

CITY OF AURORA
AURORA, SOUTH DAKOTA
FINANCIAL REPORT
FOR THE TWO YEARS ENDING DECEMBER 31, 2022
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, 2022

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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 ON THE AUDIT OF THE FINANCIAL STATEMENTS

Financial Statement Audit:

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, 2022, 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.

Qualified and Unmodified Opinions:

In my opinion, except for the effects of matters described in the Basis for Qualified Opinions section of my report, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the City of Aurora as of December 31, 2022, and the respective changes in its financial position and, where applicable, cash flows thereof for each of the years in the biennial period then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Qualified Opinions:

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

Matter Giving Rise to Qualified Opinions:

Fire department checking and savings accounts for the two years ending December 31, 2022 were not available. These financial statements carry forward a fire department checking account balance of \$18,908, savings account balance of \$4,486, reduces a long-term reserve savings from \$32,371 to \$15,669, and eliminates a retirement savings of \$9,042. This qualification affects the statement of governmental activities and the general fund.

Management's Responsibilities for the Financial Statements:

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, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

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

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

My objectives are to obtain reasonable assurance about whether the financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinions.

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

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

- > Exercise professional judgment and maintain professional skepticism throughout the audit.
- > Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- > Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- > Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- > Conclude whether, in my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information (no opinion):

Accounting principles generally accepted in the United States of America require that the Budgetary Comparison Schedules (page 34 and 35), the City's Proportionate Share of Net Pension (Asset)/Liability (page 37), and the Schedule of the City's Contribution (page 37) be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

The City has omitted the Management's Discussion and Analysis (MD&A) that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who consider it to be an essential part of financial reporting by placing the basic financial statements in an appropriate operational, economic, or historical context. My opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards:

In accordance with *Government Auditing Standards*, I have also issued my report dated July 8, 2024 (page 40) on my consideration of the City of Aurora's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Aurora's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Aurora's internal control over financial reporting and compliance.

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



July 8, 2024

CITY OF AURORA
 GOVERNMENT-WIDE - STATEMENT OF NET POSITION
 AS OF DECEMBER 31, 2022

	Primary Government		
	Governmental Activities	Business- Type Activities	Total
ASSETS:			
Current assets:			
Cash and cash equivalents	1,149,702	1,167,343	2,317,045
Taxes receivable - delinquent	1,264		1,264
Due from other governments	4,439		4,439
Accounts receivable	9,558	124,629	134,187
Capital assets:			
Land	128,925	233,842	362,767
Other capital assets, net of accumulated depreciation	579,026	6,268,084	6,847,110
Other assets:			
Restricted cash - fire	39,063		39,063
Restricted cash - ARPA	74,620		74,620
Restricted cash - Sub-station		150,493	150,493
Pension assets	105	320	425
Total assets	1,986,702	7,944,711	9,931,413
DEFERRED OUTFLOWS OF RESOURCES			
Pension related deferred outflows	9,453	28,834	38,287
Total deferred outflows of resources	9,453	28,834	38,287
LIABILITIES:			
Current liabilities:			
Accounts payable	17,394	244,187	261,581
Accrued interest payable		1,154	1,154
Customer deposits		9,851	9,851
Debt due within one year	3,189	159,848	163,037
Leave liability due within one year	0	14,712	14,712
Noncurrent liabilities:			
Debt due in more than one year	23,809	2,408,916	2,432,725
Total liabilities	44,392	2,838,668	2,883,060
DEFERRED INFLOWS OF RESOURCES			
Pension related deferred inflows	6,099	18,603	24,702
Total deferred inflows of resources	6,099	18,603	24,702
NET POSITION			
Net invested in capital assets	680,953	3,932,008	4,612,961
Restricted for:			
Fire department	39,062		39,062
ARPA	74,621		74,621
Debt service - electric substation		150,493	150,493
Debt service - sewer		12,011	12,011
SDRS pension purposes	3,459	10,551	14,010
Unrestricted	1,147,569	1,011,211	2,158,780
Total net position	1,945,664	5,116,274	7,061,938

See accompanying notes.

CITY OF AURORA

GOVERNMENT-WIDE - STATEMENT OF ACTIVITIES
FOR THE YEAR ENDING DECEMBER 31, 2021

Functions/Programs:	Program Revenues				Net (Expenses) Revenues and Changes in Net Position		
	Expenses	Charges for Services and Reimbursements	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Totals
Primary government:							
Governmental activities:							
General government	147,625	5,599			-142,026		-142,026
Public safety	89,461	60,340	76,945		47,824		47,824
Public works	215,758	87,774			-127,984		-127,984
Health and welfare	1,589				-1,589		-1,589
Culture and recreation	16,703	345			-16,358		-16,358
Economic development	9,432				-9,432		-9,432
Liquor operations	300	2,000			1,700		1,700
Debt service	1,647				-1,647		-1,647
Total governmental activities	482,515	156,058	76,945	0	-249,512	0	-249,512
Business-type activities:							
Water	243,617	187,098				-56,519	-56,519
Electric	818,259	911,119				92,860	92,860
Sewer	115,688	296,257		857,222		1,037,791	1,037,791
Total business-type activities	1,177,564	1,394,474	0	857,222	0	1,074,132	1,074,132
Total primary government	1,660,079	1,550,532	76,945	857,222	-249,512	1,074,132	824,620
General revenues:							
Taxes:							
Property taxes					262,351		262,351
Sales taxes					112,447		112,447
State shared revenue					25,070		25,070
County shared revenue					2,901		2,901
Interest earnings					392		392
Rents and franchise fees					5,225		5,225
Donations					0		0
Miscellaneous					8,690		8,690
Compensation for damages					1,997		1,997
Total general revenue					419,073	0	419,073
Change in net position					169,561	1,074,132	1,243,693
Net position:							
January 1, 2021					1,333,970	3,550,855	4,884,825
Restatement for GASB 87					-750	-750	-1,500
January 1, 2021, adjusted					1,333,220	3,550,105	4,883,325
December 31, 2021					1,502,781	4,624,237	6,127,018

See accompanying notes.

