

**MUNICIPALITY OF ALEXANDRIA
ALEXANDRIA, SOUTH DAKOTA**

AUDIT REPORT

FOR THE YEAR JANUARY 1, 2019 TO DECEMBER 31, 2019

AND

FOR THE YEAR JANUARY 1, 2020 TO DECEMBER 31, 2020

Schoenfish & Co., Inc.

CERTIFIED PUBLIC ACCOUNTANTS
P.O. Box 247

105 EAST MAIN, PARKSTON, SOUTH DAKOTA 57366

MUNICIPALITY OF ALEXANDRIA

MUNICIPAL OFFICIALS
DECEMBER 31, 2020

MAYOR:

Brian Carmody

GOVERNING BOARD:

Darwyn Persson – President
Mark Haynes – Vice-President
James Berg
Chris Degen
Roger DeRouchey
Donnie Kayser

FINANCE OFFICER:

Jessica Bahmuller

ATTORNEY:

James Davies

Schoenfish & Co., Inc.

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TABLE OF CONTENTS

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.....	1-2
Schedule of Prior Audit Findings.....	3
Schedule of Current Audit Findings.....	4-5
Independent Auditor's Report	6-7
BASIC FINANCIAL STATEMENTS:	
As of and For the Year December 31, 2020:	
Government-Wide Financial Statements:	
Statement of Net Position – Modified Cash Basis.....	8
Statement of Activities – Modified Cash Basis.....	9
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet – Modified Cash Basis.....	10
Statement of Revenues, Expenditures, and Changes In Fund Balance – Modified Cash Basis.....	11-12
Proprietary Funds:	
Statement of Net Position – Modified Cash Basis.....	13
Statement of Revenues, Expenses, and Changes in Fund Net Position – Modified Cash Basis.....	14
As of and For the Year December 31, 2019:	
Government-Wide Financial Statements:	
Statement of Net Position – Modified Cash Basis.....	15
Statement of Activities – Modified Cash Basis.....	16
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet – Modified Cash Basis.....	17
Statement of Revenues, Expenditures, and Changes In Fund Balance – Modified Cash Basis.....	18-19
Proprietary Funds:	
Statement of Net Position – Modified Cash Basis.....	20
Statement of Revenues, Expenses, and Changes in Fund Net Position – Modified Cash Basis.....	21
Notes to the Modified Cash Basis Financial Statements.....	22-35

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TABLE OF CONTENTS

Supplementary Information:

For the Year Ending December 31, 2020:

Budgetary Comparison Schedules – Budgetary Basis:

General Fund..... 36-37

For the Year Ending December 31, 2019:

Budgetary Comparison Schedules – Budgetary Basis:

General Fund..... 38-39

Notes to the Supplementary

Information – Budgetary Comparison Schedules..... 40

Schedule of the Municipality's Proportionate Share of Net Pension Liability (Asset)..... 41

Schedule of the Municipal Contributions..... 42

Notes to the Supplementary

Information – Pension Schedules..... 43

Long-Term Liabilities..... 44-45

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105 EAST MAIN, PARKSTON, SOUTH DAKOTA 57366

INDEPENDENT AUDITOR'S 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
Municipality of Alexandria
Alexandria, South Dakota

We 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 modified cash basis of accounting financial statements of the governmental activities, the business-type activities, and each major fund of the Municipality of Alexandria, South Dakota (Municipality), as of December 31, 2020 and December 31, 2019 and for each of the two years in the biennial period then ended, and the related notes to the financial statements, which collectively comprise the Municipality's basic financial statements and have issued our report thereon dated July 26, 2021.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Current Audit Findings, we identified certain deficiencies in internal control that we consider to be a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Municipality's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Current Audit Findings as item 2020-001 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Municipality's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws,

regulations, and contracts and grant agreements, 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 our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, which are described in the accompanying Schedule of Current Audit Findings as item 2020-002.

Municipality's Responses to Findings

The Municipality's responses to the findings identified in our audit are described in the accompanying Schedule of Current Audit Findings. The Municipality's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Municipality's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. As required by South Dakota Codified Law 4-11-11, this report is a matter of public record and its distribution is not limited.



Schoenfish & Co., Inc.
Certified Public Accountants
July 26, 2021

Schoenfish & Co., Inc.

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SCHEDULE OF PRIOR AUDIT FINDINGS

PRIOR OTHER AUDIT FINDINGS:

Internal Control – Related Finding – Material Weakness:

Finding Number 2018-001:

A material weakness in internal controls was noted due to a lack of proper segregation of duties for revenues. This comment has not been corrected and is restated as current audit finding number 2020-001.

Compliance-Related Finding:

Finding Number 2018-002:

Expenditures exceeded amounts budgeted in the General Fund in 2017 and 2018. This comment has not been corrected and is restated as current audit finding number 2020-002.

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SCHEDULE OF CURRENT AUDIT FINDINGSCURRENT OTHER AUDIT FINDINGS:Internal Control – Related Finding – Material Weakness:Finding Number 2020-001:

A material weakness in internal controls was noted due to a lack of proper segregation of duties for revenues. This has been a continuing audit comment since 2007.

Criteria:

Proper segregation of duties results in increased reliability of reported financial data and decreased potential for the loss of public assets.

Condition:

The Finance Officer processes all revenue transactions from beginning to end. The Finance Officer receives money, issues receipts, records receipts, posts receipts in the accounting records, prepares bank deposits, reconciles bank statements, and prepares financial statements.

Effect:

As a result, there is an increased likelihood that errors could occur and not be detected in a timely manner by employees in the ordinary course of performing their duties.

Recommendation:

1. We recommend that the Municipality of Alexandria officials 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's Response:

The Municipality of Alexandria Mayor, Brian Carmody, is the contact person responsible for the corrective action plan for this comment. This comment is due to the size of the Municipality of Alexandria, which precludes staffing at a level sufficient to provide an ideal environment for internal controls. We are aware of this problem and are attempting to provide compensating controls.

Compliance – Related Finding – Material Weakness:Finding Number 2020-002:

Expenditures exceeded the amounts budgeted in two departments in the General Fund in 2019 and 2020. This has been a continuing audit comment since 2016.

Criteria:

SDCL 9-21-2 states in part, "The governing body of each municipality shall, no later than its first regular meeting in September of each year or within ten days thereafter, introduce the annual appropriation ordinance for the ensuing fiscal year, in which it shall appropriate the sums of money necessary to meet all lawful expenses and liabilities of the municipality." Also, SDCL 9-21-9 states, "Neither the governing body nor any department or office of the municipality shall add to the municipal expenditures in any fiscal

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SCHEDULE OF CURRENT AUDIT FINDINGS
(Continued)

year any sum in excess of the amount provided for in the annual appropriation ordinance except as otherwise specially provided. Nor shall the amount spent for any purpose or any department exceed the total amount appropriated for such purpose or for such department in the annual appropriation ordinance for such year, except as otherwise specially provided."

Condition:

The Municipality expended money in excess of amounts budgeted without supplementing the budget as allowed by SDCL 9-21-7.

Effect:

Without amending the budget or limiting expenditures, expenditures are being made without proper authority.

Recommendation:

2. We recommend that the expenditures be limited to amounts budgeted or budget supplements be made in accordance with SDCL 9-21-7 and SDCL 9-21-6.1 to allow for expenditures.

Management's Response:

The Municipality of Alexandria Mayor, Brian Carmody, is the contact person responsible for the response for this comment. The Municipality will be more careful to follow the budgetary guidelines prescribed by law.

CLOSING CONFERENCE

The audit findings and recommendations were discussed with the officials during the course of the audit and with the Mayor and Finance Officer on August 10, 2021.

