

CITY OF AURORA
AURORA, SOUTH DAKOTA
FINANCIAL REPORT
FOR THE TWO YEARS ENDING DECEMBER 31, 2025
WITH INDEPENDENT AUDITOR'S REPORTS

INDEPENDENT AUDIT SERVICES, P.C.

Benjamin Elliott, CPA
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CITY OF AURORA
AURORA, SOUTH DAKOTA

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FOR THE TWO YEARS ENDING DECEMBER 31, 2025

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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 modified cash basis of accounting financial statements of governmental activities, business-type activities and each major fund of the City of Aurora (City), Brookings County, South Dakota as of December 31, 2025, and for each of the years in the biennial period then ended, and the related notes to the financial statements. These financial statements collectively comprise the City's basic financial statements as listed in the Table of Contents.

Opinions:

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of governmental activities, business-type activities and each major fund of the City of Aurora, Brookings County, South Dakota as of December 31, 2025, and the respective changes in its financial position, and cash flows were applicable, for each of the years in the biennial period then ended in accordance with the modified cash basis of accounting described in Note 1c to the financial statement.

Basis for Opinions

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

Management's Responsibilities for the Financial Statements:

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

In preparing the modified cash basis of accounting financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Aurora's ability to continue as a going concern for 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 will and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

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

Emphasis of Matters - Modified Cash Basis of Accounting:

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

Supplementary Information (no opinion):

Accounting principles generally accepted in the United States of America allow for the budgetary comparison schedules (page 29 to 31) and the pension schedules (page 32 and 33) 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 allowed by the Government Accounting Standards Board who considers it to be an essential part of financial reporting by placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the allowed 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.

Supplementary Information (opinion):

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

The schedule of changes in long-term liabilities (page 27 and 28) is presented for the purpose of additional analysis and is not a required part of the modified cash basis of accounting financial statements.

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

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

Supplementary Information (opinion):

My audit was conducted for the purpose of forming opinion on the financial statements that collectively comprise the City's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards* (Uniform Guidance) is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The accompanying Schedule of Expenditures of Federal Awards (page 42) is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statement.

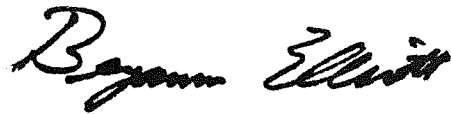
Such information has been subject to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

In my opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic modified cash basis of accounting financial statements as a whole.

Other Reporting Required by Government Auditing Standards:

In accordance with *Government Auditing Standards*, I have also issued my report dated September 2, 2026 (page 34) 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

A handwritten signature in black ink, reading "Benjamin Elliott". The signature is written in a cursive, flowing style with a large initial "B" and "E".

September 2, 2026

CITY OF AURORA

STATEMENT OF NET POSITION

MODIFIED CASH BASIS

AS OF DECEMBER 31, 2025

	Primary Government		
	Business-		
	Governmental	Type	
	Activities	Activities	Total
	-----	-----	-----
ASSETS:			
Cash and cash equivalents	2,201,757	1,980,609	4,182,366
Restricted cash:			
Fire	22,953		22,953
Sub-station		150,030	150,030
	-----	-----	-----
Total assets	2,224,710	2,130,639	4,355,349
	=====	=====	=====
NET POSITION:			
Restricted for:			
Fire department	22,953		22,953
Debt service - substation		150,030	150,030
Debt service - sewer		12,010	12,010
Unrestricted	2,201,757	1,968,599	4,170,356
	-----	-----	-----
Total net position	2,224,710	2,130,639	4,355,349
	=====	=====	=====

See accompanying notes.

CITY OF AURORA
STATEMENT OF ACTIVITIES
MODIFIED CASH BASIS
FOR THE YEAR ENDING DECEMBER 31, 2025

Functions/Programs: Primary government:	Program Receipts				Net Receipts (Disbursements) and Changes in Net Position		
	-----				-----		
	Disbursements	Charges for Services and Reimbursements	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Totals

Governmental activities:							
General government	111,555	6,799			-104,756		-104,756
Public safety	49,709	25,377			-24,332		-24,332
Public works	185,511	96,057			-89,454		-89,454
Health and welfare	3,606				-3,606		-3,606
Culture and recreation	13,658	68			-13,590		-13,590
Economic development	3,077				-3,077		-3,077
Liquor operations	300	4,300			4,000		4,000
Debt service	10,464				-10,464		-10,464

Total governmental activities	377,880	132,601	0	0	-245,279	0	-245,279
Business-type activities:							
Water	1,464,982	292,769		956,410		-215,803	-215,803
Electric	1,031,479	1,016,970				-14,509	-14,509
Sewer	1,075,876	390,849		495,960		-189,067	-189,067

Total business-type activities	3,572,337	1,700,588	0	1,452,370	0	-419,379	-419,379

Total primary government	3,950,217	1,833,189	0	1,452,370	-245,279	-419,379	-664,658
=====							
General receipts:							
Taxes:							
Property taxes					338,412		338,412
Sales taxes					331,410		331,410
State shared receipts					28,691		28,691
County shared receipts					2,982		2,982
Interest and dividends received					1,841		1,841
Rents and franchise fees					5,151		5,151
Donations					32,798		32,798
Miscellaneous receipts					8,542		8,542
Loan proceeds					0	1,212,842	1,212,842

Total general receipts and transfers					749,827	1,212,842	1,962,669

Change in net position					504,548	793,463	1,298,011
Net position:							
January 1, 2025					1,720,162	1,337,176	3,057,338

December 31, 2025					2,224,710	2,130,639	4,355,349
=====							

See accompanying notes.

CITY OF AURORA
STATEMENT OF ACTIVITIES
MODIFIED CASH BASIS
FOR THE YEAR ENDING DECEMBER 31, 2024

Functions/Programs:	Disbursements	Reimbursements	Contributions	Contributions	Activities	Totals
Primary government:						
Governmental activities:						
General government	106,046	22,846			-83,200	-83,200
Public safety	136,826	16,686		90,120	-30,020	-30,020
Public works	224,871	95,573			-129,298	-129,298
Health and welfare	3,286				-3,286	-3,286
Culture and recreation	19,774	400			-19,374	-19,374
Economic development	3,700				-3,700	-3,700
Liquor operations	600	4,300			3,700	3,700
Debt service	10,464				-10,464	-10,464
Total governmental activities	505,567	139,805	0	90,120	-275,642	-275,642
Business-type activities:						
Water	170,010	243,699			73,689	73,689
Electric	931,029	1,014,399			83,370	83,370
Sewer	4,174,089	379,121		2,560,872	-1,234,096	-1,234,096
Total business-type activities	5,275,128	1,637,219	0	2,560,872	-1,077,037	-1,077,037
Total primary government	5,780,695	1,777,024	0	2,650,992	-1,077,037	-1,352,679
General receipts:						
Taxes:						
Property taxes					320,470	320,470
Sales taxes					242,755	242,755
State shared receipts					28,458	28,458
County shared receipts					2,964	2,964
Interest and dividends received					2,883	2,883
Rents and franchise fees					3,324	3,324
Donations					5,200	5,200
Miscellaneous receipts					14,042	14,042
Transfer in (out)					-149,141	0
Loan proceeds					0	497,881
Total general receipts and transfers					470,955	1,117,977
Change in net position					195,313	-234,702
Net position:						
January 1, 2024					1,413,830	3,000,139
Beginning balance error correction (note 9)					111,019	291,901
Net position, January 1, 2024, restated					1,524,849	3,292,040
December 31, 2024					1,720,162	3,057,338

See accompanying notes.