CITY OF AURORA
BALANCE SHEET - GOVERNMENTAL FUNDS
AS OF DECEMBER 31, 2022

	General Fund (1)

ASSETS:	
Cash and cash equivalents	1,149,702
Property taxes receivable	1,264
Due from other governments	4,439
Accounts receivable	9,558
Restricted cash	113,683

Total assets	1,278,646
	=====
LIABILITIES:	
Accounts payable	17,394

Total liabilities	17,394
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenue:	
Property taxes - delinquent	1,264

Total deferred inflows of resources	1,264
FUND BALANCES:	
Nonspendable	0
Restricted - fire department	39,062
Restricted - ARPA	74,621
Committed	0
Assigned - capital outlay	15,372
Unassigned	1,130,933

Total fund balance	1,259,988
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	

	1,278,646
	=====
Reconciliation of the above balance sheet - governmental funds to the government-wide statement of net position	
Total fund balance - governmental funds (above)	1,259,988
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:	1,752,227
Less: accumulated depreciation	-1,044,276
These pension related amounts are not an available financial resource and therefore are not reported in the funds.	
Net pension assets	105
Deferred outflow of resources	9,453
Deferred inflow of resources	-6,099
Assets such as taxes receivable (delinquent) are not available to pay for current period expenditures and therefore are deferred in the funds.	
	1,264
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
2019 Wheel loader note	-26,998

Total net position on government-wide statement of net position	1,945,664
	=====

(1) Only governmental fund.

See accompanying notes.

STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES -- GOVERNMENTAL FUNDS
 FOR THE YEAR ENDING DECEMBER 31, 2022

	General Fund (1)

Revenue:	
Taxes:	
Ad valorem taxes	281,285
General sales and use taxes	111,711
Licenses and permits:	1,466
Federal shared revenue: ARPA	195,255
State shared revenue:	
State grants	
Liquor tax reversion	8,098
Motor vehicle licenses (5%)	8,016
Highway and bridge	12,396
County shared revenue:	
Road taxes	2,789
Fire truck grant	80,000
Charges for goods and services:	
Fire protection fees	49,749
Solid waste collection	90,728
Health and welfare	
Camping	704
Fines and forfeits:	120
Miscellaneous revenue:	
Interest earned	13,536
Rental and franchise	5,200
Donations	5,000
Liquor agreements	2,000
Other	10,628
Total revenues	878,681
Expenditures:	
General government:	
Mayor and Council	17,881
Elections	1,125
Financial administration	66,634
Other	19,219
Public safety:	
Police	21,379
Fire	52,404
Public works:	
Highways and streets	116,832
Sanitation	70,369
Health and welfare:	
Animal control	901
West Nile prevention	
Culture and recreation:	
Parks	10,323
Economic development	11,369
Liquor operations	300
Debt service	4,538
Capital outlays	298,649
Total expenditures	691,923
Excess of revenues over (under) expenditures	186,758
Other financing sources (uses):	
Compensation for damages	18,734
Net change in fund balance	205,492
fund balance:	
January 1, 2022	1,054,496
December 31, 2022	1,259,988
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)	205,492
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.	
2022 capitalized cost are	298,649
2022 depreciation is	-65,492
2022 loss on disposition of equipment	0
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.	648
Revenues and expenses related to pensions do not provide current financial resources and, therefore, are not reported in the funds.	549
Long-term debt proceeds are reported as other financing sources in governmental funds statement. However, in the statement of net position, issuing debt increases long-term liabilities and does not effect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds, but reduces the liability in the statement of net position. Therefore: Add: Wheel loader loan principal payment	3,037
Change in net position on government-wide statement of activities	442,883

(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, 2021

	General Fund (1)
Revenue:	
Taxes:	
Ad valorem taxes	262,351
General sales and use taxes	112,447
Licenses and permits:	5,494
Federal shared revenue:	74,571
State shared revenue:	
State grants	2,374
Liquor tax reversion	4,885
Motor vehicle licenses (5%)	7,931
Highway and bridge	12,254
County shared revenue:	
Road taxes	2,901
Charges for goods and services:	
Fire protection fees	60,340
Solid waste collection	87,774
Health and welfare	
Camping	345
Fines and forfeits:	105
Miscellaneous revenue:	
Interest earned	392
Rental and franchise	5,225
Donations	
Liquor agreements	2,000
Other	8,690
Total revenues	<u>650,079</u>
Expenditures:	
General government:	
Mayor and Council	15,381
Elections	46
Financial administration	21,365
Other	10,387
Public safety:	
Police	16,612
Fire	53,908
Public works:	
Highways and streets	127,087
Sanitation	61,689
Health and welfare:	
Animal control	96
West Nile prevention	68
Culture and recreation:	
Parks	9,291
Economic development	9,432
Liquor operations	300
Debt service	4,539
Capital outlays	0
Total expenditures	<u>330,201</u>
Excess of revenues over (under) expenditures	319,878
Other financing sources (uses):	
Compensation for damages	1,997
Net change in fund balance	321,875
fund balance:	
January 1, 2021	<u>732,621</u>
December 31, 2021	<u>1,054,496</u>
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)	321,875
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.	
2021 depreciation is	-56,598
2021 loss on disposition of equipment	-100,956
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.	2,348
Long-term debt proceeds are reported as other financing sources in governmental funds statement. However, in the statement of net position, issuing debt increases long-term liabilities and does not effect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds, but reduces the liability in the statement of net position. Therefore: Add: Wheel loader loan principal payment	2,892
Change in net position on government-wide statement of activities	<u>169,561</u>

(1) Only governmental fund.
See accompanying notes.

CITY OF AURORA

STATEMENT OF NET POSITION - ENTERPRISE FUNDS
AS OF DECEMBER 31, 2022

	Water Fund	Electric Fund	Sewer Fund	Total Enterprise Funds
ASSETS:				
Current assets:				
Cash and cash equivalents	101,877	633,534	431,932	1,167,343
Accounts receivable	13,093	85,994	25,542	124,629
Total current assets	114,970	719,528	457,474	1,291,972
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	35,962	201,466	33,020	270,448
Equipment - leasehold	13,407	13,407	13,407	40,221
Accumulated depreciation	-427,893	-865,124	-587,959	-1,880,976
Construction-in-progress			2,698,530	2,698,530
Total capital assets	79,586	2,287,404	4,134,936	6,501,926
Other assets:				
Cash and cash equivalents, restricted		150,493		150,493
Pension assets	107	105	108	320
Total assets	194,663	3,157,530	4,592,518	7,944,711
DEFERRED OUTFLOW OF RESOURCES				
Pension related deferred outflows	9,610	9,453	9,771	28,834
Total outflow of resources	9,610	9,453	9,771	28,834
LIABILITIES:				
Current liabilities:				
Accounts payable	6,484	67,648	170,055	244,187
Accrued interest payable			1,154	1,154
Customer deposits		9,851		9,851
Current portion of:				
Long-term debt	1,063	151,149	7,636	159,848
Leave liability	4,904	4,904	4,904	14,712
Total current liabilities	12,451	233,552	183,749	429,752
Noncurrent liabilities:				
Noncurrent portion of long-term debt	7,937	1,172,304	1,228,675	2,408,916
Total noncurrent liabilities	7,937	1,172,304	1,228,675	2,408,916
Total liabilities	20,388	1,405,856	1,412,424	2,838,668
DEFERRED INFLOW OF RESOURCES				
Pension related deferred inflows	6,200	6,099	6,304	18,603
Total inflow of resources	6,200	6,099	6,304	18,603
NET POSITION				
Net invested in capital assets	70,586	963,951	2,897,471	3,932,008
Restricted:				
Debt service		150,493	12,011	162,504
SDRS pension purposes	3,517	3,459	3,575	10,551
Unrestricted	103,582	637,125	270,504	1,011,211
Total net position	177,685	1,755,028	3,183,561	5,116,274

See accompanying notes.

