

CITY OF AURORA
AURORA, SOUTH DAKOTA
FINANCIAL REPORT
FOR THE TWO YEARS ENDING DECEMBER 31, 2014
WITH INDEPENDENT AUDITOR'S REPORTS

INDEPENDENT AUDIT SERVICES, P.C.

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CITY OF AURORA
AURORA, SOUTH DAKOTA

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FOR THE TWO YEARS ENDING DECEMBER 31, 2014

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NOTE: All figures shown in this financial report are in U.S. dollars.
For space considerations, the "\$" symbol is not used.

INDEPENDENT AUDIT SERVICES, PC

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Governing Board
City of Aurora
Aurora, South Dakota

INDEPENDENT AUDITOR'S REPORT

I have audited the accompanying financial statements of governmental activities, business-type activities, and each major fund of the City of Aurora (City), Brookings County, South Dakota as of December 31, 2014 and for each of the years in the biennial period then ended, 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

The City's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America - this includes the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standard applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amount and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risk 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, I 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.

I believe that the audit evidence I obtained is sufficient and appropriate to provide a basis for my unmodified audit opinions on governmental activities, business-type activities, and each major fund.

Unmodified Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, and each major fund of the City of Aurora, South Dakota, as of December 31, 2014, and the respective changes in its financial position and, where applicable, cash flows thereof for each of the years in the biennial period then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters - Explanation

I draw attention to finding 2014-01 regarding the absence of a general ledger to support these financial statements. However, because of materiality, my opinion is not modified with respect to this matter.

I draw attention to finding 2014-02 regarding the absence of Aurora fire department balances and activities in these financial statements. However, because of materiality, my opinion is not modified with respect to this matter.

Other Matters - Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (page 3 to 9) and the budgetary comparison schedule (page 34 to 36) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government Accounting Standards Board who considers it to be an essential part of financial reporting by placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report (page 37) dated May 9, 2016 on my tests of City of Aurora's compliance with certain provisions of laws, regulations, contracts, and other matters and my consideration of its internal control over financial reporting. The purpose of that report is to describe the scope of my testing of compliance and internal control over financial reporting, and the results of that testing, and not to provide an opinion on compliance or internal control over financial reporting. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's compliance and internal control over financial reporting.

Independent Audit Services, PC
Benjamin Elliott, CPA
Madison, South Dakota



May 9, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

This section of the City of Aurora's (City) annual financial report presents our discussion and analysis of the City's financial performance for the two years ending December 31, 2014. Please read it in conjunction with the City's financial statements which follow this section.

FINANCIAL HIGHLIGHTS

<u>For the year ending:</u>	2014	2013
Revenue:		
Charges for goods and services	876,151	791,988
Operating grants	1,661	7,000
Capital grants	0	0
General receipts	220,837	218,104
	-----	-----
Total	1,098,649	1,017,092
	-----	-----
Expenses:		
Governmental	320,868	309,965
Business-type	768,466	714,161
	-----	-----
Total	1,089,334	1,024,126
	-----	-----
(Decrease) in Net Position	9,315	(7,034)
Net Position:		
December 31, 2012		4,026,247

December 31, 2013	4,019,213	4,019,213
	-----	=====
December 31, 2014	4,028,528	
	=====	
Governmental Funds:		
General	314,799	309,859
Capital Assets	534,901	595,830
Long-term Debt	(807)	(807)
Business-Type Funds:		
Water	248,270	263,078
Electric	1,560,246	1,507,973
Sewer	1,371,119	1,343,280
	-----	-----
Total	4,028,528	4,019,213
	=====	=====

During 2014, the City:

- * Continued construction of the electrical substation for \$1,601,798.
- * Purchased land for the substation for \$10,000.
- * Purchased a snow pusher for \$6,154.
- * Paid down two sewer loans and one electric loan by \$51,460.
- * Issued a new electric revenue bond for \$2,541,500.

During 2013, the City:

- * Began construction of an electrical substation for \$509,309.
- * Made street improvements for \$23,106.
- * Purchased fire bunker gear for \$6,524.
- * Purchased a power washer for \$5,088.
- * Paid down two sewer loans and one electric loan by \$49,187.

BRIEF DISCUSSION OF THE BASIC FINANCIAL STATEMENTS

This financial report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement-34.

The financial report consists of three parts: (1) management's discussion and analysis (page 3 to 9), (2) the basic financial statements (page 10 to 12) and (3) required supplementary information (page 34 to 36). The basic financial statements include two types of statements that present the City from two different financial points of view.

Government-wide financial statements (View #1):

The first two statements are government-wide financial statements that provide both long-term and short-term information about the City's overall financial status.

Fund financial statements (View #2):

The remaining financial statements are fund financial statements that focus on significant operations of the governmental, enterprise, and fiduciary (if any) activities of the City.

The Governmental Fund financial statements tell how general governmental services were financed in the short-term, as well as what remains for future spending. The governmental fund operated by the City during 2013 and 2014 is the general fund.

The Enterprise Fund financial statements offer short-term and long-term financial information about the activities of the City that operate like a business. Enterprise funds operated by the City include the water, electric, and sewer funds.

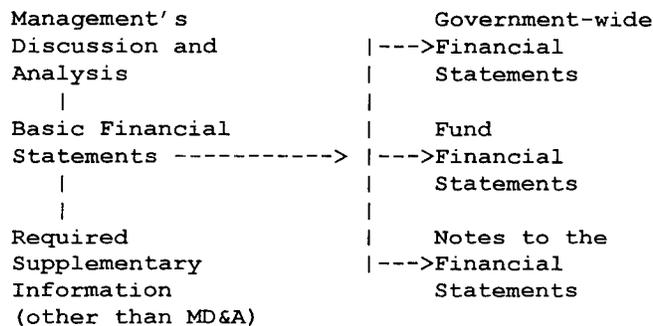
The Fiduciary Fund financial statements provide information about the financial status of activities in which the City acts solely as a trustee or agent for the benefit of those groups to whom these funds belong. In 2013 and 2014 the City did not maintained any fiduciary funds.

The financial statements include notes that explain in more detail some of the information found in the financial statements. The financial statements are also followed by a section of required supplementary information that presents a budgetary analysis for the general fund.

Required Supplementary Information:

This Management's Discussion and Analysis (page 3 to 9) and Budgetary Comparison schedules (page 34 to 36) are financial information required to be presented by GASB. Such information provides readers of this report with additional data that supplements the government-wide statements and fund financial statements. The Budgetary Comparison Schedule is presented on a budgetary basis of accounting, which reports capital expenditures within their respective expenditure function rather than as a separate capital outlay expenditure.

Here is an overview of the City's financial statements.



Here is a summary of the major features of these financial statement.

	Government-wide	-----Fund Statements-----	
	Statements	Governmental Funds	Enterprise Funds
Scope	Entire City	City Activities except Enterprise (ie: water)	Activities operated like a private business (ie: water)
Required Financial Statements	Statement of Net Position	Balance Sheet	Statement of Net Position
	Statement of Activities	Statement of Revenues, Expen- ditures and Changes in Fund Balances	Statement of Revenues, Expenses and Changes in Net Position Statement of Cash Flows
Basis of Accounting	Accrual	Modified accrual	Accrual
Measurement Focus	Economic resources	Current financial resources	Economic resources
Types of Assets & Liabilities	All - financial and capital, short- and long-term	Only current financial assets and liabilities	All - financial and capital, short- and long-term
		No capital assets	
Types of Revenue and Expenditures or Expense	All - regardless of when cash is received	Revenues when cash is received during year or within 30 days of year-end	All - regardless of when cash is received
		Expenditures when goods or services are received and payment is due during year or soon after year-end	

GOVERNMENT-WIDE STATEMENTS

(Reporting the City as a whole)

The government-wide statements (page 10 to 12) report information about the City as a whole using accounting methods similar to those used for private companies. There are two government-wide statements: the Statement of Net Position and the Statement of Activities.

The Statement of Net Position includes all of the government's assets and liabilities. Net position is the difference between assets and liabilities. Changes in these accounts is one way to measure the City's financial health. Increases or decreases in net position measures improvements or declines in the City's financial health. To assess the City's overall financial health you also need to consider other factors such as changes in the, property tax base and sales tax revenue, sales tax revenue and/or grant activity.

The Statement of Activities includes all of the year's revenues and expenses. You will notice that expenses are listed in the first column by program. Revenues related each program are reported to the right of the expense. The result is a net revenue/expense for each program. After listing program activity, general receipts of the City are listed, which include all taxes and interest earned.

The government-wide financial statements have two broad categories of information: governmental activity and business-type activity.

The governmental activities include operation of the government such as the City Council, public safety, streets and highway, snow removal, sanitation, park activities and liquor operating agreements. Property taxes, sales taxes, revenue from the state, user fees, interest earnings, and liquor operating agreement receipts finance most of these activities.

Business-type activities account for the City's water, electric, and sewer operations. These operations are financed mostly by user fees.

The City has no component units. These are organizations which, because the nature and significance of their relationship to the City, would make the City's financial statements incomplete or misleading if they were excluded from the City's financial statements.

FUND FINANCIAL STATEMENTS

(Reporting the City's most significant funds)

The fund financial statements (page 13 to 18) provide more detailed information about the City's most significant funds, not the City as a whole. Funds are accounting tools used to keep track of the receipt and disbursement of City's resources. State law requires the use of some funds and the City Council establishes other funds to manage money for a specific purpose, like a capital project.

The fund financial statements show information in three broad categories: governmental, enterprise and fiduciary (if any).

Governmental funds: Most of the City's basic services are included in the governmental funds, which focus on (1) how cash, and other financial assets which can readily be converted into cash, flow in and out of that fund, and (2) the balances left at year-end that are available for spending in the next year. Consequently, governmental fund statements provide you a detailed short-term view to help you determine whether there are more or fewer financial resources available for spending in the near future to finance the City's programs.

Because this information does not encompass the additional long-term focus of the government-wide statements, we provide information at the bottom of the governmental funds statements to reconcile the differences between the governmental fund statements and the government-wide statements.

Enterprise fund: Services for which the City charges the customer a fee are generally reported in enterprise funds. Enterprise funds, like the government-wide statements, provide both short-term and a long-term financial information. The water, electric, and sewer funds are the only enterprise fund maintained by the City.

Fiduciary funds: The City is the agent (or fiduciary) for various internal and external parties. As such, the City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the City's fiduciary activities are reported in a separate statement of fiduciary assets and liabilities. Fiduciary funds are excluded from the City's government-wide financial statements because the City cannot use these assets to finance City's operations. In 2013 and 2014 the City did not have any fiduciary funds.