CITY OF AURORA

BALANCE SHEET -- MODIFIED CASH BASIS
ALL GOVERNMENTAL FUNDS
AS OF DECEMBER 31, 2025

	General Fund -----
ASSETS:	
Cash and cash equivalents	2,201,757
Restricted cash:	
Fire	22,953

Total assets	2,224,710 =====
FUND BALANCE:	
Nonspendable	
Restricted - fire	22,953
Committed	
Assigned - capital outlay	15,449
Unassigned	2,186,308

Total fund balances	2,224,710 ** =====

** Equals net position on
statement of net position

See accompanying notes.

CITY OF AURORA
STATEMENT OF RECEIPTS, DISBURSEMENTS AND
CHANGES IN FUND BALANCES - MODIFIED CASH BASIS
ALL GOVERNMENTAL FUNDS
FOR THE TWO YEARS ENDING DECEMBER 31, 2025

	General Fund 2025	General Fund 2024
Receipts:		
Local sources:		
Taxes:		
Ad valorem taxes	338,412	320,470
General sales taxes	331,410	242,755
Licenses and permits:	6,799	22,636
Intergovernmental:		
State shared revenue:		
Liquor tax reversion	6,993	7,161
5% motor vehicle licenses	8,481	8,550
Highway and bridge	13,217	12,747
County shared revenue		
Road taxes	2,982	2,964
Charges for goods and services:		
Fire protection	25,377	106,806
Streets		
Sanitation (rubble site)	96,057	95,573
Recreation	68	400
Court fines:		210
Miscellaneous:		
Interest received	1,841	2,883
Rents and franchise	5,151	3,324
Donations	32,798	5,200
Liquor operating agreements	4,300	4,300
Other	8,542	14,042
Total receipts	882,428	850,021
Disbursements:		
Current:		
General government:		
Mayor and Council	13,848	21,171
Elections	46	75
Financial administration	87,844	79,916
Other	9,817	4,884
Public safety:		
Police	19,980	17,803
Fire	29,729	
Public works:		
Highways and streets	106,610	156,710
Sanitation	78,901	68,161
Health and welfare:		
Animal control	1,174	
West Nile	2,432	3,286
Culture and recreation:		
Recreation	13,658	19,774
Conservation and development:		
Economic development	3,077	3,700
Liquor operations	300	600
Debt service	10,464	10,464
Capital outlay		119,023
Total disbursements	377,880	505,567
Excess of receipts over (under) disbursements	504,548	344,454
Other financing sources (uses):		
Transfer out		-149,141
Net change in fund balance ***	504,548	195,313
Fund balance:		
January 1, 2024		1,413,830
Beginning balance error correction (note 9)		111,019
January 1, 2024, restated		1,524,849
December 31, 2024	1,720,162	1,720,162
December 31, 2025	2,224,710	

*** Equals change in net position
on Statement of Activities

See accompanying notes.

CITY OF AURORA

STATEMENT OF NET POSITION
MODIFIED CASH BASIS
ENTERPRISE FUNDS
AS OF DECEMBER 31, 2025

	Water Fund -----	Electric Fund -----	Sewer Fund -----	Total -----
ASSETS				
Cash and cash equivalents	133,906	717,829	1,128,874	1,980,609
Restricted cash:				
Substation		150,030		150,030
	-----	-----	-----	-----
Total assets	133,906	867,859	1,128,874	2,130,639
	=====	=====	=====	=====
NET POSITION				
Restricted - debt service		150,030	12,010	162,040
Unrestricted	133,906	717,829	1,116,864	1,968,599
	-----	-----	-----	-----
Total net position	133,906	867,859	1,128,874	2,130,639 ***
	=====	=====	=====	=====

*** Equals net position on
Statement of Net P\osition

See accompanying notes.

CITY OF AURORA

STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN NET POSITION -- MODIFIED CASH BASIS
ENTERPRISE FUNDS
FOR THE TWO YEARS ENDING DECEMBER 31, 2025

	Water Fund	Electric Fund	Sewer Fund	2025 Total	Water Fund	Electric Fund	Sewer Fund	2024 Total
	-----	-----	-----	-----	-----	-----	-----	-----
Operating receipts:								
Charges for goods and serv:	178,997	717,852	158,551	1,055,400	208,466	712,726	156,311	1,077,503
Surcharge receipts	113,772	299,119	232,298	645,189	35,233	301,673	222,810	559,716
	-----	-----	-----	-----	-----	-----	-----	-----
Total operating receipts	292,769	1,016,971	390,849	1,700,589	243,699	1,014,399	379,121	1,637,219
	-----	-----	-----	-----	-----	-----	-----	-----
Operating disbursements:								
Personal services	45,566	46,790	48,026	140,382	48,409	49,931	50,666	149,006
Other current services	10,541	121,202	30,224	161,967	12,318	59,263	35,227	106,808
Cost of goods sold	118,868	660,372		779,240	109,283	618,720		728,003
	-----	-----	-----	-----	-----	-----	-----	-----
Total operating disbursement:	174,975	828,364	78,250	1,081,589	170,010	727,914	85,893	983,817
	-----	-----	-----	-----	-----	-----	-----	-----
Excess operating receipts (disbursements)	117,794	188,607	312,599	619,000	73,689	286,485	293,228	653,402
Nonoperating receipts (disbursements):								
Principal payments		-135,394	-56,337	-191,731		-130,196	-52,969	-183,165
Interest and fee payments		-67,722	-45,671	-113,393		-72,919	-47,117	-120,036
Issue cost				0			-20,449	-20,449
	-----	-----	-----	-----	-----	-----	-----	-----
Total nonoperating receipts (dist	0	-203,116	-102,008	-305,124	0	-203,115	-120,535	-323,650
Excess receipts (disbursements) before grants, loan proceeds and capital costs	117,794	-14,509	210,591	313,876	73,689	83,370	172,693	329,752
Capital grants	956,410		495,961	1,452,371			2,560,872	2,560,872
Loan proceeds	288,109		924,733	1,212,842			497,881	497,881
Capital costs	-1,290,007		-895,619	-2,185,626			-3,967,661	-3,967,661
Transfer in				0			149,141	149,141
	-----	-----	-----	-----	-----	-----	-----	-----
Change in net position ***	72,306	-14,509	735,666	793,463	73,689	83,370	-587,074	-430,015
Net position:								
January 1, 2024					104,453	783,703	698,153	1,586,309
Beginning balance error correction (note 9)					-116,542	15,295	282,129	180,882
					-----	-----	-----	-----
January 1, 2024, adjusted					-12,089	798,998	980,282	1,767,191
					-----	-----	-----	-----
December 31, 2024	61,600	882,368	393,208	1,337,176	61,600	882,368	393,208	1,337,176
	-----	-----	-----	-----	=====	=====	=====	=====
December 31, 2025	133,906	867,859	1,128,874	2,130,639				
	=====	=====	=====	=====				

See accompanying notes.

