to which the direct expenses of a functional category (i.e. Public Safety, Public Works, etc.) or activity are offset by program revenues. Direct expenses are those that are clearly identifiable with specific function or activity. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from good, services, or privilege provided by a given purchase, use, function or activity; (2) grants and contributions that are restricted to meeting the operations requirements of a particular function or activity; and (3) grants and contributions restricted to meeting the capital requirements of a particular function or activity. Taxes and other items are not property included among program revenues are reported instead as general revenues.

The net cost (by function or business-type activity) is normally covered by general revenue (property, sales, franchise taxes, intergovernmental revenues, etc.)

Internal Service Funds, which traditionally provide services primarily to other funds of the government, are presented in the summary form as a part of the proprietary fund financial statements. Because the principal users of the internal services are the City's governmental activities, financial statements of internal service funds are consolidated into the governmental column when presented at the government wide level.

The government-wide focus is more on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The focus of the fund financial statements is on the major individual funds of the governmental and business-type categories. Each presentation provides valuable information that can be analyzed and compared to enhance the usefulness of the information.

Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund statements. Revenues are recorded when earned and expense are recorded when a liability is incurred, regardless of timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue when all eligibility requirements have been met.

Government fund level financial statements are reporting using current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenue to be available if they are collected within 60 days of the end of the current fiscal year period. Grant revenues availability period is generally considered to be one year. Expenditures generally are recorded when a liability is incurred, as accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when the liability has matured and payment is due.

Ad valorem, franchise and sales tax revenues in the General Fund are recognized under the susceptible accrual concepts. License and permits, charges for services, fines and forfeitures, contributions, and miscellaneous revenues are recorded as revenues when received in cash as the resulting receivable is immaterial. Investment earnings are recorded as earned since they are measureable and available. In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are, however, essentially two types of these revenues. In one, monies must be expended for the specific purpose or project before any amounts will be paid to the City; therefore, revenues are recognized based upon the expenditures recorded. In the other, monies are virtually unrestricted as to purpose of expenditure and are usually revocable only for failure to comply with prescribed compliance requirements. These resources are reflected as revenues at the time of receipt or earlier if the susceptible to accrual criteria are met.

Business type activities and all proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Proprietary fund-type operation statements present increases (i.e. revenues) and decreases (i.e. expenses) in net total assets. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with proprietary fund's principal ongoing operations. The principal operating revenues for the City's water and sewers are charges to customers for sales and services. Operating expenses for the enterprise funds and internal service funds include the cost of sales and

services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

THE FOLLOWING MAJOR FUNDS ARE USED BY THE CITY:

Governmental Fund

General Fund accounts for several of the City's primary services (Public Safety, Public Works, Parks and Recreation, etc.) and is the primary operating unit of the City.

Non-Current Governmental Assets/Liabilities

GASB Statement No 34 eliminates the presentation of account groups, but provided for these records to be maintained and incorporates the information into the Government Activities column in the government-wide Statement of Net Assets.

Capital Assets

Property, plant and equipment purchased or acquired is carried at a historical cost or estimated historical cost. Contributed, fixed assets are recorded at estimated fair market value at the time received. Public domain (infrastructure) fixed assets consisting of roads bridges, streets, sidewalks, drainage systems and lighting systems have been recorded at estimated historical cost. Capital assets are defined by the government as assets with an initial, individual one-time cost of more than \$5,000 and an estimated useful life in excess of one year.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. Net revenue bond interest cost incurred during construction periods is capitalized when material.