

CITY OF ARLINGTON
ARLINGTON, SOUTH DAKOTA
FINANCIAL REPORT
FOR THE ONE YEAR ENDING DECEMBER 31, 2021
WITH INDEPENDENT AUDITOR'S REPORTS

INDEPENDENT AUDIT SERVICES, P.C.

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CITY OF ARLINGTON
ARLINGTON, SOUTH DAKOTA

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FOR THE ONE YEAR ENDING DECEMBER 31, 2021

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NOTE: All figures shown in this financial report are in U.S. dollars.
For space considerations, the "\$" symbol is not used.

INDEPENDENT AUDIT SERVICES, PC

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Governing Board
City of Arlington
Arlington, South Dakota

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

Unmodified and Disclaimer of Opinions:

I have audited the governmental activities, the business-type activities, and each major fund; and I was engaged to audit the discretely presented component unit of the City of Arlington (City), Kingsbury County, South Dakota as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statement as listed in the table of contents.

Summary of Opinions:

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Governmental Activities	Unmodified
Business-type Activities	Unmodified
Discretely Presented Component Unit	Disclaimer
General Fund	Unmodified
2 nd Cent Fund	Unmodified
Water Fund	Unmodified
Electric Fund	Unmodified
Sewer Fund	Unmodified

Disclaimer of Opinion on the Discretely Presented Component Unit:

I do not express an opinion on the accompanying financial statements of the discretely presented component unit of the City of Arlington. Because of the significance of the matter described in the Basis for Disclaimer of Opinion on the Discretely Presented Component Unit section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements of the discretely presented component unit.

Unmodified Opinions on Governmental Activities, Business-type Activities, and Each Major Fund:

In my 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, and each major fund of the City of Arlington, South Dakota as of December 31, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Disclaimer of Opinion on the Discretely Presented Component Unit:

Records of the Arlington Housing and Redevelopment Commission were not available to me as part of my audit of the City of Arlington's basic financial statements. The Arlington Housing and Redevelopment Commission represents 100% of the assets, liabilities, net position, revenue and expenses of the discretely presented component unit on the government-wide statement of net position and statement of activities.

Basis for Unmodified Opinions:

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

Responsibilities of Management for the Financial Statements:

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

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

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

Auditor's Responsibility for the Audit of the Discretely Presented Component Unit:

My responsibility is to conduct an audit of City of Arlington's financial statements in accordance with GAAS and to issue an auditor's report. However, because of the matter described in the Basis for Disclaimer of Opinion on the Discretely Presented Component Unit section of my report, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements of the discretely presented component unit.

Auditor's Responsibility for the Audit of the Governmental Activities, the Business-Type Activities, and Each Major Fund:

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

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

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

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

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

I am required to be independent of the City of Arlington and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements relating to my audit.

Required Supplementary Information: (no opinion)

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (page 4 to 9), the budgetary comparison schedule (page 41 to 43), and pension schedules (page 44 to 45) be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Government Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards:

In accordance with *Government Auditing Standards*, I have also issued my report dated April 20, 2023 (page 46) on my consideration of the City of Arlington's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of that report is solely to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Arlington's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Independent Audit Services, PC
Benjamin Elliott, CPA
Madison, South Dakota
April 20, 2023



MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

This section of the City of Arlington's (City) annual financial report presents our discussion and analysis of the City's financial performance for the year ending December 31, 2021. Please read it in conjunction with the City's financial statements which follow this section.

FINANCIAL HIGHLIGHTS

Revenue:	
Charges for goods and services	2,042,875
Operating grants	86,462
Capital grants	0
General receipts	1,115,963

Total	3,245,300

Expenses:	
Governmental	1,257,672
Business-type	1,548,513

Total	2,806,185

 Increase in Net Position	 439,115
 Net Position:	
December 31, 2020	9,400,089

December 31, 2021	9,839,204
	=====
 Governmental Fund	
General	745,652
2nd Cent	392,679
Capital Assets	3,972,636
Long-term Debt	(97,548)
Business-Type Funds:	
Water	1,074,031
Electric	2,837,179
Sewer	914,575

Total	9,839,204
	=====

During the year ending December 31, 2021, the City:

- * Collected \$282,620 in property taxes.
- * Collected \$701,938 in sales taxes.
- * Made water line improvements for \$68,830.
- * Made sewer line improvements for \$174,832.
- * Made baseball field improvements for \$43,400.
- * Paid down existing loans by \$238,061. See also page 38 and 39.
- * Transferred \$583,769 to the general fund with \$549,549 from the 2nd cent fund, and \$34,220 from the electric fund, for street projects and operations.