*** Equals change in net position
on Statement of Activities

CITY OF AURORA

STATEMENT OF CASH FLOWS-- MODIFIED CASH BASIS
ENTERPRISE FUNDS
FOR THE TWO YEARS ENDING DECEMBER 31, 2025

	Water Fund	Electric Fund	Sewer Fund	2025 Total	Water Fund	Electric Fund	Sewer Fund	2024 Total
	-----	-----	-----	-----	-----	-----	-----	-----
Cash flows from:								
Operating activities:								
Receipts from customers	292,769	1,006,471	390,849	1,690,089	243,699	1,003,899	379,121	1,626,719
Receipts interfund services (est)		10,500		10,500		10,500		10,500
Payments to employees	-45,566	-46,790	-48,026	-140,382	-48,409	-49,931	-50,666	-149,006
Payments to suppliers	-128,409	-781,574	-28,724	-938,707	-120,601	-677,983	-33,727	-832,311
Pymts interfund services (est)	-1,000		-1,500	-2,500	-1,000		-1,500	-2,500
Net cash provided (used)	-----	-----	-----	-----	-----	-----	-----	-----
by operating activities	117,794	188,607	312,599	619,000	73,689	286,485	293,228	653,402
Noncapital financing activities:								
Transfer in				0			149,141	149,141
Capital financing activities:								
Loan proceeds	288,109		924,733	1,212,842			497,881	497,881
Capital grants	956,410		495,961	1,452,371			2,560,872	2,560,872
Cash paid for improvements	-1,290,007		-895,619	-2,185,626			-3,967,661	-3,967,661
Principal paid on debt		-135,394	-56,337	-191,731		-130,196	-52,969	-183,165
Interest and fees paid on debt		-67,722	-45,671	-113,393		-72,919	-47,117	-120,036
Issue cost				0			-20,449	-20,449
Investing activities:								
None				0				0
Net increase (decrease) in	-----	-----	-----	-----	-----	-----	-----	-----
cash and cash equivalents	72,306	-14,509	735,666	793,463	73,689	83,370	-587,074	-430,015
Cash and cash equivalents:								
January 1, 2024					104,453	783,703	698,153	1,586,309
Beginning balance error correction					-116,542	15,295	282,129	180,882
(note 7)								
January 1, 2024, restated					-12,089	798,998	980,282	1,767,191
December 31, 2024	61,600	882,368	393,208	1,337,176	61,600	882,368	393,208	1,337,176
December 31, 2025	133,906	867,859	1,128,874	2,130,639				
Reconciliation of operating								
income (loss) to net cash								
provided (used) by operating								
activities:								
Operating income (loss)	117,794	188,607	312,599	619,000	73,689	286,485	293,228	653,402
Net cash provided (used)	-----	-----	-----	-----	-----	-----	-----	-----
by operating activities	117,794	188,607	312,599	619,000	73,689	286,485	293,228	653,402
Noncash investing, capital and								
financing activities: None								

See accompanying notes.

CITY OF AURORA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2025

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a. Reporting Entity:

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

Governing Board:	Finance Officer:
Josh Jones, Mayor	Shannon Freng
Nancy Price, President	
Collin Kneip	Attorney:
Riley Meyer	Steve Britzman
David Schuttloffel	

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

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

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

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

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

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

b. Basis of Presentation:

Government-wide Financial Statements:

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

The Statement of Net Position reports all cash assets. Net position is displayed in two components: restricted (distinguishing between major categories of restrictions) and unrestricted.

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

Fund Financial Statements:

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

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

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

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

Governmental Funds

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

Enterprise Funds (Business-Type)

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

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

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

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

Fiduciary Funds

Fiduciary funds are never considered to be major funds.

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

In 2024 and 2025 the City had no fiduciary or custodial funds.

c. Measurement Focus and Basis of Accounting:

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

Measurement Focus:

Government-wide Financial Statements:

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

Fund Financial Statements:

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

Basis of Accounting:

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

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

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

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

d. Cash and Cash Equivalents:

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

The City had no certificates of deposit in 2024 or 2025.

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

e. Interfund Transactions:

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

f. Cash and Cash Equivalents:

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

For the year ending December 31, 2025, all enterprise fund deposits are considered to be cash and cash equivalent for purposes of the statement of cash flow.

g. Program Receipts and General Receipts:

Program Receipts:

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

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

General Receipts:

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

h. Enterprise Fund Receipt Classifications:

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

i. Equity Classifications:

Government-wide financial Statements:

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

1. Restricted Net Position - Consists of net position with constraints placed on their use either by (a) external groups such as creditor, grantor, contributors, or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
2. Unrestricted Net Position - All other net position that does not meet the definition of "restricted net position".

Fund Financial Statements:

Governmental fund equity is classified as "Fund Balance", and may distinguish between "Nonspendable", "Restricted", "Committed", "Assigned", and "Unassigned" components. Enterprise fund equity is classified as "Net Position", the same as in the government-wide financial statements. Fiduciary fund equity (if any) is reported as "Net Position - Restricted".

j. Application of Net Position:

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

k. Fund Balance Classification Policies and Procedures:

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

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

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

<u>Fund Balance</u> <u>Classifications</u>	<u>Account</u> <u>or Fund</u>	<u>Authority</u> <u>or Action</u>	<u>Amount</u>
Nonspendable	None		0
Restricted	Fire uses	Contract	22,953
Committed	None		0
Assigned	Capital outlay	Finance Officer by Council direction	15,449
Unassigned	General		2,186,308

			2,224,710

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

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

The City has no special revenue funds.

2. VIOLATIONS OF FINANCE-RELATED LEGAL AND CONTRACTUAL PROVISIONS

Budget Overdrafts:

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

Reported budget overdrafts are:

2025: General Fund:	
Public works/sanitation	7,301
Health and welfare/animal control	174
2024: General Fund:	
Public safety/fire	3,823
Health and welfare/West Nile	286
Liquor operations	300

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

3. DEPOSITS, INVESTMENTS AND RELATED RISKS

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

Deposits - The City deposits are made in qualified public depositories as defined by SDCL 4-6A-1, 9-22-6, 9-22-6.1 and 9-22-6.2. Qualified depositories are required by SDCL 4-6A-3 to maintain, at all times, segregated from their other assets, eligible collateral having a value equal to at least 100 percent of the public deposit accounts which exceed deposit insurance such as FDIC and NCUA. In lieu of pledging eligible securities, a qualified public depository may furnish irrevocable standby letters of credit issued by federal home loan banks accompanied by written evidence of that bank's public debt rating which may not be less than "AA" or a qualified public depository may furnish a corporate surety bond of a corporation authorized to do business in South Dakota.

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

Actual bank balances at December 31, 2025 were as follows: Insured \$288,394, Collateralized ** \$4,067,798, for a total of \$4,356,192.

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

The carrying amount of these deposits at December 31, 2025 was \$4,355,349 held as follows.

First Bank and Trust:	
Checking	\$ 4,316,947
Savings	38,402

	\$ 4,355,349
	=====

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

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

During 2024 and 2025 the City had no investments.

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

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

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

Concentration of Credit Risk - The City places no limit on the amount that may be deposited or invested in any one institution. At December 31, 2025, the City has its cash deposits at First Bank and Trust.

