

CITY OF AURORA  
AURORA, SOUTH DAKOTA  
FINANCIAL REPORT  
FOR THE ONE YEAR ENDING DECEMBER 31, 2023  
WITH INDEPENDENT AUDITOR'S REPORTS

**INDEPENDENT AUDIT SERVICES, P.C.**

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Benjamin Elliott, CPA  
P.O. Box 262  
Madison, South Dakota 57042

CITY OF AURORA  
AURORA, SOUTH DAKOTA

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FOR THE ONE YEAR ENDING DECEMBER 31, 2023

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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**

Benjamin Elliott, CPA  
P.O. Box 262  
Madison, South Dakota 57042  
605.270.3020

Governing Board  
City of Aurora  
Aurora, South Dakota

## **INDEPENDENT AUDITOR'S REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS**

### ***Financial Statement Audit:***

I have audited the accompanying modified cash basis of accounting 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, 2023, and for the year then ended, and the related notes to the financial statements. These financial statements collectively comprise the City's basic financial statements as listed in the Table of Contents.

### ***Opinions:***

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of governmental activities, business-type activities and each major fund of the City of Aurora, Brookings County, South Dakota as of December 31, 2023, and the respective changes in its financial position, and cash flows were applicable, for the year then ended in accordance with the modified cash basis of accounting described in Note 1c to the financial statement.

### ***Basis for Opinions***

I conducted my audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standard applicable to financial audits contained in Government Auditing Standards (*Government Auditing Standards*), issued by the Comptroller General of the United States. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of the City of Aurora, Brookings County, South Dakota and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

### ***Responsibilities of Management for the Financial Statements:***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1c, and for determining that the modified cash basis of accounting is an acceptable basis for the preparation of these financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

In preparing the modified cash basis of accounting financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Aurora's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

*Auditor's Responsibility for the Audit of the Financial Statements:*

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, I:

- > Exercise professional judgment and maintain professional skepticism throughout the audit.
- > Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- > Obtain an understanding of internal control relevant to the audit 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 of Aurora's internal control. Accordingly, no such opinion is expressed.
- > Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- > Conclude whether, in my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Aurora's ability to continue as a going concern for a reasonable period of time.

I am required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that I identified during the audit.

*Emphasis of Matters - Modified Cash Basis of Accounting:*

I draw attention to Note 1c of these financial statements, which describes the basis of accounting. These financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. My opinion is not modified with respect to this matter.

*Supplementary Information (no opinion):*

Accounting principles generally accepted in the United States of America allow for the budgetary comparison schedules (page 27 to 28) and the pension schedules (page 29 and 30) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is allowed 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 this supplementary information in accordance with auditing standards

City of Aurora  
Independent Auditor's Report -- Page Three

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.

*Supplementary Information (opinion):*

My audit was conducted for the purpose of forming opinions on the modified cash basis of accounting financial statements that collectively comprise the City of Aurora's financial statements.

The schedule of changes in long-term liabilities (page 25 and 26) is presented for the purpose of additional analysis and is not a required part of the modified cash basis of accounting financial statements.

The schedule of changes in long-term liabilities is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the modified cash basis of accounting financial statements. The information has been subject to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements, or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

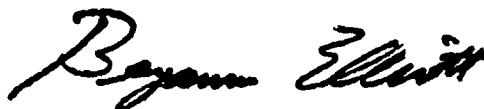
In my opinion, the schedule of changes in long-term liabilities is fairly stated, in all material respects, in relation to the modified cash basis of accounting financial statements as a whole.

*Other Reporting Required by Government Auditing Standards:*

In accordance with *Government Auditing Standards*, I have also issued my report dated May 2, 2025 (page 31) on my consideration of the City of Aurora's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of that report is solely to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Aurora's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Aurora's internal control over financial reporting and compliance.

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

May 2, 2025



CITY OF AURORA

STATEMENT OF NET POSITION

MODIFIED CASH BASIS

AS OF DECEMBER 31, 2023

	Primary Government		
	-----		
	Governmental	Business-	
	Activities	Type	
	Activities	Activities	Total
	-----	-----	-----
ASSETS:			
Cash and cash equivalents	1,241,736	1,435,741	2,677,477
Restricted cash:			
Fire	22,953		22,953
ARPA	149,141		149,141
Sub-station		150,568	150,568
	-----	-----	-----
Total assets	1,413,830	1,586,309	3,000,139
	=====	=====	=====
NET POSITION:			
Restricted for:			
Fire department	22,953		22,953
ARPA use	149,141		149,141
Debt service - substation		150,568	150,568
Debt service - sewer		12,011	12,011
Unrestricted	1,241,736	1,423,730	2,665,466
	-----	-----	-----
Total net position	1,413,830	1,586,309	3,000,139
	=====	=====	=====

See accompanying notes.

CITY OF AURORA  
STATEMENT OF ACTIVITIES  
MODIFIED CASH BASIS  
FOR THE YEAR ENDING DECEMBER 31, 2023

Functions/Programs:	Program Receipts				Net Receipts (Disbursements) and Changes in Net Position		
	Disbursements	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	181,096	7,759			-173,337		-173,337
Public safety	183,701	147,692			-36,009		-36,009
Public works	151,980	93,576			-58,404		-58,404
Health and welfare	1,041	1,041			0		0
Culture and recreation	16,574	350			-16,224		-16,224
Economic development	18,379				-18,379		-18,379
Liquor operations	300				-300		-300
Total governmental activities	553,071	250,418	0	0	-302,653	0	-302,653
Business-type activities:							
Water	191,888	194,463				2,575	2,575
Electric	992,703	992,378				-325	-325
Sewer	2,073,626	370,383		1,040,308		-662,935	-662,935
Total business-type activities	3,258,217	1,557,224	0	1,040,308	0	-660,685	-660,685
Total primary government	3,811,288	1,807,642	0	1,040,308	-302,653	-660,685	-963,338
General receipts:							
Taxes:							
Property taxes					302,067		302,067
Sales taxes					127,377		127,377
State shared receipts					28,370		28,370
County shared receipts					2,976		2,976
Interest and dividends received					1,463		1,463
Rents and franchise fees					3,514		3,514
Donations					1,900		1,900
Miscellaneous receipts					5,880		5,880
Compensation for damaged property					2,945		2,945
Loan proceeds					0	929,156	929,156
Total general receipts and transfers					476,492	929,156	1,405,648
Change in net position					173,839	268,471	442,310
Net position:							
January 1, 2023					1,945,664	5,116,274	7,061,938
Adjusted to cash basis - Note 9					-705,673	-3,798,436	-4,504,109
January 1, 2023, adjusted					1,239,991	1,317,838	2,557,829
December 31, 2023					1,413,830	1,586,309	3,000,139

See accompanying notes.