CITY OF AURORA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES
 IN NET POSITION - ENTERPRISE FUNDS
 FOR THE YEAR ENDING DECEMBER 31, 2022
 FOR THE YEAR ENDING DECEMBER 31, 2021

	2022				2021			
	Water Fund	Electric Fund	Sewer Fund	Total	Water Fund	Electric Fund	Sewer Fund	Total
Operating revenue:								
Charges for goods and ser	178,555	930,635	307,158	1,416,348	187,098	911,119	296,257	1,394,474
Total operating revenue	178,555	930,635	307,158	1,416,348	187,098	911,119	296,257	1,394,474
Operating expenses:								
Personal services	41,610	41,242	42,288	125,140	38,373	37,864	38,624	114,861
Other current services	62,780	30,020	6,340	99,140	32,237	26,949	13,940	73,126
Cost of goods sold	164,373	739,951		904,324	155,553	594,509		750,062
Depreciation	14,187	98,447	38,322	150,956	19,106	98,444	38,322	155,872
Pension related (rev) exp	-569	-550	-592	-1,711	-2,201	-2,310	-2,223	-6,734
Total operating expenses	282,381	909,110	86,358	1,277,849	243,068	755,456	88,663	1,087,187
Total operating income (loss)	-103,826	21,525	220,800	138,499	-55,970	155,663	207,594	307,287
Nonoperating revenue (expense):								
Interest earnings	5,885	22,781	2,916	31,582				0
Interest expense and fees	-501	-60,622	-6,182	-67,305	-549	-62,803	-7,005	-70,357
Debt issue cost				0			-20,020	-20,020
Transfers	443,034	-443,034		0				0
Total nonoperating revenue (expense)	448,418	-480,875	-3,266	-35,723	-549	-62,803	-27,025	-90,377
Income (loss) before contributions	344,592	-459,350	217,534	102,776	-56,519	92,860	180,569	216,910
Capital contributions			389,261	389,261			857,222	857,222
Change in net position	344,592	-459,350	606,795	492,037	-56,519	92,860	1,037,791	1,074,132
Net position:								
January 1, 2021					-110,138	2,121,768	1,539,225	3,550,855
Restatement for GASB 87					-250	-250	-250	-750
January 1, 2021, adjusted					-110,388	2,121,518	1,538,975	3,550,105
December 31, 2021	-166,907	2,214,378	2,576,766	4,624,237	-166,907	2,214,378	2,576,766	4,624,237
December 31, 2022	177,685	1,755,028	3,183,561	5,116,274				

See accompanying notes.

CITY OF AURORA

STATEMENT OF CASH FLOWS - ENTERPRISE FUNDS
 FOR THE YEAR ENDING DECEMBER 31, 2022
 FOR THE YEAR ENDING DECEMBER 31, 2021

	2022				2021			
	Water Fund	Electric Fund	Sewer Fund	Total	Water Fund	Electric Fund	Sewer Fund	Total
Cash flows from:								
Operating activities:								
Receipts from customers	176,604	923,235	305,061	1,404,900	187,098	900,719	296,257	1,384,074
Estimated rec. from other funds		10,400		10,400		10,400		10,400
Payments to employees	-39,841	-39,473	-40,519	-119,833	-34,405	-33,933	-34,621	-102,959
Payments to suppliers	-220,876	-704,786	-4,786	-930,448	-198,660	-678,494	-29,711	-906,865
Estimated pymts. to other funds	-950		-1,500	-2,450	-950		-1,500	-2,450
Net cash provided (used) by operating activities	-85,063	189,376	258,256	362,569	-46,917	198,692	230,425	382,200
Noncapital financing activities:								
Transfers in (out)	231,000	-231,000		0				0
Capital financing activities:								
Debt proceeds			330,261	330,261			727,291	727,291
Capital contributions			389,261	389,261			857,222	857,222
Cash paid for improvements			-960,178	-960,178			-1,521,855	-1,521,855
Cash paid for equipment				0				0
Principal paid on debt	-1,013	-144,005	-13,516	-158,534	-965	-141,799	-25,041	-167,805
Interest & fees paid on debt	-501	-60,622	-6,182	-67,305	-549	-62,803	-7,005	-70,357
Debt issue cost				0			-20,020	-20,020
Investing activities:								
Interest received	5,885	22,781	2,916	31,582				0
Redeem cert. of deposit	109,312	564,859	125,314	799,485	55,697	220,227		275,924
Purchase cert. of deposit				0			-47,012	-47,012
Net increase (decrease) in cash	259,620	341,389	126,132	727,141	7,266	214,317	194,005	415,588
Cash:								
January 1, 2021					-165,009	228,321	111,795	175,107
December 31, 2021	-157,743	442,638	305,800	590,695	-157,743	442,638	305,800	590,695
December 31, 2022	101,877	784,027	431,932	1,317,836				
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:								
Operating income (loss)	-103,826	21,526	220,799	138,499	-55,970	155,663	207,594	307,287
Depreciation	14,187	98,447	38,322	150,956	19,106	98,444	38,322	155,872
Pension	-569	-550	-592	-1,711	-2,201	-2,310	-2,223	-6,734
(Increase) decrease in:								
Receivables	-1,951	3,000	-2,097	-1,048				0
Prepaid expenses				0				0
Increase (decrease) in:								
Accounts payable	5,327	65,184	55	70,566	-11,820	-57,036	-17,271	-86,127
Payroll deductions payable				0	2,499	2,462	2,534	7,495
Customer deposits				0				0
Leave liability	1,769	1,769	1,769	5,307	1,469	1,469	1,469	4,407
Net cash provided (used) by operating activities	-85,063	189,376	258,256	362,569	-46,917	198,692	230,425	382,200
Noncash investing, capital and financing activities: Allocate "due from/to" to transfer								
	212,034	-212,034						

See accompanying notes.