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

4. RESTRICTED NET POSITION

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

Purpose:	Restricted By:	Governmental	Business-Type
Fire	Contract	22,953	
Debt service	Covenants		162,040
		-----	-----
Total Restricted Net Position		22,953	162,040

5. INTERFUND TRANSFERS

In 2024 the general fund transferred \$149,141 of ARPA funds to the sewer fund.

6. REVENUES PLEDGED TO SECURE DEBT

An electrical surcharge is pledged to secure a 2014 electrical revenue bond, which has a remaining balance of \$791,831. The bond was issued to cover the cost of an electrical substation and is described on page 27. The bonds will be paid off in 2030. The electric fund had surcharge revenue of \$301,673 in 2024 and \$299,119 in 2025. The electric fund made principal and interest payments of \$188,052 in 2024 and 2025.

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 \$149,385 and \$1,883,100. The loans were made to cover the cost of sewer improvements as described on page 27. The loans will mature in 2041 and 2053. The sewer fund had surcharge revenue of \$222,810 in 2024 and \$232,298 in 2025 to cover payments on these loans. The sewer fund made principal and interest payments of \$100,086 in 2024 and \$102,008 in 2025.

7. PENSION PLAN

Summary of Significant Accounting Policies:

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

Plan Information:

All employees, working more than 20 hours per week during the year, participate in the South Dakota Retirement System (SDRS). SDRS is a hybrid defined benefit plan designed with several defined contribution plan type provisions and is administered by SDRS to provide retirement benefits for employees of the State of South Dakota and its political subdivisions. The SDRS provides retirement, disability, and survivor benefits. The right to receive retirement benefits vests after three years of credited service. Authority for establishing, administering and amending plan provisions are found in South Dakota Codified Law 3-12. The SDRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to SDRS, PO Box 1098, Pierre, SD 57501-1098 or calling (605) 773-3731.

Benefits Provided:

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

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

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

Members that were hired on or after July 1, 2017 are Generational members. Class A Generational members and Class B Generational judicial members who retire after age 67 with three years of contributory service are entitled to an unreduced annual retirement benefit. Class B Generational public safety members can retire with an unreduced annual retirement benefit after age 57 with three years of contributory

service. At retirement, married Generational members may elect a single-life benefit, a 60 percent joint and survivor benefit, or a 100 percent joint and survivor benefit. All Generational retirement benefits that do not meet the above criteria may be payable at a reduced level. Generational members will also have a variable retirement account (VRA) established, in which they will receive up to 1.5 percent of compensation funded by part of the employer contribution. VRAs will receive investment earnings based on investment returns.

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

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

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

Contributions:

Per SDCL 3-12, contributions requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A Members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. The City's share of contributions to the SDRS for the calendar years ending December 31, 2025, 2024 and 2023 were \$7,405, \$7,552, and \$7,655 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, 2025 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, 2025 and reported by the City as of December 31, 2025 are as follows:

Proportionate share of total pension liability	\$ 636,925
Less: Proportionate share of net position restricted for pension benefits	(637,280)

Proportionate share of net pension (asset)/liability	\$ (355)
	=====

The net pension (asset) was measured as of June 30, 2025 and the total pension liability/(asset) used to calculate the net pension liability/(asset) was based on a projection of the City's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2025, the City's proportion was .00004173 which is a decrease of .00000256 over its proportion measured as of June 30, 2024.

Actuarial Assumptions:

The total pension (asset) in the June 30, 2025 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary Increases	Graded by years of service, from 7.66% at entry to 3.15% after 25 years of service
Discount Rate	6.50% net of plan investment expense. This is composed of an average inflation rate of 2.50% and real return of 4.00%
Future COLAs	1.56%
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, 2025 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 may utilize the services of external money managers for management of a portion of the portfolio. SDIC is governed by the Prudent Man Rule (ie: the Council should use the same degree of care as a prudent man.) Current SDIC investment policies dictate limits on the percentage of assets invested in various types of vehicles (equities, fixed income securities, real estate, cash, private equity etc.). The long-term expected rate of return on pension plan investments was determined using a method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

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

Best estimates of real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2025 (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Public Equity	56.3%	3.8%
Investment grade debt	22.8%	2.3%
High Yield debt	7.0%	2.9%
Real Estate	12.0%	4.0%
Cash	1.9	0.8%

	100.0%	
	=====	

Discount Rate:

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

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

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

	1% Decrease 5.50%	Current Discount Rate 6.50%	1% Increase 7.50%
City's proportionate share of the net pension (asset)/liability	\$86,983	\$(355)	\$(71,906)

Pension Plan Fiduciary Net Position:

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

8. PROPERTY TAX

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

9. PRIOR PERIOD RESTATEMENT

The City does not maintain a single general ledger with all balance sheet, receipt, and disbursement accounts listed separately by fund. Consequently, the 2024 beginning balances were restated to reflect unlocated prior period activity.

	Governmental Activities	Business-Type Activities
Net Position January 1, 2024 (previously reported)	1,413,830	1,586,309
Restatement: Unlocated prior period activity	111,019	180,882
	-----	-----
Net Position January 1, 2024 (restated)	1,524,849	1,767,181
	=====	=====

	General Fund	Enterprise Funds
Net Position January 1, 2024 (previously reported)	1,413,830	1,586,309
Restatement: Unposted prior prior activity	111,019	180,882
	-----	-----
Net Position January 1, 2024 (restated)	1,524,849	1,767,181
	=====	=====

10. RISK MANAGEMENT

The City is exposed to various risks of loss related to injuries to employees; torts; theft of or damage to property; errors and omissions of public officials; and natural disasters. During the two years ending December 31, 2025, the City managed its risks as follows:

Employee Health Insurance

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

Liability and Property Insurance:

The City joined the South Dakota Public Assurance Alliance (SDPAA), a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The objective of the SDPAA is to administer and provide risk management services and risk sharing facilities to the members and to defend and protect the members against liability, to advise members on loss control guidelines and procedures, and provide them with risk management services, loss control and risk reduction information and to obtain lower costs for that coverage. The City's responsibility is to promptly report to and cooperate with the SDPAA to resolve any incident which could result in a claim being made by or against the City. The City pays a Members' Annual Operating Contribution, to provide liability coverage detailed below, under an occurrence-based policy and the premiums are accrued based on the ultimate cost of the experience to date of the SDPAA member, based on their exposure or type of coverage. The City pays an annual premium to the pool to provide coverage for general liability, auto liability, auto damage, property, and equipment breakdown insurance.

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

Worker's Compensation:

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

The objective of the Fund is to formulate, develop, and administer, on behalf of the member organizations, a program of worker's compensation coverage, to obtain lower costs for that coverage, and to develop a comprehensive loss control program. The City's responsibility is to initiate and maintain a safety program to give its employees safe and sanitary working conditions and to promptly report to and cooperate with the Fund to resolve any worker's compensation claims. The City pays an annual premium, to provide worker's compensation coverage for its employees, under a self-funded program and the premiums are accrued based on the ultimate cost of the experience to date of the Fund members. Coverage limits are set by state statute. The pool pays the first \$650,000 of any claim per individual. The pool has reinsurance which covers up to statutory limits in addition to a separate combined employer liability limit of \$2,000,000 per incident.

