

CITY OF AURORA
AURORA, SOUTH DAKOTA
FINANCIAL REPORT
FOR THE TWO YEARS ENDING DECEMBER 31, 2020
WITH INDEPENDENT AUDITOR'S REPORTS

INDEPENDENT AUDIT SERVICES, P.C.

Benjamin Elliott, CPA
P.O. Box 262
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CITY OF AURORA
AURORA, SOUTH DAKOTA

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FOR THE TWO YEARS ENDING DECEMBER 31, 2020

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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, 2020 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 audit opinions on governmental activities, business-type activities, and each major fund.

Summary of Opinions:

Opinion Unit	Type of Opinion
Governmental Activities	Qualified
Business-Type Activities	Unmodified
General Fund	Qualified
Water, Electric, Sewer Funds	Unmodified

Basis for Qualified Opinion on Governmental Activities and General Fund:

Fire department checking and savings accounts for the two years ending December 31, 2020 was not available. These financial statements carry forward fire department December 31, 2018 checking and savings account balances of \$23,39 and does not recognize any related activity from 2019 or 2020.

Qualified Opinions

In my opinion, except for the effects of the matter described in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the general fund of the City of Aurora, South Dakota, as of December 31, 2020 and the respective changes in their financial position 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.

Unmodified Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of business-type activities, and the water, electric and sewer funds of the City of Aurora, South Dakota, as of December 31, 2020 and the respective changes in their 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.

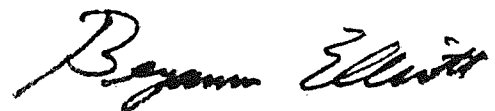
Other Matters - Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (page 3 to 9), the budgetary comparison schedules (page 39 to 41), and pension schedules (page 42 and 43) 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 44) dated October 8, 2021 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
October 8, 2021



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, 2020. Please read it in conjunction with the City's financial statements which follow this section.

FINANCIAL HIGHLIGHTS

<u>For the year ending:</u>	2020	2019
Revenue:		
Charges for goods and services	1,407,159	1,368,667
Operating grants	21,471	0
Capital grants	0	0
General receipts	413,907	350,972
	-----	-----
Total	1,842,537	1,719,639
	-----	-----
Expenses:		
Governmental	383,895	349,857
Business-type	1,233,731	1,202,646
	-----	-----
Total	1,617,626	1,552,503
	-----	-----
Increase (Decrease) in Net Position	224,911	167,136
Net Position:		
December 31, 2018, adjusted		4,492,778

December 31, 2019	4,659,914	4,659,914
	-----	=====
December 31, 2020	4,884,825	
	=====	
Governmental Funds:		
General	733,799	523,588
Capital Assets	600,171	677,195
Business-Type Funds:		
Water	(110,138)	(56,888)
Electric	2,121,768	2,053,682
Sewer	1,539,225	1,462,337
	-----	-----
Total	4,884,825	4,659,914
	=====	=====

During 2020, the City:

- * Received \$243,243 in property taxes.
- * Received \$96,124 in sales taxes.
- * Paid \$20,000 for land used by the sewer fund.
- * Paid \$49,030 for sewer fund construction-in-progress.
- * Paid down two sewer loans by \$34,269.
- * Paid down three electric loans by \$136,607.

During 2019, the City:

- * Received \$205,563 in property taxes.
- * Received \$86,644 in sales taxes.
- * Paid \$116,758 for street improvements.
- * Paid \$42,988 for sewer improvements.
- * Paid \$5,000 for a snow blower.
- * Paid down two sewer loans by \$27,186.
- * Paid down three electric loan by \$128,270.

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 38) and (3) required supplementary information (page 39 to 43). 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 2019 and 2020 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 during 2019 and 2020 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 2019 and 2020 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 supplementary information that presents a budgetary analysis for the general fund and the City's pension information.

Required Supplementary Information:

This Management's Discussion and Analysis (page 3 to 9), the Budgetary Comparison Schedules (page 39 to 41), the pension schedules (page 42 and 43) 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.

Management's	Government-wide
Discussion and	Financial
Analysis	Statements
Basic Financial	Fund
Statements ----->	Financial
	Statements
Required	Notes to the
Supplementary	Financial
Information	Statements
(other than MD&A)	

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

	Government-wide Statements	-----Fund 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 2019 and 2020 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 \$50,000)

(Material changes for business-type activities = changes greater than \$75,000)

	Increase (Decrease)	Principal Reason
--	------------------------	---------------------

Year Ending December 31, 2020

Governmental Activities:

Current assets	197,000	Excess revenue
Capital assets	(78,000)	Depreciation

Business-type Activities:

Capital assets	(82,000)	Depreciation
Noncurrent liabilities	(167,000)	Principle payments on debt

Year Ending December 31, 2019

Governmental Activities:

Current assets	56,000	Excess revenue
Capital assets	97,000	Street improvements plus fire truck adjustment less depreciation

Business-type Activities:

Capital assets	(105,000)	Depreciation
Long-term debt	(169,000)	Principle payments on debt

SIGNIFICANT VARIATIONS BETWEEN ORIGINAL AND FINAL GENERAL FUND BUDGET

The City's 2020 general fund budget of \$491,800 is a decrease of \$29,200 or 5.60% from 2019. There were no supplemental appropriations to the general fund budget. See page 39 for more information.

The City's 2019 general fund budget of \$521,000 is a decrease of \$14,650 or 2.73% from 2018. There was one supplemental appropriation to the general fund budget. See page 40 for more information.

SIGNIFICANT CAPITAL ASSET ACTIVITY

At December 31, 2020, the City had invested \$4,727,247 in a broad range of capital assets, including land, buildings, improvements and equipment. This amount represents a net decrease (including additions and deductions) of \$168,097 or 3.43% for the two years from December 31, 2018 to December 31, 2020.

Significant capital asset activity is reported above. See page 36 for more information.

SIGNIFICANT LONG-TERM DEBT ACTIVITY

During 2020 the City made principal payments of \$28,304 on a 2000 sewer SRF loan, \$5,965 on its 2010 clean water SRF loan, \$124,828 on its 2014 electric revenue bond, and \$11,779 on two electric loans.

During 2019 the City made principal payments of \$21,411 on a 2000 sewer SRF loan, \$5,775 on its 2010 clean water SRF loan, \$116,839 on its 2014 electric revenue bond, and \$11,431 on two electric loans.

The City is current on all long-term debt. Significant long-term debt activity is reported above. See page 37 for more information.

CURRENTLY KNOWN FACTS

In 2021 the City began construction on Phase I of 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.