MATERIAL CHANGES IN STATEMENT OF NET POSITION AND STATEMENT OF ACTIVITIES

(Material changes for governmental activities = changes greater than \$25,000)

(Material changes for business-type activities = changes greater than \$50,000)

	Increase (Decrease)	Principal Reason
<u>Year Ending December 31, 2014</u>		
Governmental Activities:		
Capital assets	(61,000)	Largely depreciation.
Business-type Activities:		
Current assets	310,000	Excess receipts and electric fund removed \$70,500 due from sewer fund.
Capital assets	1,541,000	Electric project improvements.
Other assets	696,000	Restricted cash from bond proceeds.
Long-term debt	2,473,000	New electric revenue bond.
Restricted position	666,000	Restricted cash from bond proceeds.
Charges for services	84,000	Increased utility rates.
Electric expenses	73,000	Electric project expenses.

Year Ending December 31, 2013

Governmental Activities:		
Current assets	(97,000)	Cash used for construction-in-progress.
Capital assets	35,000	Purchased a equipment less depreciation.
Charges for services	(65,000)	Implemented a fixed price liquor operating agreement.
Public works	51,000	Additional capital projects.
Liquor operations	(43,000)	Implemented a fixed price liquor operating agreement.
Transfers	(117,000)	Fewer transfers needed in current year.
Business-type Activities:		
Current assets	(156,000)	Cash used for construction-in-progress.
Capital assets	443,000	Electric project improvements.
Other assets	(182,000)	Sold storage shed held for sale.
Current liabilities	107,000	Electrical project payables.
Long-term debt	(52,000)	Debt reduction.
Electric expenses	68,000	Electric project expenses.
Transfers	117,000	Fewer transfers needed in current year.

SIGNIFICANT VARIATIONS BETWEEN ORIGINAL AND FINAL GENERAL FUND BUDGET

The City's 2014 general fund budget of \$373,767 is an increase of \$47,475 or 14.55% from 2013. There was one supplemental appropriation to the general fund budget. See page 34 for more information.

The City's 2013 general fund budget of \$326,292 is a decrease of \$268,272 or 45.12% from 2012. There were no supplemental appropriations to the general fund budget. See page 35 for more information.

SIGNIFICANT CAPITAL ASSET ACTIVITY

At December 31, 2014, the City had invested \$5,078,433 in a broad range of capital assets, including land, buildings, improvements and equipment. This amount represents a net increase (including additions and deductions) of \$1,479,629 or 41.11% from December 31, 2013.

At December 31, 2013, the City had invested \$3,598,804 in a broad range of capital assets, including land, buildings, improvements and equipment. This amount represents a net increase (including additions and deductions) of \$476,586 or 15.26% from December 31, 2012.

Significant capital asset activity is reported above. See page 32 for more information.

SIGNIFICANT LONG-TERM DEBT ACTIVITY

During 2014 the City made principal payments of \$16,701 on a 2000 sewer SRF loan, \$29,847 on a 2005 electric utility loan, and \$4,912 on its 2010 clean water SRF loan. The City also issued a new electric revenue bond for \$2,541,500.

During 2013 the City made principal payments of \$15,891 on a 2000 sewer SRF loan, \$28,541 on a 2005 electric utility loan, and \$4,755 on its 2010 clean water SRF loan.

The City is current on all long-term debt. Significant long-term debt activity is reported above. See page 33 for more information.

CURRENTLY KNOWN FACTS

An additional \$155,214 was spent for construction on the electrical substation in 2015.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional information, contact the City of Aurora's business office at P.O. Box 335, Aurora, SD 57002 or call 605.693.3548.

CITY OF AURORA

TABLE 1 - NET POSITION (condensed and in thousands)
 BASED ON GOVERNMENT-WIDE FINANCIAL STATEMENTS
 AS OF DECEMBER 31, 2014, 2013 AND 2012

	Governmental Activities			Business-Type Activities			Total Government		
	2014	2013	2012	2014	2013	2012	2014	2013	2012
Assets:									
Current assets	312	307	404	1,023	713	869	1,335	1,020	1,273
Capital assets	535	596	561	4,544	3,003	2,560	5,079	3,599	3,121
Other assets	10	10	10	696		182	706	10	192
Total assets	857	913	975	6,263	3,716	3,611	7,120	4,629	4,586
Liabilities:									
Current liabilities	8	7	13	222	214	107	230	221	120
Long-term debt				2,861	388	440	2,861	388	440
Total liabilities	8	7	13	3,083	602	547	3,091	609	560
Net Position:									
Capital assets, net of debt	535	596	561	2,282	2,559	2,067	2,817	3,155	2,626
Restricted	51	51	51	60	90	117	111	141	166
Unrestricted	263	259	350	838	465	880	1,101	724	1,230
Total net position	849	906	962	3,180	3,114	3,064	4,029	4,020	4,026

TABLE 2 - CHANGES IN NET POSITION (condensed and in thousands)
 BASED ON GOVERNMENT-WIDE FINANCIAL STATEMENTS
 FOR THE THREE YEARS ENDING DECEMBER 31, 2014

	Governmental Activities			Business-Type Activities			Total Government		
	2014	2013	2012	2014	2013	2012	2014	2013	2012
Revenues:									
Program revenues:									
Charges for services	69	69	134	807	723	738	876	792	872
Operating grants and contri.	2	7	5				2	7	5
Capital grants and contri.									0
General revenues:									
Revenue from taxes	182	177	166				182	177	166
Revenue from state sources	19	16	18				19	16	18
Revenue from county sources	2	2	2				2	2	2
Interest earnings	1			3	5	5	4	5	5
Rents and franchise fees	6	6	15				6	6	15
Other	7	9	2				7	9	2
Total revenues	288	286	342	810	728	743	1,098	1,014	1,085
Expenses:									
General government	54	51	37				54	51	37
Public safety	66	66	81				66	66	81
Public works	151	165	114				151	165	114
Health and welfare	7		6				7	0	6
Culture and recreation	27	17	34				27	17	34
Economic development	16	11	5				16	11	5
Liquor operations			43				0	0	43
Water				100	118	98	100	118	98
Electric				578	505	437	578	505	437
Sewer				90	91	95	90	91	95
Total expenses	321	310	320	768	714	630	1,089	1,024	950
Excess of revenues over (under) expenses	(33)	(24)	22	42	14	113	9	(10)	135
Transfers	(24)	(36)	81	24	36	(81)	0	0	0
Compensation for property damage		4	9				0	4	9
Change in net position	(57)	(56)	112	66	50	32	9	(6)	144
Net position:									
December 31, 2011			850			3,032			3,882
December 31, 2012		962	962		3,064	3,064		4,026	4,026
December 31, 2013	906	906		3,114	3,114		4,020	4,020	
December 31, 2014	849			3,180			4,029		

CITY OF AURORA

GOVERNMENT-WIDE
STATEMENT OF NET POSITION
AS OF DECEMBER 31, 2014

	Primary Government		
	Governmental Activities	Business- Type Activities	Total
ASSETS			
Current assets:			
Cash	125,798		125,798
Savings	56,426	1,216	57,642
Certificates of deposit	120,900	949,014	1,069,914
Receivables:			
Property taxes - delinquent	449		449
Due from other governments	843		843
Accounts	7,990	72,475	80,465
Total current assets	312,406	1,022,705	1,335,111
Capital assets:			
Land	68,925	213,842	282,767
Buildings	131,782	46,000	177,782
Improvements	266,893	2,836,247	3,103,140
Equipment	632,635	115,888	748,523
Less: accumulated depreciation	(565,334)	(779,552)	(1,344,886)
Construction-in-progress		2,111,107	2,111,107
Total capital assets	534,901	4,543,532	5,078,433
Other assets:			
Restricted cash - construction		696,292	696,292
Insurance deposit	9,757		9,757
Total assets	857,064	6,262,529	7,119,593
LIABILITIES			
Current liabilities:			
Accounts payable	6,524	65,148	71,672
Accrued wages	840	2,394	3,234
Leave liability	807	2,421	3,228
Customer deposits		10,073	10,073
Current portion of:			
Long-term debt		68,492	68,492
Accrued interest payable		3,332	3,332
Accrued construction interest payable		69,992	69,992
Total current liabilities	8,171	221,852	230,023
Noncurrent liabilities:			
Noncurrent portion of:			
Long-term debt		2,861,042	2,861,042
Total liabilities	8,171	3,082,894	3,091,065
NET POSITION			
Net invested in capital assets	534,901	2,281,798	2,816,699
Restricted for:			
Fire department purposes	56,427		56,427
Insurance deposit	9,757		9,757
Debt service		60,216	60,216
Unrestricted	247,808	837,621	1,085,429
Total net position	848,893	3,179,635	4,028,528

See accompanying notes.

CITY OF AURORA

GOVERNMENT-WIDE

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDING DECEMBER 31, 2014

Functions/Programs:	Program Revenues			Net (Expenses) Revenues and Changes in Net Position			
	Expenses	Charges for Services and Reimbursements	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Totals
Primary government:							
Governmental activities:							
General government	54,570	2,864			(51,706)		(51,706)
Public safety	65,684	17,767			(47,917)		(47,917)
Public works	150,646	48,564			(102,082)		(102,082)
Health and welfare	6,798	76	1,661		(5,061)		(5,061)
Culture and recreation	27,412				(27,412)		(27,412)
Economic development	15,758				(15,758)		(15,758)
Total governmental activities	320,868	69,271	1,661	0	(249,936)	0	(249,936)
Business-type activities:							
Water	100,101	70,571				(29,530)	(29,530)
Electric	577,791	618,985				41,194	41,194
Sewer	90,574	117,324				26,750	26,750
Total business-type activities	768,466	806,880	0	0	0	38,414	38,414
Total primary government	1,089,334	876,151	1,661	0	(249,936)	38,414	(211,522)
	=====	=====	=====	=====	-----	-----	-----
General revenues:							
Taxes:							
Property taxes					124,477		124,477
Sales taxes					58,113		58,113
Amusement taxes					60		60
State shared revenue					19,021		19,021
County shared revenue					2,237		2,237
Interest earnings					1,019	2,473	3,492
Rents and franchise fees					6,326		6,326
Liquor operating agreement					4,000		4,000
Donations					350		350
Miscellaneous					2,761		2,761
Transfers in (out)					(24,416)	24,416	0
Total general revenue and transfers					193,948	26,889	220,837
Change in net position					(55,988)	65,303	9,315
Net position, January 1, 2014					904,881	3,114,332	4,019,213
Net position, December 31, 2014					848,893	3,179,635	4,028,528
					=====	=====	=====

See accompanying notes.