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

Unemployment Benefits:

The City provides coverage for unemployment benefits by paying into the Unemployment Compensation Fund established by state law and managed by the State of South Dakota. No unemployment payments were made during 2024 or 2025 and none are expected to be paid in 2026.

11. TAX ABATEMENTS

As of December 31, 2025 the City did not provide any tax abatement incentives through agreements that are considered tax abatements in accordance with the provisions of GASB Statement No. 77.

12. LITIGATION

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

13. OTHER DISCLOSURES AND SUBSEQUENT EVENTS

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

The City does not offer any Other Post Employment Benefits.

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

In 2023 the City adopted Tax Increment Finance District #1 with eligible project costs of \$4,962,032. The City's role is to simply act as a conduit for the revenue and pass all positive increment to the developer or to reimburse the City for its expenses. In 2025 the developer had expenses of \$227,196 and there was no TIF revenue. Through May 2026 there was \$13,327 TIF revenue of which \$11,994 was passed through to the developer (90%) and \$1,333 was retained by the city (10%) per the TIF agreement.

In 2026 the City completed its sewer aeration project at a cost of \$1,120,000,

NOTES TO THE FINANCIAL STATEMENTS

SCHEDULED OF CHANGES IN LONG-TERM LIABILITIES

FOR THE TWO YEARS ENDING DECEMBER 31, 2025

	Beginning 12-31-23	2024 Additions (Deletions)	2025 Additions (Deletions)	Governmental Ending 12-31-25	Business-Type Ending 12-31-25	Principal Payments Due In 2026
GOVERNMENTAL - DIRECT BORROWING						
2023 Wheel Loader Capitalized Lease:						
Original amount: \$97,956						
Maturing in 2028						
Interest at 6.19%						
Four annual payments of \$10,464						
Final annual payment of \$83,515						
Paid by general fund	97,956	-4,401	-4,674	88,881		4,963
Totals	97,956	-4,401	-4,674	88,881		4,963
BUSINESS-TYPE - DIRECT BORROWING						
2010 Clean Water SRF Loan:						
Loan amount of \$300,000 at 12-31-2010						
Maturing on 10-15-2041						
Interest fixed at 3.25%						
Monthly surcharge fee of \$4.00						
Quarterly payments of \$3,002.63						
Paid by sewer fund	163,186	-6,789	-7,012		149,385	7,243
2014 Electric Revenue Bond:						
Original amount of \$2,541,500						
Maturing in 2030						
Interest fixed at 4.10%						
Monthly surcharge fee of \$6.00						
Total annual payments of \$188,051	-67,956	Prior year adjustment				
Paid by electric fund	1,098,414	-116,917	-121,710		791,831	155,587
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	54,601	-11,066	-11,403		32,132	11,750
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	10,920	-2,213	-2,281		6,426	2,350
2021 Clean Water SRF Loan:						
Loan amount of \$1,989,489						
Maturing in 2053						
Interest fixed at 2.125%						
Monthly surcharge fee of \$18.85						
Quarterly payment of \$22,499		2,781				
Paid by sewer fund	1,975,824	-46,180	-49,325		1,883,100	50,381
2024 Clean Water SRF Loan:						
Loan amount of \$1,285,221						
Authorized December 2023						
Maturing in 30 years						
Interest fixed at 2.125%						
Monthly surcharge fee of \$17.00						
Paid by sewer fund	0	495,100	790,121		1,285,221	23,175
2024 Drinking Water Revenue Bond:						
Loan amount of \$1,751,000						
Authorized September 25, 2024						
Maturing in 30 years						
Interest fixed at 3.75%						
Monthly surcharge fee of \$20.00						
Paid by water fund	0		288,109		288,109	0
2024 Clean Water Revenue Bond:						
Loan amount of \$240,000						
Authorized September 25, 2024						
Maturing in 30 years						
Interest fixed at 3.25%						
Monthly surcharge fee of \$2.60						
Paid by sewer fund	0		134,612		134,612	0
Totals	3,234,989	314,716	1,021,111		4,570,816	250,486

CITY OF AURORA
NOTES TO THE FINANCIAL STATEMENTS
SCHEDULE OF CHANGES IN LONG-TERM LIABILITIES (CONTINUED)
FOR THE TWO YEARS ENDING DECEMBER 31, 2025
SCHEDULE OF PAYMENTS FOR LONG-TERM LIABILITIES
AT DECEMBER 31, 2025

	Total Payment	Principal	Interest	Balance
2023 Wheel Loader Capitalized Lease:				
2026	10,464	4,963	5,501	83,918
2027	10,464	5,270	5,194	78,648
2028	83,515	78,648	4,867	0
Totals	104,443	88,881	15,562	
2010 Clean Water SRF Loan:				
2026	12,010	7,243	4,767	142,142
2027	12,010	7,482	4,528	134,660
2028	12,011	7,728	4,283	126,932
2029	12,010	7,982	4,028	118,950
2030	12,011	8,244	3,767	110,706
2031-2035	60,053	45,474	14,579	65,232
2036-2040	60,053	53,462	6,591	11,770
2041	12,011	11,770	241	0
Totals	192,169	149,385	42,784	
2014 Electric Revenue Bond:				
2026	188,051	155,587	32,464	636,244
2027	188,051	161,965	26,086	474,279
2028	188,051	168,605	19,446	305,674
2029	188,051	175,519	12,532	130,155
2030	135,492	130,155	5,337	0
Totals	887,696	791,831	95,865	
2018 Electric IPR3 loan:				
2026	12,553	11,750	803	20,382
2027	12,553	12,107	446	8,275
2028	8,369	8,275	94	0
Totals	33,475	32,132	1,343	
2018 Electric IPR4 loan:				
2026	2,511	2,350	161	4,076
2027	2,510	2,421	89	1,655
2028	1,674	1,655	19	0
Totals	6,695	6,426	269	
2021 Clean Water SRF Loan:				
2026	89,997	50,381	39,616	1,832,719
2027	89,998	51,460	38,538	1,781,259
2028	89,997	52,563	37,434	1,728,696
2029	89,998	53,689	36,309	1,675,007
2030	89,997	54,839	35,158	1,620,168
2031-2035	449,987	292,324	157,663	1,327,844
2036-2040	449,987	325,002	124,985	1,002,842
2041-2045	449,987	361,333	88,654	641,509
2046-2050	449,987	401,726	48,261	239,783
2051-2053	247,494	239,783	7,711	0
Totals	2,497,429	1,883,100	614,329	
2024 Clean Water SRF Loan:				
2026	79,667	23,175	56,492	1,262,046
2027	58,047	31,478	26,569	1,230,568
2028	58,047	32,153	25,894	1,198,415
2029	58,047	32,841	25,206	1,165,574
2030	58,047	33,545	24,502	1,132,029
2031-2035	290,236	178,816	111,420	953,213
2036-2040	290,237	198,805	91,432	754,408
2041-2045	290,236	221,029	69,207	533,379
2046-2050	290,237	245,737	44,500	287,642
2051-2055	290,236	273,207	17,029	14,435
2056	14,512	14,435	77	0
Totals	1,777,549	1,285,221	492,328	
2024 Drinking Water Revenue Bond:				
2026	140,445	-1,462,891	140,445	1,751,000
2027	97,474	32,511	64,963	1,718,489
2028	97,474	33,731	63,743	1,684,758
2029	97,474	34,995	62,479	1,649,763
2030	97,474	36,308	61,166	1,613,455
2031-2035	487,370	203,013	284,357	1,410,442
2036-2040	487,370	244,041	243,329	1,166,401
2041-2045	487,370	293,362	194,008	873,039
2046-2050	487,370	352,651	134,719	520,388
2051-2055	487,370	423,921	63,449	96,467
2056	97,474	96,467	1,007	0
Totals	3,064,665	288,109	1,313,665	
2024 Clean Water Revenue Bond:				
2026	16,683	-105,388	16,683	240,000
2027	12,554	4,844	7,710	235,156
2028	12,554	5,001	7,553	230,155
2029	12,554	5,164	7,390	224,991
2030	12,554	5,332	7,222	219,659
2031-2035	62,770	29,373	33,397	190,286
2036-2040	62,770	34,467	28,303	155,819
2041-2045	62,770	40,444	22,326	115,375
2046-2050	62,770	47,458	15,312	67,917
2051-2055	62,770	55,687	7,083	12,230
2056	12,554	12,230	324	0
Totals	393,303	134,612	153,303	