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, 2020, 2019 AND 2018

	Governmental Activities			Business-Type Activities			Total Government		
	2020	2019	2018	2020	2019	2018	2020	2019	2018
Assets and deferred:									
Current assets	644	447	391	1,140	1,114	1,093	1,784	1,561	1,484
Capital assets	600	678	581	4,127	4,209	4,314	4,727	4,887	4,895
Other assets	99	78	89	187	187	187	286	265	276
Deferred	14	7	8	18	15	25	32	22	33
Total assets	1,357	1,210	1,069	5,472	5,525	5,619	6,829	6,735	6,688
Liabilities and deferred:									
Current liabilities	9	5	15	258	242	242	267	247	257
Noncurrent liabilities				1,647	1,814	1,983	1,647	1,814	1,983
Deferred	14	4	2	16	10	6	30	14	8
Total liabilities	23	9	17	1,921	2,066	2,231	1,944	2,075	2,248
Net Position:									
Net invested in capital ass	600	678	581	2,321	2,232	2,181	2,921	2,910	2,762
Restricted	99	97	95	189	190	206	288	287	301
Unrestricted	635	426	376	1,041	1,037	1,001	1,676	1,463	1,377
Total net position	1,334	1,201	1,052	3,551	3,459	3,388	4,885	4,660	4,440

TABLE 2 - CHANGES IN NET POSITION (condensed and in thousands)
 BASED ON GOVERNMENT-WIDE FINANCIAL STATEMENTS
 FOR THE THREE YEARS ENDING DECEMBER 31, 2020

	Governmental Activities			Business-Type Activities			Total Government		
	2020	2019	2018	2020	2019	2018	2020	2019	2018
Revenues:									
Program revenues:									
Charges for services	106	102	128	1,301	1,266	1,199	1,407	1,368	1,327
Operating grants and contri	17		1	5			22	0	1
Capital grants and contri.								0	
General revenues:									
Revenue from taxes	339	292	264				339	292	264
Revenue from state sources	24	20	20				24	20	20
Revenue from county sources	3	3	2				3	3	2
Interest earnings	3			20	7	4	23	7	4
Rents and franchise fees	2	6	10				2	6	10
Donations	2	5	2				2	5	2
Other	17	16	24				17	16	24
Total revenues	513	444	451	1,326	1,273	1,203	1,839	1,717	1,654
Expenses:									
General government	79	96	96				79	96	96
Public safety	68	56	74				68	56	74
Public works	202	173	166				202	173	166
Health and welfare	3	5	7				3	5	7
Culture and recreation	23	16	16				23	16	16
Economic development	4	4	4				4	4	4
Liquor operations	5	0	0				5	0	0
Water				227	211	169	227	211	169
Electric				854	853	818	854	853	818
Sewer				153	138	129	153	138	129
Total expenses	384	350	363	1,234	1,202	1,116	1,618	1,552	1,479
Excess of revenues over (under) expenses	129	94	88	92	71	87	221	165	175
Extraordianry item			14				0	0	14
Compensation for damages	4	2					4	2	0
Change in net position	133	96	102	92	71	87	225	167	189
Net position:									
December 31, 2017			950			3,301			4,251
December 31, 2018		1,052	1,052		3,388	3,388		4,440	4,440
Adjustment		53			0			53	
December 31, 2019	1,201	1,201		3,459	3,459		4,660	4,660	
December 31, 2020	1,334			3,551			4,885		

CITY OF AURORA

GOVERNMENT-WIDE - STATEMENT OF NET POSITION
AS OF DECEMBER 31, 2020

	Primary Government		
	Governmental	Business-	Total
	Activities	Type	
	Activities	Activities	
	-----	-----	-----
ASSETS:			
Current assets:			
Cash and cash equivalents	501,979	24,765	526,744
Certificates of deposit	126,128	991,690	1,117,818
Taxes receivable - delinquent	616		616
Due from other governments	5,807		5,807
Accounts receivable	9,382	123,581	132,963
Internal balances	0	0	0
Capital assets:			
Land	163,925	233,842	397,767
Other capital assets, net of accumulated depreciation	436,246	3,893,234	4,329,480
Other assets:			
Cash and cash equivalents, restricted	64,807	150,342	215,149
Certificates of deposit, restricted		36,708	36,708
Insurance deposit	33,419		33,419
Pension assets	107	122	229
Total assets	1,342,416	5,454,284	6,796,700
	=====	=====	=====
DEFERRED OUTFLOWS OF RESOURCES			
Pension related deferred outflows	14,413	17,991	32,404
Total deferred outflows of resources	14,413	17,991	32,404
	=====	=====	=====
LIABILITIES:			
Current liabilities:			
Accounts payable	8,901	84,785	93,686
Accrued interest payable		1,268	1,268
Customer deposits		9,853	9,853
Debt due within one year		162,726	162,726
Noncurrent liabilities:			
Leave liability	0	4,998	4,998
Debt due in more than one year		1,641,782	1,641,782
Total liabilities	8,901	1,905,412	1,914,313
	=====	=====	=====
DEFERRED INFLOWS OF RESOURCES			
Pension related deferred inflows	13,958	16,008	29,966
Total deferred inflows of resources	13,958	16,008	29,966
	=====	=====	=====
NET POSITION			
Net invested in capital assets	600,171	2,321,300	2,921,471
Restricted for:			
Fire department	64,807		64,807
Insurance deposit	33,419		33,419
Debt service - electric substation		150,342	150,342
Debt service - sewer		36,708	36,708
SDRS pension purposes	562	2,105	2,667
Unrestricted	635,011	1,040,400	1,675,411
Total net position	1,333,970	3,550,855	4,884,825
	=====	=====	=====

See accompanying notes.

CITY OF AURORA

GOVERNMENT-WIDE - STATEMENT OF ACTIVITIES
FOR THE YEAR ENDING DECEMBER 31, 2020

Functions/Programs: Primary government:	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
Governmental activities:						
General government	78,895	2,089			(76,806)	(76,806)
Public safety	68,542	17,768			(50,774)	(50,774)
Public works	201,801	81,017	16,471		(104,313)	(104,313)
Health and welfare	3,469	600			(2,869)	(2,869)
Culture and recreation	23,016	40			(22,976)	(22,976)
Economic development	3,722				(3,722)	(3,722)
Liquor operations	4,450	4,663			213	213
Total governmental activities	383,895	106,177	16,471	0	(261,247)	0
Business-type activities:						
Water	227,331	171,887				(55,444)
Electric	853,989	901,758	5,000			52,769
Sewer	152,411	227,337				74,926
Total business-type activities	1,233,731	1,300,982	5,000	0	0	72,251
Total primary government	1,617,626	1,407,159	21,471	0	(261,247)	(188,996)

General revenues:

Taxes:						
Property taxes					243,243	243,243
Sales taxes					96,124	96,124
Amusement taxes					48	48
State shared revenue					24,041	24,041
County shared revenue					3,084	3,084
Interest earnings					2,542	22,015
Rents and franchise fees					2,082	2,082
Donations					2,293	2,293
Miscellaneous					17,210	17,210
Compensation for damages					3,767	3,767
Total general revenue					394,434	413,907
Change in net position					133,187	224,911
Net position, January 1, 2020					1,200,783	3,459,131
Net position, December 31, 2020					1,333,970	3,550,855

See accompanying notes.