CITY OF AURORA

BALANCE SHEET -- GOVERNMENTAL FUNDS
AS OF DECEMBER 31, 2014

	General Fund	-----	Total Governmental Funds
	-----	-----	-----
Assets:			
Cash	125,798		125,798
Savings	56,426		56,426
Certificate of deposit	120,900		120,900
Property taxes receivable - delinquent	449		449
Due from other governments	843		843
Accounts receivable	7,990		7,990
Insurance deposit	9,757		9,757
	-----		-----
Total assets	322,163	0	322,163
	=====		=====
Liabilities:			
Accounts payable	6,524		6,524
Accrued wages and benefits	840		840
	-----		-----
Total liabilities	7,364	0	7,364
	-----		-----
Deferred inflows of resources:			
Unavailable revenue - property taxes	449		449
	-----		-----
Total deferred inflows of resources	449	0	449
	-----		-----
Fund balance:			
Nonspendable	9,757		9,757
Restricted	56,427		56,427
Committed	0		0
Assigned	0		0
Unassigned	248,166		248,166
	-----		-----
Total fund balance	314,350	0	314,350
	-----		-----
Total liabilities, deferred inflows of resources and fund balance	322,163	0	322,163
	=====		=====

Reconciliation of the above governmental funds balance sheet
to the government-wide statement of net position:

Total fund balance - governmental funds (above)	314,350
Capital assets and other assets used in governmental activities are not financial resources and therefore are not reported as assets in the balance sheet above.	
Therefore: Add the cost of capital assets	1,100,235
Subtract accumulated depreciation	(565,334)
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.	
Long-term liabilities at year end consist of accrued leave payable.	(807)
Assets such as taxes receivable (delinquent) are not available to pay for current period expenditures and are deferred in the funds.	
Therefore: Add property taxes receivable	449

Total net position on government-wide statement of net position	848,893
	=====

See accompanying notes.

CITY OF AURORA

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES -- GOVERNMENTAL FUNDS
FOR THE YEAR ENDING DECEMBER 31, 2014

Revenue:	General Fund	Total Governmental Funds
Revenue from local sources:		
Taxes:		
Ad valorem taxes	124,105	124,105
General sales and use taxes	58,113	58,113
Amusement taxes	60	60
License and permits	2,864	2,864
Intergovernmental revenue:		
State shared revenue:		
Grant - mosquitos	1,661	1,661
Bank franchise	140	140
Liquor tax reversion	3,269	3,269
Motor vehicle licenses (5%)	3,685	3,685
Highway and bridge	11,927	11,927
County shared revenue: road taxes	2,237	2,237
Charges for goods and services:		
Public safety, fire protection	17,767	17,767
Solid waste collection	48,564	48,564
Mosquito spraying	76	76
Miscellaneous revenue:		
Interest and dividends	1,019	1,019
Rental and franchise	6,326	6,326
Liquor operating agreement	4,000	4,000
Donations	350	350
Miscellaneous	2,761	2,761
Total revenues	288,924	288,924
Expenditures:		
General government:		
Mayor and Council	15,795	15,795
Elections	247	247
Financial administration	34,281	34,281
Other	3,708	3,708
Public safety:		
Police	20,139	20,139
Fire	28,556	28,556
Public works:		
Highways and streets	75,837	75,837
Solid waste collection	35,002	35,002
Health and welfare:		
West Nile	6,190	6,190
Culture and recreation: Parks	17,472	17,472
Economic development	15,758	15,758
Capital outlay	6,954	6,954
Total expenditures	259,939	259,939
Excess of revenues over (under) expenditures	28,985	28,985
Other financing sources (uses):		
Transfer (out)	(24,416)	(24,416)
Net change in fund balance	4,569	4,569
Fund balance: January 1, 2014	309,781	309,781
Fund balance: December 31, 2014	314,350	314,350

Reconciliation of the above statement of revenues, expenditures, and changes in fund balances to the government-wide statement of activities:

Net change in fund balances - total governmental funds (above) 4,569

Governmental funds report capitalized cost as expenditures. However, in the statement of activities the cost of these assets is allocated over their estimated useful lives and reported as depreciation: 2014 capitalized cost are 6,954
2014 depreciation is (67,883)

Some property taxes will not be collected for several months after the City's year-end. Therefore, they are not considered "available" revenues and are deferred in the governmental funds statement. 372

Governmental funds do not reflect the change in "accrued leave", but the statement of activities reflects the change in "accrued leave" through expenditures. 0

Change in net position on government-wide statement of activities (55,988)

See accompanying notes.

CITY OF AURORA

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES -- GOVERNMENTAL FUNDS
FOR THE YEAR ENDING DECEMBER 31, 2013

Revenue:	General Fund	-----	Total Governmental Funds
Revenue from local sources:			
Taxes:			
Ad valorem taxes	124,136		124,136
General sales and use taxes	52,835		52,835
Amusement taxes	132		132
License and permits	2,268		2,268
Intergovernmental revenue:			
State shared revenue:			
State grants - fire	7,000		7,000
Liquor tax reversion	3,499		3,499
Motor vehicle licenses (5%)	3,545		3,545
Highway and bridge	8,495		8,495
County shared revenue: road taxes	1,732		1,732
Charges for goods and services:			
Public safety, fire protection	18,789		18,789
Solid waste collection	46,380		46,380
Mosquito spraying	630		630
Fines and forfeits:	450		450
Miscellaneous revenue:			
Interest and dividends	114		114
Rental and franchise	6,033		6,033
Liquor operating agreement	8,000		8,000
Donations	450		450
Miscellaneous	691		691
Total revenues	285,179	0	285,179
Expenditures:			
General government:			
Mayor and Council	13,738		13,738
Elections	10		10
Financial administration	33,596		33,596
Other	2,994		2,994
Public safety:			
Police	17,161		17,161
Fire	30,678		30,678
Public works:			
Highways and streets	91,006		91,006
Solid waste collection	34,117		34,117
Health and welfare:	(510)		(510)
Culture and recreation: Parks	7,094		7,094
Economic development	10,505		10,505
Capital outlay	44,092		44,092
Total expenditures	284,481	0	284,481
Excess of revenues over (under) expenditures	698	0	698
Other financing sources (uses):			
Transfer in (note 10)	120,195		120,195
Transfer (out) (note 10)	(215,871)		(215,871)
Compensation for damage to property	3,732		3,732
Net change in fund balance	(91,246)	0	(91,246)
Fund balance: January 1, 2013	401,027		401,027
Fund balance: December 31, 2013	309,781	0	309,781

Reconciliation of the above statement of revenues, expenditures, and changes in fund balances to the government-wide statement of activities:

Net change in fund balances - total governmental funds (above) (91,246)

Governmental funds report capitalized cost as expenditures. However, in the statement of activities the cost of these assets is allocated over their estimated useful lives and reported as depreciation: 2013 capitalized cost are 44,091
2013 depreciation is (69,614)
2013 sewer land transfer 59,805

Some property taxes will not be collected for several months after the City's year-end. Therefore, they are not considered "available" revenues and are deferred in the governmental funds statement. 0

Governmental funds do not reflect the change in "accrued leave", but the statement of activities reflects the change in "accrued leave" through expenditures. 39

Change in net position on government-wide statement of activities (56,925)

See accompanying notes.

CITY OF AURORA

STATEMENT OF NET POSITION - ENTERPRISE FUNDS
AS OF DECEMBER 31, 2014

	Water Fund	Electric Fund	Sewer Fund	Total Enterprise Funds
	-----	-----	-----	-----
Assets:				
Current assets:				
Cash				0
Savings		1,216		1,216
Certificates of deposit	158,722	714,974	75,318	949,014
Accounts receivable	5,726	57,020	9,729	72,475
	-----	-----	-----	-----
Total current assets	164,448	773,210	85,047	1,022,705
	-----	-----	-----	-----
Capital assets:				
Land	3,400	10,000	200,442	213,842
Buildings	46,000			46,000
Improvements	339,752	787,296	1,709,199	2,836,247
Equipment	17,351	68,055	30,482	115,888
Accumulated depreciation	(312,905)	(182,727)	(283,920)	(779,552)
Construction-in-progress		2,111,107		2,111,107
	-----	-----	-----	-----
Total capital assets	93,598	2,793,731	1,656,203	4,543,532
	-----	-----	-----	-----
Other assets:				
Restricted cash - construction		696,292		696,292
	-----	-----	-----	-----
Total assets	258,046	4,263,233	1,741,250	6,262,529
	=====	=====	=====	=====
Liabilities:				
Current liabilities:				
Accounts payable	8,171	56,538	439	65,148
Accrued payroll	798	798	798	2,394
Leave liability	807	807	807	2,421
Customer deposits		10,073		10,073
Current portion of:				
Long-term debt		45,867	22,625	68,492
Accrued interest			3,332	3,332
Accrued construction interest payable		69,992		69,992
	-----	-----	-----	-----
Total current liabilities	9,776	184,075	28,001	221,852
	-----	-----	-----	-----
Noncurrent liabilities:				
Noncurrent portion of:				
Long-term debt		2,518,912	342,130	2,861,042
	-----	-----	-----	-----
Total liabilities	9,776	2,702,987	370,131	3,082,894
	=====	=====	=====	=====
Net position:				
Net invested in capital assets	93,598	896,752	1,291,448	2,281,798
Restricted:				
Debt service		23,509	36,707	60,216
Unrestricted	154,672	639,985	42,964	837,621
	-----	-----	-----	-----
Total net position	248,270	1,560,246	1,371,119	3,179,635
	=====	=====	=====	=====

See accompanying notes.