BRIEF DISCUSSION OF THE BASIC FINANCIAL STATEMENTS

The financial report consists of three parts: (1) management's discussion and analysis (page 4 to 9), (2) the basic financial statements (page 10 to 40) and (3) other supplementary information (page 41 to 45). The basic financial statements include two types of statements that present the City from two different financial points of view.

Government-wide financial statements (View #1):

The first two statements are government-wide financial statements that provide both long-term and short-term information about the City's overall financial status.

Fund financial statements (View #2):

The remaining financial statements are fund financial statements that focus on significant operations of the governmental and enterprise activities of the City.

The governmental financial statements tell how general governmental services were financed in the short-term, as well as what remains for future spending. The governmental funds operated by the City during 2021 are the general fund and 2nd cent fund.

The enterprise fund financial statements offer short-term and long-term financial information about the activities of the City that operate like a business. Enterprise funds operated by the City during 2021 are the water, electric and sewer funds.

The fiduciary fund financial statements provide information about the financial status of activities in which the City acts solely as a trustee or agent for the benefit of those groups to whom these funds belong. In 2021 the City had no fiduciary funds.

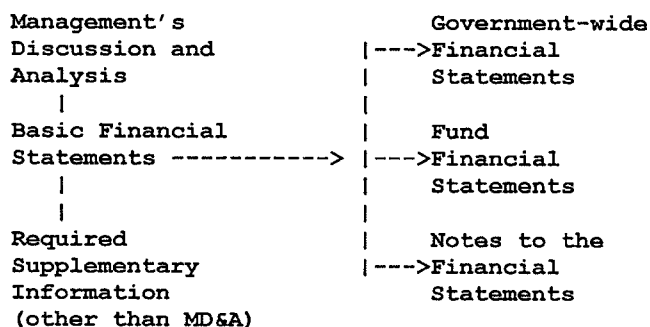
The financial statements include notes that explain in more detail some of the information found in the financial statements. The financial statements are also followed by a section of supplementary information that presents a budgetary analysis for the general fund and major special revenue fund and the City's pension information.

The Arlington Housing and Redevelopment Commission (AHRC) is a component unit of the City of Arlington. AHRC represents 100% of the balances and activity of the discretely presented component unit column of these financial statements. AHRC is organized to provide housing through the operation of a rental housing complex. AHRC is a Housing and Redevelopment Commission, established under SDCL 11-7-7. Financial information about AHRC is available at Arlington City Hall.

Required Supplementary Information:

This Management's Discussion and Analysis (page 4 to 9), the Budgetary Comparison Schedules (page 41 to 43), the Pension Schedules (page 44 and 45) are financial information required to be presented by GASB. Such information provides readers of this report with additional data that supplements the government-wide statements and fund financial statements. The Budgetary Comparison Schedule is presented on a budgetary basis of accounting, which reports capital expenditures within their respective expenditure function rather than as a separate capital outlay expenditure.

Here is an overview of the City's financial statements.



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

	Government-wide Statements	-----Fund Statements-----	
		Governmental Funds	Enterprise Funds
Scope	Entire City	City Activities except Enterprise (ie: water)	Activities operated like a private business (ie: water)
Required Financial Statements	Statement of Net Position	Balance Sheet	Statement of Net Position
	Statement of Activities	Statement of Revenues, Expenses and Changes in Fund Balances	Statement of Revenues, Expenses and Changes in Net Position
			Statement of Cash Flows
Basis of Accounting	Accrual	Modified accrual	Accrual
Measurement Focus	Economic resources	Current financial resources	Economic resources
Types of Assets & Liabilities	All - financial and capital, short- and long-term	Only current financial assets and liabilities	All - financial and capital, short- and long-term
		No capital assets	
Types of Revenue and Expenditures or Expense	All - regardless of when cash is received	Revenues when cash is received during year or within 30 days of year-end	All - regardless of when cash is received
		Expenditures when goods or services are received and payment is due during year or soon after year-end	

GOVERNMENT-WIDE STATEMENTS

(Reporting the City as a whole)

The government-wide statements (page 10 and 11) report information about the City as a whole using accounting methods similar to those used for private companies. There are two government-wide statements: the Statement of Net Position and the Statement of Activities.

The Statement of Net Position includes all of the government's assets and liabilities. Net position is the difference between assets and liabilities. Changes in these accounts is one way to measure the City's financial health.

Increases or decreases in net position measures improvements or declines in the City's financial health. To assess the City's overall financial health you also need to consider other factors such as changes in the, property tax base and sales tax revenue, sales tax revenue and/or grant activity.

The Statement of Activities includes all of the year's revenues and expenses. You will notice that expenses are listed in the first column by program. Revenues related each program are reported to the right of the expense. The result is a net revenue/expense for each program. After listing program activity, general receipts of the City are listed, which include all taxes and interest earned.