CITY OF AURORA

SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
 FOR THE YEAR ENDING DECEMBER 31, 2025

GENERAL FUND	Budgeted Amounts				Actual	Variance Positive (Negative)
	Original	Contingency Transfers	Supplemental	Final		
Revenue:						
Revenue from local sources:						
Taxes:	547,000			547,000		-547,000
Ad valorem taxes				0	338,412	338,412
Sales and use tax				0	331,410	331,410
Licenses and permits:	8,000			8,000	6,799	-1,201
Intergovernmental revenue:	30,500			30,500		-30,500
State shared revenue:						
Liquor tax reversion				0	6,993	6,993
Motor vehicle licenses (5%)				0	8,481	8,481
Highway and bridge				0	13,217	13,217
County shared revenue: road taxes				0	2,982	2,982
Charges for goods and services:	120,700			120,700		-120,700
Public safety, fire protection				0	25,377	25,377
Solid waste collection				0	96,057	96,057
Health and welfare				0		0
Camping				0	68	68
Other general revenue				0		0
Fines and forfeits:	500			500		-500
Miscellaneous revenue:	70,570			70,570		-70,570
Interest earned				0	1,841	1,841
Rentals and franchise				0	5,151	5,151
Donations				0	32,798	32,798
Liquor operating agreement				0	4,300	4,300
Other				0	8,542	8,542
Total revenues	777,270	0	0	777,270	882,428	105,158
Expenditures:						
General government:						
Mayor and Council	22,150			22,150	13,848	8,302
Contingency	10,000			10,000		10,000
Amount transferred				0		0
Elections	1,250			1,250	46	1,204
Financial administration	107,800			107,800	87,844	19,956
Other	31,500			31,500	9,817	21,683
Public safety:						
Police	25,000			25,000	19,980	5,020
Fire	53,100			53,100	29,729	23,371
Public works:						
Highways and streets	334,220			334,220	106,610	227,610
Sanitation	71,600			71,600	78,901	-7,301
Health and welfare:						
Animal control	1,000			1,000	1,174	-174
West Nile	3,300			3,300	2,432	868
Culture and recreation:						
Recreation	77,000			77,000	13,658	63,342
Conservation and development:						
Economic development	22,900			22,900	3,077	19,823
Liquor operations	300			300	300	0
Debt service	16,150			16,150	10,464	5,686
Total expenditures	777,270	0	0	777,270	377,880	399,390
Excess of revenues over (under) expenditures	0	0	0	0	504,548	504,548
Other financing sources (uses):						
None				0		0
Net change in fund balance	0	0	0	0	504,548	504,548
Fund balance:						
January 1, 2025	1,720,162			1,720,162	1,720,162	0
December 31, 2025	1,720,162	0	0	1,720,162	2,224,710	504,548

CITY OF AURORA
SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
FOR THE YEAR ENDING DECEMBER 31, 2024

GENERAL FUND	Budgeted Amounts				Actual	Variance Positive (Negative)
	Original	Contingency Transfers	Supplemental	Final		
Revenue:						
Revenue from local sources:						
Taxes:						
Ad valorem taxes	496,000			496,000	320,470	-175,530
Sales and use tax				0	242,755	242,755
Licenses and permits:	3,000			3,000	22,636	19,636
Intergovernmental revenue:	28,700			28,700		-28,700
State shared revenue:						
Liquor tax reversion				0	7,161	7,161
Motor vehicle licenses (5%)				0	8,550	8,550
Highway and bridge				0	12,747	12,747
County shared revenue: road taxes				0	2,964	2,964
Charges for goods and services:	118,700			118,700		-118,700
Public safety, fire protection				0	106,806	106,806
Solid waste collection				0	95,573	95,573
Camping				0	400	400
Fines and forfeits:	500			500	210	-290
Miscellaneous revenue:	21,400			21,400		-21,400
Interest earned				0	2,883	2,883
Rentals and franchise				0	3,324	3,324
Donations				0	5,200	5,200
Liquor operating agreement	4,000			4,000	4,300	300
Other				0	14,042	14,042
Total revenues	672,300	0	0	672,300	850,021	177,721
Expenditures:						
General government:						
Mayor and Council	21,450			21,450	21,171	279
Contingency	15,000			15,000		15,000
Amount transferred				0		0
Elections	1,470			1,470	75	1,395
Financial administration	92,100			92,100	79,916	12,184
Other	14,230			14,230	4,884	9,346
Public safety:						
Police	25,000			25,000	17,803	7,197
Fire	48,200		67,000	115,200	119,023	-3,823
Public works:						
Highways and streets	283,450			283,450	156,710	126,740
Sanitation	69,200			69,200	68,161	1,039
Health and welfare:						
West Nile	3,000			3,000	3,286	-286
Culture and recreation:						
Recreation	58,350			58,350	19,774	38,576
Conservation and development:						
Economic development	24,400			24,400	3,700	20,700
Liquor operations	300			300	600	-300
Debt service	16,150			16,150	10,464	5,686
Total expenditures	672,300	0	67,000	739,300	505,567	233,733
Excess of revenues over (under) expenditures	0	0	-67,000	-67,000	344,454	411,454
Other financing sources (uses):						
Transfer out				0	-149,141	-149,141
Net change in fund balance	0	0	-67,000	-67,000	195,313	262,313
Fund balance:						
January 1, 2024, restated	1,524,849			1,524,849	1,524,849	0
December 31, 2024	1,524,849	0	-67,000	1,457,849	1,720,162	262,313

NOTES TO SUPPLEMENTARY INFORMATION - BUDGETS

SCHEDULE OF BUDGETARY COMPARISON FOR THE
GENERAL FUND FOR THE TWO YEARS ENDING DECEMBER 31, 2025

1. BUDGETS AND BUDGETARY ACCOUNTING

The City of Aurora (City) follows these procedures in establishing the budgetary data reflected in the budgetary supplementary information:

- a. At the first regular board meeting in September of each year or within ten days thereafter, the governing board introduces the annual appropriation ordinance for the ensuing fiscal year.
- b. After adoption by the governing board, the operating budget is legally binding and actual expenditures for each purpose cannot exceed the amounts budgeted, except as indicated in d.
- c. A line item for contingencies may be included in the annual budget. Such a line item may not exceed 5 percent of the total municipal budget and may be transferred by resolution of the governing board to any other budget category that is deemed insufficient during the year.
- d. If it is determined during the year that sufficient amounts have not been budgeted, state statute allows the adoption of supplemental budgets. During 2024 there was one supplemental budget to the general fund. See page 30.
- e. Formal budgetary integration is employed as a management control device for the general fund.
- f. Budgets for the general fund is not adopted on a basis consistent with generally accepted accounting principles (GAAP) because all accounting is on a modified cash basis of accounting from which the budgetary comparison schedules are prepared.