CITY OF AURORA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES
 IN NET POSITION - ENTERPRISE FUNDS
 FOR THE YEAR ENDING DECEMBER 31, 2014
 FOR THE YEAR ENDING DECEMBER 31, 2013

	2014				2013			
	Water Fund	Electric Fund	Sewer Fund	Total	Water Fund	Electric Fund	Sewer Fund	Total
Operating revenue:								
Charges for goods and service	70,571	618,985	117,324	806,880	77,780	538,195	107,496	723,471
Total operating revenue	70,571	618,985	117,324	806,880	77,780	538,195	107,496	723,471
Operating expenses:								
Personal services	24,710	24,223	25,198	74,131	14,705	14,223	15,186	44,114
Other current services	12,696	15,986	10,114	38,796	19,635	19,208	19,799	58,642
Cost of goods sold	51,820	474,531		526,351	72,916	446,667		519,583
Amortization				0		1,800		1,800
Depreciation	10,875	19,956	40,409	71,240	10,875	19,993	40,409	71,277
Total operating expenses	100,101	534,696	75,721	710,518	118,131	501,891	75,394	695,416
Total operating income (loss)	(29,530)	84,289	41,603	96,362	(40,351)	36,304	32,102	28,055
Nonoperating revenue (expense):								
Interest earnings	495	890	1,088	2,473	865	3,434	411	4,710
Interest expense and fees		(1,596)	(14,852)	(16,448)		(2,915)	(15,830)	(18,745)
Loss on disposal of land				0			(59,805)	(59,805)
Bond issue costs		(41,500)		(41,500)				0
Total nonoperating revenue (expense)	495	(42,206)	(13,764)	(55,475)	865	519	(75,224)	(73,840)
Income (loss) before transfers	(29,035)	42,083	27,839	40,887	(39,486)	36,823	(43,122)	(45,785)
Transfer in	14,227	10,189		24,416	30,771	200,000		230,771
Transfer (out)				0		(27,801)	(107,294)	(135,095)
Change in net position	(14,808)	52,272	27,839	65,303	(8,715)	209,022	(150,416)	49,891
Net position:								
January 1, 2013					271,793	1,298,952	1,493,696	3,064,441
December 31, 2013	263,078	1,507,974	1,343,280	3,114,332	263,078	1,507,974	1,343,280	3,114,332
December 31, 2014	248,270	1,560,246	1,371,119	3,179,635				

See accompanying notes.

CITY OF AURORA

STATEMENT OF CASH FLOWS - ENTERPRISE FUNDS
FOR THE YEAR ENDING DECEMBER 31, 2014
FOR THE YEAR ENDING DECEMBER 31, 2013

	2014				2013			
	Water Fund	Electric Fund	Sewer Fund	Total	Water Fund	Electric Fund	Sewer Fund	Total
Cash flows from:								
Operating activities:								
Receipts from customers	70,312	607,856	116,875	795,043	78,117	551,068	207,466	836,651
Estimated rec. from other funds		10,400		10,400		10,400		10,400
Payments to employees	(24,565)	(24,078)	(25,053)	(73,696)	(14,706)	(14,224)	(15,187)	(44,117)
Payments to suppliers	(59,024)	(504,859)	(8,286)	(572,169)	(93,232)	(429,184)	(18,190)	(540,606)
Estimated pymts. to other funds	(950)		(1,500)	(2,450)	(950)		(1,500)	(2,450)
Net cash provided (used) by operating activities	(14,227)	89,319	82,036	157,128	(30,771)	118,060	172,589	259,878
Noncapital financing activities:								
Transfers in	14,227	10,189		24,416	30,771	200,000		230,771
Transfers (out)				0		(27,801)	(107,294)	(135,095)
Due from (to)		70,544	(70,544)	0				0
Capital financing activities:								
Revenue bond proceeds		2,541,500		2,541,500				0
Cash paid for land		(10,000)		(10,000)				0
Cash paid for improvements				0			(4,271)	(4,271)
Cash paid for construction		(1,532,037)		(1,532,037)		(509,309)		(509,309)
Principal paid on debt		(29,847)	(21,852)	(51,699)		(28,541)	(20,646)	(49,187)
Interest & fees paid on debt		(1,892)	(14,855)	(16,747)		(3,198)	(16,063)	(19,261)
Bond issue costs		(41,500)		(41,500)				0
Investing activities:								
Interest received	495	890	1,088	2,473	865	3,434	411	4,710
Redeem cert. of deposit				0		250,789		250,789
Purchase cert. of deposit	(495)	(400,874)	(188)	(401,557)	(865)	(3,434)	(411)	(4,710)
Net increase (decrease) in cash	0	696,292	(24,315)	671,977	0	0	24,315	24,315
Cash:								
January 1, 2013					0	1,216	0	1,216
December 31, 2013	0	1,216	24,315	25,531	0	1,216	24,315	25,531
December 31, 2014	0	697,508	0	697,508				
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:								
Operating income (loss)	(29,530)	84,289	41,603	96,362	(40,351)	36,304	32,102	28,055
Amortization				0		1,800		1,800
Depreciation	10,875	19,956	40,409	71,240	10,875	19,993	40,409	71,277
(Increase) decrease in:								
Receivables	(259)	(2,564)	(449)	(3,272)	337	4,043	587	4,967
Storage unit held for sale				0		20,812	99,383	120,195
Increase (decrease) in:								
Accounts payable	4,542	(14,342)	328	(9,472)	(1,631)	36,691	109	35,169
Accrued payroll	145	145	145	435	39	39	39	117
Customer deposits		1,835		1,835		(1,582)		(1,582)
Leave liability				0	(40)	(40)	(40)	(120)
Net cash provided (used) by operating activities	(14,227)	89,319	82,036	157,128	(30,771)	118,060	172,589	259,878
Noncash investing, capital and financing activities:								
Transfer land "held for sale" to general capital assets							59,805	

See accompanying notes.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of Aurora conform to generally accepted accounting principles applicable to government entities in the United States of America.

a. Reporting Entity:

The funds and account groups included in this report are controlled by or dependent upon the City of Aurora's (City) Governing Board.

Governing Board:	Finance Officer:
Frederick Weekes, Mayor	Shannon Clifford
Allen Pace, President	
Cody Clifford	Attorney:
Dale Dixon	Steve Britzman
Gerald Smidt	

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

Financial Reporting Entity:
Primary Government: - The City of Aurora
Component Units: - None

To determine the financial reporting entity, the City complies with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*.

The reporting entity of the City of Aurora consists of (1) the primary government, which includes all of the funds, organizations, institutions, agencies, departments, and offices that make up the legal entity, plus those funds for which the primary government has a fiduciary responsibility, even though those fiduciary funds may represent organizations that do not meet the criteria for inclusion in the financial reporting entity; (2) those organizations for which the primary government is financially accountable; and (3) other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete.

Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The City is financially accountable if its governing board appoints a voting majority of another organization's governing body and it has the ability to impose its will on that organization, or there is a potential for that organization to provide specific financial benefits to, or impose specific financial burdens on the City (the primary government). The City may also be financially accountable for another organization if that organization is fiscally dependent on the City unless that organization can, without the approval of the City: (1) set its own budget; (2) determine its own rates or charges; and (3) borrow money.

Based upon the application of these criteria, the City of Aurora does not have any component units.

b. Basis of Presentation:

Government-wide Financial Statements:

The government-wide financial statements include the Statement of Net Position and the Statement of Activities. These statements display information about the reporting entity as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for good and services.

The Statement of Net Position reports all financial and capital resources, in a net position form (assets minus liabilities equal net position). Net position is displayed in three components, as applicable: net investment in capital assets, restricted (distinguishing between major categories of restrictions), and unrestricted.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the City's governmental activities and for each segment of City's business-type activities. City expenses that are associated with a specific program or function and are clearly identifiable to a particular function. Program revenues include (a) charges paid by recipients of goods and services offered by the program and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes and interest, are presented as general revenues.

Fund Financial Statements:

The fund financial statements include specific information about individual funds used by the reporting entity. Each fund is considered a separate accounting entity with a separate set of self-balancing accounts that constitutes its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, enterprise, and fiduciary (if any). An emphasis is placed on major funds within the governmental and enterprise categories. A fund is considered major if it is the primary operating fund of the City or if it meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 10 percent of the corresponding element total (assets, liabilities, revenues, or expenditures/expenses) for all funds of that category (that is, total governmental or total enterprise), and
- b. The same element that meets the 10 percent criterion in (a) is at least 5 percent of the corresponding element total for all governmental and enterprise funds combined.
- c. In addition to funds that meet the major fund criteria, any other governmental or enterprise fund that the government's official believe is particularly important to financial statement users (for example, because of public interest or consistency) may be reported as a major fund.

The City has elected to classify all of its funds as major funds.

Funds of the City are described below within their respective fund type:

Governmental Funds

General Fund - a fund established by South Dakota Codified Law (SDCL) 4-11-6 to met all the general operational costs of the City except those required to be accounted for in another fund. The general fund is always a major fund.

Enterprise Funds

Enterprise Funds - Enterprise funds are used to account for activity for which a fee is charged to external users for goods or services. The City has the following enterprise funds:

Water fund - A fund allowed by SDCL 9-47-1 to provide water to customers within the City of Aurora. The water fund is a major fund.

Electric fund - A fund allowed by SDCL 9-39-1 and 9-39-26 to provide electrical service to customers within the City of Aurora. The electric fund is a major fund.

Sewer fund - A fund allowed by SDCL 9-48-2 to provide sewer services to customers within the City of Aurora. The sewer fund is a major fund.

Fiduciary Funds:

Fiduciary are never considered to be major funds.

Agency fund type - agency funds are used to account for resources held by the City in a purely custodial capacity (assets equal liabilities). Since agency funds are custodial in nature, they do not involve the measurement of results of operations. In 2013 and 2014 the City did not have any fiduciary funds.

c. Measurement Focus and Basis of Accounting:

Measurement focus is a term used to describe "what" transactions are recorded within the various financial statements. Basis of accounting refers to "when" revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements, regardless of the measurement focus.

Measurement Focus

Government-wide Financial Statements:

Both governmental and business-type activities are presented using the "economic resources" measurement focus, applied on the accrual basis of accounting.

The "economic resources" measurement focus includes all assets and liabilities (whether current or noncurrent, financial, or nonfinancial) on the balance sheet. Operating statements use the flow of all economic resources to present operating income, changes in net position, and cash flows during the accounting period. This measurement focus uses the term "net position" to describe its equity at the end of the accounting period.

Fund Financial Statements:

All governmental funds are presented using the "current financial resources" measurement focus and the modified accrual basis of accounting.

The "current financial resources" measurement focus includes only current financial assets and liabilities on the balance sheet. Operating statements present sources and uses of available spendable financial resources during the accounting period. This measurement focus uses the term "fund balance" to describe its equity at the end of the accounting period. It is a measure of available spendable financial resources.

Enterprise and fiduciary funds are presented using the "economic resources" measurement focus (described above) and the accrual basis of accounting.

Basis of Accounting

Government-wide Financial Statements:

In the government-wide financial statements, the accrual basis of accounting is used for both governmental and business-type activities in the Statement of Net Position and Statement of Activities. Under the accrual basis of accounting, revenues and related assets generally are recorded when earned (usually when the right to receive cash vests); and, expenses and related liabilities are recorded when an obligation is incurred (usually when the obligation to pay cash in the future vests).

Fund Financial Statements:

In the fund financial statements, all governmental funds are accounted for using the modified accrual basis of accounting. Their revenues, including property taxes, generally are recognized when they become measurable and available. "Available" means resources are collected or to be collected soon enough after the end of the fiscal year that they can be used to pay the bills of the current period. The accrual period does not exceed one bill-paying cycle, which for the City is 30 days. The revenues which are accrued at December 31, 2014 are state shared revenue and other accounts receivable.