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INDEPENDENT AUDITOR'S REPORT

Governing Board
Municipality of Alexandria
Alexandria, South Dakota

Report on the Financial Statements

We have audited the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, and each major fund of the Municipality of Alexandria, South Dakota, (Municipality) as of December 31, 2020 and December 31, 2019 and for each of the two years in the biennial period then ended, and the related notes to the financial statements, which collectively comprise the Municipality's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

The Municipality's 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 1.c.; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is responsible for the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Municipality's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Municipality's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Municipality of Alexandria as of December 31, 2020 and December 31, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for each of the two years in the biennial period then ended in accordance with modified cash basis of accounting described in Note 1.c. to the financial statements.

Basis of Accounting

We draw attention to Note 1.c. of the financial statements, which describes the basis of accounting. The 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. Our opinion is not with respect to this matter.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the modified cash basis of accounting financial statements that collectively comprise the Municipality's financial statements. The Budgetary Comparison Schedules, the Schedule of the Municipality's Proportionate Share of the Net Pension Liability (Asset), the Schedule of the Municipality's Contributions, and the Schedule of Long-Term Liabilities listed in the Table of Contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected 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 financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report July 26, 2021 on our consideration of the Municipality's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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 Municipality's internal control over financial reporting and compliance.



Schoenfish & Co., Inc.
Certified Public Accountants
July 26, 2021

Schoenfish & Co., Inc.

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MUNICIPALITY OF ALEXANDRIA
STATEMENT OF NET POSITION - MODIFIED CASH BASIS
December 31, 2020

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Cash and Cash Equivalents	860,962.24	359,404.82	1,220,367.06
TOTAL ASSETS	<u>860,962.24</u>	<u>359,404.82</u>	<u>1,220,367.06</u>
NET POSITION:			
Restricted:			
Debt Service	49,411.14		49,411.14
Unrestricted	811,551.10	359,404.82	1,170,955.92
TOTAL NET POSITION	<u>860,962.24</u>	<u>359,404.82</u>	<u>1,220,367.06</u>

The notes to the financial statements are an integral part of this statement.

MUNICIPALITY OF ALEXANDRIA
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For the Year Ended December 31, 2020

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
Primary Government:							
Governmental Activities:							
General Government	111,667.09	5,275.00			(106,392.09)		(106,392.09)
Public Safety	29,652.94				(29,652.94)		(29,652.94)
Public Works	307,844.58	56,279.42	38,477.35		(213,087.81)		(213,087.81)
Culture and Recreation	51,420.71		5,000.00		(46,420.71)		(46,420.71)
Miscellaneous Expenses		800.00			800.00		800.00
Debt Service	20,252.12				(20,252.12)		(20,252.12)
Total Governmental Activities	520,837.44	62,354.42	43,477.35	0.00	(415,005.67)	0.00	(415,005.67)
Business-type Activities:							
Water	137,098.89	131,108.21	5,915.05			(75.63)	(75.63)
Sewer	71,634.78	100,425.69	3,434.52			32,225.43	32,225.43
Total Business-Type Activities	208,733.67	231,533.90	9,349.57	0.00		32,149.80	32,149.80
Total Primary Government	729,571.11	293,888.32	52,826.92	0.00	(415,005.67)	32,149.80	(382,855.87)
General Revenues:							
Taxes:							
Property Taxes					179,803.90		179,803.90
Sales Taxes					157,448.12		157,448.12
State Shared Revenues					5,121.16		5,121.16
Unrestricted Investment Earnings					2,856.89		2,856.89
Miscellaneous Revenue					27,307.41		27,307.41
Total General Revenues					372,537.48	0.00	372,537.48
Change in Net Position					(42,468.19)	32,149.80	(10,318.39)
Net Position - Beginning					903,430.43	327,255.02	1,230,685.45
NET POSITION - ENDING					860,962.24	359,404.82	1,220,367.06

The notes to the financial statements are an integral part of this statement.

MUNICIPALITY OF ALEXANDRIA
BALANCE SHEET - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
December 31, 2020

	General Fund	TIF 1 Debt Service Fund	TIF 2 Debt Service Fund	Total
ASSETS:				
Cash and Cash Equivalents	825,927.18	35,035.06		860,962.24
Due from TIF #2		14,376.08		14,376.08
TOTAL ASSETS	825,927.18	49,411.14	0.00	875,338.32
LIABILITIES:				
Due to TIF #1			14,376.08	14,376.08
TOTAL LIABILITIES	0.00	0.00	14,376.08	14,376.08
FUND BALANCES:				
Restricted for Debt Service		49,411.14		49,411.14
Committed for Highway & Streets	129,701.41			129,701.41
Committed for Street Repair	11,759.38			11,759.38
Committed for Public Buildings	50,828.93			50,828.93
Committed for Parks	33,968.52			33,968.52
Committed for Summer Program	500.00			500.00
Assigned for Next Year's Budget	144,218.22			144,218.22
Unassigned	454,950.72		(14,376.08)	440,574.64
TOTAL FUND BALANCES	825,927.18	49,411.14	(14,376.08)	860,962.24

The notes to the financial statements are an integral part of this statement.

MUNICIPALITY OF ALEXANDRIA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2020

	General Fund	TIF 1 Debt Service Fund	TIF 2 Debt Service Fund	Total
Revenues:				
Taxes:				
General Property Taxes	146,880.73	18,675.90	13,830.43	179,387.06
General Sales and Use Taxes	157,448.12			157,448.12
Amusement Taxes	120.00			120.00
Penalties & Interest on Delinquent Taxes	296.84			296.84
Total Taxes	304,745.69	18,675.90	13,830.43	337,252.02
Licenses and Permits	505.00	0.00	0.00	505.00
Intergovernmental Revenue:				
State Shared Revenue:				
Bank Franchise Tax	864.28			864.28
Prorate License Fees	2,921.15			2,921.15
Liquor Tax Reversion	4,256.88			4,256.88
Motor Vehicle Licenses	25,350.79			25,350.79
Local Government Highway and Bridge Fund	8,978.86			8,978.86
County Shared Revenue:				
County Road Tax	1,226.55			1,226.55
County Road and Bridge Tax				0.00
Total Intergovernmental Revenue	43,598.51	0.00	0.00	43,598.51
Charges for Goods and Services:				
Sanitation	56,279.42			56,279.42
Total Charges for Goods and Services	56,279.42	0.00	0.00	56,279.42
Miscellaneous Revenue:				
Investment Earnings	2,856.89			2,856.89
Rentals	4,770.00			4,770.00
Contributions and Donations from Private Sources	5,000.00			5,000.00
Liquor Operating Agreement Income	800.00			800.00
Other	27,307.41			27,307.41
Total Miscellaneous Revenue	40,734.30	0.00	0.00	40,734.30
Total Revenue	445,862.92	18,675.90	13,830.43	478,369.25
Expenditures:				
General Government:				
Legislative	38,126.87			38,126.87
Financial Administration	24,116.80			24,116.80
Other	49,423.42			49,423.42
Total General Government	111,667.09	0.00	0.00	111,667.09
Public Safety:				
Police	29,652.94			29,652.94
Total Public Safety	29,652.94	0.00	0.00	29,652.94

The notes to the financial statements are an integral part of this statement.