CITY OF AURORA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

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

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

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

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

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

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

Based on the application of these criteria, the City of Aurora has no component units.

b. Basis of Presentation:

Government-wide Financial Statements:

The government-wide financial statements include the Statement of Net Position and the Statement of Activities. These statements display information about the

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

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

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

Fund Financial Statements:

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

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

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

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

Governmental Funds

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

Enterprise Funds

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

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

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

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

Fiduciary Funds

Fiduciary funds are never considered to be major funds.

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

In 2021 and 2022 the City had no fiduciary or custodial 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, 2022 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, 2022, all enterprise fund deposits are considered to be cash and cash equivalent for purposes of the statement of cash flow.

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 acquisition 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, 2022 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, 2022 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 not 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 31.

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 Classifications</u>	<u>Account or Fund</u>	<u>Authority or Action</u>	<u>Amount</u>
Nonspendable	None		0
Restricted	Fire purposes	Contract	39,062
Restricted	ARPA	Grant	74,621
Committed	None		0
Assigned	Capital outlay		15,372
Unassigned	General		1,130,933

			1,259,988

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 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:

2022: General fund/general government/elections	205
/public safety/fire	125,204
/conservation/economic development	369
2021: General fund/public safety/fire	1,408
/conservation/economic development	732

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. The 2022 fire overdraft has to do with the purchase of a fire truck.

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, 2022 were as follows: Insured \$355,661, Collateralized ** \$2,375,275 for a total of \$2,730,936.

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

At December 31, 2022 the carrying amount of these deposits, including \$23,394 of fire department cash, was \$2,581,221.

Certificates of deposit, with a term to maturity of greater than 90 days when purchased, are insured or collateralized and are considered deposits. At December 31, 2022 the City had no certificates of deposit.

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, 2022, the City had no investments and was 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, 2022, 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, 2022 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, 2022 inventory of supplies and small tools was immaterial to these financial statements.

6. CHANGES IN CAPITAL ASSETS (see schedule one on page 31)

A summary of the changes in capital assets is presented in schedule one at the end of these notes. There is construction-in-progress at December 31, 2022.

7. LIABILITIES (see schedule two on page 32)

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, 2022.

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 judgments, 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 \$1,236,045. The bond was issued to cover the cost of an electrical substation and is described on page 32. The bonds will be paid off in 2030. The electric fund had surcharge revenue of \$280,973 in 2021 and \$238,219 in 2022. The electric fund made principal and interest payments of \$188,051 in 2021 and \$188,051 in 2022.

All sewer fund revenue net revenue (after normal operating, repair and maintenance expenses) is pledged to secure two SRF loans, which have remaining balances of \$169,759 and \$1,057,552. The loans were made to cover the cost of sewer improvements as described on page 32. The loans will mature in 2041 and 2043. The sewer fund had surcharge revenue of \$145,246 in 2021 and \$153,330 in 2022 to cover payments on these loans. The sewer fund made principal and interest payments of \$12,011 in 2021 and \$12,011 in 2022 on the \$169,759 loan and none on the \$1,057,552 loan, which is not complete.

9. RESTRICTED NET POSITION

Restricted net position at December 31, 2022 are as follows:

Purpose:	Restricted By:	Governmental	Business-Type
Fire dept. purposes	Contract	39,062	
ARPA	Grant	74,621	
Debt service - electric	Contract		150,493
Debt service - sewer	Covenant		12,011
Pension purposes	GASB-68	3,459	10,551
		-----	-----
Total Restricted Net Position		117,142	173,055

10. INTERFUND BALANCES AND TRANSFERS

There are no interfund balances at December 31, 2022.

In 2022 the electric fund transferred \$231,000 to the water fund for operations. Also in 2022, to comply with generally accepted accounting principles, the water fund's \$212,034 "due to" electric fund was recognized as a transfer from the electric fund because the water fund was unable to pay this debt.

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 (or expense reduction), 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. The 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 four classes of members: Class A general members, Class B public safety and judicial members, and Class C Cement Plant Retirement Fund members, and Class D Department of Labor and Regulation members.

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

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

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

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

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

Legislation enacted in 2021 reduced the minimum COLA from .05 percent to 0.0 percent.

All benefits except those depending on the Member's Accumulated Contributions are annually increased by the Cost-of-Living Adjustment.

Contributions:

Per SDCL 3-12, contributions requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A Members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. The City's share of contributions to the SDRS for the years ending December 31, 2022, 2021 and 2020 were \$6,599, \$6,294, and \$6,240, 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, 2022 SDRS is 100.1% funded and accordingly has net pension (asset). The proportionate shares of the components of the net pension (asset) of South Dakota Retirement System, for the City as of this measurement period ending June 30, 2022 and reported by the City as of December 31, 2022 are as follows:

Proportionate share of total pension liability	\$ 634,401
Less: Proportionate share of net position restricted for pension benefits	(634,826)

Proportionate share of net pension (asset)/liability	\$ (425)
	=====

At December 31, 2022 the City reported a (asset)/liability of \$(425) for its proportionate share of the net pension (asset)/liability. The net pension (asset) was measured as of June 30, 2022 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, 2022, the City's proportion was .000044940 which is an increase of .0000006 over its proportion measured as of June 30, 2021.

For the year ended December 31, 2022, the City recognized net pension (reduction of expense) of \$2,260.

At December 31, 2022 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	\$ 8,085	\$ 28
Change in assumptions	26,993	23,656
Net difference between projected and actual earnings on pension plan investments	0	1,018
Changes in proportion and difference between client contribution and proportionate share of contributions	-90	
City contributions subsequent to the measurement date	3,299	
	-----	-----
Totals	\$ 38,287	\$ 24,702
	(3,299)	=====
	(24,702)	

To be amortized over 4 years	\$ 10,286	
	=====	

The \$3,299 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, 2023.