Under the modified accrual basis of accounting, receivables may be measurable but "not available". Not available means not collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Reported deferred inflow of resources are those where the asset recognition criteria has been met but for which the revenue recognition criteria has not been met because the receivable is not available.

Expenditures generally are recognized when the related fund liability is incurred. Exceptions to this general rule include principal and interest on general long-term debt which are recognized when due. However, the City of Aurora budgets for, and makes payment of, debt obligations due on January 1st as of December 31st, the end of the City's fiscal year.

All enterprise funds and fiduciary funds are accounted for using the accrual basis of accounting, the same as in the government-wide financial statements. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

d. Interfund Eliminations and Reclassifications:

Government-wide Financial Statements:

In the process of aggregating data for the government-wide financial statements, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified as follows:

In order to minimize the grossing-up effect on assets and liabilities within the governmental and business-type activities columns of the primary government, amounts reported as interfund receivables and payables have been eliminated in the governmental and business-type activities columns, except for the net residual amounts due between governmental and business-type activities, which are presented as "Internal Balances" (if any).

Fund Financial Statements:

In the fund financial statements, noncurrent portions of long-term interfund receivables (reported in "Advance to" asset accounts) are equally offset by a nonspendable fund balance which indicates that they do not constitute "available spendable resources" since they are not a component of net current assets. Current portions of interfund receivables (reported in "Due from" asset accounts) are considered "available spendable resources."

e. Interfund Transactions:

Transactions that constitute reimbursements to a fund for disbursements made from it, and that are properly applicable to another fund, are recorded as a disbursement in the reimbursing fund and as reductions of disbursements in the fund that is reimbursed. All other interfund transactions are reported as transfers.

f. Cash and Cash Equivalents:

In the enterprise funds' statement of cash flows, the City considers all highly liquid investments and deposits (including restricted assets) with a term to maturity of three months or less when purchased to be cash equivalents. Those portions of the enterprise funds' cash resources that are included in the City's internal cash management pool are considered to be cash and cash equivalents, regardless of the form in which they are held, because use of the pool provides each enterprise fund with access to its cash resources essentially on demand.

For the year ending December 31, 2014, all enterprise fund deposits and investments are considered to be cash and cash equivalent for purposes of the statement of cash flow except certificates of deposit totaling \$158,722 held for the water fund, \$714,974 held for the electric fund and \$75,318 held for the sewer fund because their maturity when purchased was longer than three months and they are not part of a pool.

g. Capital Assets and Infrastructure assets:

Capital assets include land, buildings, improvements, and equipment, and all other tangible or intangible assets that are used in operations, which have initial useful lives extending beyond a single reporting period. *Infrastructure* assets are long-lived capital assets that normally are stationary in nature and normally can be preserved for significantly greater number of years than most capital assets. Infrastructure assets, if any, are classified as "Improvements Other than Buildings."

Government-wide Financial Statements:

In the government-wide financial statements, capital assets are accounted for on the accrual basis of accounting. Capital asset purchases are capitalized and not expensed. Instead, capital purchases are expensed over the life of the asset as depreciation or amortization.

Capital assets are valued at historical cost, or estimated historical cost, if actual historical cost is not available. Donated capital assets are valued at their estimated fair value on the date donated. Reported cost values include ancillary charges necessary to place the asset into its intended location and condition for use. After an item has been capitalized, subsequent improvements or betterments that are significant, and which extend the useful life of the item, are also capitalized.

The total December 31, 2014 balance of capital assets for governmental activities include approximately 5% for which the costs were determined by estimates of the original costs. The total December 31, 2014 balance of capital assets for business-type activities includes approximately 10% for which the costs were determined by estimates of the original costs. Estimated original costs were established by basing the estimates on a comparison to historical costs of similar items.

Interest cost incurred during construction of general capital assets are not capitalized with other capital asset cost. Interest cost incurred during construction of enterprise capital assets are capitalized with other capital asset cost.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the government-wide statement of activities and the enterprise fund statement of revenue, expenses and changes in net position. Accumulated depreciation is reported on the government-wide statement of net position and on the enterprise fund's statement of net position. See also page 32.

Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts), depreciation method, and estimated useful lives of capital assets reported in the government-wide statements and enterprise funds are as follows:

	Capitalization Threshold	Depreciation Method	Estimated Life in Years
	-----	-----	-----
Land	All		NA
Buildings	1,000	Straight-line	33-100
Improvements	1,000	Straight-line	5-20
Equipment	1,000	Straight-line	5-20

Land is an inexhaustible capital asset and is not depreciated.

Fund Financial Statements:

Capital assets and related depreciation expenses are not recorded in governmental funds of the fund financial statements because these funds have a "current financial resources" measurement focus. Instead, these funds report capital asset acquisitions as capital outlay expenditures.

Capital assets and related depreciation expenses are recorded on the accrual basis of accounting in the enterprise funds of the fund financial statements, the same as in the government-wide statements.

h. Long-term Liabilities:

Government-wide Financial Statements:

In the government-wide financial statement, all long-term liabilities to be repaid from governmental or business-type resources are reported as liabilities. Long-term liabilities primarily consist of revenue bonds and accrued leave payable.

Fund Financial Statements:

In the fund financial statements, governmental debt proceeds are reported as revenues (other financing sources), while payments of principal and interest are reported as expenditures when they become due. Enterprise fund long-term debt is reported as a liability, the same as in the government-wide statements.

i. Program Revenues and General Revenues and Deferred Inflows and Deferred Outflows of Resources:

Program Revenue

In the government-wide Statement of Activities, reported program revenues derive directly from the program itself or from parties other than the City's taxpayers or citizenry, as a whole. Program revenues are classified into three categories, as follows:

1. Charges for services - These arise from charges to customers, applicants, or others who purchase, use, or directly benefit from the goods, services, or privileges provided, or are otherwise directly affected by the services.
2. Program-specific operating grants and contribution - These arise from mandatory and voluntary non-exchange transactions with other governments, organizations, or individuals that are restricted for use in a particular program.
3. Program-specific capital grants and contribution - These arise from mandatory and voluntary non-exchange transactions with other government, organization, or individuals that are restricted for the acquisition of capital assets for use in a particular program.

General Revenue

General revenues include all revenues not specifically earmarked for a specific program. General revenues include all taxes, interest earnings, unrestricted receipts from federal, state, or county governments, and miscellaneous revenues not related to a program. These revenues are not restricted and can be used for the regular operation of the City.

Deferred Inflows and Deferred Outflows of Resources

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources (if any). Deferred outflows of resources represent consumption of net position that applies to a future period or periods. These items will not be recognized as an outflow of resources until the applicable future period.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources (if any). Deferred inflows of resources represent acquisitions of net position that applies to a future period or periods. These items will not be recognized as an inflow of resources until the applicable future period.

j. Enterprise Fund Revenue and Expense Classifications:

In the government-wide and fund financial statements, enterprise revenues and expenses are classified in a manner consistent with how they are classified in the statement of cash flows. That is, transactions for which related cash flows are reported as capital and related financing activities, noncapital financing activities, or investing activities are not reported as components of operating revenues or expenses.

k. Equity Classifications:

Government-wide Financial Statements:

Equity is classified as "Net Position" and is displayed in three components:

1. Net Investment in Capital Assets - Consists of capital assets, including restricted capital assets, net of accumulated depreciation (if applicable) and reduced by the outstanding balances of any capital outlay certificate payable, capitalized leases payable, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
2. Restricted Net Position - Consists of net position with constraints placed on its use either by (a) external groups such as creditor, grantor, contributors, or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
3. Unrestricted Net Position - Other net position that does not meet the criteria of 1 or 2 above.

Fund Financial Statements:

Governmental fund equity is classified as "Fund Balance", and may distinguish between "Nonspendable", "Restricted", "Committed", "Assigned", and "Unassigned" components. Enterprise fund equity is classified as "Net Position", the same as in the government-wide financial statements. Fiduciary fund equity (except for agency funds, which have no fund equity) is reported as "Net Position" held in trust for a purpose.

1. Fund Balance Classification Policies and Procedures:

In accordance with Government Accounting Standards Board (GASB) No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, the City classifies governmental fund balances as follows:

- * Nonspendable - includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
- * Restricted - includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors, or amounts constrained due to constitutional provisions or enabling legislation.
- * Committed - includes fund balance amounts that are constrained for specific purposes that are internally imposed (or modified or rescinded) by the government through formal action at the highest level of decision making authority and does not lapse at year-end.
- * Assigned - includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund balance may be assigned by the Council or Finance Officer.
- * Unassigned - includes positive fund balance within the general fund which has not been classified within the above categories and negative fund balances in other governmental funds.

The City of Aurora fund balance classifications are made up of:

<u>Fund Balance Classifications</u>	<u>Account or Fund</u>	<u>Authority or Action</u>	<u>Amount</u>
Nonspendable	Insurance deposit	Membership	9,757
Restricted	Fire purposes	Contract	56,427
Committed	None		0
Assigned	None		0
Unassigned	General		248,166

			314,350

The City uses "restricted" and "committed" amounts first when restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the City would first use "committed", then "assigned", and lastly "unassigned" amounts of unrestricted fund balance when expenditures are made.

The City does not have a formal minimum fund balance policy.

The City does not have any special revenue funds.

m. Application of Net Position:

It is the City's policy to first use restricted net position, prior to the use of unrestricted net position, when an expense is incurred which can be charged to either restricted or unrestricted net position.

n. Allowance for Doubtful Accounts:

Because write-off of uncollected taxes and/or utility billings is minimal, is it not considered necessary to establish an estimated allowance for doubtful accounts.

o. Accounting Estimates:

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual amounts could differ from these estimates. Following are the estimates made by management during the year:

- * Allowance for doubtful accounts - estimated uncollectables
- * Depreciation - estimated service lives
- * Statement of cash flows - estimated interfund services

2. VIOLATIONS OF FINANCE-RELATED LEGAL AND CONTRACTUAL PROVISIONS

Budget Overdrafts:

The City is prohibited by statute from spending in excess of appropriated amounts by department within a fund.

In 2014 the general fund went over these budget line items:

Police	\$ 1,549
Fire	6,586

In 2013 the general fund went over these budget line items:

Financial administration	\$ 1,539
Fire	15,232
Economic development	5

In the future, the City expects to make contingency transfers or adopt supplemental appropriations to cover expenditures that will exceed their original appropriation. These budget overdrafts are not considered a material or significant finding with respect to these financial statements.