CITY OF AURORA

GOVERNMENT-WIDE - STATEMENT OF ACTIVITIES
FOR THE YEAR ENDING DECEMBER 31, 2019

Functions/Programs: Primary government:	Program Revenues				Net (Expenses) Revenues and Changes in Net Position		
	Expenses	Charges for	Operating	Capital	Governmental Activities	Business-type Activities	Totals
		Reimbursements	Grants and Contributions	Grants and Contributions			
Governmental activities:							
General government	96,020	4,665			(91,355)		(91,355)
Public safety	55,707	19,435			(36,272)		(36,272)
Public works	172,874	76,411			(96,463)		(96,463)
Health and welfare	4,523	170			(4,353)		(4,353)
Culture and recreation	15,673	90			(15,583)		(15,583)
Economic development	4,610				(4,610)		(4,610)
Liquor operations	450	1,500			1,050		1,050
	-----	-----	-----	-----	-----	-----	-----
Total governmental activities	349,857	102,271	0	0	(247,586)	0	(247,586)
Business-type activities:							
Water	210,967	141,240				(69,727)	(69,727)
Electric	853,557	931,283		-		77,726	77,726
Sewer	138,122	193,873				55,751	55,751
	-----	-----	-----	-----	-----	-----	-----
Total business-type activities	1,202,646	1,266,396	0	0	0	63,750	63,750
	-----	-----	-----	-----	-----	-----	-----
Total primary government	1,552,503	1,368,667	0	0	(247,586)	63,750	(183,836)
	=====	=====	=====	=====	-----	-----	-----
General revenues:							
Taxes:							
		Property taxes			205,563		205,563
		Sales taxes			86,644		86,644
		Amusement taxes			72		72
		State shared revenue			20,123		20,123
		County shared revenue			2,726		2,726
		Interest earnings			173	7,259	7,432
		Rents and franchise fees			5,853		5,853
		Donations			4,843		4,843
		Recovery of prior year expense			3,974		3,974
		Miscellaneous			11,640		11,640
		Compensation for damages			2,102		2,102
					-----	-----	-----
		Total general revenue			343,713	7,259	350,972
					-----	-----	-----
Change in net position							
					96,127	71,009	167,136
Net position, January 1, 2019							
					1,052,156	3,388,122	4,440,278
Prior period adjustment:							
		Add fire brush truck, less accum depr			52,500		52,500
					-----	-----	-----
Net position, January 1, 2019, adjusted							
					1,104,656	3,388,122	4,492,778
Net position, December 31, 2019							
					1,200,783	3,459,131	4,659,914
					=====	=====	=====

See accompanying notes.

CITY OF AURORA

BALANCE SHEET - GOVERNMENTAL FUNDS
AS OF DECEMBER 31, 2020

	General Fund (1)
ASSETS:	
Cash and cash equivalents	501,979
Certificates of deposit	126,128
Property taxes receivable	616
Due from other governments	5,807
Accounts receivable	9,382
Insurance deposit	33,419
Cash and cash equivalents, restricted	64,807
Total assets	742,138
	=====
LIABILITIES:	
Accounts payable	8,901
Total liabilities	8,901

DEFERRED INFLOWS OF RESOURCES	
Unavailable revenue:	
Property taxes - delinquent	616
Total deferred inflows of resources	616

FUND BALANCES:	
Nonspendable - insurance deposit	33,419
Restricted - fire department	64,807
Committed	0
Assigned - capital outlay	15,260
Unassigned	619,135
Total fund balance	732,621

TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	742,138
	=====
Reconciliation of the above balance sheet - governmental funds to the government-wide statement of net position	
Total fund balance - governmental funds (above)	732,621
Amounts reported in the government-wide statement of net assets are different because:	
Capital assets and other assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.	
Capital assets are:	1,538,011
Less: accumulated depreciation	(937,840)
These pension related amounts are not an available financial resource and therefore are not reported in the funds.	
Net pension assets	107
Deferred outflow of resources	14,413
Deferred inflow of resources	(13,958)
Assets such as taxes receivable (delinquent) are not available to pay for current period expenditures and therefore are deferred in the funds.	616
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	0
Total net position on government-wide statement of net position	1,333,970
	=====

(1) Only governmental fund.

See accompanying notes.

CITY OF AURORA
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES -- GOVERNMENTAL FUNDS
FOR THE YEAR ENDING DECEMBER 31, 2020

	General Fund (1)
Revenue:	
Taxes:	
Ad valorem taxes	243,899
General sales and use taxes	96,124
Amusement taxes	48
Licenses and permits:	1,669
Federal shared revenue: flooding grant	14,533
State shared revenue:	
State grant - flooding	1,938
Liquor tax reversion	3,924
Motor vehicle licenses (5%)	5,869
Highway and bridge	14,247
County shared revenue:	
Road taxes	3,084
Charges for goods and services:	
Fire protection fees	17,768
Solid waste collection	81,017
Health and welfare	600
Camping	40
Fines and forfeits:	420
Miscellaneous revenue:	
Interest earned	2,542
Rental and franchise	2,082
Donations	2,293
Liquor agreements	4,663
Other	17,211
Total revenues	513,971
Expenditures:	
General government:	
Mayor and Council	17,442
Elections	217
Financial administration	45,328
Other	10,539
Public safety:	
Police	19,626
Fire	30,456
Public works:	
Highways and streets	94,936
Sanitation	61,608
Health and welfare:	
West Nile prevention	2,044
Culture and recreation:	
Parks	13,621
Economic development	3,722
Liquor operations	4,450
Capital outlays	0
Total expenditures	303,989
Excess of revenues over (under) expenditures	209,982
Other financing sources (uses):	
Compensation for damages	3,767
Net change in fund balance	213,749
Fund balance:	
January 1, 2020	518,872
December 31, 2020	732,621
Reconciliation of the above statement of revenues, expenditures, and changes in fund balances to the government-wide statement of activities.	
Amounts reported in the government-wide statement of net position are different because:	
Net change in fund balances - total governmental funds (above)	213,749
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.	
2020 capitalized cost are	0
2020 depreciation is	(72,489)
2020 loss on disposition of equipment	(4,535)
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.	(656)
Revenues and expenses related to pensions do not provide current financial resources and, therefore, are not reported in the funds.	(2,882)
Change in net position on government-wide statement of activities	133,187

(1) Only governmental fund.
See accompanying notes.