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, 2023	\$ 2,766
December 31, 2024	5,847
December 31, 2025	(6,668)
December 31, 2026	8,341

	\$ 10,286

Actuarial Assumptions:

The total pension liability in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary Increases	Graded by years of service, from 7.66% at entry to 3.15% after 25 years of service
Discount Rate	6.50% net of plan investment expense. This is composed of an average inflation rate of 2.50% and real return of 4.00%

Future COLAs 2.10%

Mortality rates: All mortality rates based on Pub-2010 amount-weighted mortality tables, projected generationally with improvement scale MP-2020

Active and Terminated Vested Members:

Teachers, Certified Regents, and Judicial: Pub T-2010

Other Class A Members: Pub G-2010

Public Safety Members: Pub S-2010

Retired Members:

Teachers, Certified Regents, and Judicial Retirees:

Pub T-2010, 108% of rates above age 65

Other Class A Retirees: Pub G-2010, 93% of rates through age 74, increasing by 2% per year until 111% of rates at age 83 and above

Public Safety Retirees: Pub S-2010, 102% of rate at all ages

Beneficiaries:

Pub G-2010 contingent survivor mortality table

Disabled Members:

Public Safety: Pub S-2010 disabled member mortality table

Others: Pub G-2010 disabled member mortality table

The actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actuarial experience study for the period of July 1, 2016 to June 30, 2021.

Investments

Investment portfolio management is the statutory responsibility of the South Dakota Investment Council (SDIC), which my 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, 2022 (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	58.0%	3.7%
Fixed Income	30.0%	1.1%
Real Estate	10.0%	2.6%
Cash	2.0%	0.4%

	100.0%	
	=====	

Discount Rate:

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

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

The following presents the City's proportionate share of the net pension (asset)/liability 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 5.50%	Current Discount Rate 6.50%	1% Increase 7.50%
City's proportionate share of the net pension (asset)/liability	\$88,187	\$(425)	\$(72,844)

Pension Plan Fiduciary Net Position:

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

12. PRIOR PERIOD RESTATEMENT

During the period ending December 31, 2022 the City of Aurora implemented GASB Statement No. 87. "Leases" (GASB 87). This required the capitalization of a wheel loader lease entered into in 2019. The City of Aurora restated the net position and fund balance of the funds indicated below to appropriately reflect the balances as of January 1, 2021 as follows:

	Governmental Activities	Business-Type Activities
Net Position January 1, 2021 (previously reported)	1,333,970	3,550,855
Restatement: Implementation of GASB 87	-750	-750
Net Position January 1, 2021 (restated)	1,333,220	3,550,105

	Capital Assets and Long-term Liabilities	Enterprise Funds
Net Position January 1, 2021 (previously reported)	600,171	3,550,855
Restatement: Implementation of GASB 87:		
Additional capital assets, net of accum depr	32,177	32,177
Additional long-term liability	-32,927	-32,927
Net Position January 1, 2021 (restated)	599,421	3,550,105

13. 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 installment on or before the following April 30 and October 31. The county bills and collects the City's taxes and remits them to the City.

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

Delinquent property taxes, from prior year tax levies, are included in "net position" in the government-wide statement of activities but are deferred in the fund financial statements. See reconciliations on page 7 and 8.

14. 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, 2022, 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 an occurrence-based policy and the premiums are accrued based on the ultimate cost of the experience to date of the SDPAA member, based on their exposure or type of coverage. The City pays an annual premium to the pool to provide coverage for general liability, auto liability, auto damage, property, and equipment breakdown insurance.

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

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

Worker's Compensation:

The City joined the South Dakota Municipal League Workers' Compensation Fund (Fund), a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities.

The objective of the Fund is to formulate, develop, and administer, on behalf of the member organizations, a program of worker's compensation coverage, to obtain lower costs for that coverage, and to develop a comprehensive loss control program. The City's responsibility is to initiate and maintain a safety program to give its employees safe and sanitary working conditions and to promptly report to and cooperate with the Fund to resolve any worker's compensation claims.

The City pays an annual premium, to provide worker's compensation coverage for its employees, under a self-funded program and the premiums are accrued based on the ultimate cost of the experience to date of the Fund members. Coverage limits are set by state statute. The pool pays the first \$650,000 of any claim per individual. The pool has reinsurance which covers up to statutory limits in addition to a separate combined employer liability limit of \$2,000,000 per incident.

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

15. TAX ABATEMENTS

As of December 31, 2022 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.

16. LITIGATION

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

17. OTHER DISCLOSURES AND SUBSEQUENT EVENTS

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

The City does not offer any Other Post Employment Benefits.

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

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

In 2023 the City adopted a cash basis of accounting.

CITY OF AURORA

NOTES TO THE FINANCIAL STATEMENTS -- SCHEDULE ONE
 CHANGES IN CAPITAL ASSETS
 FOR THE TWO YEARS ENDING DECEMBER 31, 2022

	Beginning 12-31-20	2021 Additions	2021 (Deletions)	2022 Additions (Deletions)	Ending 12-31-22	Accumulated Depreciation 12-31-20	2021 (Additions) Deletions	2021 (Additions)	2022 (Additions) Deletions	Accumulated Depreciation 12-31-22	Remaining Cost 12-31-22
General capital assets:											
Land	163,925		-35,000		128,925						128,925
Buildings	196,782		-82,152		114,630	-98,484	17,053	-3,015	-3,015	-87,461	27,169
Improvements	462,728				462,728	-212,662		-22,459	-21,933	-257,054	205,674
Equipment	714,576		-7,500	298,649	1,005,725	-626,694	6,644	-27,102	-36,523	-683,675	322,050
Equipment - leasehold	0	40,221			40,221	0	-8,044	-4,022	-4,022	-16,088	24,133
Totals	1,538,011	40,221	-124,652	298,649	1,752,229	-937,840	15,653	-56,598	-65,493	-1,044,278	707,951

Wheel loader	40,221	Fire truck Trailer	294,000 4,649	Depreciation allocation:						
	40,221		298,649	General government		-1,520	-1,520			
				Public safety		-18,085	-28,522			
				Public works		-28,156	-28,276			
				Health and welfare		-1,425	0			
				Culture and recreation		-7,412	-7,174			
				Remove accumulated depreciation		23,697	0			
				Add prior year accumulated depreciation		-8,044				
						15,653	-56,598	-65,492		

Business-type activity:

Enterprise funds:

Land	233,842				233,842	0				0	233,842
Buildings	46,000				46,000	-43,258		-920	-920	-45,098	902
Improvements	5,093,861				5,093,861	-1,385,267		-130,738	-128,502	-1,644,507	3,449,354
Equipment	274,873		-4,425		270,448	-142,005	4,425	-20,191	-17,511	-175,282	95,166
Equipment - leasehold	0	40,221			40,221	0	-8,043	-4,023	-4,023	-16,089	24,132
Construction-in-progress	49,031	1,521,853		1,127,646	2,698,530	0				0	2,698,530
Totals	5,697,607	1,562,074	-4,425	1,127,646	8,382,902	-1,570,530	-3,618	-155,872	-150,956	-1,880,976	6,501,926