CITY OF AURORA

BALANCE SHEET -- MODIFIED CASH BASIS  
ALL GOVERNMENTAL FUNDS  
AS OF DECEMBER 31, 2023

	General Fund -----
ASSETS:	
Cash and cash equivalents	1,241,736
Restricted cash:	
Fire	22,953
ARPA	149,141
	-----
Total assets	1,413,830 =====
FUND BALANCE:	
Nonspendable	
Restricted - fire	22,953
Restricted - ARPA	149,141
Committed	
Assigned - capital outlay	15,372
Unassigned	1,226,364
	-----
Total fund balances	1,413,830** =====

\*\* Equals net position on  
statement of net position

See accompanying notes.



CITY OF AURORA  
STATEMENT OF RECEIPTS, DISBURSEMENTS AND  
CHANGES IN FUND BALANCES - MODIFIED CASH BASIS  
ALL GOVERNMENTAL FUNDS  
FOR THE YEAR ENDING DECEMBER 31, 2023

	General Fund -----
Receipts:	
Local sources:	
Taxes:	
Ad valorem taxes	302,067
General sales taxes	127,377
Licenses and permits:	3,759
Intergovernmental:	
State shared revenue:	
Liquor tax reversion	7,196
5% motor vehicle licenses	8,473
Highway and bridge	12,701
County shared revenue	
Road taxes	2,976
Fire equipment	129,574
Charges for goods and services:	
Fire protection	16,817
Streets	
Sanitation (rubble site)	93,576
Health	1,041
Recreation	350
Miscellaneous:	
Interest received	1,463
Rents and franchise	3,514
Donations	1,900
Liquor operating agreements	4,000
Other	7,181
	-----
Total receipts	723,965
	-----
Disbursements:	
Current:	
General government:	
Mayor and Council	16,229
Elections	353
Financial administration	74,892
Other	89,622
Public safety:	
Police	20,800
Fire	57,101
Public works:	
Highways and streets	91,260
Sanitation	58,520
Health and welfare:	
West Nile	1,041
Culture and recreation:	
Recreation	11,605
Conservation and development:	
Economic development	18,379
Liquor operations	300
Capital outlay	112,969
	-----
Total disbursements	553,071
	-----
Excess of receipts over (under) disbursements	170,894
Other financing sources (uses):	
Compensation for damaged property	2,945
	-----
Net change in fund balance	173,839**
Fund balance:	
January 1, 2023	1,259,988
Adjusted to cash basis - Note 9	-19,997
	-----
January 1, 2023, adjusted	1,239,991
	-----
December 31, 2023	1,413,830
	=====

\*\* Equals change in net position on  
Statement of Activities  
See accompanying notes. - 7 -

CITY OF AURORA

STATEMENT OF NET POSITION  
MODIFIED CASH BASIS  
ENTERPRISE FUNDS  
AS OF DECEMBER 31, 2023

	Water Fund	Electric Fund	Sewer Fund	Total
	-----	-----	-----	-----
ASSETS				
Cash and cash equivalents	104,453	633,135	698,153	1,435,741
Restricted cash:				
Substation		150,568		150,568
	-----	-----	-----	-----
Total assets	104,453	783,703	698,153	1,586,309
	=====	=====	=====	=====
NET POSITION				
Restricted - debt service		150,568	12,011	162,579
Unrestricted	104,453	633,135	686,142	1,423,730
	-----	-----	-----	-----
Total net position	104,453	783,703	698,153	1,586,309
	=====	=====	=====	=====

See accompanying notes.

## CITY OF AURORA

STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES  
IN NET POSITION -- MODIFIED CASH BASIS  
ENTERPRISE FUNDS  
FOR THE YEAR ENDING DECEMBER 31, 2023

	Water Fund	Electric Fund	Sewer Fund	Total
	-----	-----	-----	-----
Operating receipts:				
Charges for goods and services	194,463	992,378	370,383	1,557,224
	-----	-----	-----	-----
Total operating receipts	194,463	992,378	370,383	1,557,224
	-----	-----	-----	-----
Operating disbursements:				
Personal services	47,088	46,511	47,687	141,286
Other current services	41,281	31,875	19,652	92,808
Cost of goods sold	103,519	711,202		814,721
	-----	-----	-----	-----
Total operating disbursements	191,888	789,588	67,339	1,048,815
	-----	-----	-----	-----
Excess operating receipts (disbursements)	2,575	202,790	303,044	508,409
Nonoperating receipts (disbursements):				
Principal payments		-150,518	-17,457	-167,975
Interest and fee payments		-52,597	-56,777	-109,374
	-----	-----	-----	-----
Total nonoperating receipts (disbursements)	0	-203,115	-74,234	-277,349
Excess receipts (disbursements) before grants, loan proceeds, and capital costs	2,575	-325	228,810	231,060
Capital grants			1,040,308	1,040,308
Loan proceeds			929,156	929,156
Capital costs			-1,932,053	-1,932,053
	-----	-----	-----	-----
Change in net position	2,575	-325	266,221	268,471
Net position:				
January 1, 2023	177,685	1,755,028	3,183,561	5,116,274
Adjusted to cash basis - Note 9	-75,807	-971,000	-2,751,629	-3,798,436
	-----	-----	-----	-----
January 1, 2023, adjusted	101,878	784,028	431,932	1,317,838
	-----	-----	-----	-----
December 31, 2023	104,453	783,703	698,153	1,586,309
	=====	=====	=====	=====

See accompanying notes.