MUNICIPALITY OF ALEXANDRIA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2020

	General Fund	TIF 1 Debt Service Fund	TIF 2 Debt Service Fund	Total
Expenditures (continued):				
Public Works:				
Highways and Streets	255,225.62			255,225.62
Sanitation	52,618.96			52,618.96
Total Public Works	307,844.58	0.00	0.00	307,844.58
Culture and Recreation:				
Parks	43,938.25			43,938.25
Libraries	7,482.46			7,482.46
Total Culture and Recreation	51,420.71	0.00	0.00	51,420.71
Debt Service	0.00	8,333.80	11,918.32	20,252.12
Total Expenditures	500,585.32	8,333.80	11,918.32	520,837.44
Excess Revenue Over (Under) Expenditures	(54,722.40)	10,342.10	1,912.11	(42,468.19)
Net Change in Fund Balance	(54,722.40)	10,342.10	1,912.11	(42,468.19)
Fund Balance - Beginning	880,649.58	39,069.04	(16,288.19)	903,430.43
FUND BALANCE- ENDING	825,927.18	49,411.14	(14,376.08)	860,962.24

The notes to the financial statements are an integral part of this statement.

MUNICIPALITY OF ALEXANDRIA
STATEMENT OF NET POSITION - MODIFIED CASH BASIS
PROPRIETARY FUNDS
December 31, 2020

	Enterprise Funds		
	Water Fund	Sewer Fund	Totals
ASSETS:			
Current Assets:			
Cash and Cash Equivalents	172,445.06	186,959.76	359,404.82
Total Current Assets	<u>172,445.06</u>	<u>186,959.76</u>	<u>359,404.82</u>
TOTAL ASSETS	<u><u>172,445.06</u></u>	<u><u>186,959.76</u></u>	<u><u>359,404.82</u></u>
NET POSITION:			
Unrestricted	<u>172,445.06</u>	<u>186,959.76</u>	<u>359,404.82</u>
TOTAL NET POSITION	<u><u>172,445.06</u></u>	<u><u>186,959.76</u></u>	<u><u>359,404.82</u></u>

The notes to the financial statements are an integral part of this statement.

MUNICIPALITY OF ALEXANDRIA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
NET POSITION - MODIFIED CASH BASIS
PROPRIETARY FUNDS
For the Year Ended December 31, 2020

	Enterprise Funds		
	Water Fund	Sewer Fund	Totals
Operating Revenue:			
Charges for Goods and Services	131,108.21	100,425.69	231,533.90
Total Operating Revenue	131,108.21	100,425.69	231,533.90
Operating Expenses:			
Personal Services	22,432.54	21,455.57	43,888.11
Other Current Expenses	37,158.65	50,179.21	87,337.86
Materials	77,507.70		77,507.70
Total Operating Expenses	137,098.89	71,634.78	208,733.67
Operating Income (Loss)	(5,990.68)	28,790.91	22,800.23
Non-operating Revenue (Expense)			
Operating Grants	5,915.05	3,434.52	9,349.57
Total Non-operating Revenue (Expense)	5,915.05	3,434.52	9,349.57
Change in Net Position	(75.63)	32,225.43	32,149.80
Net Position - Beginning	172,520.69	154,734.33	327,255.02
NET POSITION - ENDING	172,445.06	186,959.76	359,404.82

The notes to the financial statements are an integral part of this statement.

MUNICIPALITY OF ALEXANDRIA
STATEMENT OF NET POSITION - MODIFIED CASH BASIS
December 31, 2019

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Cash and Cash Equivalents	903,430.43	327,255.02	1,230,685.45
TOTAL ASSETS	<u>903,430.43</u>	<u>327,255.02</u>	<u>1,230,685.45</u>
NET POSITION:			
Restricted:			
Debt Service	39,069.04		39,069.04
Unrestricted	864,361.39	327,255.02	1,191,616.41
TOTAL NET POSITION	<u>903,430.43</u>	<u>327,255.02</u>	<u>1,230,685.45</u>

The notes to the financial statements are an integral part of this statement.

MUNICIPALITY OF ALEXANDRIA
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For the Year Ended December 31, 2019

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary Government:							
Governmental Activities:							
General Government	87,910.33	4,340.00			(83,570.33)		(83,570.33)
Public Safety	13,700.00				(13,700.00)		(13,700.00)
Public Works	242,383.19	58,621.93	37,501.84		(146,259.42)		(146,259.42)
Culture and Recreation	62,705.28		7,000.00		(55,705.28)		(55,705.28)
Miscellaneous Expenses		2,384.00			2,384.00		2,384.00
Debt Service	20,252.12				(20,252.12)		(20,252.12)
Total Governmental Activities	426,950.92	65,345.93	44,501.84	0.00	(317,103.15)	0.00	(317,103.15)
Business-type Activities:							
Water	126,713.45	123,537.12				(3,176.33)	(3,176.33)
Sewer	54,478.42	100,180.67				45,702.25	45,702.25
Total Business-Type Activities	181,191.87	223,717.79	0.00	0.00		42,525.92	42,525.92
Total Primary Government	608,142.79	289,063.72	44,501.84	0.00	(317,103.15)	42,525.92	(274,577.23)
General Revenues:							
Taxes:							
Property Taxes					176,397.34		176,397.34
Sales Taxes					136,209.50		136,209.50
State Shared Revenue					4,544.10		4,544.10
Unrestricted Investment Earnings					3,054.32		3,054.32
Miscellaneous Revenue					8,561.03		8,561.03
Transfers					8,000.00	(8,000.00)	0.00
Total General Revenues and Transfers					336,766.29	(8,000.00)	328,766.29
Change in Net Position					19,663.14	34,525.92	54,189.06
Net Position - Beginning					883,767.29	292,729.10	1,176,496.39
NET POSITION - ENDING					903,430.43	327,255.02	1,230,685.45

The notes to the financial statements are an integral part of this statement.

**MUNICIPALITY OF ALEXANDRIA
BALANCE SHEET - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
December 31, 2019**

	General Fund	TIF 1 Debt Service Fund	TIF 2 Debt Service Fund	Total
ASSETS:				
Cash and Cash Equivalents	880,649.58	22,780.85		903,430.43
Due from TIF #2		16,288.19		16,288.19
TOTAL ASSETS	<u>880,649.58</u>	<u>39,069.04</u>	<u>0.00</u>	<u>919,718.62</u>
LIABILITIES:				
Due to TIF #1			16,288.19	16,288.19
TOTAL LIABILITIES	<u>0.00</u>	<u>0.00</u>	<u>16,288.19</u>	<u>16,288.19</u>
FUND BALANCES:				
Restricted for Debt Service		39,069.04		39,069.04
Committed for Police Capital Reserve	10,000.00			10,000.00
Committed for Highway & Streets	75,923.71			75,923.71
Committed for Street Repair	88,621.58			88,621.58
Committed for Public Buildings	58,519.39			58,519.39
Committed for Parks	25,277.23			25,277.23
Committed for Summer Program	500.00			500.00
Assigned for Future Street Improvements	357,036.90			357,036.90
Assigned for Next Year's Budget	232,026.59			232,026.59
Unassigned	32,744.18		(16,288.19)	16,455.99
TOTAL FUND BALANCES	<u>880,649.58</u>	<u>39,069.04</u>	<u>(16,288.19)</u>	<u>903,430.43</u>

The notes to the financial statements are an integral part of this statement.