2. GAAP AND BUDGETARY ACCOUNTING BASIS DIFFERENCE:

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

CITY OF AURORA
FOR THE TEN YEARS ENDING DECEMBER 31, 2025
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, 2025	0.0041730%	-355	124,167	(0.29)%	100.10%
June 30, 2024	0.0044290%	-179	124,250	(0.14)%	100.00%
June 30, 2023	0.0046940%	-458	121,067	(0.38)%	100.10%
June 30, 2022	0.0044940%	-425	107,300	(0.40)%	100.10%
June 30, 2021	0.0044340%	-33,957	101,117	(33.59)%	105.52%
June 30, 2020	0.0052796%	-229	115,867	(0.20)%	100.04%
June 30, 2019	0.0050940%	-540	108,317	(0.50)%	100.09%
June 30, 2018	0.0044286%	-103	92,067	(0.11)%	100.02%
June 30, 2017	0.0042130%	-382	85,600	(0.45)%	100.10%
June 30, 2016	0.0040194%	13,577	76,433	17.76%	96.89%

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

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

CITY OF AURORA
FOR THE TEN YEARS ENDING DECEMBER 31, 2025
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, 2025	7,405	7,405	0	123,417	6.00%
December 31, 2024	7,552	7,552	0	125,867	6.00%
December 31, 2023	7,655	7,655	0	127,583	6.00%
December 31, 2022	6,599	6,599	0	109,983	6.00%
December 31, 2021	6,294	6,294	0	104,900	6.00%
December 31, 2020	6,240	6,240	0	104,000	6.00%
December 31, 2019	7,133	7,133	0	118,883	6.00%
December 31, 2018	6,106	6,106	0	101,767	6.00%
December 31, 2017	5,173	5,173	0	86,217	6.00%
December 31, 2016	5,734	5,734	0	95,567	6.00%

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

CITY OF AURORA
DECEMBER 31, 2025

NOTES TO 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, 2025

Changes of Prior Valuation:

The June 30, 2025 Actuarial Valuation reflects no changes to the plan provisions or actuarial methods and one change to the actuarial assumptions from the June 30, 2024, Actuarial Valuation.

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

Benefit Provision Changes:

During the 2025 Legislative Session no significant SDRS benefit changes were made.

Actuarial Method Changes:

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

Actuarial Assumption Changes:

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

As of June 30, 2024, the FVFR assuming the long-term COLA is equal to the baseline COLA assumption (2.25%) was less than 100% and the July 2025 SDRS COLA was limited to a restricted maximum of 1.71%. For the June 30, 2024, Actuarial Valuation, future COLAs were assumed to equal the restricted maximum COLA assumption of 1.71%.

As of June 30, 2025, the FVFR assuming future COLAs equal to the baseline COLA assumption of 2.25% is again less than 100% and the July 2026 SDRS COLA is limited to a restricted maximum of 1.56%. The July 2026 SDRS COLA will equal inflation, between 0% and 1.56%. For this June 30, 2025, Actuarial Valuation, future COLAs were assumed to equal the restricted maximum COLA of 1.56%.

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

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

Governing Board
City of Aurora
Aurora, South Dakota

INDEPENDENT AUDITOR'S REPORT

I have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the accompanying modified cash basis of accounting financial statements of governmental activities, business-type activities, and each major fund of the City of Aurora (City), Brookings County, South Dakota as of December 31, 2025 and for each of the years in biennial period then ended, and the related notes to the financial statements, which collectively comprise the City of Aurora's basic financial statements and have issued my report thereon dated September 2, 2026 which was unmodified.

Report on Internal Control Over Financial Reporting:

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

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

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

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

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

I did identify certain deficiencies in internal control that I consider to be significant deficiencies and are described in the accompanying schedule of current audit findings and questioned costs. I consider the deficiencies described in the accompanying schedule of current audit findings and questioned costs as items 2025-001 and 2025-002 to be significant deficiencies.

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 questioned costs. 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 September 2, 2026.

Report on Compliance and Other Matters:

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

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

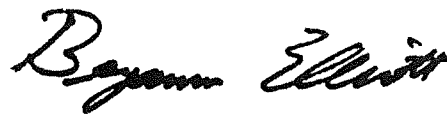
I did note certain matters involving compliance that I reported to the governing body and management of the City of Aurora in a separate Letter of Comments dated September 2, 2026.

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 over financial reporting 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



September 2, 2026

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR THE MAJOR FEDERAL PROGRAM;
REPORT ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE

Governing Board
City of Aurora
Aurora, South Dakota

Report on Compliance for the Major Federal Program:

Opinion on the Major Federal Program:

I have audited the City of Aurora's (City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the City's major federal program as of December 31, 2025 and for each of the years in the biennial period then ended. The City's major federal program is identified in the summary auditor's results section of the accompanying schedule of current findings and questioned cost. (page 39)

In my opinion, the City of Aurora complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program as of December 31, 2025 and for each of the years in the biennial period then ended.

Basis for Opinion on the Major Federal Program:

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). My responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of my report.

I am required to be independent of the City and to meet my other ethical responsibilities, in accordance with 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 opinion on compliance for the City's major federal program. My audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

Management's Responsibility for Compliance:

Management is responsible for compliance with requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the City's federal programs.

Auditor's Responsibilities for the Audit of Compliance:

My objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on my audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than that resulting from error, as fraud may involve collusion, forgery, intentional

omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood, that individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, I:

- > Exercise professional judgment and maintain professional skepticism throughout the audit.
- > Identify and assess the risks of material noncompliance, 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 City's compliance with requirements referred to above and performing such other procedures as I considered necessary in the circumstances.
- > Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed.

I am required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that I identified during the audit.

Other Matter

The results of my auditing procedures did not disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance. My opinion on the City's major program is not modified with respect to this matter.

Report on Internal Control over Compliance:

My consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Therefore, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified. Given this limitation, I did not identify a deficiency in internal control over compliance that I consider to be a material weakness.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis.

A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

My consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during my audit I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses, as defined above. However, material weaknesses in internal control over compliance may exist that were not identified.

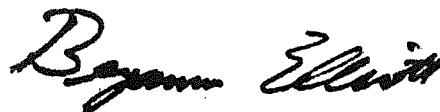
My audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Purpose of this Report:

The purpose of this report on internal control over compliance is solely to describe the scope of my testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report 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

A handwritten signature in black ink, appearing to read "Benjamin Elliott", written in a cursive style.