Wheel loader	40,221		
Sewer improvements	1,521,853		1,127,646
	1,562,074		1,127,646

CITY OF AURORA
NOTES TO THE FINANCIAL STATEMENTS -- SCHEDULE TWO
CHANGES IN LONG-TERM LIABILITIES
FOR THE TWO YEARS ENDING DECEMBER 31, 2022

	2021	2022	Governmental	Business-Type	Principal
Beginning	Additions	Additions	Ending	Ending	Payments
12-31-20	(Deletions)	(Deletions)	12-31-22	12-31-22	Due In
					2023
GOVERNMENTAL - DIRECT BORROWING					
2019 Wheel Loader Capitalized Lease:					
Original amount: \$35,681.91					
Maturing in 2024					
Imputed interest at 5.0%					
Annual payments of \$4,538.62					
Balloon payment of \$25,000					
Paid by general fund	32,927	-2,892	-3,037	26,998	3,189
GOVERNMENTAL - OTHER DEBT					
Leave liability:					
Paid by General Fund	0			0	0
Totals	<u>32,927</u>	<u>-2,892</u>	<u>-3,037</u>	<u>26,998</u>	<u>3,189</u>
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	23,944	-17,847	-6,097	0	0
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	182,283	-6,161	-6,363	169,759	6,573
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	1,495,228	-128,747	-130,436	1,236,045	137,374
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	85,878	-10,119	-10,419	65,340	10,593
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	17,176	-1,995	-2,140	13,068	2,119
2021 Clean Water SRF Loan:					
Loan amount of \$2,002,000 authorized					
Maturing in 2043					
Interest fixed at 2.125%					
Quarterly payment of \$30,783.79					
Paid by sewer fund	0	727,291	330,261	1,057,552	0
2019 Wheel Loader Capitalized Lease:					
Original amount: \$35,681.91					
Maturing in 2024					
Imputed interest at 5.0%					
Annual payments of \$4,538.62					
Balloon payment of \$25,000					
Paid 1/3 each by water, electric, and sewer funds					
	32,927	-2,892	-3,037	26,998	3,189
BUSINESS-TYPE - OTHER DEBT					
Leave liability:					
Paid by Enterprise Funds	4,998	4,407	5,307	14,712	14,712
Totals	<u>1,842,461</u>	<u>563,937</u>	<u>177,076</u>	<u>2,583,474</u>	<u>174,560</u>

CITY OF AURORA

NOTES TO THE FINANCIAL STATEMENTS -- SCHEDULE TWO (continued)

CHANGES IN LONG-TERM LIABILITIES

FOR THE TWO YEARS ENDING DECEMBER 31, 2022

SCHEDULE OF PAYMENTS FOR LONG-TERM LIABILITIES

AT DECEMBER 31, 2022

		Total Payment	Principal	Interest	Balance
2019 Wheel Loader Capitalized Lease:					
(general fund)	2023	4,539	3,189	1,350	23,809
	2024	<u>25,000</u>	<u>23,809</u>	<u>1,191</u>	0
	Totals	<u>29,539</u>	<u>26,998</u>	<u>2,541</u>	
2010 Clean Water SRF Loan:					
	2023	12,010	6,573	5,437	163,186
	2024	12,010	6,789	5,221	156,397
	2025	12,011	7,013	4,998	149,384
	2026	12,010	7,243	4,767	142,141
	2027	12,011	7,481	4,530	134,660
	2028-2032	60,053	41,265	18,788	93,395
	2033-2037	60,053	48,515	11,538	44,880
	2038-2041	<u>48,042</u>	<u>44,880</u>	<u>3,162</u>	0
	Totals	<u>228,200</u>	<u>169,759</u>	<u>58,441</u>	
2014 Electric Revenue Bond:					
	2023	188,051	137,374	50,677	1,098,671
	2024	188,051	143,006	45,045	955,665
	2025	188,051	148,868	39,183	806,797
	2026	188,051	154,973	33,078	651,824
	2027	188,052	161,326	26,726	490,498
	2028-2030	<u>529,890</u>	<u>490,498</u>	<u>39,392</u>	0
	Totals	<u>1,470,146</u>	<u>1,236,045</u>	<u>234,101</u>	
2018 Electric IPR3 loan:					
	2023	12,553	10,593	1,960	54,747
	2024	12,553	10,910	1,643	43,837
	2025	12,553	11,238	1,315	32,599
	2026	12,553	11,575	978	21,024
	2027	12,552	11,922	630	9,102
	2028	<u>9,376</u>	<u>9,102</u>	<u>274</u>	0
	Totals	<u>72,140</u>	<u>65,340</u>	<u>6,800</u>	
2018 Electric IPR4 loan:					
	2023	2,511	2,119	392	10,949
	2024	2,510	2,182	328	8,767
	2025	2,511	2,248	263	6,519
	2026	2,510	2,315	195	4,204
	2027	2,511	2,384	127	1,820
	2028	<u>1,857</u>	<u>1,820</u>	<u>37</u>	0
	Totals	<u>14,410</u>	<u>13,068</u>	<u>1,342</u>	
2021 Clean Water SRF Loan:					
	2023	99,335	-929,156	99,335	1,986,708
	2024	123,135	80,918	42,217	1,905,790
	2025	123,135	82,637	40,498	1,823,153
	2026	123,135	84,393	38,742	1,738,760
	2027	123,135	86,187	36,948	1,652,573
	2028-2032	615,676	459,195	156,481	1,193,378
	2033-2037	615,676	510,103	105,573	683,275
	2038-2042	615,676	566,654	49,022	116,621
	2043	<u>119,099</u>	<u>116,621</u>	<u>2,478</u>	0
	Totals	<u>2,558,002</u>	<u>1,057,552</u>	<u>571,294</u>	
2019 Wheel Loader Capitalized Lease:					
(water, electric, sewer funds)	2023	4,539	3,189	1,350	23,809
	2024	<u>25,000</u>	<u>23,809</u>	<u>1,191</u>	0
	Totals	<u>29,539</u>	<u>26,998</u>	<u>2,541</u>	

CITY OF AURORA

REQUIRED SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
 FOR THE YEAR ENDING DECEMBER 31, 2022