## CITY OF AURORA

STATEMENT OF CASH FLOWS-- MODIFIED CASH BASIS  
ENTERPRISE FUNDS  
FOR THE YEAR ENDING DECEMBER 31, 2023

	Water Fund	Electric Fund	Sewer Fund	Total
	-----	-----	-----	-----
Cash flows from:				
Operating activities:				
Receipts from customers	194,463	981,978	370,383	1,546,824
Receipts interfund services (est)		10,400		10,400
Payments to employees	-47,088	-46,511	-47,687	-141,286
Payments to suppliers	-143,850	-743,077	-18,152	-905,079
Pymts interfund services (est)	-950		-1,500	-2,450
Net cash provided (used)	-----	-----	-----	-----
by operating activities	2,575	202,790	303,044	508,409
Noncapital financing activities:				
None				0
Capital financing activities:				
Loan proceeds			929,156	929,156
Capital grants			1,040,308	1,040,308
Cash paid for improvements			-1,932,053	-1,932,053
Principal paid on debt		-150,518	-17,457	-167,975
Interest and fees paid on debt		-52,597	-56,777	-109,374
Investing activities:				
None				0
Net increase (decrease) in	-----	-----	-----	-----
cash and cash equivalents	2,575	-325	266,221	268,471
Cash and cash equivalents:				
January 1, 2023	101,878	784,028	431,932	1,317,838
	-----	-----	-----	-----
December 31, 2023	104,453	783,703	698,153	1,586,309
	=====	=====	=====	=====
Reconciliation of operating				
income (loss) to net cash				
provided (used) by operating				
activities:				
Operating income (loss)	2,575	202,790	303,044	508,409
Net cash provided (used)	-----	-----	-----	-----
by operating activities	2,575	202,790	303,044	508,409
	=====	=====	=====	=====
Noncash investing, capital and				
financing activities: None				

See accompanying notes.

CITY OF AURORA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in note 1.c, these financial statements are presented on a modified cash basis of accounting. The modified cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements.

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:
Josh Jones, Mayor	Shannon Freng
Jon Geise, President	
Josh Kukrall	Attorney:
Nancy Price	Steve Britzman
David Schuttloffel	

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

Financial Reporting Entity:  
Primary Government: - The City of Aurora  
Component Unit: - 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 on the application of these criteria, the City of Aurora has no 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 (if any). The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenue. 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 cash assets. Net position is displayed in two components: restricted (distinguishing between major categories of restrictions) and unrestricted.

The Statement of Activities presents a comparison between direct disbursements and program receipts for each function of the City's governmental activities and for each segment of City's business-type activities. Direct disbursements are associated with a specific program or function and are clearly identifiable to a particular function. Program receipts 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. Receipts that are not classified as program receipts, including all taxes and interest, are presented as general receipts.

*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 cash, net position, receipts and disbursements. 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 cash, receipts or disbursements of the individual governmental or enterprise fund are at least 10 percent of the corresponding element total (cash, receipts or disbursements) 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 (Business-Type)*

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 funds are never considered to be major funds.

Custodial Funds: Custodial funds are used to report fiduciary activities that are not required to be reported in pension (and other employee benefit) trust funds, investment trust funds, or private-purpose trust funds. Custodial funds are used to account for the accumulation and distribution of resource from various pass-through activities.

In 2023 the City had no fiduciary or custodial funds.

### c. Measurement Focus and Basis of Accounting:

Measurement focus is a term used to describe "how" transactions are recorded within the various financial statements. Basis of accounting refers to "when" revenues and expenditures or expenses (disbursements) are recognized in the accounts and reported in the financial statements, regardless of the measurement focus. The City's basis of accounting is the modified cash basis of accounting, which is a basis of accounting other than US-GAAP. Under US-GAAP, transactions are recorded in the accounts when revenues are earned and liabilities are incurred. Under the modified cash basis of accounting, transactions are recorded when cash is received or disbursed.

#### **Measurement Focus:**

#### *Government-wide Financial Statements:*

In the government-wide Statement of Net Position and Statement of Activities, both governmental and business-type activities are presented using the economic resources measurement focus, applied within the limitations of the modified cash basis of accounting as described below.

#### *Fund Financial Statements:*

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used, applied within the limitations of the modified cash basis of accounting.

## Basis of Accounting:

In the government-wide Statement of Net Position and Statement of Activities and the fund financial statements, governmental, business-type, and major fund activities are presented using a modified cash basis of accounting.

The modified cash basis of accounting involves the measurement of cash and cash equivalents and changes in cash and cash equivalents resulting from cash receipts and disbursement transactions. Under the modified cash basis of accounting, the statement of net position reports only cash and cash equivalents. Under the modified cash basis of accounting, transactions are recorded in the accounts when cash and/or cash equivalents are received or disbursed and assets and liabilities are recognized to the extent cash has been received or disbursed. Acceptable modifications to the cash basis of accounting implemented by the City in these financial statements are certificates of deposit (if any) whose maturity when purchased is more than 90 days.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods and services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

If the City applied US-GAAP, the fund financial statements for governmental funds would use the modified accrual basis of accounting and the fund financial statements for enterprise funds and fiduciary funds (if any) would use the accrual basis of accounting. All government-wide financial statements would be presented on the accrual basis of accounting.

### d. Cash and Cash Equivalents:

For purposes of financial reporting, "cash and cash equivalents" includes all demand and savings accounts and certificates of deposit or short-term investments with a term to maturity at date of acquisition of three months or less. Investments (if any) in open-end mutual funds shares or similar investments in external investment pools, are also considered to be cash equivalents.

The City had no certificates of deposit in 2023.

Under the modified cash basis of accounting, investments are carried at cost.

### 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, 2023, all enterprise fund deposits are considered to be cash and cash equivalent for purposes of the statement of cash flow.



g. Program Receipts and General Receipts:

Program Receipts:

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

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

h. Enterprise Fund Receipt Classifications:

In both the government-wide statements and fund financial statements, enterprise fund operating receipts, such as charges for water, electrical and sewer services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, if any, such as grants, operating subsidies, interest received, and transfers in, result from non-exchange transactions.

i. Equity Classifications:

Government-wide financial Statements:

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

1. Restricted Net Position - Consists of net position with constraints placed on their 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.
2. Unrestricted Net Position - All other net position that does not meet the definition of "restricted net position".

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 (if any) is reported as "Net Position - Restricted".

j. 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.

k. 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 cash balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
- \* Restricted - includes fund cash 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 cash balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund cash balance may be assigned by the Board of Trustees or Finance Officer.
- \* Unassigned - includes positive fund cash balance within the general fund which has not been classified within the above categories and negative fund balance amounts in other governmental funds.

The City of Aurora fund cash 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	None		0
Restricted	Fire uses	Contract	22,953
Restricted	ARPA uses	Ststute	149,141
Committed	None		0
Assigned	Capital outlay		15,372
Unassigned	General		1,226,364
			-----
			1,413,830

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 cash balance policy.

The City has no special revenue funds.