September 2, 2026

CITY OF Aurora
DECEMBER 31, 2025

SCHEDULE OF PRIOR AUDIT FINDINGS

Prior Federal Audit Findings:

The prior audit report contained no written federal Single Audit compliance findings.

Prior Other Audit Findings:

2023-01 (lack of proper segregation of duties): Repeated below as 2025-001

2023-02 (preparation of financial statement): Repeated below as 2025-002

SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS

Section I - Summary of the Auditor's Results:

Financial Statements:

Type of auditor's report issued:

Unmodified on:
Governmental Activities
Business-Type Activities
Major Funds

Internal control over financial reporting:

* Material weakness(es) identified?

None Reported

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

Finding 2025-001
Finding 2025-002

Material noncompliance noted:

None Reported

Federal Awards:

Internal control over major programs:

* Material weakness(es) identified.

None reported

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

None reported

* Type of auditor's report issued on
compliance for major programs:

Unmodified

The audit disclosed audit findings that are
required to be reported in accordance with
2 CFR 200.516(a)

None reported

The federal awards tested as major programs are:

Coronavirus State and Local Fiscal Recovery
Funds (SLFRF) authorized by the American
Rescue Plan Act (ARPA)
Assistance Listing Number 21.027

Dollar threshold used to distinguish between
Type A and Type B federal award programs.

\$750,000

Does the City of Aurora qualify as a
low-risk auditee?

No

SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COST (continued)

Section II - Financial Statement Findings

Finding 2025-001: Lack of Proper Segregation of Duties

Significant Deficiency - Internal Control Related Finding

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:

An inadequate segregation of duties existed for the revenue function of the City of Aurora.

Cause:

The finance officer processed most revenue transactions from beginning to end. The finance officer received money, issued receipts, recorded receipts, posted receipts in the accounting records, prepared bank deposits, and reconciled bank statements.

Context:

This finding is a result of the size of the City, which precludes staffing at a level sufficient to provide an ideal environment for segregation of duties controls.

Questioned Cost:

None could be identified regarding this finding.

Effect:

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

Recommendation:

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

Management Response:

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

SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS (continued)

Finding 2024-002: Preparation of Financial Statements

Significant Deficiency - Internal Control Related Finding

Criteria:

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

Condition:

As the City's auditor, I was requested to draft these financial statements and accompanying notes to the financial statements.

Cause:

Due to cost constraints and lack of professional expertise, the City asked the auditor to draft these financial statements and accompanying notes to the financial statements.

Context:

This finding is a result of the size of the City, which precludes professional staffing sufficient to prepare these financial statements and notes to the financial statements.

Effect:

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

Recommendations:

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.

Section III. Federal Award Findings and Questioned Costs

None reported.

CITY OF AURORA
SUPPLEMENTARY INFORMATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE TWO YEARS ENDING DECEMBER 31, 2025

Assistance Listing Number		2024 Expenditures	2025 Expenditures
	DIRECT FEDERAL PROGRAMS		
	None		
	INDIRECT FEDERAL PROGRAMS		
	<u>U.S. Department of Treasury:</u>		
	Pass-through Entity: S.D. Dept of Agriculture and Natural Resources Contract/Grant Number 2022G-ARP-442		
21.027	Coronavirus State and Local Fiscal Recovery funds authorized by the American Rescue Plan Act (note 3)	2,504,302	49,669
	Total U.S. Department of Treasury	2,504,302	49,669
	<u>U.S. Environmental Protection Agency</u>		
	Pass-through Entity: S.D. Dept of Agriculture and Natural Resources Contract/Grant Number 2021G-CWBAB-200		
66.458	Capitalization grant for Clean Water SRF	7,615	
	Pass-through Entity: S.D. Dept of Agriculture and Natural Resources Contract/Grant: DW SRF TECH ASSIST		
66.468	Capitalization grant for Drinking Water SRF		8,000
	Total U.S. Environmental Protection Agency	7,615	8,000
	Grand Total of Expenditures of Federal Awards	2,511,917	57,669

NOTE 1: Basis of Presentation:

The above Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of the City under programs of the federal government for the two years ended December 31, 2025. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance).

Because the Schedule presents only a selected portion of the operation of the City, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City.

NOTE 2: Summary of Significant Accounting Policies:

Expenditures reported on this Schedule are reported on the (modified cash basis) basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Any negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

The City has elected not to use the de minimis indirect cost rate as allowed under the Uniform Guidance. For grant awards issued prior to October 1, 2024 the de minimis indirect cost rate is 10% and for those grant awards issued after October 1, 2024 the de minimis indirect cost rate is 15%.

NOTE 3: Major Federal Financial Assistance Program:

This represents a Major Federal Financial Assistance Program.

NOTE 4: Other:

No funds were passed down to subrecipients.



City Of Aurora

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aurorasd@itctel.com

Management's Response to Auditor's Findings:

Summary Schedule of Prior Audit Findings and
Corrective Action Plan
December 31, 2025

Prepared by Management of the
City of Aurora

Summary Schedule of Prior Audit Findings:

Prior Year Federal Audit Findings and Questioned Costs

None to report.

The prior audit was not subject to Uniform Guidance requirements.

Prior Year Other Audit Findings and Questioned Costs

Finding 2023-01: Lack of Proper Segregation of Duties

Finding Summary:

The finance officer processed most revenue transactions from beginning to end. The finance officer received money, issued receipts, recorded receipts, posted receipts in the accounting records, prepared bank deposits, and reconciled bank statements.

Status:

This finding has not been resolved as of December 31, 2025. The City has determined that it is not cost beneficial to employ additional personnel just to be able to adequately segregate duties. The City is aware of this problem and is attempting to provide compensating controls whenever and wherever possible and practical. However, this lack of segregation of duties in the revenue function is expected to continue to exist.

Finding 2023-02: Preparation of Financial Statements

Finding Summary:

As the City's auditor, I was requested to draft these financial statements and accompanying notes to the financial statements.

Status:

This finding has not been resolved as of December 31, 2025. Due to cost constraints, the City will continue to have the auditor draft the financial statements and accompanying notes to the financial statements.

Corrective Action Plan - Current Audit Findings

Finding 2025-001: Lack of Proper Segregation of Duties

Finding Summary:

The finance officer processed most revenue transactions from beginning to end. The finance officer received money, issued receipts, recorded receipts, posted receipts in the accounting records, prepared bank deposits, and reconciled bank statements.

Responsible Individual:

Shannon Freng, Finance Officer,

Corrective Action Plan:

This finding is a result of the size of the entity, which precludes staffing at a level sufficient to provide an ideal environment for internal controls. The City has determined it is not cost beneficial to employ additional personnel just to be able to adequately segregate duties. The City of Aurora is aware of this problem and is attempting to provide compensating controls whenever and wherever possible and practical. However, this lack of segregation of duties is expected to continue to exist.

Anticipated Completion Date: Ongoing

Finding 2025-002: Preparation of Financial Statements

Finding Summary:

As the City's auditor, I was requested to draft these financial statements and accompanying notes to the financial statements.

Responsible Individual:

Shannon Freng, Finance Officer,

Corrective Action Plan:

Due to cost constraints, the City has decided to continue having the auditor draft the financial statements and accompanying notes to the financial statements.

Anticipated Completion Date: Ongoing