GENERAL FUND	Budgeted Amounts				Actual	Variance Positive (Negative)
	Original	Contingency Transfers	Supplemental	Final		
Revenue:						
Revenue from local sources:						
Taxes:	338,050			338,050		-338,050
Ad valorem taxes					281,285	281,285
Sales and use tax					111,711	111,711
Licenses and permits:	3,550			3,550	1,466	-2,084
Intergovernmental revenue:	24,950			24,950		-24,950
Federal grants:					195,255	195,255
State shared revenue:						
Grants						0
Liquor tax reversion					8,098	8,098
Motor vehicle licenses (5%)					8,016	8,016
Highway and bridge					12,396	12,396
County shared revenue: road taxes					2,789	2,789
County shared revenue: grant			80,000	80,000	80,000	0
Charges for goods and services:	114,000			114,000		-114,000
Public safety, fire protection					49,749	49,749
Solid waste collection					90,728	90,728
Health and welfare						0
Camping					704	704
Fines and forfeits:	1,300			1,300	120	-1,180
Miscellaneous revenue:	32,400			32,400		-32,400
Interest earned					13,536	13,536
Rentals and franchise					5,200	5,200
Donations					5,000	5,000
Liquor operating agreement	4,000			4,000	2,000	-2,000
Miscellaneous				0	10,628	10,628
Total revenues	518,250	0	80,000	598,250	878,681	280,431
Expenditures:						
General government:						
Mayor and Council	18,650			18,650	17,881	769
Contingency	16,000			16,000		16,000
Amount transferred		-16,000		-16,000		-16,000
Elections	920			920	1,125	-205
Financial administration	72,880			72,880	66,634	6,246
Other	20,600			20,600	19,219	1,381
Public safety:						
Police	23,000			23,000	21,379	1,621
Fire	38,200	16,000	167,000	221,200	346,404	-125,204
Public works:						
Highways and streets	193,812			193,812	121,481	72,331
Solid waste collection	75,600			75,600	70,369	5,231
Health and welfare:						
Health	3,750			3,750	901	2,849
Culture and recreation:						
Parks	38,800			38,800	10,323	28,477
Conservation and development:						
Economic development	11,000			11,000	11,369	-369
Liquor operations	500			500	300	200
Debt service	4,538			4,538	4,538	0
Total expenditures	518,250	0	167,000	685,250	691,923	-6,673
Excess of revenues over (under) expenditures	0	0	-87,000	-87,000	186,758	273,758
Other financing sources (uses):						
Compensation for damages				0	18,734	18,734
Net change in fund balance	0	0	-87,000	-87,000	205,492	292,492
Fund balance:						
January 1, 2022	1,054,496			1,054,496	1,054,496	0
December 31, 2022	1,054,496	0	-87,000	967,496	1,259,988	292,492

CITY OF AURORA

 REQUIRED SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
 FOR THE YEAR ENDING DECEMBER 31, 2021

GENERAL FUND	Budgeted Amounts				Actual	Variance Positive (Negative)
	Original	Contingency Transfers	Supplemental	Final		
Revenue:						
Revenue from local sources:						
Taxes:	317,675			317,675		-317,675
Ad valorem taxes					262,351	262,351
Sales and use tax					112,447	112,447
Licenses and permits:	5,650			5,650	5,494	-156
Intergovernmental revenue:	24,900			24,900		-24,900
Federal grants:					74,571	74,571
State shared revenue:						
Grants					2,374	2,374
Liquor tax reversion					4,885	4,885
Motor vehicle licenses (5%)					7,931	7,931
Highway and bridge					12,254	12,254
County shared revenue: Road taxes					2,901	2,901
Charges for goods and services:	112,600			112,600		-112,600
Public safety, fire protection					60,340	60,340
Solid waste collection					87,774	87,774
Health and welfare						0
Camping					345	345
Fines and forfeits:	1,500			1,500	105	-1,395
Miscellaneous revenue:	30,400			30,400		-30,400
Interest earned					392	392
Rentals and franchise					5,225	5,225
Donations						0
Liquor operating agreement	4,000			4,000	2,000	-2,000
Miscellaneous				0	8,690	8,690
Total revenues	496,725	0	0	496,725	650,079	153,354
Expenditures:						
General government:						
Mayor and Council	19,460			19,460	15,381	4,079
Contingency	16,000			16,000		16,000
Amount transferred				0		0
Elections	1,150			1,150	46	1,104
Financial administration	68,690			68,690	21,365	47,325
Other	23,900			23,900	10,387	13,513
Public safety:						
Police	22,000			22,000	16,612	5,388
Fire	34,500		18,000	52,500	53,908	-1,408
Public works:						
Highways and streets	191,736			191,736	127,087	64,649
Solid waste collection	67,800			67,800	61,689	6,111
Health and welfare:						
Health	4,450			4,450	164	4,286
Culture and recreation:						
Parks	33,300			33,300	9,291	24,009
Conservation and development:						
Economic development	8,700			8,700	9,432	-732
Liquor operations	500			500	300	200
Debt service	4,539			4,539	4,539	0
Total expenditures	496,725	0	18,000	514,725	330,201	184,524
Excess of revenues over (under) expenditures	0	0	-18,000	-18,000	319,878	337,878
Other financing sources (uses):						
Compensation for damages				0	1,997	1,997
Net change in fund balance	0	0	-18,000	-18,000	321,875	339,875
Fund balance:						
January 1, 2021	732,621			732,621	732,621	0
December 31, 2021	732,621	0	-18,000	714,621	1,054,496	339,875

CITY OF AURORA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETS

SCHEDULE OF BUDGETARY COMPARISON FOR THE
GENERAL FUND FOR THE TWO YEARS ENDING DECEMBER 31, 2022

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 2021 and 2022 there were supplemental budgets. See page 34 and 35.
- e. Unexpended appropriations lapse at year end unless encumbered by resolution of the governing board. There were no appropriations encumbered at December 31, 2021 or December 31, 2022.