## 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.

Reported budget overdrafts are:

2023: General Fund/general government/other - 3,103

However, this is not considered a significant violation of a departmental expenditure compared to appropriations. In the future, the City expects to make contingency transfers or adopt supplemental appropriations to cover expenditures that will exceed their original appropriation.

## 3. DEPOSITS, INVESTMENTS AND RELATED RISKS

Except for restricted cash held by 3rd parties and bank certificates of deposit purchased for an individual fund, the City follows the practice of aggregating deposits of its various funds to maximize cash management efficiency and returns. Various restrictions on deposits and investments are imposed by statutes. These restrictions are summarized below:

Deposits - The City 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, 2023 were as follows: Insured \$363,020, Collateralized \*\* \$2,636,835, for a total of \$2,999,855.

\*\* 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, 2023 was \$3,000,139 held as follows.

### First Bank and Trust:

Checking	\$ 2,887,119
Savings	113,020
	-----
	\$ 3,000,139
	=====

Certificates of deposit (if any), with a term to maturity of greater than 3 months when purchased, were insured or collateralized and are considered deposits.

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.

During 2023 the City had no investments.

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

Custodial Credit Risk - The risk that, in the event of failure of the counterparty to a transaction, the City will not be able to recover the value of investment or collateral securities that are in possession of an outside party. The City did not have any custodial credit risk.

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.

Concentration of Credit Risk - The City places no limit on the amount that may be deposited or invested in any one institution. At December 31, 2023, the City has its cash deposits at First Bank and Trust.

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

#### 4. RESTRICTED NET POSITION

The following table shows the December 31, 2023 net position restricted for specific purposes as shown on the Statement of Net Position

Purpose:	Restricted By:	Governmental	Business-Type
Fire	Contract	22,953	
ARPA uses	Stature	149,141	
Debt service	Covenants		162,579
		-----	-----
Total Restricted Net Position		172,094	162,579

#### 5. INTERFUND TRANSFERS

There were no interfund transfers in 2023.

#### 6. REVENUES PLEDGED TO SECURE DEBT (See also page 25)

An electrical surcharge is pledged to secure a 2014 electrical revenue bond, which has a remaining balance of \$1,098,414. The bond was issued to cover the cost of an electrical substation and is described on page 25. The bonds will be paid off in 2030. The electric fund had surcharge revenue of \$300,711 in 2023. The electric fund made principal and interest payments of \$188,052 in 2023.

All sewer fund revenue net revenue (after normal operating, repair and maintenance expenses) is pledged to secure two SRF loans, which have remaining balances of \$163,186 and \$1,975,824. The loans were made to cover the cost of sewer improvements as described on page 25. The loans will mature in 2041 and 2053. The sewer fund had surcharge revenue of \$211,416 in 2023 to cover payments on these loans. The sewer fund made principal and interest payments of \$12,011 in 2023 on the \$163,186 loan and \$62,223 on the \$1,975,824 loan.

## 7. PENSION PLAN

### Summary of Significant Accounting Policies:

As mentioned in note 1c above, these financial statements, both government-wide and fund financial statements, are presented on a modified cash basis of accounting rather than an accrual/modified accrual basis of accounting. Consequently, these financial statements do not measure the net pension (assets)/liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense (revenue), and information about the fiduciary net position of the South Dakota Retirement System (SDRS).

### Plan Information:

All employees, working more than 20 hours per week during the year, participate in the South Dakota Retirement System (SDRS). SDRS is a hybrid defined benefit plan designed with several defined contribution plan type provisions and is administered by SDFRS to provide retirement benefits for employees of the State of South Dakota and its political subdivisions. The 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. The 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; accessing <http://sdrs.sd.gov/publications.aspx> or calling (605) 773-3731.

### Benefits Provided:

SDRS has four classes of members: Class A general members, Class B public safety and judicial members, Class C Cement Plant Retirement Fund members, and Class D Department of Labor and Regulation members.

Members that were hired before July 1, 2017 are Foundation members. Class A Foundation members and Class B Foundation members who retire after age 65 with three years of contributory service are entitled to an unreduced annual retirement benefit. An unreduced annual retirement benefit is also available after age 55 for Class A Foundation members where the sum of age and credited service is equal to or greater than 85 or after age 55 for Class B Foundation judicial members where the sum of age and credited service is equal to or greater than 80.

Class B Foundation public safety members can retire with an unreduced annual retirement benefit after age 55 with three years of contributory service. An unreduced annual retirement benefit is also available after age 45 for Class B Foundation public safety members where the sum of age and credited service is equal to or greater than 75. All Foundation retirements that do not meet the above criteria may be payable at a reduced level. Class A and B eligible spouses of Foundation members will receive a 60 percent joint survivor benefit when the member dies.

Members that were hired on or after July 1, 2017 are Generational members. Class A Generational members and Class B Generational judicial members who retire after age 67 with three years of contributory service are entitled to an unreduced annual retirement benefit. Class B Generational public safety members can retire with an unreduced annual retirement benefit after age 57 with three years of contributory service. At retirement, married Generational members may elect a single-life benefit, a 60 percent joint and survivor benefit, or a 100 percent joint and survivor benefit. All Generational retirement benefits that do not meet the above criteria may be payable at a reduced level. Generational members will also have a variable retirement account (VRA) established, in which they will receive up to 1.5 percent of compensation funded by part of the employer contribution. VRAs will receive investment earnings based on investment returns.

Legislation enacted in 2017 established the current COLA process. At each valuation date:

- > Baseline actuarial accrued liabilities will be calculated assuming the COLA is equal to long-term inflation assumption of 2.25%.
- > If the fair value of assets is equal to or greater than the baseline actuarial accrued liabilities, the COLA will be: The increase in the 3rd quarter CPI-W, no less than 0.5% and no greater than 3.5%.
- > If the fair value of assets is less than the baseline actuarial accrued liabilities, the COLA will be: The increase in the 3rd quarter CPI-W, no less than 0.5% and no greater than a restricted maximum such that, that if the restricted maximum is assumed for future COLAs, the fair value of assets will be greater or equal to the accrued liabilities.

Legislation enacted in 2021 reduced the minimum COLA from .05 percent to 0.0 percent. All benefits except those depending on the Member's Accumulated Contributions are annually increased by the Cost-of-Living Adjustment.

#### Contributions:

Per SDCL 3-12, contributions requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. 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. The City's share of contributions to the SDRS for the calendar years ending December 31, 2023, 2022 and 2021 were \$7,655, \$6,599, and \$6,294 respectively (employer's share) equal to the required contribution each year.