MUNICIPALITY OF ALEXANDRIA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2019

	General Fund	TIF 1 Debt Service Fund	TIF 2 Debt Service Fund	Total
Revenues:				
Taxes:				
General Property Taxes	144,297.24	20,224.43	11,221.20	175,742.87
General Sales and Use Taxes	136,209.50			136,209.50
Amusement Taxes	108.00			108.00
Penalties & Interest on Delinquent Taxes	546.47			546.47
Total Taxes	281,161.21	20,224.43	11,221.20	312,606.84
Licenses and Permits	40.00	0.00	0.00	40.00
Intergovernmental Revenues:				
State Shared Revenues:				
Bank Franchise Tax	536.08			536.08
Liquor Tax Reversion	4,008.02			4,008.02
Motor Vehicle Licenses	27,390.62			27,390.62
Local Government Highway and Bridge Fund	8,884.67			8,884.67
County Shared Revenues:				
County Road Tax	1,226.55			1,226.55
Total Intergovernmental Revenues	42,045.94	0.00	0.00	42,045.94
Charges for Goods and Services:				
Sanitation	58,621.93			58,621.93
Total Charges for Goods and Services	58,621.93	0.00	0.00	58,621.93
Miscellaneous Revenues:				
Investment Earnings	3,054.32			3,054.32
Rentals	4,300.00			4,300.00
Contributions and Donations from Private Sources	13,885.00			13,885.00
Liquor Operating Agreement Income	2,384.00			2,384.00
Other	1,676.03			1,676.03
Total Miscellaneous Revenues	25,299.35	0.00	0.00	25,299.35
Total Revenues	407,168.43	20,224.43	11,221.20	438,614.06
Expenditures:				
General Government:				
Legislative	38,956.95			38,956.95
Financial Administration	16,797.64			16,797.64
Other	32,155.74			32,155.74
Total General Government	87,910.33	0.00	0.00	87,910.33
Public Safety:				
Police	13,700.00			13,700.00
Total Public Safety	13,700.00	0.00	0.00	13,700.00

The notes to the financial statements are an integral part of this statement.

MUNICIPALITY OF ALEXANDRIA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2019

	General Fund	TIF 1 Debt Service Fund	TIF 2 Debt Service Fund	Total
Expenditures (continued):				
Public Works:				
Highways and Streets	186,247.50			186,247.50
Sanitation	56,135.69			56,135.69
Total Public Works	242,383.19	0.00	0.00	242,383.19
Culture and Recreation:				
Parks	51,805.65			51,805.65
Libraries	10,899.63			10,899.63
Total Culture and Recreation	62,705.28	0.00	0.00	62,705.28
Debt Service	0.00	8,333.00	11,919.12	20,252.12
Total Expenditures	406,698.80	8,333.00	11,919.12	426,950.92
Excess Revenues Over (Under) Expenditures	469.63	11,891.43	(697.92)	11,663.14
Other Financing Sources (Uses):				
Transfers In	8,000.00			8,000.00
Total Other Financing Sources (Uses)	8,000.00	0.00	0.00	8,000.00
Net Change in Fund Balance	8,469.63	11,891.43	(697.92)	19,663.14
Fund Balance - Beginning	872,179.95	27,177.61	(15,590.27)	883,767.29
FUND BALANCE- ENDING	880,649.58	39,069.04	(16,288.19)	903,430.43

The notes to the financial statements are an integral part of this statement.

MUNICIPALITY OF ALEXANDRIA
STATEMENT OF NET POSITION - MODIFIED CASH BASIS
PROPRIETARY FUNDS
December 31, 2019

	Enterprise Funds		
	Water Fund	Sewer Fund	Totals
ASSETS:			
Current Assets:			
Cash and Cash Equivalents	172,520.69	154,734.33	327,255.02
Total Current Assets	<u>172,520.69</u>	<u>154,734.33</u>	<u>327,255.02</u>
 TOTAL ASSETS	 <u>172,520.69</u>	 <u>154,734.33</u>	 <u>327,255.02</u>
 NET POSITION:			
Unrestricted	<u>172,520.69</u>	<u>154,734.33</u>	<u>327,255.02</u>
 TOTAL NET POSITION	 <u>172,520.69</u>	 <u>154,734.33</u>	 <u>327,255.02</u>

The notes to the financial statements are an integral part of this statement.

MUNICIPALITY OF ALEXANDRIA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
NET POSITION - MODIFIED CASH BASIS
PROPRIETARY FUNDS
For the Year Ended December 31, 2019

	Enterprise Funds		
	Water Fund	Sewer Fund	Totals
Operating Revenue:			
Charges for Goods and Services	123,537.12	100,180.67	223,717.79
Total Operating Revenue	123,537.12	100,180.67	223,717.79
Operating Expenses:			
Personal Services	32,188.08	31,573.59	63,761.67
Other Current Expenses	27,437.87	22,904.83	50,342.70
Materials	67,087.50		67,087.50
Total Operating Expenses	126,713.45	54,478.42	181,191.87
Operating Income (Loss)	(3,176.33)	45,702.25	42,525.92
Transfers Out	(8,000.00)		(8,000.00)
Change in Net Position	(11,176.33)	45,702.25	34,525.92
Net Position - Beginning	183,697.02	109,032.08	292,729.10
NET POSITION - ENDING	172,520.69	154,734.33	327,255.02

The notes to the financial statements are an integral part of this statement.

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS

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. Financial Reporting Entity:

The reporting entity of the Municipality of Alexandria (Municipality) consists of 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); those organizations for which the primary government is financially accountable; and 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.

b. Basis of Presentation:

Government-wide Financial Statements:

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

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

Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the Municipality or it meets the following criteria:

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
(Continued)

1. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and
2. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined, or
3. Management has elected to classify one or more governmental or enterprise funds as major for consistency in reporting from year to year, or because of public interest in the fund's operations.

The funds of the Municipality financial reporting entity are described below:

Governmental Funds:

General Fund – The General Fund is the general operating fund of the Municipality. It is used to account for all financial resources except those required to be accounted for in another fund. The General Fund is always a major fund.

Debt Service Funds – debt service funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Tax Increment Financing Series 2010 Debt Service Fund – to account for property taxes which may be used only for the payment of the debt principal, interest and related costs. This is a major fund.

Tax Increment Financing 2016 Debt Service Fund – to account for property taxes which may be used only for payment of debt principal, interest and related costs. This is a major fund.

Proprietary Funds:

Enterprise Funds – enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Water Fund – financed primarily by user charges, this fund accounts for the construction and operation of the municipal waterworks system and related facilities. (SDCL 9-47-1) This is a major fund.

Sewer Fund – financed primarily by user charges, this fund accounts for the construction and operation of the municipal sanitary sewer system and related facilities. (SDCL 9-48-2) This is a major fund.

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 are recognized in the accounts and reported in the financial statements, regardless of the measurement focus.

See Independent Auditor's Report.

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
(Continued)

During 2019 and 2020, the Municipality used the modified cash basis of accounting, which is a basis of accounting other than USGAAP. Under USGAAP, transactions are recorded in the accounts when revenues are earned and liabilities are incurred. Under the modified cash basis, transactions are recorded when cash is received or disbursed.

Measurement Focus:

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 defined below.

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used, applied with 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 and business-type 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 receipt and disbursement transactions. 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 that cash has been received or disbursed. Acceptable modifications to the cash basis of accounting implemented by the Municipality in these financial statements are:

- a. Recording assets and liabilities related to interfund receivables and payables resulting from cash transactions between funds.

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 or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

If the Municipality applied USGAAP, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types would use the accrual basis of accounting. All government-wide financial statements would be presented on the accrual basis of accounting.

d. Interfund Eliminations and Reclassifications:

Government-wide Financial Statements:

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

See Independent Auditor's Report.