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 NINE YEARS ENDING DECEMBER 31, 2022

REQUIRED 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, 2022	0.0044940%	-425	107,300	(0.40)%	100.10%
June 30, 2021	0.0044340%	-33,957	101,117	(33.59)%	105.52%
June 30, 2020	0.0052796%	-229	115,867	(0.20)%	100.04%
June 30, 2019	0.0050940%	-540	108,317	(0.50)%	100.09%
June 30, 2018	0.0044286%	-103	92,067	(0.11)%	100.02%
June 30, 2017	0.0042130%	-382	85,600	(0.45)%	100.10%
June 30, 2016	0.0040194%	13,577	76,433	17.76%	96.89%
June 30, 2015	0.0033293%	-14,121	60,783	(23.23)%	104.10%
June 30, 2014	0.0020999%	-15,129	36,717	(41.20)%	107.30%

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

Note: This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

CITY OF AURORA
FOR THE NINE YEARS ENDING DECEMBER 31, 2022

REQUIRED 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, 2022	6,599	6,599	0	109,983	6.00%
December 31, 2021	6,294	6,294	0	104,900	6.00%
December 31, 2020	6,240	6,240	0	104,000	6.00%
December 31, 2019	7,133	7,133	0	118,883	6.00%
December 31, 2018	6,106	6,106	0	101,767	6.00%
December 31, 2017	5,173	5,173	0	86,217	6.00%
December 31, 2016	5,734	5,734	0	95,567	6.00%
December 31, 2015	4,874	4,874	0	81,233	6.00%
December 31, 2014	2,877	2,877	0	47,950	6.00%

Note: This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

CITY OF AURORA
DECEMBER 31, 2022

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, 2022

Changes of Prior Valuation:

The June 30, 2022 Actuarial Valuation reflects numerous changes to the actuarial assumptions as a result of an experience analysis completed since the June 30, 2022 Actuarial Valuation. In addition, two changes in actuarial methods have been implemented since the prior valuation.

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

Benefit Provision Changes:

During the 2022 legislative Session no significant SDRS benefit changes were made and gaming enforcement agents became Class B Public Safety Members.

Actuarial Assumption Changes:

As a result of an experience analysis covering the period from July 1, 2016 to June 30, 2022, and presented to the SDRS Board of Trustees in April and June 2022, significant changes to the actuarial assumptions were recommended by the SDRS Senior Actuary and adopted by the Board of Trustees first effective for the June 30, 2022, actuarial valuation.

The changes to economic assumptions included increasing the price inflation to 2.50% and increasing the wage inflation to 3.15%. The current assumed investment return assumption of 6.50% was retained, lowering the assumed real investment return to 4.00%. The baseline COLA assumption of 2.25% was also retained. Salary increase assumptions were modified to reflect the increase in assumed wage inflation and recent experience. The assumed interest on accumulated contributions was decreased to 2.25%.

The demographic assumptions were also reviewed and revised. The mortality assumption was changed to the Pub-2010 amount-weighted tables using separate tables for teachers, general, and public safety retirees, with assumptions for retirees adjusted based on credible experience. The mortality assumption for active and terminated vested members was changed to the unadjusted amount-weighted Pub-2010 tables, again by member classification and the assumption for beneficiaries was change to the amount-weighted Pub-2010 general contingent survivor table. Adjustments based on experience were also made to the assumptions regarding retirement, termination, disability, age of spouses for married Foundation members, percentage of terminated vested members electing a refund, and benefit commencement age for terminated vested Public Safety members with 15 or more years of service.

The SDRS COLA equals the percentage increase in the most recent third calendar quarter CPI-W over the prior year, no less than 0% (0.5% prior to 2021) and no greater than 3.5%. However, if the FVFR assuming the long-term COLA is equal to the baseline COLA assumption (currently 2.25%) is less than 100%, the maximum COLA payable will be limited to the increase that if assumed on a long-term basis, results in a FVFR equal to or exceeding 100%.

CITY OF AURORA
DECEMBER 31, 2022

REQUIRED SUPPLEMENTARY INFORMATION - PENSION (continued)

AS of June 30, 2022, the FVFR assuming the long-term COLA is equal to the baseline COLA assumption (2.25%) was greater than 100% and the full 0% to 3.5% COLA range was payable. For the June 30, 2022, Actuarial Valuation, future COLAs were assumed to equal the baseline COLA assumption of 2.25%.

As of June 30, 2022, the FVFR assuming future COLAs equal to the baseline COLA assumption of 2.25% is less than 100% and the July 2023 SDRS COLA is limited to a restricted maximum of 2.10%. The July 2023 SDRS COLA will equal inflation, between 0% and 2.10%. For this June 20, 2022, Actuarial Valuation, future COLAs were assumed to equal the restricted maximum COLA of 2.10%.

Actuarial assumptions are reviewed for reasonability annually and reviewed in depth periodically, with the next experience analysis anticipated before the June 30, 2027, Actuarial Valuation and any recommended 7 changes approved by the Board of Trustees are anticipated to be first implemented in the June 30, 2027, Actuarial Valuation.

Actuarial Method Changes:

Actuarial method changes with minor impact were implemented for this valuation after recommendation by Cavanaugh Macdonald Consulting as part of their reviews of prior valuations. As a result, liabilities and normal costs for refund benefits and the Generational Variable Retirement Accounts are now calculated using the entry age normal cost method with normal costs based on the expected value of these accounts rather than the actual balance.

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

Governing Board
City of Aurora
Aurora, South Dakota

INDEPENDENT AUDITOR'S REPORT

I have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the 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, 2022 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 July 8, 2024 which was qualified.

Report on Internal Control Over Financial Reporting:

In planning and performing my audit of the financial statements, I considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, I do not express an opinion on the effectiveness of the City'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 the City's financial statements will not be prevented, or detected and corrected, on a timely basis.

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

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that were not identified.

I did identify certain deficiencies in internal control, 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 2022-01, 2022-02 and 2022-03 to be significant deficiencies.

City of Aurora

Report on Internal Control over Financial Reporting and on Compliance

Page Two

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

I did note minor matters involving internal control over financial reporting that I reported to the governing body and management of the City in a separate Letter of Comments dated July 8, 2024.

Report on Compliance and Other Matters:

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

The results of my tests disclosed 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 2022-02.

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

I did note 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 July 8, 2024.

Purpose of this Report

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

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

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



July 8, 2024

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 2022-01

2008-02: Fire Department Activity -- Repeated below as 2022-02

2008-03: Preparation of Financial Statements -- Repeated below as 2022-03

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: 2022-02

Internal control over financial reporting:

* Material weakness(es) identified?

None reported

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

Items: 2022-01, -02, -03

Part II - Findings Relating to the Financial Statements

Finding 2022-01: Segregation of Duties
(internal control)

Criteria:

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

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

Condition:

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

Effect:

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

SCHEDULE OF CURRENT AUDIT FINDINGS (continued)

Recommendation:

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

Response:

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

Finding 2022-02: 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 2023-03: 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.

CITY OF AURORA
DECEMBER 31, 2022

SCHEDULE OF CURRENT AUDIT FINDINGS (continued)

Effect:

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

Recommendation:

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

Management response:

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