CITY OF AURORA
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES -- GOVERNMENTAL FUNDS
FOR THE YEAR ENDING DECEMBER 31, 2019

	General Fund (1)
Revenue:	
Taxes:	
Ad valorem taxes	205,563
General sales and use taxes	86,644
Amusement taxes	72
Licenses and permits:	3,652
State shared revenue:	
Liquor tax reversion	3,467
Motor vehicle licenses (5%)	5,019
Highway and bridge	11,637
County shared revenue:	
Road taxes	2,726
Charges for goods and services:	
Fire protection fees	19,435
Solid waste collection	76,411
Health and welfare	170
Camping	90
Fines and forfeits:	1,013
Miscellaneous revenue:	
Interest earned	173
Rental and franchise	5,853
Donations	4,843
Liquor agreements	1,500
Recovery of prior year expense	3,974
Other	11,640
Total revenues	443,882
Expenditures:	
General government:	
Mayor and Council	19,564
Elections	16
Financial administration	59,547
Other	11,547
Public safety:	
Police	14,486
Fire	21,356
Public works:	
Highways and streets	71,237
Sanitation	60,785
Health and welfare:	
West Nile prevention	3,098
Culture and recreation:	
Parks	4,714
Economic development	4,610
Liquor operations	450
Capital outlays	119,258
Total expenditures	390,668
Excess of revenues over (under) expenditures	53,214
Other financing sources (uses):	
Compensation for damages	2,102
Net change in fund balance	55,316
Fund balance:	
January 1, 2019	463,556
December 31, 2019	518,872
Reconciliation of the above statement of revenues, expenditures, and changes in fund balances to the government-wide statement of activities.	
Amounts reported in the government-wide statement of net position are different because:	
Net change in fund balances - total governmental funds (above)	55,316
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.	
2019 capitalized cost are	119,258
2019 depreciation is	(75,611)
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
Revenues and expenses related to pensions do not provide current financial resources and, therefore, are not reported in the funds.	(2,836)
Change in net position on government-wide statement of activities	96,127

(1) Only governmental fund.
See accompanying notes.

CITY OF AURORA

STATEMENT OF NET POSITION - ENTERPRISE FUNDS
AS OF DECEMBER 31, 2020

	Water Fund	Electric Fund	Sewer Fund	Total Enterprise Funds
ASSETS:	-----	-----	-----	-----
Current assets:				
Cash and cash equivalents	(165,009)	77,979	111,795	24,765
Certificates of deposit	165,009	785,086	41,595	991,690
Accounts receivable	11,143	88,994	23,444	123,581
Due from water fund	-----	212,034	-----	212,034
Total current assets	11,143	1,164,093	176,834	1,352,070
Capital assets:				
Land	3,400	10,000	220,442	233,842
Buildings	46,000			46,000
Improvements	408,710	2,927,655	1,757,496	5,093,861
Equipment	40,387	201,467	33,020	274,874
Accumulated depreciation	(396,345)	(665,552)	(508,634)	(1,570,531)
Construction-in-progress	-----	-----	49,030	49,030
Total capital assets	102,152	2,473,570	1,551,354	4,127,076
Other assets:				
Cash and cash equivalents, restricted		150,342		150,342
Certificates of deposit, restricted			36,708	36,708
Pension assets	18	88	16	122
Total assets	<u>113,313</u>	<u>3,788,093</u>	<u>1,764,912</u>	<u>5,666,318</u>
DEFERRED OUTFLOW OF RESOURCES				
Pension related deferred outflows	3,125	12,021	2,845	17,991
Total outflow of resources	<u>3,125</u>	<u>12,021</u>	<u>2,845</u>	<u>17,991</u>
LIABILITIES:				
Current liabilities:				
Accounts payable	10,479	57,036	17,270	84,785
Due to electric fund	212,034			212,034
Accrued interest payable			1,268	1,268
Customer deposits		9,853		9,853
Current portion of:				
Long-term debt	-----	138,719	24,007	162,726
Total current liabilities	222,513	205,608	42,545	470,666
Noncurrent liabilities:				
Noncurrent portion of long-term debt		1,459,562	182,220	1,641,782
Leave liability	1,666	1,666	1,666	4,998
Total noncurrent liabilities	1,666	1,461,228	183,886	1,646,780
Total liabilities	<u>224,179</u>	<u>1,666,836</u>	<u>226,431</u>	<u>2,117,446</u>
DEFERRED INFLOW OF RESOURCES				
Pension related deferred inflows	2,397	11,510	2,101	16,008
Total inflow of resources	<u>2,397</u>	<u>11,510</u>	<u>2,101</u>	<u>16,008</u>
NET POSITION				
Net invested in capital assets	102,152	875,289	1,343,859	2,321,300
Restricted:				
Debt service		150,342	36,708	187,050
SDRS pension purposes	746	599	760	2,105
Unrestricted	(213,036)	1,095,538	157,898	1,040,400
Total net position	<u>(110,138)</u>	<u>2,121,768</u>	<u>1,539,225</u>	<u>3,550,855</u>

See accompanying notes.

CITY OF AURORA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES
 IN NET POSITION - ENTERPRISE FUNDS
 FOR THE YEAR ENDING DECEMBER 31, 2020
 FOR THE YEAR ENDING DECEMBER 31, 2019

	2020				2019			
	Water Fund	Electric Fund	Sewer Fund	Total	Water Fund	Electric Fund	Sewer Fund	Total
Operating revenue:								
Charges for goods and servi	171,887	901,758	227,337	1,300,982	141,240	931,283	193,873	1,266,396
Total operating revenue	171,887	901,758	227,337	1,300,982	141,240	931,283	193,873	1,266,396
Operating expenses:								
Personal services	40,473	40,109	40,837	121,419	41,044	40,476	41,612	123,132
Other current services	32,021	29,763	62,820	124,604	39,706	31,133	46,451	117,290
Cost of goods sold	136,553	618,546		755,099	110,001	605,555		715,556
Depreciation	16,424	97,104	36,981	150,509	16,424	97,826	36,981	151,231
Pension related (rev) exp	1,860	1,960	1,893	5,713	3,792	3,724	3,864	11,380
Total operating expenses	227,331	787,482	142,531	1,157,344	210,967	778,714	128,908	1,118,589
Total operating income (loss)	(55,444)	114,276	84,806	143,638	(69,727)	152,569	64,965	147,807
Nonoperating revenue (expense):								
Interest earnings	2,194	15,317	1,962	19,473	2,189	5,070		7,259
Interest expense and fees		(66,507)	(9,880)	(76,387)		(74,843)	(9,214)	(84,057)
Operating grant		5,000		5,000				
Total nonoperating revenue (expense)	2,194	(46,190)	(7,918)	(51,914)	2,189	(69,773)	(9,214)	(76,798)
Income (loss) before contributions	(53,250)	68,086	76,888	91,724	(67,538)	82,796	55,751	71,009
Capital contributions				0				0
Change in net position	(53,250)	68,086	76,888	91,724	(67,538)	82,796	55,751	71,009
Net position:								
January 1, 2018					10,650	1,970,886	1,406,586	3,388,122
December 31, 2019	(56,888)	2,053,682	1,462,337	3,459,131	(56,888)	2,053,682	1,462,337	3,459,131
December 31, 2020	(110,138)	2,121,768	1,539,225	3,550,855				

See accompanying notes.