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
(Continued)

1. In order to minimize the grossing-up effect on assets and liabilities within the governmental and business-type activities columns of the primary government, amounts reported as Interfund receivables and payables have been eliminated in the governmental and business-type activities columns.

e. Deposits and Investments:

For the purpose 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 in open-end mutual fund shares, or similar investments in external investment pools, are also considered to be cash equivalents.

f. Long-Term Liabilities:

Under the modified cash basis of accounting, cash proceeds from long-term debt issuances is recorded as a receipt, while payments to creditors to reduce long-term debts are recorded as a cost of the program which benefits from the financing. Allocations are made where appropriate. Interest costs are not allocated, but are reported as a separate program cost category.

Long-term debts arising from cash transactions of governmental funds are not reported as liabilities in the fund financial statements. Instead, the debt proceeds are reported as other financing sources and payments of principal and interest are reported as expenditures. The accounting for long-term debts of proprietary funds is the same in the fund financial statements as it is in the government-wide financial statements.

g. Revenue Received in Advance:

Under the modified cash basis of accounting, cash may have been received in advance of the Municipality's providing a good or service to a customer. These amounts are reported in the financial statements, as applicable.

h. Program Revenues:

Program revenues derive directly from the program itself or from parties other than the Municipality's taxpayers or citizenry, as a whole. Program revenues are classified into three categories, as follows:

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

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
(Continued)

i. Proprietary Funds Revenue and Expense Classifications:

In the proprietary fund's Statement of Revenues, Expenses and Changes in Fund Net Position, revenues and expenses are classified in a manner consistent with how they are classified in the Statement of Cash Flows. That is, transactions for which related cash flows are reported as capital and related financing activities, non-capital financing activities, or investing activities are not reported as components of operating revenues and expenses.

j. Equity Classifications:

Government-wide Statements:

Equity is classified as net position and is displayed in the following components:

1. Restricted net position – Consists of net position with constraints placed on its use either by (a) external groups such as creditors, grantors, 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" or "net investment in capital assets".

Fund Financial Statements:

Governmental fund equity is classified as fund balance, and is distinguished between Nonspendable, Restricted, Committed, Assigned, or Unassigned components. Proprietary fund equity is classified the same as in the government-wide financial statements.

k. Application of Net Position:

It is the Municipality's policy to first use restricted net position, prior to the use of unrestricted net position, when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

l. 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 Municipality classifies governmental fund balances as follows:

- Nonspendable - includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
- Restricted - includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.
- Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end.
- Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund Balance may be assigned by the Finance Officer.

See Independent Auditor's Report.

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
(Continued)

- Unassigned – includes positive fund balance within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

The Municipality uses restricted/committed amounts first when both 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 Municipality would first use committed, then assigned, and lastly unassigned amounts for unrestricted fund balance when expenditures are made.

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

2. VIOLATIONS OF FINANCE-RELATED LEGAL AND CONTRACTUAL PROVISIONS

The Municipality is prohibited by statute from spending in excess of appropriated amounts at the department level. The following represents the significant overdrafts to the expenditures compared to appropriations:

	<u>Year Ended</u> <u>12/31/2019</u>	<u>Year Ended</u> <u>12/31/2020</u>
General Fund:		
General Government:		
Legislative	\$ 3,956.95	\$ 3,126.87
Police		\$ 13,652.94
Highways and Streets	\$16,247.50	

The Municipality plans to take the following actions to address these violations: use contingency transfers and supplements when needed.

3. DEFICIT FUND BALANCES/NET POSITION OF INDIVIDUAL FUNDS

As of December 31, 2020, and December 31, 2019, the following individual nonmajor funds had deficit fund balances/net position in the amounts shown.

	<u>Year Ended</u> <u>12/31/2020</u>	<u>Year Ended</u> <u>12/31/2019</u>
TIF #2 Debt Service	\$ 14,376.08	\$ 16,288.19

4. DEPOSITS AND INVESTMENTS, FAIR VALUE MEASUREMENT, CREDIT RISK, CONCENTRATIONS OF CREDIT RISK AND INTEREST RATE RISK

The Municipality follows the practice of aggregating the cash assets of 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 Municipality's cash 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, and may be in the form of demand or time deposits. 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

See Independent Auditor's Report.

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
(Continued)

exceed deposit insurance such as the 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 of the add-on type.

Investments – In general, SDCL 4-5-6 permits Municipality funds 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) above; or in shares of an open-end, no-load fund administered by an investment company whose investments are in securities described in (a) above and repurchase agreements described in (b) above. 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.

As of December 31, 2019 and 2020, the Municipality did not have any investments. The investments reported in the financial statements consist of only certificates of deposit.

Fair Value Measurement – The Municipality categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The Municipality does not have any investments that are subject to the fair value measurement standards of GASB Statement 72.

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

Concentration of Credit Risk – The Municipality places no limit on the amount that may be invested in any one issuer.

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

Assignment of Investment Income – State law allows income from deposits and investments to be credited to either the General Fund or the fund making investment. The Municipality's policy is to credit all income from deposits and investments to the General Fund. USGAAP, on the other hand, requires income from deposits and investments to be reported in the fund whose assets generated that income. Where the governing board has discretion to credit investment income to a fund other than the fund that provided the resources for investment, a transfer to the designated fund should be reported. The Municipality did not follow this practice, but the amount of interest received is not material.

5. PROPERTY TAXES

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.

See Independent Auditor's Report.

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
(Continued)

The Municipality is permitted by several state statutes to levy varying amounts of taxes per \$1,000 of taxable valuation on taxable property in the Municipality.

6. RESTRICTED NET POSITION

Restricted net position for the year ended December 31, 2019 and 2020 were as follows:

<u>Purpose:</u>	<u>Restricted By</u>	<u>12/31/2019</u>	<u>12/31/2020</u>
Major Funds:			
Debt Service Fund	Debt Covenants	\$ 39,069.04	\$ 49,411.14
Total Restricted Net Position		<u>\$ 39,069.04</u>	<u>\$ 49,411.14</u>

7. LONG-TERM COMMITMENTS

The Municipality of Alexandria entered into a 20-year commitment with Hanson Rural Water to provide water to the Municipality. A monthly service charge in the amount of \$885 is paid by the Municipality to Hanson Rural Water. The monthly service charge represents a contribution by the Municipality to aid Hanson Rural Water in the construction of the facilities necessary to provide the Municipality with water. The Municipality will not acquire ownership of any of these water facilities through these lease payments. Payments are made from the Municipality's Water Fund.

The following are the minimum payments on this commitment:

2021	\$ 10,620.00
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8. PENSION PLAN

Plan Information:

All employees, working more than 20 hours per week during the year, participate in the South Dakota Retirement System (SDRS), a cost sharing, multiple employer hybrid defined benefit pension plan administered by SDRS to provide retirement benefits for employees of the State of South 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 SDCL 3-12. The SDRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained at <http://www.sdrs.sd.gov/publications.aspx> or by writing to the SDRS, P.O. Box 1098, Pierre, SD 57501-1098 or by calling (605) 773-3731.

Benefits Provided:

SDRS has three different classes of employees, Class A general members, Class B public safety and judicial members, and Class C Cement Plant Retirement Fund members. Members that were hired before July 1, 2017, are Foundation members. Class A Foundation members and Class B Foundation members who retire after age 65 with three years of contributory service are entitled to an unreduced annual retirement benefit. An unreduced annual retirement benefit is also available after age 55 for Class A Foundation members where the sum of age and credited service is equal to or greater than 85 or after age 55 for Class B Foundation judicial members where the sum of age and credited service is equal to or greater than 80. Class B Foundation public safety members can retire with an unreduced annual retirement benefit after age 55 with three years of contributory service. An unreduced annual retirement

See Independent Auditor's Report.