The government-wide financial statements have two broad categories of information: governmental activity and business-type activity.

The governmental activities include operation of the government such and City Council, public safety, streets and highway, snow removal, debt service, and recreational programs. Property taxes, sales taxes, revenue from the state, user fees and interest earnings finance most of these activities.

Business-type activities account for the City's water, electric, and sewer operations. These operations are financed mostly by user fees.

FUND FINANCIAL STATEMENTS

(Reporting the City's most significant funds)

The fund financial statements (page 12 to 17) provide more detailed information about the City's most significant funds, not the City as a whole. Funds are accounting tools used to keep track of the receipt and disbursement of City's resources. State law requires the use of some funds and the City Council establishes other funds to manage money for a specific purpose, like a capital project fund for infrastructure improvements.

The fund financial statements show information in three broad categories: governmental, enterprise (business-type), and fiduciary (if any).

Governmental funds: Most of the City's basic services are included in the governmental funds, which focus on (1) how cash, and other financial assets which can readily be converted into cash, flow in and out of that fund, and (2) the balances left at year-end that are available for spending in the next year. Consequently, governmental funds statements provide you a detailed short-term view to help you determine whether there are more or fewer financial resources available for spending in the near future to finance the City's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statements to reconcile the differences between the governmental fund statements and the government-wide statements.

Enterprise fund: Services for which the City charges the customer a fee are generally reported in enterprise funds. Enterprise funds, like the government-wide statements, provide both short-term and a long-term financial information. Water, electric and sewer funds are the enterprise fund maintained by the City.

Fiduciary funds: The City can be the agent (or fiduciary) for various internal and external parties. As such, the City would be responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the City's fiduciary activities would be reported in a separate statement of fiduciary net position. Fiduciary funds would be excluded from the City's government-wide financial statements because the City could not use these assets to finance City's operations. In 2021 the City had no fiduciary funds.

MATERIAL CHANGES IN STATEMENT OF NET POSITION AND STATEMENT OF ACTIVITIES

Year Ending December 31, 2021

(Material changes for governmental activities = changes greater than \$100,000)

(Material changes for business-type activities = changes greater than \$100,000)

	Increase (Decrease)	Reason
Governmental Activities:		
Capital assets	262,000	Street projects
Public works	109,000	Street projects
Business-type Activities:		
Long-term debt	(200,000)	Debt reduction

SIGNIFICANT VARIATIONS BETWEEN ORIGINAL AND FINAL GENERAL FUND BUDGET

The City's 2021 general fund budget of \$1,644,535 is an increase of \$336,950 or 25.77% from 2020. The increase was largely in the streets budget line item. There was one supplemental appropriation of \$292,200 spread over several budget line items. See page 41 for information.

SIGNIFICANT CAPITAL ASSET ACTIVITY

At December 31, 2021, the City had invested \$9,574,868 in a broad range of capital assets, including land, buildings, improvements, equipment and intangible water rights. This amount represents a net increase (including additions and deductions) of \$209,886, or 2.25% from December 31, 2020.

Significant capital asset activity is reported above. See page 37 for more information.

SIGNIFICANT LONG-TERM DEBT ACTIVITY

Significant long-term debt activity is reported above. The City is current on all long-term debt. See page 38 to 40 for more information.

CURRENTLY KNOWN FACTS

In May 2022 the City borrowed \$150,050 for a ballfield score board and concession stand.

In 2022 the City received the second half of an ARPA distribution of \$76,806.

In May 2022 the City changed from accrual to the cash basis of accounting.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional information, contact the City of Arlington's business office at Drawer 379, Arlington, SD 57212 or call 605.983.5251.

CITY OF ARLINGTON
TABLE 1 - NET POSITION (condensed and in thousands)
FULL ACCRUAL - BASED ON GOVERNMENT-WIDE FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2021 AND DECEMBER 31, 2020

	Governmental Activities		Business-Type Activities		Total Government	
	2021	2020	2021	2020	2021	2020
Assets and deferred outflow:						
Current assets	1,165	1,239	2,301	2,221	3,466	3,460
Capital assets	3,973	3,711	5,602	5,654	9,575	9,365
Other assets	56	1	202	147	258	148
Deferred outflow	71	41	57	47	128	88
Total	5,265	4,992	8,162	8,069	13,427	13,061
Liabilities and deferred inflow:						
Current liabilities	93	63	329	304	422	367
Long-term debt outstanding	51	94	2,921	3,121	2,972	3,215
Deferred inflow	108	37	86	42	194	79
Total	252	194	3,336	3,467	3,588	3,661
Net position:						
Net invested in capital asse	3,900	3,594	2,528	2,386	6,428	5,980
Restricted	19	5	119	108	138	113
Unrestricted	1,094	1,199	2,179	2,108	3,273	3,307
Total	5,013	4,798	4,826	4,602	9,839	9,400