CITY OF AURORA

STATEMENT OF CASH FLOWS - ENTERPRISE FUNDS
 FOR THE YEAR ENDING DECEMBER 31, 2020
 FOR THE YEAR ENDING DECEMBER 31, 2019

	2020				2019			
	Water Fund	Electric Fund	Sewer Fund	Total	Water Fund	Electric Fund	Sewer Fund	Total
Cash flows from:								
Operating activities:								
Receipts from customers	175,381	908,625	223,969	1,307,975	141,240	920,883	193,873	1,255,996
Estimated rec. from other funds		10,400		10,400		10,400		10,400
Payments to employees	(40,412)	(40,048)	(40,776)	(121,236)	(41,825)	(41,257)	(42,393)	(125,475)
Payments to suppliers	(163,702)	(638,715)	(48,571)	(850,988)	(147,721)	(645,871)	(43,935)	(837,527)
Payments on operating lease	(1,513)	(1,513)	(1,513)	(4,539)	(1,513)	(1,513)	(1,513)	(4,539)
Estimated pymts. to other funds	(950)		(1,500)	(2,450)	(950)		(1,500)	(2,450)
Net cash provided (used) by operating activities	(31,196)	238,749	131,609	339,162	(50,769)	242,642	104,532	296,405
Noncapital financing activities:								
Operating grant		5,000		5,000				0
Due to other funds	30,110			30,110	47,472			47,472
Due from other funds		(30,110)		(30,110)		(47,472)		(47,472)
Capital financing activities:								
Cash paid for land			(20,000)	(20,000)				0
Cash paid for improvements			(49,030)	(49,030)			(42,988)	(42,988)
Cash paid for equipment				0		(1,250)	(1,557)	(2,807)
Principal paid on debt		(136,607)	(34,269)	(170,876)		(128,270)	(27,186)	(155,456)
Interest & fees paid on debt		(66,507)	(10,546)	(77,053)		(74,843)	(9,214)	(84,057)
Investing activities:								
Interest received	2,194	15,317	1,962	19,473	2,189	5,070		7,259
Redeem cert. of deposit				0				0
Purchase cert. of deposit	(2,194)	(15,166)	(1,962)	(19,322)	(2,189)	(5,070)		(7,259)
Net increase (decrease) in cash	(1,086)	10,676	17,764	27,354	(3,297)	(9,193)	23,587	11,097
Cash:								
January 1, 2019					(160,626)	226,838	70,444	136,656
December 31, 2019	(163,923)	217,645	94,031	147,753	(163,923)	217,645	94,031	147,753
December 31, 2020	(165,009)	228,321	111,795	175,107				
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:								
Operating income (loss)	(55,444)	114,276	84,806	143,638	(69,727)	152,569	64,965	147,807
Depreciation	16,424	97,104	36,981	150,509	16,424	97,826	36,981	151,231
Pension	1,860	1,960	1,893	5,713	3,792	3,724	3,864	11,380
(Increase) decrease in:								
Receivables	3,494	17,267	(3,368)	17,393				0
Prepaid expenses				0				0
Increase (decrease) in:								
Accounts payable	2,409	8,081	11,236	21,726	(477)	(10,696)	(497)	(11,670)
Accrued payroll	(798)	(798)	(798)	(2,394)	798	798	798	2,394
Customer deposits				0				0
Leave liability	859	859	859	2,577	(1,579)	(1,579)	(1,579)	(4,737)
Net cash provided (used) by operating activities	(31,196)	238,749	131,609	339,162	(50,769)	242,642	104,532	296,405
Noncash investing, capital and financing activities:								
None								

See accompanying notes.

CITY OF AURORA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

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 Freng
Josh Kukrall, President	
Gerry Asmus	Attorney:
Jon Geise	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. 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 goods 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.

Custodial fund type - custodial funds are used to account for resources held by the City in a purely custodial capacity (assets equal liabilities). Since custodial funds are custodial in nature, they do not involve the measurement of results of operations. In 2019 and 2020 the City did not have any custodial or 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, 2020 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, 2020, 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 \$165,009 held for the water fund, \$785,086 held for the electric fund and \$78,303 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, 2020 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, 2020 balance of capital assets for business-type activities includes approximately 5% 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 36.

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, loans, 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 net 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 net 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 custodial 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</u> <u>Classifications</u>	<u>Account</u> <u>or Fund</u>	<u>Authority</u> <u>or Action</u>	<u>Amount</u>
Nonspendable	Insurance deposit	Membership	33,419
Restricted	Fire purposes	Contract	64,807
Committed	None		0
Assigned	Capital outlay		15,260
Unassigned	General		619,135

			732,621

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
- * Cash Flows - interfund utility usage
- * SDRS Pension - actuarial assumptions

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:

2020: General fund/public works/solid waste	8,608
liquor operations	3,950

2019: None reported

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, 2020 were as follows: Insured \$500,000, Collateralized ** \$1,379,291 for a total of \$1,879,291.

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

At December 31, 2020 the carrying amount of these deposits, including \$23,394 of December 31, 2018 fire department cash, was \$1,896,419.

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, 2020, 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, 2020, 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. All of the City's deposits are with First Bank & Trust.

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, 2020 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, 2020 inventory of supplies and small tools was immaterial to these financial statements.

6. CHANGES IN CAPITAL ASSETS (see schedule one on page 36)

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 December 31, 2020.

7. DEBT (see schedule two on page 37)

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, 2020.

In 2019 the City entered into an operating lease to use a Caterpillar 906 compact wheel loader for a fixed rent of \$9,077.26 per year for 5 years. The general fund pays \$4,538.65 and the water, electric and sewer funds each pay \$1,512.87 per year. The City has an option to purchase the loader after 5 years for approximately \$50,000.

The City has no: (a) unused lines-of-credit, (b) short-term debt, (c) debt extinguishments, defeasances, refundings or troubled debt restructuring, (d) special assessment debt, (e) conduit debt, (f) derivatives or hedging of variable rate debt, (g) debt related to claims and judgements, or (h) other than the collateral specified, terms in debt agreements related to significant (1) events of default with finance-related consequences, (2) termination events with finance-related consequences or (3) subjective acceleration clauses.

8. FUTURE REVENUES PLEDGED TO SECURE DEBT

An electrical surcharge is pledged to secure a 2014 electrical revenue bond, which has a remaining balance of \$1,495,228. The bond was issued to cover the cost of an electrical substation and is described on page 37. The bonds will be paid off in 2030. The electric fund had surcharge revenue of \$265,721 in 2019 and \$290,811 in 2020. The electric fund made principal and interest payments of \$188,051 in 2019 and \$188,051 in 2020.

All sewer fund revenue net revenue (after normal operating, repair and maintenance expenses) is pledged to secure two SRF loans with remaining balances of \$23,944 and \$182,283. The loans were made to cover the cost of sewer and sewer lagoon improvements, which are described on page 37. The loans will mature in 2022 and 2041. The sewer fund had surcharge revenue of \$36,076 in 2019 and \$53,763 in 2020. The sewer fund made principal and interest payments of \$36,707 in 2019 and \$42,881 in 2020.

9. RESTRICTED NET POSITION

Restricted net position at December 31, 2020 are as follows:

Purpose:	Restricted By:	Governmental	Business-Type
Fire dept. purposes	Contract	64,807	
Insurance deposit	SDPAA Contract	33,419	
Debt service - electric	Contract		150,342
Debt service - sewer	Covenant		36,708
Pension purposes	GASB-68	562	2,105
		-----	-----
Total Restricted Net Position		98,788	189,155

10. INTERFUND BALANCES AND TRANSFERS

At December 31, 2020 the water fund owed the electric fund \$212,034 to cover operating losses.