#### Pension (Assets)/Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflow of Resources to Pensions:

At June 30, 2023 SDRS is 100.1% funded and accordingly has net pension (asset). The proportionate shares of the components of the net pension (asset) of South Dakota Retirement System, for the City as of this measurement period ending June 30, 2023 and reported by the City as of December 31, 2023 are as follows:

Proportionate share of total pension liability	\$ 680,193
Less: Proportionate share of net position restricted for pension benefits	(680,651)
	-----
Proportionate share of net pension (asset)/liability	\$ (458)
	=====

The net pension (asset) was measured as of June 30, 2023 and the total pension liability/(asset) used to calculate the net pension liability/(asset) was based on a projection of the City's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2023, the City's proportion was .000046940 which is an increase of .000002 over its proportion measured as of June 30, 2022.

#### Actuarial Assumptions:

The total pension (asset) in the June 30, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary Increases	Graded by years of service, from 7.66% at entry to 3.15% after 25 years of service
Discount Rate	6.50% net of plan investment expense. This is composed of an average inflation rate of 2.50% and real return of 4.00%
Future COLAs	1.91%
Mortality rates:	All mortality rates based on Pub-2010 amount-weighted mortality tables, projected generationally with improvement scale MP-2020
	Active and Terminated Vested Members:
	Teachers, Certified Regents, and Judicial: Pub T-2010
	Other Class A Members: Pub G-2010
	Public Safety Members: Pub S-2010
	Retired Members:
	Teachers, Certified Regents, and Judicial Retirees:
	Pub T-2010, 108% of rates above age 65
	Other Class A Retirees: Pub G-2010, 93% of rates through age 74, increasing by 2% per year until 111% of rates at age 83 and above
	Public Safety Retirees: Pub S-2010, 102% of rate at all ages
	Beneficiaries:
	Pub G-2010 contingent survivor mortality table
	Disabled Members:
	Public Safety: Pub S-2010 disabled member mortality table
	Others: Pub G-2010 disabled member mortality table

The actuarial assumptions used in the June 30, 2023 valuation were based on the results of an actuarial experience study for the period of July 1, 2016 to June 30, 2022.

### Investments

Investment portfolio management is the statutory responsibility of the South Dakota Investment Council (SDIC), which may utilize the services of external money managers for management of a portion of the portfolio. SDIC is governed by the Prudent Man Rule (ie: the Council should use the same degree of care as a prudent man.) Current SDIC investment policies dictate limits on the percentage of assets invested in various types of vehicles (equities, fixed income securities, real estate, cash, private equity etc.). The long-term expected rate of return on pension plan investments was determined using a method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2023 (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Public Equity	56.3%	3.8%
Investment grade debt	22.8%	1.7%
High Yield debt	7.0%	2.7%
Real Estate	12.0%	3.5%
Cash	1.9	0.8%
	-----	
	100.0%	
	=====	

Discount Rate:

The discount rate used to measure the total pension asset was 6.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that matching employer contributions will be made at rates equal to the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension asset.

Sensitivity of (Asset)/Liability to Changes in the Discount Rate:

The following presents the City's proportionate share of the net pension (asset)/liability calculated using the discount rate of 6.50%, as well as what the city's proportionate share of the net pension (asset)/liability would be if it were calculated using a discount rate that is 1% point lower (5.50%) or 1% point higher (7.50%) than the current rate:

	1% Decrease 5.50%	Current Discount Rate 6.50%	1% Increase 7.50%
City's proportionate share of the net pension (asset)/liability	\$93,906	\$ (458)	\$ (77,630)

Pension Plan Fiduciary Net Position:

Detailed information about the Plan's fiduciary net position is available in the separately issued SDRS financial report.

8. PROPERTY TAX

Property taxes are levied on or before October 1, of the year preceding the start of the fiscal year. They attach as an enforceable lien on property, and become due and payable as of January 1, the first day of the fiscal year. Taxes are payable in two installments on or before April 30 and October 31 of the fiscal year. The City is permitted by several state statutes to levy varying amounts of taxes per \$1,000 of taxable valuation on taxable real property in the City.

9. PRIOR PERIOD RESTATEMENT

During the 2023 the City of Aurora changed from an accrual basis of accounting to the cash basis of accounting. To appropriately reflect the cash balances as of January 1, 2023 the City restated net position and fund balance as follows:

	Governmental Activities	Business-Type Activities
Net Position January 1, 2023 (previously reported)	1,945,664	5,116,274
Restatement: Accrual to cash basis of accounting	(705,673)	(3,798,436)
	-----	-----
Net Position January 1, 2023 (restated)	1,239,991	1,317,838
	=====	=====



	General Fund	Enterprise Funds
Net Position January 1, 2023 (previously reported)	1,259,988	5,116,274
Restatement: Accrual to cash basis of accounting	(19,997)	(3,798,436)
	-----	-----
Net Position January 1, 2023 (restated)	1,239,991	1,317,838
	=====	=====

#### 10. 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 one year ending December 31, 2023, 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 and Property 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 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 costs 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 a Members' Annual Operating Contribution, to provide liability coverage detailed below, under an occurrence-based policy and the premiums are accrued based on the ultimate cost of the experience to date of the SDPAA member, based on their exposure or type of coverage. The City pays an annual premium to the pool to provide coverage for general liability, auto liability, auto damage, property, and equipment breakdown insurance.

Effective October 5, 2021, the SDPAA adopted a new policy on member departures. Departing members will no longer be eligible for any partial refund of the calculated portion of their contributions which was previously allowed. The prior policy provided the departing member with such a partial refund because the departing member took sole responsibility for all claims and claims expense whether reported or unreported at the time of their departure from SDPAA. With such partial refund being no longer available, the SDPAA will now assume responsibility for all reported claims of a departing member pursuant to the revised IGC.

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 (Fund), a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities.

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 self-funded program and the premiums are accrued based on the ultimate cost of the experience to date of the Fund members. Coverage limits are set by state statute. The pool pays the first \$650,000 of any claim per individual. The pool has reinsurance which covers up to statutory limits in addition to a separate combined employer liability limit of \$2,000,000 per incident.

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 coverage for unemployment benefits by paying into the Unemployment Compensation Fund established by state law and managed by the State of South Dakota. No unemployment payments were made during 2023 and none were paid in 2024.