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
(Continued)

benefit is also available after age 45 for Class B Foundation safety members where the sum of age and credited service is equal to or greater than 75. All Foundation retirement benefits that do not meet the above criteria may be payable at a reduced level.

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

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

Contributions:

Per SDCL 3-12, contribution 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. The Municipality's share of contributions to the SDRS for the fiscal years ended December 31, 2020, 2019, and 2018, were \$4,814.49, \$4,976.55, and \$4,622.77, respectively, equal to the required contributions each year.

Pension Liabilities (Assets):

At June 30, 2020, SDRS is 100.04% funded and accordingly has net pension asset. The proportionate shares of the components of the net pension asset of the South Dakota Retirement System, for the Municipality as of the measurement period ending June 30, 2020 and reported by the Municipality as of December 31, 2020 are as follows:

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
(Continued)

Proportionate share of pension liability	\$ 464,146.62
Less proportionate share of net pension restricted for pension benefits	<u>\$ 464,310.60</u>
Proportionate share of net pension liability (asset)	<u>\$ (163.98)</u>

The net pension liability (asset) was measured as of June 30, 2020 and the total pension liability (asset) used to calculate the net pension liability (asset) was based on a projection of the Municipality's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2020, the Municipality's proportion was 0.00377570%, which is an increase of 0.0000438% from its proportion measured as of June 30, 2019.

At June 30, 2019, SDRS is 100.9% funded and accordingly has net pension asset. The proportionate shares of the components of the net pension asset of the South Dakota Retirement System, for the Municipality as of the measurement period ending June 30, 2019 and reported by the Municipality as of December 31, 2019 are as follows:

Proportionate share of pension liability	\$ 465,076.93
Less proportionate share of net pension restricted for pension benefits	<u>\$ 465,472.41</u>
Proportionate share of net pension liability (asset)	<u>\$ (395.48)</u>

The net pension liability (asset) was measured as of June 30, 2019 and the total pension liability (asset) used to calculate the net pension liability (asset) was based on a projection of the Municipality's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2019, the Municipality's proportion was 0.00373190%, which is an increase of 0.0001162% from its proportion measured as of June 30, 2018.

Actuarial Assumptions:

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

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

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

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

See Independent Auditor's Report.

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
(Continued)

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 (i.e., 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 weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of real rates for each major asset class included in the pension plan's target asset allocation as of June 30, 2020 (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	58.0%	5.1%
Fixed Income	30.0%	1.5%
Real Estate	10.0%	6.2%
Cash	2.0%	1.0%
Total	100%	

The total pension liability (asset) in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25 percent
Salary Increases	Graded by years of service, from 6.50% at entry to 3.00% after 25 years of service
Discount Rate	6.50% net of plan investment expense
Future COLAs	1.88%

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

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience of July 1, 2011 to June 30, 2016.

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 (i.e., 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 weighing the expected future real rates

See Independent Auditor's Report.

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
(Continued)

of return by the target asset allocation percentage and by adding expected inflation. Best estimates of real rates for each major asset class included in the pension plan's target asset allocation as of June 30, 2019 (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	58.0%	4.7%
Fixed Income	30.0%	1.7%
Real Estate	10.0%	4.3%
Cash	2.0%	0.9%
Total	100%	

Sensitivity of liability (asset) to changes in the discount rate:

At June 30, 2020, the following presents the Municipality's proportionate share of net pension liability (asset) calculated using the discount rate of 6.50 percent, as well as what the Municipality's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage point lower (5.50%) or 1-percentage point higher (7.50%) than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Municipality's proportionate share of the net pension liability (asset)	\$ 63,612.56	\$(163.98)	\$ (52,331.93)

Pension Plan Fiduciary Net Position:

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

At June 30, 2019, the following presents the Municipality's proportionate share of net pension liability (asset) calculated using the discount rate of 6.50 percent, as well as what the Municipality's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage point lower (5.50%) or 1-percentage point higher (7.50%) than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Municipality's proportionate share of the net pension liability (asset)	\$ 65,641.81	\$(395.48)	\$ (54,203.94)

Pension Plan Fiduciary Net Position:

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

9. SIGNIFICANT CONTINGENCIES - LITIGATION

At December 31, 2019, and December 31, 2020, the Municipality was not involved in any significant litigation.

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
(Continued)

10. RISK MANAGEMENT

The Municipality is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the period ended December 31, 2020, the Municipality managed its risks as follows:

Employee Health Insurance:

The Municipality does not offer health insurance for its employees.

Liability Insurance:

The Municipality 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 Municipality'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 Municipality. The Municipality pays an annual premium, to provide liability coverage detailed below, under a claims-made policy and the premiums are accrued based on the ultimate cost of the experience to date of the SDPAA member, based on their exposure or type of coverage. The Municipality pays an annual premium to the pool to provide coverage for general liability, property damage, and employee liability.

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

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

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

All refunds shall be paid to the withdrawing Member over a five-year term.

The amount available for refund to the Municipality is considered a deposit for financial reporting purposes.

As of December 31, 2020, the Municipality's balance available to be refunded per the SDPAA was \$3,393.00, which was a decrease of \$3,852.00 from the previous year.

See Independent Auditor's Report.

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
(Continued)

The Municipality carries a \$0.00 deductible for most coverages.

The Municipality 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 Municipality joined the South Dakota Municipal League Worker's 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 Municipality'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 Municipality 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 Municipality does not carry additional insurance to cover claims in excess of the upper limit. Settled claims resulting from these risks have not exceeded the liability coverage over the past three years.

Unemployment Benefits:

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

11. INTERFUND TRANSFERS

Interfund transfers for the year ended December 31, 2019 were as follows:

<u>Transfers From:</u>	<u>Transfers To:</u>
	<u>General</u>
	<u>Fund</u>
Major Funds:	
Water Fund	\$ 8,000.00

The Municipality transferred to the General Fund to conduct indispensable functions of the district.

12. SUBSEQUENT EVENTS

Management has evaluated whether any subsequent events have occurred through July 26, 2021, the date on which the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION
MUNICIPALITY OF ALEXANDRIA
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
For the Year Ended December 31, 2020

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget - Positive (Negative)
Revenues:				
Taxes:				
General Property Taxes	147,473.41	147,473.41	146,880.73	(592.68)
General Sales and Use Taxes	80,000.00	80,000.00	157,448.12	77,448.12
Amusement Taxes	80.00	80.00	120.00	40.00
Penalties and Interest on Delinquent Taxes	0.00	0.00	296.84	296.84
Total Taxes	227,553.41	227,553.41	304,745.69	77,192.28
Licenses and Permits	20.00	20.00	505.00	485.00
Intergovernmental Revenues:				
State Shared Revenues:				
Bank Franchise Tax	600.00	600.00	864.28	264.28
Prorate License Fees	0.00	0.00	2,921.15	2,921.15
Liquor Tax Reversion	3,500.00	3,500.00	4,256.88	756.88
Motor Vehicle Licenses	18,000.00	18,000.00	25,350.79	7,350.79
Local Government Highway and Bridge Fund	6,000.00	6,000.00	8,978.86	2,978.86
County Shared Revenues:				
County Road Tax	1,000.00	1,000.00	1,226.55	226.55
County Wheel Tax		0.00		0.00
Total Intergovernmental Revenues	29,100.00	29,100.00	43,598.51	14,498.51
Charges for Goods and Services:				
Sanitation	65,000.00	65,000.00	56,279.42	(8,720.58)
Total Charges for Goods and Services	65,000.00	65,000.00	56,279.42	(8,720.58)
Miscellaneous Revenues:				
Investment Earnings	1,500.00	1,500.00	2,856.89	1,356.89
Rentals	1,500.00	1,500.00	4,770.00	3,270.00
Contributions and Donations from Private Sources	0.00	0.00	5,000.00	5,000.00
Liquor Operating Agreement Income	3,400.00	3,400.00	800.00	(2,600.00)
Other	2,900.00	2,900.00	27,307.41	24,407.41
Total Miscellaneous Revenue	9,300.00	9,300.00	40,734.30	31,434.30
Total Revenue	330,973.41	330,973.41	445,862.92	114,889.51
Expenditures:				
General Government:				
Legislative	35,000.00	35,000.00	38,126.87	(3,126.87)
Contingency	10,000.00	10,000.00		
Amount Transferred		0.00		10,000.00
Financial Administration	25,000.00	25,000.00	24,116.80	883.20
Other	75,000.00	89,337.52	49,423.42	39,914.10
Total General Government	145,000.00	159,337.52	111,667.09	47,670.43