There were no transfers between funds in 2019 or 2020.

11. PENSION PLAN

Summary of Significant Accounting Policies:

For purpose of measuring the net pension (assets), liabilities, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the South Dakota Retirement System (SDRS) and additions to/deductions from SDRS's fiduciary net position have been determined on the same basis as they are reported by SDRS. For this purpose, benefit payments (including refunds of employee contributions)

are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. City contributions and net position (asset)/liability are recognized on an accrual basis of accounting.

Plan Information:

All employees, working more than 20 hours per week during the year, participate in the South Dakota Retirement System (SDRS), a cost-sharing, multiple employer hybrid defined benefit pension plan administered by SDRS to provide retirement benefits for employees of the State of South 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. SDRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained at <http://sdrs.sd.gov/publications.aspx> or by writing to SDRS, PO Box 1098, Pierre, SD 57501-1098 or calling (605) 773-3731.

Benefits Provided:

SDRS has three different classes of employees, Class A general members, Class B public safety and judicial members, and Class C Cement Plant Retirement Fund 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.

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.

All benefits except those 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 years ending December 31, 2020, 2019 and 2018 were \$6,240, \$7,133 and \$6,106, 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, 2020 SDRS is 100.04% 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, 2020 and reported by the City as of December 31, 2020 are as follows:

Proportionate share of total pension liability	\$ 649,021
Less: Proportionate share of net position restricted for pension benefits	(649,250)

Proportionate share of net pension (asset)/liability	\$ (229)
	=====

At December 31, 2020 the City reported a (asset)/liability of \$(229) for its proportionate share of the net pension (asset)/liability. The net pension (asset) was measured as of June 30, 2020 and the total pension liability used to calculate the net pension (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, 2020, the City's proportion was .000052796 which is an increase of .000001856 over its proportion measured as of June 30, 2019.

For the year ended December 31, 2020, the City recognized net pension expense of \$8,595. For the year ended December 31, 2019, the City recognized net pension expense of \$14,216.

At December 31, 2020 the City reported deferred outflows of resources and deferred inflows of resources related to the pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 877	\$ 180
Change in assumptions	7,385	29,787
Net difference between projected and actual earnings on pension plan investments	21,312	0
Changes in proportion and difference between client contribution and proportionate share of contributions	(290)	
City contributions subsequent to the measurement date	3,120	
	-----	-----
Totals	\$ 32,404	\$ 29,967
	(3,120)	=====
	(29,967)	

To be amortized over 4 years	\$ (683)	
	=====	

The \$3,120 reported as deferred outflow of resources related to the pension, results from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2021.

The other amounts reported as deferred outflows of resources and deferred inflow of resources related to the pension will be recognized in pension expense (reduction of expense) as follows:

Year Ending December 31, 2021	\$ (4,607)
December 31, 2022	(3,553)
December 31, 2023	561
December 31, 2024	6,916

	\$ (683)

Actuarial Assumptions:

The total pension liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25%
Salary Increases	6.50% at entry to 3.00% after 25 years of service
Discount Rate	6.50% net of plan investment expense
Future COLAs	1.41%

Mortality rates were based on 97% of the RP-2014 Mortality Table, adjusted to 2006 and projected generationally with Scale MP-2016, white collar rates for females and total dataset rates for males.

Mortality rates for disabled members were based on the RP-2014 Disabled Retiree Mortality Table, adjusted to 2006 and projected generationally with Scale MP-2016.

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period of July 1, 2011 to June 30, 2016.

Discount Rate:

The discount rate used to measure the total pension liability was 6.50%. The projection of cash flows used to determine the discount rate assumed that employee 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 of SDRS, 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	Current Discount Rate	1% Increase
	5.50%	6.50%	7.50%
City's proportionate share of the net pension (asset)/liability	\$88,950	\$(229)	\$(73,176)

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, 2020 (see the discussion of the pension plan's investment policy) are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	58.0%	5.1%
Fixed Income	30.0%	1.5%
Real Estate	10.0%	6.2%
Cash	2.0%	1.0%

	100.0%	
	=====	

Pension Plan Fiduciary Net Position:

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

12. PROPERTY TAXES

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 installments 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 14 and 15.

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, 2020, 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 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 a claims-made 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 January 1, 2018 the SDPAA revised the method of calculating the amount available to be refunded to a withdrawing member. Upon giving proper written notice to the SDPAA a member may withdraw. Within 120 days following withdrawal, or as soon thereafter as the next Annual Budget is completed, the SDPAA will advise the withdrawing member of its total calculated portion of contributions made to the SDPAA that shall be refunded. Refunds are calculated based on the pool's total contributions, along with the member's total contributions, current losses, unpaid losses, and loss expenses, the member's loss ratio, and number of membership years.

A member who withdraws from the SDPAA shall receive a calculated portion of their contributions refunded for unpaid casualty losses, based on the following schedule:

Years	1	2	3	4	5	6+
Percentage	55%	50%	40%	35%	30%	20%

All refunds shall be paid to the withdrawing member over a 5 year term.

As of December 31, 2020, the City's balance available to be refunded per the SDPAA was \$33,419.

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 over 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. TAX ABATEMENTS

As of December 31, 2020 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.

15. LITIGATION

The City is a party to litigation. No determination can be made at this time regarding the potential outcome of matters. However, as discussed in the risk management note above, the City has liability coverage for itself and its employees. Therefore, any adverse litigation consequences is not expected to have a potential material effect on the City's financial statements.

16. 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 2021 the City began construction on Phase I of 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.

CITY OF AURORA

NOTES TO THE FINANCIAL STATEMENTS -- SCHEDULE ONE
CHANGES IN CAPITAL ASSETS

FOR THE TWO YEARS ENDING DECEMBER 31, 2020

	Beginning 12-31-18	2019 Additions (Deletions)	2020 Additions (Deletions)	2020 Ending 12-31-20	Accumulated Depreciation 12-31-18	2019 Depreciation (Additions) Deletions	2020 Depreciation (Additions) Deletions	2020 Depreciation (Additions) Deletions	Accumulated Depreciation 12-31-20	Remaining Cost 12-31-20
General capital assets:										
Land	163,925			163,925						163,925
Buildings	196,782			196,782	(87,637)	(5,423)	(5,424)		(98,484)	98,298
Improvements	345,970	116,758		462,728	(167,184)	(22,869)	(22,609)		(212,662)	250,066
Equipment	656,881	77,500	(19,805)	714,576	(527,689)	(69,819)	(44,456)	15,270	(626,694)	87,882
Totals	1,363,558	194,258	0	1,538,011	(782,510)	(98,111)	(72,489)	15,270	(937,840)	600,171
Street improvements	116,758									
Snow blower	2,500					3,928	3,928			
Fire brush truck	75,000					19,865	18,460			
	194,258					22,500				
						39,434	39,281			
						1,425	1,425			
						10,959	9,395			
						98,111	72,489			
Business-type activity:										
Enterprise funds:										
Land	213,842		20,000	233,842						233,842
Buildings	46,000			46,000	(41,418)	(920)	(920)		(43,258)	2,742
Improvements	5,050,873	42,988		5,093,861	(1,123,790)	(130,739)	(130,738)		(1,385,267)	3,708,594
Equipment	272,373	2,500		274,873	(103,584)	(19,571)	(18,850)		(142,005)	132,868
Construction-in-progress	0		49,031	49,031					0	49,031
Totals	5,583,088	45,488	49,031	5,697,607	(1,268,792)	(151,230)	(150,508)	0	(1,570,530)	4,127,077
Sewer improvements	42,988		49,031							
Snow blower	2,500									
	45,488		49,031							