#### 11. TAX ABATEMENTS

As of December 31, 2023 the City did not provide any tax abatement incentives through agreements that are considered tax abatements in accordance with the provisions of GASB Statement No. 77.

#### 12. LITIGATION

The City can be a party to litigation. However, as discussed in the risk management note above, the City has liability coverage for itself and its employees. Consequently, any potential adverse litigation consequences are not expected to have a material effect on the City's financial statements.

#### 13. 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.

In 2023 the City continued construction on a sanitary sewer project, which is funded by a \$2,002,000 Clean Water State Revolving Fund loan (2.125% over 30 years), a \$2,000,000 Consolidated Water Facilities Construction Program grant, and a \$350,000 Build America Bond grant. The SRF loan will be repaid from a surcharge of \$21.35 per user per month.

In 2023 the City determined that its city hall building was structurally unsafe and had it demolished.

In 2023 the City adopted a cash basis of accounting.

In 2023 the City adopted Tax Increment Finance District #1 with eligible project costs of \$4,962,032.

In 2024 the City continued with various sewer projects and the eventual construction of a new 250,000 gallon water tower.

CITY OF AURORA  
NOTES TO THE FINANCIAL STATEMENTS  
SCHEDULED OF CHANGES IN LONG-TERM LIABILITIES  
FOR THE ONE YEAR ENDING DECEMBER 31, 2023

	Beginning 12-31-22	2023 Additions	2023 (Deletions)	Governmental Ending 12-31-23	Business-Type Ending 12-31-23	Principal Payments Due In 2024
<b>GOVERNMENTAL - DIRECT BORROWING</b>						
2019 Wheel Loader Capitalized Lease:						
Reverted to monthly rental in 2023	-26,998					
Paid by general fund	26,998			0		0
2023 Wheel Loader Capitalized Lease:						
Original amount: \$97,956						
Maturing in 2028						
Interest at 6.19%						
Four annual payments of \$10,464						
Final annual payment of \$83,515						
Paid by general fund	0	97,956		97,956		4,401
Totals	0	97,956	0	97,956		4,401
<b>BUSINESS-TYPE - DIRECT BORROWING</b>						
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	169,759		-6,573		163,186	6,789
2014 Electric Revenue Bond:						
Original amount of \$2,541,500						
Maturing in 2030						
Interest fixed at 4.10%						
Total annual payments of \$188,051						
Paid by electric fund	1,236,045		-137,631		1,098,414	143,017
2018 Electric IPR3 loan:						
Original amount of \$108,333						
Maturing on 8-1-2028						
Interest fixed at 3.00%						
Monthly payments of \$1,046.07						
Paid by electric fund	65,340		-10,739		54,601	10,915
2018 Electric IPR4 loan:						
Original amount of \$21,667						
Maturing on 8-1-2028						
Interest fixed at 3.00%						
Monthly payments of \$209.22						
Paid by electric fund	13,068		-2,148		10,920	2,183
2021 Clean Water SRF Loan:						
Loan amount of \$2,002,000 authorized						
Maturing in 2053						
Interest fixed at 2.125%						
Quarterly payment of \$22,499						
Paid by sewer fund	1,057,552	929,156	-10,884		1,975,824	46,181
2019 Wheel Loader Capitalized Lease:						
Reverted to monthly rental in 2023	-26,998					
Paid 1/3 each by water, electric, and sewer funds	26,998			0	0	
2023 Clean Water SRF Loan:						
Loan amount of \$240,000						
Authorized March 30, 2023						
Maturing in 30 years						
Interest fixed at 3.25%						
No draws in 2023						
It will have a \$2.60 surcharge						
Paid by sewer fund	0				0	
<b>BUSINESS-TYPE - OTHER DEBT</b>						
Leave liability:						
Change to cash basis of accounting	-14,712					
Paid by Enterprise Funds	14,712				0	
Totals	2,541,764	929,156	-167,975		3,302,945	209,085

## CITY OF AURORA

## NOTES TO THE FINANCIAL STATEMENTS

## SCHEDULE OF CHANGES IN LONG-TERM LIABILITIES (CONTINUED)

FOR THE ONE YEAR ENDING DECEMBER 31, 2023

## SCHEDULE OF PAYMENTS FOR LONG-TERM LIABILITIES

AT DECEMBER 31, 2023

	Total Payment	Principal	Interest	Balance
	-----	-----	-----	-----
2023 Wheel Loader Capitalized Lease:				
2024	10,464	4,401	6,063	93,555
2025	10,464	4,674	5,790	88,881
2026	10,464	4,963	5,501	83,918
2027	10,465	5,270	5,195	78,648
2028	83,515	78,648	4,867	0
	-----	-----	-----	
Totals	<u>125,372</u>	<u>97,956</u>	<u>27,416</u>	
2010 Clean Water SRF Loan:				
2024	12,010	6,789	5,221	156,397
2025	12,010	7,013	4,997	149,384
2026	12,011	7,243	4,768	142,141
2027	12,010	7,481	4,529	134,660
2028	12,011	7,728	4,283	126,932
2029-2033	60,053	42,623	17,430	84,309
2034-2038	60,053	50,111	9,942	34,198
2039-2041	36,031	34,198	1,833	0
	-----	-----	-----	
Totals	<u>216,189</u>	<u>163,186</u>	<u>53,003</u>	
2014 Electric Revenue Bond:				
2024	188,051	143,017	45,034	955,397
2025	188,051	148,880	39,171	806,517
2026	188,051	154,983	33,068	651,534
2027	188,051	161,339	26,712	490,195
2028	188,052	167,952	20,100	322,243
2029-2030	341,498	322,243	19,255	0
	-----	-----	-----	
Totals	<u>1,281,754</u>	<u>1,098,414</u>	<u>183,340</u>	
2018 Electric IPR3 loan:				
2024	12,553	10,915	1,638	43,686
2025	12,553	11,242	1,311	32,444
2026	12,553	11,580	973	20,864
2027	12,553	11,927	626	8,937
2028	9,205	8,937	268	0
	-----	-----	-----	
Totals	<u>59,417</u>	<u>54,601</u>	<u>4,816</u>	
2018 Electric IPR4 loan:				
2024	2,511	2,183	328	8,737
2025	2,510	2,249	261	6,488
2026	2,511	2,316	195	4,172
2027	2,510	2,385	125	1,787
2028	1,841	1,787	54	0
	-----	-----	-----	
Totals	<u>11,883</u>	<u>10,920</u>	<u>963</u>	
2021 Clean Water SRF Loan:				
2024		-2,781		1,978,605
2024	88,076	46,181	41,895	1,932,424
2025	89,997	49,325	40,672	1,883,099
2026	89,998	50,381	39,617	1,832,718
2027	89,997	51,460	38,537	1,781,258
2028	89,998	52,563	37,435	1,728,695
2029-2033	449,987	280,192	169,795	1,448,503
2034-2038	449,987	311,514	138,473	1,136,989
2039-2043	449,987	346,337	103,650	790,652
2044-2048	449,987	385,053	64,934	405,599
2049-2053	427,489	405,599	21,890	0
	-----	-----	-----	
Totals	<u>2,675,503</u>	<u>1,975,824</u>	<u>696,898</u>	