3. DEPOSITS, INVESTMENTS AND RELATED RISKS

The City follows the practice of aggregating deposits of its various funds for cash management efficiency and returns, except for restricted cash held by 3rd parties and certificates of deposits purchased for an individual fund.

The City's deposits are made in qualified public depositories as defined by SDCL 4-6A-1, 9-22-6, 9-22-6.1 and 9-22-6.2. Qualified depositories are required by SDCL 4-6A-3 to maintain, at all times, segregated from their other assets, eligible collateral having a value equal to at least 100 percent of the public deposit accounts which exceed deposit insurance such as FDIC and NCUA.

In lieu of pledging eligible securities, a qualified public depository may furnish irrevocable standby letters of credit issued by federal home loan banks accompanied by written evidence of that bank's public debt rating which may not be less than "AA" or a qualified public depository may furnish a corporate surety bond of a corporation authorized to do business in South Dakota.

Deposits are reported at cost, plus interest, if the account is the add-on type.

Actual bank balances at December 31, 2014 were as follows: Insured \$500,000, Collateralized ** \$1,454,194 for a total of \$1,954,194.

** Uninsured, collateral jointly held by state's/municipality's agent in the name of the state and the pledging financial institution.

The carrying amount of these deposits at December 31, 2014 was \$1,949,646.

Certificates of deposit, with a term to maturity of greater than 90 days when purchased, are insured or collateralized and are considered deposits.

Investments - In general, SDCL 4-5-6 permits City money to be invested only in (a) securities of the United States and securities guaranteed by the United States government either directly or indirectly or (b) repurchase agreements fully collateralized by securities described in (a) or (c) in shares of an open-end, no-load fund administered by an investment company whose investments are in securities described in (a) and repurchase agreements described in (b). Also, SDCL 4-5-9 requires investments to be in the physical custody of the political subdivision or may be deposited in a safekeeping account with any bank or trust company designated by the political subdivision as its fiscal agent.

Credit Risk - State law limits eligible investments for the City, as discussed above. The City has no policy that further limits its investment choices.

Custodial Risk (Investments) - The risk that, in the event of a default by the counterparty to a transaction, the City will not be able to recover the value of an investment or collateral securities held by the counterparty. At December 31, 2014, the City's investments were not exposed to custodial credit risk.

Custodial Risk (Deposits) - The risk that, in the event of a depository failure, the City's deposits may not be returned to it. At December 31, 2014, the City's deposits in financial institutions were not exposed to custodial credit risk.

Concentration of Credit Risk - the City places no limit on the amount that may be invested in any one institution.

Interest Rate Risk - The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Assignment of Investment Income - State law allows income from deposits and investments to be credited to either the general fund or the fund making the investment. The City's policy is to credit all income from deposits and investments to the fund making the deposit or investment.

4. RECEIVABLES AND PAYABLES

Receivables and payables are not aggregated in the financial statements. The City expects all receivables to be collected within one year. Allowances for estimated uncollectible accounts are not material to these financial statements.

5. INVENTORY OF SUPPLIES AND SMALL TOOLS

Government-wide Statements: (consumption method)

In the government-wide financial statements inventory of supplies and small tools are recorded as assets when purchased and charged to expense when they are consumed. Inventory of supplies and small tools are recorded at cost. Donated items are valued at estimated market value at the date of receipt. The cost valuation method is first-in first-out. At December 31, 2014 inventory of supplies and small tools was immaterial to these financial statements.

Fund Financial Statements: (consumption method)

In the fund financial statements inventory of supplies and small tools are recorded as assets when purchased and charged to expenditure/expense when they are consumed. Reported governmental inventories (if any) are equally offset by a nonspendable fund balance which indicates that they do not constitute "available spendable resources" even though they are a component of current assets.

Inventory of supplies and small tools are recorded at cost. Donated items are valued at estimated market value at the date of receipt. The cost valuation method is first-in first-out. At December 31, 2014 inventory of supplies and small tools was immaterial to these financial statements.

6. CHANGES IN CAPITAL ASSETS (see schedule one on page 32)

A summary of the changes in capital assets is presented in schedule one at the end of these notes.

There was construction-in-progress at the end of 2014 for electrical improvements.

7. CHANGES IN LONG-TERM DEBT (see schedule two on page 33)

A summary of changes in long-term debt is presented in schedule two at the end of these notes. The City did not have any short-term or conduit debt during the two years ending December 31, 2014.

8. FUTURE REVENUES PLEDGED TO SECURE DEBT

All electric fund revenue net revenue (after normal operating, repair and maintenance expenses) is pledged to secure one Heartland Consumer Power District loan which has a remaining balance of \$23,279. The loan was made to cover the cost of electrical improvements and is described on page 33. The loan will mature in 2015. In 2014 the loan had pledged revenue of \$48,044 before depreciation. Principal and interest payments in 2014 were \$31,739.

An electrical surcharge is pledged to secure a 2014 electrical revenue bond, which has a remaining balance of \$2,541,500. The bond was issued to cover the cost of an electrical substation and is described on page 33. The bonds will be paid off in 2034. In 2014 the loan had surcharge revenue of \$56,201 and made principal and interest payments of \$0.

All sewer fund revenue net revenue (after normal operating, repair and maintenance expenses) is pledged to secure two SRF loans with a balance of \$149,415 and \$215,340. The loans were made to cover the cost of sewer improvements and the sewer lagoon and are described on page 33. The loans will mature in 2022 and 2041. In 2014 the loans had pledged revenue of \$82,012 before depreciation and principal and interest payments of \$36,707.

9. RESTRICTED NET POSITION

Restricted net position at December 31, 2014 are as follows:

Purpose:	Restricted By:	Governmental	Business-Type
Fire dept. purposes	Contract	56,427	
Insurance deposit	SDPAA Contract	9,757	
Construction	Contract		696,292
Debt service	Covenant		60,216
		-----	-----
Total Restricted Net Position		66,184	756,508

10. INTERFUND BALANCES AND TRANSFERS

There are no interfund balances at December 31, 2014.

Net transfers "in" and "(out)" between funds are:

	----- 2014 -----		----- 2013 -----	
For operations:	Governmental	Enterprise	Governmental	Enterprise
General	(24,416)		(15,871)	
Water		14,227		30,771
Electric		10,189		(6,989)
Sewer				(7,911)
For electrical substation project:				
General			(200,000)	
Electric				200,000
From sale of storage unit property "held for sale":				
General			120,195	
Electric				(20,812)
Sewer				(99,383)
	-----	-----	-----	-----
	(24,416)	24,416	(95,676)	95,676
To reclassify storage unit land no longer "held for sale":				
Capital assets			59,805	
Sewer				(59,805) **
	-----	-----	-----	-----
	0	0	59,805	(59,805)

** Shown an "Loss on disposal of land" in fund financial statements. (page 17)

11. RETIREMENT PLAN

All employees, except for part-time employees who work less than 20 hours per week and temporary employees, participate in the South Dakota Retirement System (SDRS), a cost-sharing, multiple employer public employee retirement system established to provide retirement benefits for employees of the State of South Dakota and its political subdivisions. SDRS provides retirement, disability and survivor benefits. The right to receive retirement benefits vests after three years of credited service. Authority for establishing, administering and amending plan provisions are found in South Dakota Codified Law 3-12. SDRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to SDRS, PO Box 1098, Pierre, SD 57501-1098 or calling (605) 773-3731.

Covered employees are required by state statute to contribute the following percentages of their salary to the plan: Class A Members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. State statute also requires the employer to make an additional contribution in the amount of 6.2 percent for any compensation exceeding the maximum taxable amount for social security for general employees only. The City's share of contributions to the SDRS for the years ending December 31, 2014, 2013, and 2012 were \$2,877, \$2,083, and \$2,067 (employer's share) respectively, equal to the required contribution each year.

The City does not owe any deferred contributions to the retirement plan.

12. PROPERTY TAX

Taxes are levied on or before October 1, attach as an enforceable lien on property, become due and payable on the following January 1, and are payable in two installment on or before the following April 30 and October 31. The county bills and collects the City's taxes and remits them to the City.

Property taxes are recognized to the extent they are used to finance each year's appropriations. Revenue related to current year property taxes receivable which is intended to be used to finance the current year's appropriations, but which will not be collected during the current fiscal year or within the "availability period" of 30 days has been deferred in the fund financial statements. Property tax revenues intended to finance the current year's appropriations, and therefore susceptible to accrual, has been reported as revenue in the government-wide financial statements, even though collection will occur in a future year.

Delinquent property taxes, from prior year tax levies, are included in "net position" in the government-wide statement of activities but are deferred in the fund financial statements. See reconciliations on page 11 and 12.

13. RISK MANAGEMENT

The City is exposed to various risks of loss related to injuries to employees; torts; theft of or damage to property; errors and omissions of public officials; and natural disasters. During the two years ending December 31, 2014, the City managed its risks as follows:

Employee Health Insurance

The City purchased health insurance for its employees from a commercial carrier. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

Liability Insurance:

The City joined the South Dakota Public Assurance Alliance (SDPAA), a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The City pays an annual premium to the pool to provide coverage for general liability, officials liability, automobile liability and damage, property and boiler & machinery insurance.

The objective of the SDPAA is to administer and provide risk management services and risk sharing facilities to the members and to defend and protect the members against liability, to advise members on loss control guidelines and procedures, and provide them with risk management services, loss control and risk reduction information and to obtain lower cost for that coverage. The City's responsibility is to promptly report to and cooperate with the SDPAA to resolve any incident which could result in a claim being made by or against the City. The City pays an annual premium, to provide liability coverage detailed above, under a claims-made policy and the premiums are accrued on the ultimate cost of the experience to date of the SDPAA member, based on their exposure or type of coverage.

The agreement with the SDPAA provides that the above coverage's will be provided to a \$1,000,000 upper limit. Member premiums are used by the pool for payment of claims and to pay for reinsurance for claims in excess of \$250,000 to the upper limit.

A portion of the member premiums are also allocated to a cumulative reserve fund. The City would be eligible to receive a refund for a percentage of the amount allocated to the cumulative reserve fund on the following basis: First year - 50%, Second year - 60%, Third year - 70%, Fourth year - 80%, Fifth year - 90%, Sixth year and thereafter - 100%. At December 31, 2012, the City has a vested balance in the cumulative reserve fund of \$9,757.

The City does not carry additional insurance to cover claims in excess of the upper limit. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

Worker's Compensation:

The City joined the South Dakota Municipal League Workers' Compensation Fund, a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The City pays an annual premium to the pool to provide worker's compensation coverage for its employees. Coverage limits are set by state statute. The pool pays the first \$250,000 of any claim per individual. The pool has reinsurance which covers up to an additional \$1,750,000 per individual per incident.