CITY OF AURORA

NOTES TO THE FINANCIAL STATEMENTS -- SCHEDULE TWO
 CHANGES IN LONG-TERM DEBT
 FOR THE TWO YEAR ENDING DECEMBER 31, 2020

	Beginning 12-31-18	2019 Additions (Deletions)	2020 Additions (Deletions)	Governmental Ending 12-31-20	Business-Type Ending 12-31-20	Principal Payments Due In 2021
<hr/>						
GOVERNMENTAL - OTHER DEBT						
Leave liability:						
Paid by General Fund	0			0		0
	<hr/>	<hr/>	<hr/>	<hr/>		<hr/>
Totals	0	0	0	0		0
	<hr/>	<hr/>	<hr/>	<hr/>		<hr/>
BUSINESS-TYPE - DIRECT BORROWING						
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	73,659	(21,411)	(28,304)		23,944	17,846
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	194,023	(5,775)	(5,965)		182,283	6,161
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	1,736,895	(116,839)	(124,828)		1,495,228	126,747
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	105,220	(9,526)	(9,816)		85,878	9,977
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	21,044	(1,905)	(1,963)		17,176	1,996
BUSINESS-TYPE - OTHER DEBT						
Leave liability:						
Paid by Enterprise Funds	7,159		(2,161)		4,998	4,998
	<hr/>	<hr/>	<hr/>		<hr/>	<hr/>
Totals	2,138,000	(155,456)	(173,037)		1,809,507	167,725
	<hr/>	<hr/>	<hr/>		<hr/>	<hr/>

CITY OF AURORA

NOTES TO THE FINANCIAL STATEMENTS -- SCHEDULE TWO (continued)
 CHANGES IN LONG-TERM DEBT
 FOR THE TWO YEARS ENDING DECEMBER 31, 2020

SCHEDULE OF PAYMENTS FOR LONG-TERM DEBT
 AT DECEMBER 31, 2020

	Total Payment	Principal	Interest	Balance
2000 Clean Water SRF Loan:				
2021	18,523	17,847	676	6,097
2022	6,174	6,097	77	0
Totals	24,697	23,944	753	
2010 Clean Water SRF Loan:				
2021	12,010	6,161	5,849	176,122
2022	12,010	6,363	5,647	169,759
2023	12,011	6,573	5,438	163,186
2024	12,010	6,789	5,221	156,397
2025	12,011	7,013	4,998	149,384
2026-2030	60,053	38,679	21,374	110,705
2031-2035	60,053	45,473	14,580	65,232
2036-2040	60,052	53,462	6,590	11,770
2040-2041	12,011	11,770	241	0
Totals	252,221	182,283	69,938	
2014 Electric Revenue Bond:				
2021	188,051	126,747	61,304	1,368,481
2022	188,051	131,944	56,107	1,236,537
2023	188,051	137,353	50,698	1,099,184
2024	188,051	142,985	45,066	956,199
2025	188,052	148,846	39,206	807,353
2026-2030	906,672	807,353	99,319	0
Totals	1,846,928	1,495,228	351,700	
2018 Electric IPR3 loan:				
2021	12,553	9,977	2,576	75,901
2022	12,553	10,276	2,277	65,625
2023	12,553	10,584	1,969	55,041
2024	12,553	10,902	1,651	44,139
2025	12,552	11,229	1,323	32,910
2026-2028	34,822	32,910	1,912	0
Totals	97,586	85,878	11,708	
2018 Electric IPR4 loan:				
2021	2,511	1,996	515	15,180
2022	2,510	2,055	455	13,125
2023	2,511	2,117	394	11,008
2024	2,510	2,180	330	8,828
2025	2,511	2,246	265	6,582
2026-2028	6,964	6,582	382	0
Totals	19,517	17,176	2,341	

CITY OF AURORA

REQUIRED SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
 FOR THE YEAR ENDING DECEMBER 31, 2020

GENERAL FUND	Budgeted Amounts				Actual	Variance Positive (Negative)
	Original	Contingency Transfers	Supplemental	Final		
Revenue:						
Revenue from local sources:						
Taxes:	278,400			278,400		(278,400)
Ad valorem taxes					243,899	243,899
Sales and use tax					96,124	96,124
Amusement tax					48	48
Licenses and permits:	10,600			10,600	1,669	(8,931)
Intergovernmental revenue:	28,500			28,500		(28,500)
Federal grant - flooding					14,533	14,533
State shared revenue:						
Grant - flooding					1,938	1,938
Liquor tax reversion					3,924	3,924
Motor vehicle licenses (5%)					5,869	5,869
Highway and bridge					14,247	14,247
County shared revenue: Road taxes					3,084	3,084
Charges for goods and services:	111,400			111,400		(111,400)
Public safety, fire protection					17,768	17,768
Solid waste collection					81,017	81,017
Health and welfare					600	600
Camping					40	40
Fines and forfeits:	2,500			2,500	420	(2,080)
Miscellaneous revenue:	33,400			33,400		(33,400)
Interest earned					2,542	2,542
Rentals and franchise					2,082	2,082
Donations					2,293	2,293
Liquor operating agreement	7,000			7,000	4,663	(2,337)
Miscellaneous	20,000			20,000	17,211	(2,789)
Total revenues	491,800	0	0	491,800	513,971	22,171
Expenditures:						
General government:						
Mayor and Council	25,750			25,750	17,442	8,308
Contingency	10,000			10,000		10,000
Amount transferred				0		0
Elections	1,350			1,350	217	1,133
Financial administration	77,700			77,700	45,328	32,372
Other	24,200			24,200	10,539	13,661
Public safety:						
Police	21,000			21,000	19,626	1,374
Fire	33,000			33,000	30,456	2,544
Public works:						
Highways and streets	195,500			195,500	94,936	100,564
Solid waste collection	53,000			53,000	61,608	(8,608)
Health and welfare:						
Health	7,300			7,300	2,044	5,256
Culture and recreation:						
Parks	33,500			33,500	13,621	19,879
Conservation and development:						
Economic development	9,000			9,000	3,722	5,278
Liquor operations	500			500	4,450	(3,950)
Total expenditures	491,800	0	0	491,800	303,989	187,811
Excess of revenues over (under) expenditures	0	0	0	0	209,982	209,982
Other financing sources (uses):						
Compensation for damages				0	3,767	3,767
Net change in fund balance	0	0	0	0	213,749	213,749
Fund balance:						
January 1, 2020	518,872			518,872	518,872	0
December 31, 2020	518,872	0	0	518,872	732,621	213,749