SUPPLEMENTARY INFORMATION
MUNICIPALITY OF ALEXANDRIA
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
For the Year Ended December 31, 2020

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget -
				Positive (Negative)
Expenditures (Continued):				
Public Safety:				
Police	16,000.00	16,000.00	29,652.94	(13,652.94)
Total Public Safety	16,000.00	16,000.00	29,652.94	(13,652.94)
Public Works:				
Highways and Streets	259,000.00	259,000.00	255,255.62	3,744.38
Sanitation	60,000.00	60,000.00	52,618.96	7,381.04
Total Public Works	319,000.00	319,000.00	307,874.58	11,125.42
Culture and Recreation:				
Parks	62,500.00	62,500.00	43,938.25	18,561.75
Libraries	15,500.00	15,500.00	7,482.46	8,017.54
Total Culture and Recreation	78,000.00	78,000.00	51,420.71	26,579.29
Conservation and Development:				
Economic Development and Assistance				
(Industrial Development)	5,000.00	5,000.00	0.00	5,000.00
Total Conservation and Development	5,000.00	5,000.00	0.00	5,000.00
Total Expenditures	563,000.00	577,337.52	500,615.32	76,722.20
Net Change in Fund Balances	(232,026.59)	(246,364.11)	(54,752.40)	191,611.71
Fund Balance - Beginning	880,649.58	880,649.58	880,649.58	0.00
FUND BALANCE - ENDING	648,622.99	634,285.47	825,897.18	191,611.71

SUPPLEMENTARY INFORMATION
MUNICIPALITY OF ALEXANDRIA
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
For the Year Ended December 31, 2019

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget -
				Positive (Negative)
Revenues:				
Taxes:				
General Property Taxes	144,017.00	144,017.00	144,297.24	280.24
General Sales and Use Taxes	49,000.00	49,000.00	136,209.50	87,209.50
Amusement Taxes	80.00	80.00	108.00	28.00
Penalties and Interest on				
Delinquent Taxes	0.00	0.00	546.47	546.47
Total Taxes	193,097.00	193,097.00	281,161.21	88,064.21
Licenses and Permits	20.00	20.00	40.00	20.00
Intergovernmental Revenue:				
State Shared Revenue:				
Bank Franchise Tax	600.00	600.00	536.08	(63.92)
Liquor Tax Reversion	5,000.00	5,000.00	4,008.02	(991.98)
Motor Vehicle Licenses	12,000.00	12,000.00	27,390.62	15,390.62
Local Government Highway				
and Bridge Fund	6,000.00	6,000.00	8,884.67	2,884.67
County Shared Revenue:				
County Road Tax	1,000.00	1,000.00	1,226.55	226.55
Total Intergovernmental Revenue	24,600.00	24,600.00	42,045.94	17,445.94
Charges for Goods and Services:				
Sanitation	65,000.00	65,000.00	58,621.93	(6,378.07)
Total Charges for Goods and Services	65,000.00	65,000.00	58,621.93	(6,378.07)
Miscellaneous Revenue:				
Investment Earnings	1,500.00	1,500.00	3,054.32	1,554.32
Rentals	1,500.00	1,500.00	4,300.00	2,800.00
Contributions and Donations				
from Private Sources	0.00	0.00	13,885.00	13,885.00
Liquor Operating Agreement Income	3,400.00	3,400.00	2,384.00	(1,016.00)
Other	2,900.00	2,900.00	1,676.03	(1,223.97)
Total Miscellaneous Revenue	9,300.00	9,300.00	25,299.35	15,999.35
Total Revenue	292,017.00	292,017.00	407,168.43	115,151.43
Expenditures:				
General Government:				
Legislative	35,000.00	35,000.00	38,956.95	(3,956.95)
Financial Administration	22,000.00	22,000.00	16,797.64	5,202.36
Other	80,000.00	80,000.00	32,155.74	47,844.26
Total General Government	137,000.00	137,000.00	87,910.33	49,089.67

SUPPLEMENTARY INFORMATION
MUNICIPALITY OF ALEXANDRIA
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
For the Year Ended December 31, 2019

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget -
				Positive (Negative)
Expenditures (Continued):				
Public Safety:				
Police	16,000.00	16,000.00	13,700.00	2,300.00
Total Public Safety	16,000.00	16,000.00	13,700.00	2,300.00
Public Works:				
Highways and Streets	140,000.00	170,000.00	186,247.50	(16,247.50)
Sanitation	70,000.00	70,000.00	56,135.69	13,864.31
Total Public Works	210,000.00	240,000.00	242,383.19	(2,383.19)
Health and Welfare:				
Health	3,000.00	3,000.00	0.00	3,000.00
Total Health and Welfare	3,000.00	3,000.00	0.00	3,000.00
Culture and Recreation:				
Parks	60,000.00	60,000.00	51,805.65	8,194.35
Libraries	14,500.00	14,500.00	10,899.63	3,600.37
Total Culture and Recreation	74,500.00	74,500.00	62,705.28	11,794.72
Conservation and Development:				
Economic Development and Assistance				
(Industrial Development)	5,000.00	5,000.00	0.00	5,000.00
Total Conservation and Development	5,000.00	5,000.00	0.00	5,000.00
Total Expenditures	445,500.00	475,500.00	406,698.80	68,801.20
Excess of Revenue Over (Under)				
Expenditures	(153,483.00)	(183,483.00)	469.63	183,952.63
Other Financing Sources (Uses):				
Transfers In	0.00	0.00	8,000.00	8,000.00
Total Other Financing Sources (Uses)	0.00	0.00	8,000.00	8,000.00
Net Change in Fund Balances	(153,483.00)	(183,483.00)	8,469.63	191,952.63
Fund Balance - Beginning	872,179.95	872,179.95	872,179.95	0.00
FUND BALANCE - ENDING	718,696.95	688,696.95	880,649.58	191,952.63

NOTES TO THE SUPPLEMENTARY INFORMATION

Schedules of Budgetary Comparisons for the General Fund
and for each major Special Revenue Fund with a legally required budget.

Note 1. Budgets and Budgetary Accounting:

The Municipality followed these procedures in establishing the budgetary data reflected in the financial statements:

1. 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.
2. 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 number 4.
3. 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.
4. If it is determined during the year that sufficient amounts have not been budgeted, state statute allows the adoption of supplemental budgets.
5. Unexpected appropriations lapse at year end unless encumbered by resolution of the Governing Board.

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

The Municipality did not encumber any amounts at December 31, 2020 or December 31, 2019.

6. Formal budgetary integration is employed as a management control device during the year for the General Fund and special revenue funds.
7. Budgets for the General Fund are adopted on a basis consistent with the modified cash basis of accounting.