The objective of the Fund is to formulate, develop, and administer, on behalf of the member organizations, a program of worker's compensation coverage, to obtain lower costs for that coverage, and to develop a comprehensive loss control program. The City's responsibility is to initiate and maintain a safety program to give its employees safe and sanitary working conditions and to promptly report to and cooperate with the Fund to resolve any worker's compensation claims. The City pays an annual premium, to provide worker's compensation coverage for its employees, under a retrospective rated policy and the premiums are accrued based on the ultimate cost of the experience to date of the Fund members. The City may also be responsible for additional assessments in the event the pool is determined by its board of trustees to have inadequate reserves to satisfy current obligations or judgments. Additional assessments, if any, are to be determined on a prorated basis based upon each participant's percentage of contribution in relation to the total contributions to the pool of all participants for the year in which the shortfall occurs.

The City does not carry additional insurance to cover claims in excess of the upper limit. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

Unemployment Benefits:

The City provides unemployment benefits coverage by paying into the Unemployment Compensation Fund established by state law and managed by the State of South Dakota.

14. OTHER DISCLOSURES AND SUBSEQUENT EVENTS

The City has a rubble site. It does not have a landfill with any associated closure costs or liabilities.

The City does not offer any Other Post Employment Benefits.

An additional \$155,214 was spent for construction on the electrical substation in 2015.

NOTES TO THE FINANCIAL STATEMENTS -- SCHEDULE ONE
 CHANGES IN CAPITAL ASSETS
 FOR THE TWO YEARS ENDING DECEMBER 31, 2014

	Beginning 12-31-12	Book Adjustments	2013 Additions (Deletions)	2014 Additions (Deletions)	Ending 12-31-14	Accumulated Depreciation 12-31-12	Book Adjustments	2013 Depreciation (Additions) Deletions	2014 Depreciation (Additions) Deletions	Accumulated Depreciation 12-31-14	Remaining Cost 12-31-14
General capital assets:											
Land	9,120		59,805		68,925						68,925
Buildings	131,782				131,782	(64,601)		(3,797)	(3,454)	(71,852)	59,930
Improvements	349,702		32,479	(115,288)	266,893	(184,903)	115,288	(16,213)	(14,995)	(100,823)	166,070
Equipment	651,428		11,612	(30,405)	632,635	(330,980)	37,359	(49,604)	(49,434)	(392,659)	239,976
Totals	1,142,032	0	103,896	(145,693)	1,100,235	(580,484)	152,647	(69,614)	(67,883)	(565,334)	534,901

Allocation of Depreciation:

General government	(640)	(539)
Public safety	(18,002)	(16,989)
Public works	(40,119)	(39,807)
Health and welfare	(608)	(608)
Culture and recreation	(10,245)	(9,940)
	(69,614)	(67,883)

Business-type activity:

Enterprise funds:

Land	203,842			10,000	213,842						213,842
Buildings	46,000				46,000	(35,898)		(920)	(920)	(37,738)	8,262
Improvements	2,982,273		4,271	(150,297)	2,836,247	(713,956)	150,297	(60,016)	(60,016)	(683,691)	2,152,556
Equipment	129,647	1		(13,760)	115,888	(51,238)	13,760	(10,341)	(10,304)	(58,123)	57,765
Construction-in-progress	0		509,309	1,601,798	2,111,107	0				0	2,111,107
Totals	3,361,762	1	513,580	1,447,741	5,323,084	(801,092)	164,057	(71,277)	(71,240)	(779,552)	4,543,532

CITY OF AURORA
 NOTES TO THE FINANCIAL STATEMENTS -- SCHEDULE TWO
 CHANGES IN LONG-TERM DEBT
 FOR THE TWO YEARS ENDING DECEMBER 31, 2014

	Beginning 12-31-12	2013 Additions (Deletions)	2014 Additions (Deletions)	Governmental Ending 12-31-14	Business-Type Ending 12-31-14	Principal Payments Due In 2014
GOVERNMENTAL						
Leave liability:						
Paid by General Fund	846	807 (807)	807 (807)	807		807
Totals	846	0	0	807		807
BUSINESS-TYPE						
2000 Clean Water SRF Loan:						
Original loan amount: \$309,447.30						
Maturing on 1-1-2022						
Interest fixed at 5.0%						
Quarterly payments of \$6,174.18						
Paid by sewer fund	182,007	(15,891)	(16,701)		149,415	17,552
2005 Electric Utility Loan:						
Original loan amount of \$255,000						
Maturing on 7-11-2015						
Interest fixed at 4.5%						
Quarterly payments of \$7,934.76						
Paid by electric fund	81,667	(28,541)	(29,847)		23,279	23,279
2010 Clean Water SRF Loan:						
Loan amount of \$300,000 at 12-31-2010						
Maturing on 10-15-2041						
Interest fixed at 3.25%						
Quarterly payments of \$3,002.63						
Paid by sewer fund	225,007	(4,755)	(4,912)		215,340	5,073
2014 Electric Revenue Bond:						
Original amount of \$2,541,500						
Maturing on 12-01-2034						
Interest fixed at 4.10%						
Total annual payments of \$188,051						
Paid by electric fund	0		2,541,500		2,541,500	22,588
Leave liability:		2,421	2,421			
Paid by Enterprise Funds	2,540	(2,540)	(2,421)		2,421	2,421
Totals	491,221	(49,306)	2,490,040		2,931,955	70,913

**SCHEDULE OF PAYMENTS FOR LONG-TERM DEBT
 AT DECEMBER 31, 2014**

		Total Payment	Principal	Interest	Balance
2000 Clean Water SRF Loan:	2015	24,697	17,552	7,145	131,863
	2016	24,696	18,446	6,250	113,417
	2017	24,697	19,386	5,311	94,031
	2018	24,696	20,373	4,323	73,658
	2019	24,697	21,411	3,286	52,247
	2020-2022	55,796	52,247	3,549	0
	Totals	179,279	149,415	29,864	
2005 Electric Utility Loan:	2015	24,326	23,279	1,047	0
2010 Clean Water SRF Loan:	2015	12,010	5,073	6,937	210,267
	2016	12,010	5,240	6,770	205,027
	2017	12,011	5,413	6,598	199,614
	2018	12,010	5,591	6,419	194,023
	2019	12,011	5,775	6,236	188,248
	2020-2024	60,053	31,851	28,202	156,397
	2025-2029	60,053	37,447	22,606	118,950
	2030-2034	60,052	44,025	16,027	74,925
	2035-2039	60,053	51,759	8,294	23,166
	2040-2041	24,021	23,166	855	0
	Totals	324,284	215,340	108,944	
2014 Electric Revenue Bond:	2015	188,051	22,588	165,463	2,518,912
	2016	188,051	84,776	103,275	2,434,136
	2017	188,051	88,252	99,799	2,345,884
	2018	188,051	91,870	96,181	2,254,014
	2019	188,051	95,636	92,415	2,158,378
	2020-2024	940,256	540,315	399,941	1,618,063
	2025-2029	940,255	660,541	279,714	957,522
	2030-2034	1,090,256	957,522	132,734	0
	Totals	3,911,022	2,541,500	1,369,522	

CITY OF AURORA

 REQUIRED SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
 FOR THE YEAR ENDING DECEMBER 31, 2014

GENERAL FUND	Budgeted Amounts				Actual	Variance Positive (Negative)
	Original	Contingency Transfers	Supplemental	Final		
Revenue:						
Revenue from local sources:						
Taxes:	210,642			210,642		(210,642)
Ad valorem taxes					124,105	124,105
Sales and use tax					58,113	58,113
Amusement tax					60	60
Licenses and permits:	150				2,864	2,864
Intergovernmental revenue:	28,000			28,000		(28,000)
State shared revenue:						
Grant					1,661	1,661
Bank franchise tax					140	140
Liquor tax reversion					3,269	3,269
Motor vehicle licenses (5%)					3,685	3,685
Highway and bridge					11,927	11,927
County shared revenue: Road taxes					2,237	2,237
Charges for goods and services:	79,145			79,145		(79,145)
Public safety, fire protection					17,767	17,767
Solid waste collection					48,564	48,564
Health and welfare					76	76
Fines and forfeits:	0			0		0
Miscellaneous revenue:	39,330			39,330		(39,330)
Interest earned					1,019	1,019
Rentals and franchise					6,326	6,326
Liquor operating agreement	4,000				4,000	4,000
Donations					350	350
Miscellaneous					2,761	2,761
Total revenues	361,267	0	0	357,117	288,924	(68,193)
Expenditures:						
General government:						
Mayor and Council	23,466			23,466	15,795	7,671
Contingency				0		0
Amount transferred				0		0
Elections	1,000			1,000	247	753
Financial administration	39,732			39,732	34,281	5,451
Other	8,500			8,500	3,708	4,792
Public safety:						
Police	18,590			18,590	20,139	(1,549)
Fire	21,970			21,970	28,556	(6,586)
Public works:						
Highways and streets	163,334			163,334	82,791	80,543
Solid waste collection	39,840			39,840	35,002	4,838
Health and welfare:						
Health	8,500			8,500	6,190	2,310
Culture and recreation:						
Parks	31,900			31,900	17,472	14,428
Conservation and development:						
Economic development	4,435		12,500	16,935	15,758	1,177
Total expenditures	361,267	0	12,500	373,767	259,939	113,828
Excess of revenues over (under) expenditures	0	0	(12,500)	(16,650)	28,985	45,635
Other financing sources (uses):						
Transfer (out)				0	(24,416)	(24,416)
Net change in fund balance	0	0	(12,500)	(16,650)	4,569	21,219
Fund balance:						
January 1, 2014	309,781			309,781	309,781	0
December 31, 2014	309,781	0	(12,500)	293,131	314,350	21,219

CITY OF AURORA

REQUIRED SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
 FOR THE YEAR ENDING DECEMBER 31, 2013