## CITY OF AURORA

SUPPLEMENTARY INFORMATION  
 BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
 FOR THE YEAR ENDING DECEMBER 31, 2023

GENERAL FUND	Budgeted Amounts				Actual	Variance Positive (Negative)
	Original	Contingency Transfers	Supplemental	Final		
Revenue:						
Revenue from local sources:						
Taxes:						
Ad valorem taxes	271,900			271,900	302,067	30,167
Sales and use tax	109,000			109,000	127,377	18,377
Amusement tax	350			350		-350
Licenses and permits:	3,000			3,000	3,759	759
Intergovernmental revenue:						
State shared revenue:						
Liquor tax reversion	5,800			5,800	7,196	1,396
Motor vehicle licenses (5%)	7,100			7,100	8,473	1,373
Highway and bridge	13,300			13,300	12,701	-599
County shared revenue: road ta	3,100			3,100	2,976	-124
County shared revenue: grant			116,935	116,935	129,574	12,639
Charges for goods and services:						
Public safety, fire protection	13,000			13,000	16,817	3,817
Solid waste collection	88,000			88,000	93,576	5,576
Health and welfare	1,000			1,000	1,041	41
Camping				0	350	350
Other general revenue	15,000			15,000		-15,000
Fines and forfeits:	1,000			1,000		-1,000
Miscellaneous revenue:						
Interest earned	350			350	1,463	1,113
Rentals and franchise	5,000			5,000	3,514	-1,486
Donations	500			500	1,900	1,400
Liquor operating agreement	4,000			4,000	4,000	0
Miscellaneous	28,200			28,200	7,181	-21,019
Total revenues	569,600	0	116,935	686,535	723,965	37,430
Expenditures:						
General government:						
Mayor and Council	21,770			21,770	16,229	5,541
Contingency	20,000			20,000		20,000
Amount transferred		-20,000		-20,000		-20,000
Elections	950			950	353	597
Financial administration	85,750			85,750	74,892	10,858
Other	28,650	20,000	37,869	86,519	89,622	-3,103
Public safety:						
Police	23,800			23,800	20,800	3,000
Fire	48,200		116,935	165,135	162,901	2,234
Public works:						
Highways and streets	206,530			206,530	93,460	113,070
Solid waste collection	63,000			63,000	58,520	4,480
Health and welfare:						
West Nile	3,000			3,000	1,041	1,959
Culture and recreation:						
Recreation	52,800			52,800	16,574	36,226
Conservation and development:						
Economic development	14,400		5,281	19,681	18,379	1,302
Liquor operations	300			300	300	0
Total expenditures	569,150	0	160,085	729,235	553,071	176,164
Excess of revenues over (under) expenditures	450	0	-43,150	-42,700	170,894	213,594
Other financing sources (uses):						
Compensation for damages				0	2,945	2,945
Net change in fund balance	450	0	-43,150	-42,700	173,839	216,539
Fund balance:						
January 1, 2023, adjusted	1,239,991			1,239,991	1,239,991	0
December 31, 2023	1,240,441	0	-43,150	1,197,291	1,413,830	216,539

CITY OF AURORA

NOTES TO SUPPLEMENTARY INFORMATION - BUDGETS

SCHEDULE OF BUDGETARY COMPARISON FOR THE  
GENERAL FUND FOR THE ONE YEAR ENDING DECEMBER 31, 2023

1. BUDGETS AND BUDGETARY ACCOUNTING

The City of Aurora (City) follows these procedures in establishing the budgetary data reflected in the budgetary 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 2023 there was a supplemental budget to the general fund. See page 27.
- e. Formal budgetary integration is employed as a management control device for the general fund.
- f. Budgets for the general fund is not adopted on a basis consistent with generally accepted accounting principles (GAAP) because all accounting is on a modified cash basis of accounting from which the budgetary comparison schedules are prepared.

2. GAAP AND BUDGETARY ACCOUNTING BASIS DIFFERENCE:

The financial statements prepared in conformity with US-GAAP (within the context of the modified cash basis of accounting) present capital outlay disbursement information as a separate category of disbursements. Under the budgetary basis of accounting, capital outlay disbursements are reported within the function to which they relate. For example, the purchase of a road grader would be reported as a capital outlay disbursement in the governmental funds statement of receipts, disbursements and changes in fund balances. However, in the budgetary schedule, the purchase of a road grader would be reported as a disbursement in the public works function of general fund, along with all other current public works disbursements.

CITY OF AURORA  
FOR THE TEN YEARS ENDING DECEMBER 31, 2022  
SUPPLEMENTARY INFORMATION

SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE  
SOUTH DAKOTA RETIREMENT SYSTEM'S NET PENSION (ASSET)/LIABILITY

SDRS Measurement Date Year Ended (1)	City's Pension Allocation Percentage	City's Proportionate Share of Net Pension (Asset) Liability	City's Covered Employee Payroll for its 6-30 Year End	City's Proportionate Share of the Net Pension (Asset) Liability as a Percentage of its Covered Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
-----	-----	-----	-----	-----	-----
June 30, 2023	0.0046940%	-458	121,067	(0.38)%	100.10%
June 30, 2022	0.0044940%	-425	107,300	(0.40)%	100.10%
June 30, 2021	0.0044340%	-33,957	101,117	(33.59)%	105.52%
June 30, 2020	0.0052796%	-229	115,867	(0.20)%	100.04%
June 30, 2019	0.0050940%	-540	108,317	(0.50)%	100.09%
June 30, 2018	0.0044286%	-103	92,067	(0.11)%	100.02%
June 30, 2017	0.0042130%	-382	85,600	(0.45)%	100.10%
June 30, 2016	0.0040194%	13,577	76,433	17.76%	96.89%
June 30, 2015	0.0033293%	-14,121	60,783	(23.23)%	104.10%
June 30, 2014	0.0020999%	-15,129	36,717	(41.20)%	107.30%

(1) The amounts presented for each fiscal year were determined as of the collective net pension (asset)/liability (asset) is 6-30 of the City's current calendar year.