Note 2. GAAP/Budgetary Accounting Basis Differences:

The Municipality's budgetary process accounts for certain transactions on a basis other than GAAP. The major differences between the budgetary basis and the GAAP basis lie in the manner in which revenues and expenditures are recorded. Under the budgetary basis, revenue and expenditures are recognized on a modified cash basis. Utilizing the modified cash basis, revenues are recorded when received in cash and expenditures are recorded when paid. Under the GAAP basis, revenues and expenditures are recorded on the modified accrual basis of accounting on the governmental fund statements and on the full accrual basis on the government-wide statements.

SUPPLEMENTARY INFORMATION

SCHEDULE OF THE MUNICIPALITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)

South Dakota Retirement System

Last Six Years*

	2020	2019	2018	2017	2016	2015
Municipality's proportion of the net pension liability/asset	0.0037757%	0.0037319%	0.0036157%	0.0036027%	0.0039932%	0.0017235%
Municipality's proportionate share of net pension liability (asset)	\$ (164)	\$ (395)	\$ (84)	\$ (327)	\$ 13,489	\$ (7,310)
Municipality's covered-employee payroll	\$ 82,175	\$ 78,655	\$ 76,389	\$ 72,563	\$ 72,258	\$ 31,461
Municipality's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	0.20%	0.50%	0.11%	0.45%	18.67%	23.23%
Plan fiduciary net position as a percentage of the total pension liability (asset)	100.04%	100.09%	100.02%	100.10%	96.89%	104.10%

* The amounts presented were determined as of the measurement date of the collective net pension liability (asset) which is 06/30 of previous fiscal year.

SUPPLEMENTARY INFORMATION

SCHEDULE OF THE MUNICIPALITY CONTRIBUTIONS

South Dakota Retirement System

Last Six Years

	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 4,814	\$ 4,977	\$ 4,623	\$ 4,472	\$ 4,318	\$ 4,047
Contributions in relation to the contractually required contribution	\$ 4,814	\$ 4,977	\$ 4,623	\$ 4,472	\$ 4,318	\$ 4,047
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Municipality's covered-employee payroll	\$ 80,241	\$ 82,943	\$ 77,047	\$ 73,632	\$ 71,971	\$ 67,448
Contributions as a percentage of covered-employee payroll	6.00%	6.00%	6.00%	6.07%	6.00%	6.00%

**Notes to Required Supplementary Information
for the Year Ended December 31, 2020**

Schedule of the Proportionate Share of the Net Pension Liability (Asset) and
Schedule of Pension Contributions.

Changes from Prior Valuation

The June 30, 2020 Actuarial Valuation reflects no changes in actuarial methods from the June 30, 2019 Actuarial Valuation. One change in actuarial assumptions and two plan provision changes are reflected and described below.

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

Benefit Provision Changes

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

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

Actuarial Assumption Changes

The SDRS COLA equals the percentage increase in the most recent third calendar quarter CPI-W over the prior year, no less than 0.5% and no greater than 3.5%. However, if the FVFR assuming the long-term COLA is equal to the baseline COLA assumption (currently 2.25%) is less than 100%, the maximum COLA payable will be limited to the increase that if assumed on a long-term basis, results in a FVFR equal to or exceeding 100%. That condition existed as of June 30, 2019 and exists again this year as of June 30, 2020. Future COLAs are assumed to equal the current restricted maximum COLA which was 1.88% as of June 30, 2019 and is 1.41% as of June 30, 2020.

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

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

Actuarial Method Changes

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

SUPPLEMENTARY INFORMATIONLONG-TERM LIABILITIES

A summary of changes in long-term liabilities follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Primary Government:					
Governmental Activities:					
Revenue Bonds Payable:					
TIF Revenue Bonds Series 2010 No. 1	78,213.26		10,618.74	67,594.52	5,630.02
TIF Revenue Bonds Series 2016 No. 2-01	92,204.94		8,273.40	83,931.54	4,325.18
TIF Revenue Bonds Series 2016 No. 2-02	46,102.47		4,136.69	41,965.78	2,162.58
TIF Revenue Bonds Series 2016 No. 2-03	23,051.23		2,068.35	20,982.88	1,081.29
Total Governmental Activities	<u>239,571.90</u>	<u>0.00</u>	<u>25,097.18</u>	<u>214,474.72</u>	<u>13,199.07</u>
TOTAL PRIMARY GOVERNMENT	<u>239,571.90</u>	<u>0.00</u>	<u>25,097.18</u>	<u>214,474.72</u>	<u>13,199.07</u>

Debt payable at December 31, 2020 is comprised of the following:

Revenue Bonds:

TIF Revenue Bonds, Series 2010 No. 1 Maturity Date 11-12-30, Interest Rate at 4.00%, Payable from TIF #1 Debt Service Fund	\$ 67,594.52
TIF Revenue Bonds, Series 2016 No. 2-01 Maturity Date 5-1-36, Interest Rate at 3.00%, Payable from TIF #2 Debt Service Fund	\$ 83,931.54
TIF Revenue Bonds, Series 2016 No. 2-02 Maturity Date 5-1-36, Interest Rate at 3.00%, Payable from TIF #2 Debt Service Fund	\$ 41,965.78
TIF Revenue Bonds, Series 2016 No. 2-03 Maturity Date 5-1-36, Interest Rate at 3.00%, Payable from TIF #2 Debt Service Fund	\$ 20,982.88

SUPPLEMENTARY INFORMATION
(continued)

The annual requirements to amortize all debt outstanding as of December 31, 2020, including interest payments of \$54,209.55, are as follows:

Annual Requirements to Amortize Long-Term Debt
December 31, 2020

Year Ending Dec. 31,	TIF Revenue Bonds, Series 2010 No. 1		TIF Revenue Bonds, Series 2016 No. 2-01		TIF Revenue Bonds, Series 2016 No. 2-02	
	Principal	Interest	Principal	Interest	Principal	Interest
2021	5,630.02	2,703.78	4,325.18	2,485.74	2,162.58	1,242.88
2022	5,855.22	2,478.58	4,455.91	2,355.01	2,227.95	1,177.51
2023	6,089.43	2,244.37	4,590.59	2,220.33	2,295.29	1,110.17
2024	6,333.01	2,000.79	4,729.33	2,081.59	2,364.67	1,040.79
2025	6,586.33	1,747.47	4,872.28	1,938.64	2,436.14	969.32
2026-2030	37,100.51	4,568.39	26,661.43	7,993.17	13,330.72	3,696.58
2031-2035			30,941.68	3,112.92	15,470.86	1,556.44
2036			3,355.14	50.33	1,677.57	25.16
Totals	<u>67,594.52</u>	<u>15,743.38</u>	<u>83,931.54</u>	<u>22,237.73</u>	<u>41,965.78</u>	<u>10,818.85</u>

Year Ending Dec. 31,	TIF Revenue Bonds, Series 2016 No. 2-03		Totals	
	Principal	Interest	Principal	Interest
2021	1,081.29	621.45	13,199.07	7,053.85
2022	1,113.97	588.77	13,653.05	6,599.87
2023	1,147.64	555.10	14,122.95	6,129.97
2024	1,182.34	520.40	14,609.35	5,643.57
2025	1,218.07	484.67	15,112.82	5,140.10
2026-2030	6,665.36	1,848.34	83,758.02	18,106.48
2031-2035	7,735.42	778.28	54,147.96	5,447.64
2036	838.79	12.58	5,871.50	88.07
Totals	<u>20,982.88</u>	<u>5,409.59</u>	<u>214,474.72</u>	<u>54,209.55</u>