GENERAL FUND	Budgeted Amounts				Actual	Variance Positive (Negative)
	Original	Contingency Transfers	Supplemental	Final		
Revenue:						
Revenue from local sources:						
Taxes:	173,274			173,274		(173,274)
Ad valorem taxes					124,136	124,136
Sales and use tax					52,835	52,835
Amusement tax					132	132
Licenses and permits:	75				2,268	2,268
Intergovernmental revenue:	26,062			26,062		(26,062)
State shared revenue:						
Grants - fire					7,000	7,000
Liquor tax reversion					3,499	3,499
Motor vehicle licenses (5%)					3,545	3,545
Highway and bridge					8,495	8,495
County shared revenue: Road taxes					1,732	1,732
Charges for goods and services:	76,382			76,382		(76,382)
Public safety, fire protection					18,789	18,789
Solid waste collection					46,380	46,380
Health and welfare					630	630
Fines and forfeits:	500			500	450	(50)
Miscellaneous revenue:	41,999			41,999		(41,999)
Interest earned					114	114
Rentals and franchise					6,033	6,033
Liquor operating agreement	8,000			8,000	8,000	0
Donations					450	450
Miscellaneous					691	691
Total revenues	326,292	0	0	326,217	285,179	(41,038)
Expenditures:						
General government:						
Mayor and Council	15,346			15,346	13,738	1,608
Contingency				0		0
Amount transferred				0		0
Elections	851			851	10	841
Financial administration	32,057			32,057	33,596	(1,539)
Other	6,500			6,500	2,994	3,506
Public safety:						
Police	17,160			17,160	17,161	(1)
Fire	21,970			21,970	37,202	(15,232)
Public works:						
Highways and streets	144,668			144,668	121,336	23,332
Solid waste collection	36,840			36,840	34,117	2,723
Health and welfare:						
Health	8,500			8,500	(510)	9,010
Culture and recreation:						
Parks	31,900			31,900	14,332	17,568
Conservation and development:						
Economic development	10,500			10,500	10,505	(5)
Total expenditures	326,292	0	0	326,292	284,481	41,811
Excess of revenues over (under) expenditures	0	0	0	(75)	698	773
Other financing sources (uses):						
Transfer in				0	120,195	120,195
Transfer (out)				0	(215,871)	(215,871)
Compensation for property damage				0	3,732	3,732
Net change in fund balance	0	0	0	(75)	(91,246)	(91,171)
Fund balance:						
January 1, 2013	401,027			401,027	401,027	0
December 31, 2013	401,027	0	0	400,952	309,781	(91,171)

CITY OF AURORA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF BUDGETARY COMPARISON FOR THE
GENERAL FUND FOR THE YEAR ENDING DECEMBER 31, 2014

1. BUDGETS AND BUDGETARY ACCOUNTING

The City follows these procedures in establishing the budgetary data reflected in the required supplementary information:

- a. At the first regular board meeting in September of each year or within ten days thereafter, the governing board introduces the annual appropriation ordinance for the ensuing fiscal year.
- b. After adoption by the governing board, the operating budget is legally binding and actual expenditures for each purpose cannot exceed the amounts budgeted, except as indicated in d.
- c. A line item for contingencies may be included in the annual budget. Such a line item may not exceed 5 percent of the total municipal budget and may be transferred by resolution of the governing board to any other budget category that is deemed insufficient during the year.
- d. If it is determined during the year that sufficient amounts have not been budgeted, state statute allows the adoption of supplemental budgets. During 2014 there was one supplemental budget. See page 34. During 2013 there were no supplemental budgets. See page 35.
- e. Unexpended appropriations lapse at year end unless encumbered by resolution of the governing board. There were no appropriations encumbered at December 31, 2013 or December 31, 2014.

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the general fund.

- f. Formal budgetary integration is employed as a management control device for the general fund.
- g. Budgets for the general fund are adopted on a basis consistent with generally accepted accounting principles (GAAP).

2. GAAP and Budgetary Accounting Basis Difference:

The financial statements prepared in conformity with U.S.GAAP present capital outlay expenditure information in a separate category of expenditures. Under the budgetary basis of accounting, capital outlay expenditures are reported within the function to which they relate. For example, the purchase of a road grader would be reported as a capital expenditure on the governmental funds statement of revenues, expenditures and changes in fund balances. However, in the budgetary RSI schedule, the purchase of a road grader would be reported as an expenditure in the public works function of general fund, along with all other current public works expenditures.

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

Governing Board
City of Aurora
Aurora, South Dakota

INDEPENDENT AUDITOR'S REPORT

I have audited, 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, the financial statements of governmental activities, business-type activities, and each major fund of the City of Aurora (City), Brookings County, South Dakota, as of December 31, 2014 and for each of the years in the biennial period then ended, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued my report thereon dated May 9, 2016 which was unmodified.

Compliance and Other Matters:

As part of obtaining reasonable assurance about whether City of Aurora's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants 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 my audit and, accordingly, I do not express such an opinion.

The results of my tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of current audit findings and responses as item 2014-02.

Management response to the finding identified in my audit is described in the accompanying schedule of current audit findings and responses. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered City of Aurora's internal control over financial reporting (internal control) to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, I do not express an opinion on the effectiveness of City of Aurora's internal control.

A *deficiency in internal control* exist when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis.

A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of City of Aurora's financial statements will not be prevented, or detected and corrected on a timely basis.

A *significant deficiency*, is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during my audit I did identify a deficiency in internal control that I consider to be material weakness, which is described in the accompanying schedule of current audit findings and responses as item 2014-01. Other material weaknesses may exist that have not been identified.

I did identify certain deficiencies in internal control, described in the accompanying schedule of current audit findings and responses that I consider to be significant deficiencies. I consider the deficiencies described in the accompanying schedule of current audit findings and responses as items 2014-02, 2014-03, and 2014-04 to be significant deficiencies.

Management responses to the findings identified in my audit are described in the accompanying schedule of current audit findings and responses. I did not audit the management responses and, accordingly, I express no opinion on them.

I did note other matters involving internal control that I reported to the governing body and management of the City of Aurora in a separate Letter of Comments dated May 9, 2016.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of compliance and internal control over financial reporting, and the results of that testing, and not to provide an opinion on the effectiveness of the City's compliance or internal control over financial reporting. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Aurora's compliance and internal control over financial reporting. Accordingly this communication is not suitable for any other purpose.

However, as required by South Dakota Codified Law 4-11-11, this report is a matter of public record and its distribution is not limited.

Independent Audit Services, PC
Benjamin Elliott, CPA
Madison, South Dakota



May 9, 2016

SCHEDULE OF PRIOR AUDIT FINDINGS AND RESPONSES

Prior Federal Compliance Audit finding:

The prior audit report had no federal compliance audit findings.

Prior Other Audit Findings:

2012-01: Absence of a General Ledger -- Repeated below as 2014-01

2008-02: Fire Department Activity -- Repeated below as 2014-02

2006-01: Segregation of Duties -- Repeated below as 2014-03

2008-03: Preparation of Financial Statements -- Repeated below as 2014-04

SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS

Part I - Summary of the Audit:

Financial Statements

Type of auditor's report issued:

Unqualified on:

Governmental Activities
Business-Type Activities
Major Funds

Noncompliance noted:

Items: 2014-02

Internal control over financial reporting:

* Material weakness(es) identified?

Item: 2014-01

* Significant deficiency(ies) identified
that are not considered to be material
weaknesses?

Items: 2014-02, -03, -04

Part II - Findings Relating to the Financial Statements

Finding 2014-01: Absence of a General Ledger
(internal control)

Criteria:

The South Dakota Municipal Accounting Manual says, "A general ledger should be established for each fund."

Condition:

Currently the City keeps a spread sheet of cash receipt and cash disbursement activity, but that information is not recorded in a general ledger to show that the City's books are in balance. Construction checking account activity was not posted to this spread sheet.

Possible Effect:

Not maintaining a general ledger can lead to missing and inaccurate information, and, possibly, the misappropriation of funds.

Recommendation:

The City needs to keep a general ledger. The Council should consider obtaining general ledger software in 2015.

Management Response:

The Council will consider this recommendation.

SCHEDULE OF CURRENT AUDIT FINDINGS (continued)

Finding 2014-02: Volunteer Fire Department records
(compliance and internal control)

Criteria:

Governmental Accounting Standards Board (GASB) requires that a government's general purpose financial statements include the activity of all entities related to that government. (GASB Codification Sec. 2600) Also, South Dakota Codified Laws 9-14-17 and 9-14-18 require the finance officer to keep regular books of account for all financial transactions. To fully comply with these statutes, the finance officer should have access to, or knowledge of, the balances and activity of bank accounts and books kept by the Aurora Volunteer Fire Department.

Condition:

The Aurora Volunteer Fire Department belongs to the City of Aurora. Information relating to the balances and activity of the Volunteer Fire Department were not available to the City's finance officer.

Possible Effect:

Withholding financial information results in inaccurate financial reporting and, possibly, the misappropriation of funds.

Recommendation:

Management of the City should attempt to have financial information from the Volunteer Fire Department available for review.

Management Response:

The City of Aurora will continue to attempt to have better access to financial information from the Volunteer Fire Department.

Finding 2014-03: Segregation of Duties
(internal control)

Criteria:

The management of the City is responsible for establishing and maintaining an internal control structure to provide management and taxpayers with reasonable assurance: 1) that assets are safeguarded against loss from unauthorized use or disposition, 2) that transactions are executed in accordance with management's authorization, and 3) that transactions are recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles or other comprehensive basis of accounting.

A key element of an effective internal control structure is the separation of duties so one person isn't responsible of all aspects of a transaction.

Condition:

The finance officer processes most revenue transactions from beginning to end. The finance officer receives money, issues receipts, records receipts, posts receipts in the accounting records, and prepares bank deposits. As a result, an inadequate segregation of duties existed for the revenue function of the City of Aurora.

Effect:

Inadequate segregation of duties can lead to the misappropriation of funds.

Recommendation:

I recommend the City of Aurora's management be cognizant of this lack of segregation of duties for revenues and attempt to provide compensating internal controls whenever, and wherever possible and practical.

SCHEDULE OF CURRENT AUDIT FINDINGS (continued)

Response:

Shannon Clifford, the City of Aurora's finance officer, is the contact person responsible for the corrective action plan for this comment. This comment is a result of the size of the entity, which precludes staffing at a level sufficient to provide an ideal environment for internal controls. The City has determined it is not cost beneficial to employ additional personnel just to be able to adequately segregate duties. The City of Aurora is aware of this problem and is attempting to provide compensating controls whenever and wherever possible and practical. However, this lack of segregation of duties in the revenue function is expected to continue to exist.

Finding 2014-04: Preparation of Financial Statements
(internal control)

Criteria:

A good system of internal control contemplates an adequate system for recording and processing entries material to the financial statements.

Condition:

The City has elected not to have an internal control system designed to provide for the preparation of the financial statement being audited. As the auditor, I was requested to draft these financial statements and accompanying notes to the financial statements.

Effect:

This control deficiency could result in a misstatement of the financial statements that would not be prevented or detected.

Recommendation:

This situation is not unusual for an entity of this City's size. It is the responsibility of management, and those charged with governance, to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Management response:

Due to cost constraints, the City will continue to have the auditor draft the financial statements and accompanying notes to the financial statements.