Note: This schedule is intended to show information for ten years.

CITY OF AURORA  
FOR THE TEN YEARS ENDING DECEMBER 31, 2023  
SUPPLEMENTARY INFORMATION

SCHEDULE OF THE CITY'S CONTRIBUTIONS  
TO THE SOUTH DAKOTA RETIREMENT SYSTEM

City's Year Ended	Contractually Required Contribution	Contributions Related to the Contractually Required Contribution	Contribution Deficiency (Excess)	City's Covered Employee Payroll for its Calendar Year End	Contributions as a Percentage of Covered Employee Payroll
-----	-----	-----	-----	-----	-----
December 31, 2023	7,655	7,655	0	127,583	6.00%
December 31, 2022	6,599	6,599	0	109,983	6.00%
December 31, 2021	6,294	6,294	0	104,900	6.00%
December 31, 2020	6,240	6,240	0	104,000	6.00%
December 31, 2019	7,133	7,133	0	118,883	6.00%
December 31, 2018	6,106	6,106	0	101,767	6.00%
December 31, 2017	5,173	5,173	0	86,217	6.00%
December 31, 2016	5,734	5,734	0	95,567	6.00%
December 31, 2015	4,874	4,874	0	81,233	6.00%
December 31, 2014	2,877	2,877	0	47,950	6.00%

Note: This schedule is intended to show information for ten years.

CITY OF AURORA  
DECEMBER 31, 2023

NOTES TO SUPPLEMENTARY INFORMATION - PENSION

SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION (ASSET)/LIABILITY  
AND SCHEDULE OF PENSION CONTRIBUTIONS FOR THE ONE YEAR ENDING DECEMBER 31, 2023

Changes of Prior Valuation:

The June 30, 2023 Actuarial Valuation reflects no changes to the plan provisions or actuarial methods and one change to the actuarial assumptions from the June 30, 2022, Actuarial Valuation.

The details of the changes since the last valuation are as follows:

Benefit Provision Changes:

During the 2023 legislative Session no significant SDRS benefit changes were made and emergency medical services personnel prospectively became Class B Public Safety members.

Actuarial Method Changes:

No changes in actuarial methods were made since the prior valuation.

Actuarial Assumption Changes:

The SDRS COLA equals the percentage increase in the most recent third calendar quarter CPI-W over the prior year, no less than 0% and no greater than 3.5%. However, if the FVFR assuming the long-term COLA is equal to the baseline COLA assumption (currently 2.25%) is less than 100%, the maximum COLA payable will be limited to the increase that if assumed on a long-term basis, results in a FVFR equal to or exceeding 100%.

As of June 30, 2022, the FVFR assuming the long-term COLA is equal to the baseline COLA assumption (2.25%) was less than 100% and the July 2023 SDRS COLA was limited to a restricted maximum of 2.10%. For the June 30, 2022, Actuarial Valuation, future COLAs were assumed to equal the restricted maximum COLA assumption of 2.10%.

As of June 30, 2023, the FVFR assuming future COLAs equal to the baseline COLA assumption of 2.25% is again less than 100% and the July 2024 SDRS COLA is limited to a restricted maximum of 1.91%. The July 2024 SDRS COLA will equal inflation, between 0% and 1.91%. For this June 30, 2023, Actuarial Valuation, future COLAs were assumed to equal the restricted maximum COLA of 1.91%.

Actuarial assumptions are reviewed for reasonability annually and reviewed in depth periodically, with the next experience analysis anticipated before the June 30, 2027, Actuarial Valuation and any recommended changes approved by the Board of Trustees are anticipated to be first implemented in the June 30, 2027, Actuarial Valuation.



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

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 accompanying modified cash basis of accounting 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, 2023 and for the year then ended, and the related notes to the financial statements, which collectively comprise the City of Aurora's basic financial statements and have issued my report thereon dated May 2, 2025 which was unmodified.

Report on Internal Control Over Financial Reporting:

In planning and performing my audit of the financial statements, I considered the City of Aurora's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, 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 the 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'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. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that were not identified.

I did identify certain deficiencies in internal control that I consider to be significant deficiencies and are described in the accompanying schedule of current audit findings and responses. I consider the deficiencies described in the accompanying schedule of current audit findings and responses as items 2023-01 and 2023-02 to be significant deficiencies.

City of Aurora  
Report on Internal Control over Financial Reporting and on Compliance  
Page Two

*Government Auditing Standards* require the auditor to perform limited procedures on the City's response to the internal control over financial reporting finding identified in my audit described in the accompanying schedule of findings and responses. The City's response was not subject to the other auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on the responses.

I did note minor matters involving internal control over financial reporting that I reported to the governing body and management of the City in a separate Letter of Comments dated May 2, 2025.

Report on 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 no instances of noncompliance or other matters that is required to be reported under *Government Auditing Standards*.

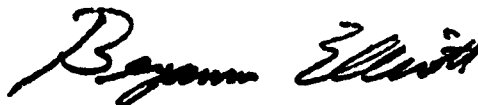
I did note certain matters involving compliance that I reported to the governing body and management of the City of Aurora in a separate Letter of Comments dated May 2, 2025.

Purpose of this Report

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

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 2, 2025

CITY OF AURORA  
DECEMBER 31, 2023

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:  
2022-01: Segregation of Duties -- Repeated below as 2023-01  
2022-02: Fire Department Activity - No longer a City activity  
2022-03: Preparation of Financial Statements -- Repeated below as 2023-02

SCHEDULE OF CURRENT AUDIT FINDINGS AND RESPONSES

Part I - Summary of the Audit:

Financial Statements

Type of auditor's report issued:	Unmodified on: Governmental Activities Business-Type Activities General fund Water, electric and sewer funds
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Noncompliance noted:	None reported
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Internal control over financial reporting:	
* Material weakness(es) identified?	None reported
* Significant deficiency(ies) identified that are not considered to be material weaknesses?	Items: 2023-01 and 2023-02

Part II - Findings Relating to the Financial Statements

Finding 2023-01: 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.

SCHEDULE OF CURRENT AUDIT FINDINGS (continued)

*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.

*Response:*

Shannon Freng, 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 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 2023-02: 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.