CITY OF AURORA

REQUIRED SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
 FOR THE YEAR ENDING DECEMBER 31, 2019

GENERAL FUND	Budgeted Amounts				Actual	Variance Positive (Negative)
	Original	Contingency Transfers	Supplemental	Final		
Revenue:						
Revenue from local sources:						
Taxes:	270,900			270,900		(270,900)
Ad valorem taxes					205,563	205,563
Sales and use tax					86,644	86,644
Amusement tax					72	72
Licenses and permits:	11,000				3,652	3,652
Intergovernmental revenue:	30,000			30,000		(30,000)
State shared revenue:						
Liquor tax reversion					3,467	3,467
Motor vehicle licenses (5%)					5,019	5,019
Highway and bridge					11,637	11,637
County shared revenue: Road taxes					2,726	2,726
Charges for goods and services:	112,400			112,400		(112,400)
Public safety, fire protection					19,435	19,435
Solid waste collection					76,411	76,411
Health and welfare					170	170
Camping					90	90
Fines and forfeits:	2,200			2,200	1,013	(1,187)
Miscellaneous revenue:	35,500			35,500		(35,500)
Interest earned					173	173
Rentals and franchise					5,853	5,853
Donations					4,843	4,843
Liquor operating agreement	7,000				1,500	1,500
Recover of prior year expense					3,974	3,974
Miscellaneous	10,000				11,640	11,640
Total revenues	479,000	0	0	451,000	443,882	(7,118)
Expenditures:						
General government:						
Mayor and Council	25,600			25,600	19,564	6,036
Contingency	10,000			10,000		10,000
Amount transferred		(10,000)		(10,000)		(10,000)
Elections	1,700			1,700	16	1,684
Financial administration	80,500			80,500	59,547	20,953
Other	26,700			26,700	11,547	15,153
Public safety:						
Police	20,500			20,500	14,486	6,014
Fire	34,800			34,800	21,356	13,444
Public works:						
Highways and streets	172,900	10,000	30,000	212,900	190,495	22,405
Solid waste collection	51,000		12,000	63,000	60,785	2,215
Health and welfare:						
Health	8,100			8,100	3,098	5,002
Culture and recreation:						
Parks	33,500			33,500	4,714	28,786
Conservation and development:						
Economic development	13,200			13,200	4,610	8,590
Liquor operations	500			500	450	50
Total expenditures	479,000	0	42,000	521,000	390,668	130,332
Excess of revenues over (under) expenditures	0	0	(42,000)	(70,000)	53,214	123,214
Other financing sources (uses):						
Compensation for damages				0	2,102	2,102
Net change in fund balance	0	0	(42,000)	(70,000)	55,316	125,316
Fund balance:						
January 1, 2019	463,556			463,556	463,556	0
December 31, 2019	463,556	0	(42,000)	393,556	518,872	125,316

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETS

SCHEDULE OF BUDGETARY COMPARISON FOR THE
GENERAL FUND FOR THE TWO YEARS ENDING DECEMBER 31, 2020

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 2019 there was one supplemental budget. See page 40. During 2020 there were no supplemental budgets. See page 39.
- e. Unexpended appropriations lapse at year end unless encumbered by resolution of the governing board. There were no appropriations encumbered at December 31, 2019 or December 31, 2020.

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.

CITY OF AURORA
FOR THE SEVEN YEARS ENDING DECEMBER 31, 2020

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, 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. Additional years will be displayed as they become available.

CITY OF AURORA
FOR THE SEVEN YEARS ENDING DECEMBER 31, 2020

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, 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. Additional years will be displayed as they become available.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION

SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION (ASSET)/LIABILITY
AND SCHEDULE OF PENSION CONTRIBUTIONS FOR THE TWO YEARS ENDING DECEMBER 31, 2020

Changes of Prior Valuation:

The June 30, 2020 Actuarial Valuation reflects no changes in actuarial methods from the June 30, 2020 Actuarial Valuation. One change in actuarial assumptions and two plan provision changes are reflected and described below.

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

Benefit Provision Changes:

Legislation enacted in 2020 established a Qualified Benefit Preservation Arrangement (QBPA) under Section 415(m) of the Internal Revenue Code (IRC). The QBPA is effective July 1, 2020 and pays a portion of SDRS benefits that are restricted by IRC Section 415(b). The total benefits paid from SDRS and the QBPA will be limited to the applicable 415(b) annual limit, unreduced for early commencement if Members retire prior to age 62 and actuarially increased for late retirement up to age 70 if Members retire after age 65. The Actuarial Valuation considers benefits payable from both SDRS and the QBPA.

Legislation enacted in 2020 also brought the assets and the liabilities of the South Dakota Department of Labor and Regulation Plan into SDRS effective July 1, 2020. With the exception of the accounting results presented in Section 6 of this report, all exhibits include the assets, liabilities, and member counts of the former Department of Labor and Regulation Plan Members.

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 0.5% 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 FCFR equal to or exceeding 100%. The condition existed as of June 30, 2019 and exists again this year as of June 30, 2020. Future COLAs are assumed to equal the current restricted maximum COLA which was 1.88% as of June 30, 2019 and is 1.41% as of June 30, 2020.

The changes in actuarial assumptions due to the 1.41% restricted maximum COLA decreased the Actuarial Accrued Liability by \$595 million, or 4.6% of the Actuarial Accrued Liability based on the 1.88% restricted maximum COLA.

Actuarial assumptions are reviewed in depth periodically, with the next experience analysis anticipated before the June 30, 2022 Actuarial Valuation and any recommended changes anticipated to be first implemented in the June 30, 2022 Actuarial Valuation.

Actuarial Method Changes:

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

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, 2020 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 October 8, 2021 which has unmodified opinions except for a qualified opinion on the City's government-wide governmental activities statement and general fund statement.

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 2020-02.

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.

I did note other matters involving compliance that I reported to the governing body and management of the City of Aurora in a separate Letter of Comments dated October 8, 2021.

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 not identify any deficiencies in internal control that I consider to be material weaknesses. However, 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 2020-01, 2020-02 and 2020-03 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 October 8, 2021.

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



October 8, 2021

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:

2006-01: Segregation of Duties -- Repeated below as 2020-01

2008-02: Fire Department Activity -- Repeated below as 2020-02

2008-03: Preparation of Financial Statements -- Repeated below as 2020-03

2018-01: Vouchers -- corrected

SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS

Part I - Summary of the Audit:

Financial Statements

Type of auditor's report issued:

Qualified on:

Governmental Activities

General fund

Unmodified on:

Business-Type Activities

Water, electric and sewer funds

Noncompliance noted:

Items: 2020-02

Internal control over financial reporting:

* Material weakness(es) identified?

None reported

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

Items: 2020-01, -02, -03

Part II - Findings Relating to the Financial Statements

Finding 2020-01: 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.

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 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 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 2020-02: 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 separate records of balances and activity kept by 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 2020-03: 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.

SCHEDULE OF CURRENT AUDIT FINDINGS (continued)

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.