TABLE 2 - CHANGES IN NET POSITION (condensed and in thousands)
FULL ACCRUAL - BASED ON GOVERNMENT-WIDE FINANCIAL STATEMENTS
FOR THE YEAR ENDING DECEMBER 31, 2021 AND DECEMBER 31, 2020

	Governmental Activities		Business-Type Activities		Total Government	
	2021	2020	2021	2020	2021	2020
Revenues:						
Program revenues:						
Charges for services	237	233	1,805	1,749	2,042	1,982
Operating grants and contri	86	94			86	94
Capital grants					0	0
General revenues:						
Property taxes	283	266			283	266
Sales taxes	702	718			702	718
State shared revenue	52	52			52	52
County shared revenue	5	4			5	4
Interest earnings	3	6	1	2	4	8
Rents and franchise fees	24	21			24	21
Donations	14	2			14	2
Miscellaneous	24	9			24	9
Total revenues	1,430	1,405	1,806	1,751	3,236	3,156
Expenses:						
General government	192	153			192	153
Public safety	128	213			128	213
Public works	703	594			703	594
Health and welfare	76	98			76	98
Culture and recreation	137	135			137	135
Economic development	16	16			16	16
Interest expense	5	55			5	55
Water			262	229	262	229
Electric			1,131	1,107	1,131	1,107
Sewer			155	175	155	175
Total expenses	1,257	1,264	1,548	1,511	2,805	2,775
Revenues over (under) expenses	173	141	258	240	431	381
Sale of surplus property	8	2			8	2
Compensation for damaged property						0
Transfers	34	16	-34	-16		
Loan proceeds		50				50
Change in net position	215	209	224	224	439	433
Net position:						
December 31, 2019		4,589		4,378		8,967
December 31, 2020	4,798	4,798	4,602	4,602	9,400	9,400
December 31, 2021	5,013		4,826		9,839	

CITY OF ARLINGTON

GOVERNMENT-WIDE - STATEMENT OF NET POSITION
AS OF DECEMBER 31, 2021

	Primary Government			Component
	Governmental	Business-	Total	Unit
	Activities	Type		(Not Audited)
	-----	-----	-----	12-31-2021

ASSETS:				
Current assets:				
Cash and cash equivalents	759,421	1,954,470	2,713,891	96,160
Certificates of deposit	27,527	55,000	82,527	
Taxes receivable - delinquent	10,970		10,970	
Due from governments	17,851		17,851	
Accounts receivable	14,296	143,700	157,996	
Special assessments receivable	16,605		16,605	
Inventory of supplies	318,346	147,823	466,169	
Capital assets:				
Land	313,460	13,500	326,960	53,340
Other capital assets, net of depreciati	3,659,176	5,310,125	8,969,301	262,137
Intangible water rights, net of amortization		278,607	278,607	
Other assets:				
Restricted cash for surcharge		157,408	157,408	
Net pension assets	55,800	44,578	100,378	
	-----	-----	-----	-----
Total assets	5,193,452	8,105,211	13,298,663	411,637
	=====	=====	=====	=====
DEFERRED OUTFLOW OF RESOURCES:				
Pension related deferred outflows	71,550	57,159	128,709	
	-----	-----	-----	-----
Total deferred outflow of resources	71,550	57,159	128,709	0
	=====	=====	=====	=====
LIABILITIES:				
Current liabilities:				
Accounts payable	46,234	79,682	125,916	
Customer deposits		88,685	88,685	
Leave liability	24,982	8,153	33,135	
Debt due within one year	46,593	160,794	207,387	
Long-term liabilities:				
Debt due in more than one year	25,973	2,913,151	2,939,124	
	-----	-----	-----	-----
Total liabilities	143,782	3,250,465	3,394,247	0
	=====	=====	=====	=====
DEFERRED INFLOWS OF RESOURCES				
Pension related deferred inflows	107,801	86,120	193,921	0
	-----	-----	-----	-----
Total deferred inflows of resources	107,801	86,120	193,921	0
	=====	=====	=====	=====
NET POSITION:				
Net invested in capital assets	3,900,070	2,528,287	6,428,357	315,477
Restricted for:				
Debt service		103,224	103,224	
SDRS pension purposes	19,549	15,617	35,166	
Unrestricted	1,093,800	2,178,657	3,272,457	96,160
	-----	-----	-----	-----
Total net position	5,013,419	4,825,785	9,839,204	411,637
	=====	=====	=====	=====

See accompanying notes.

CITY OF ARLINGTON

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

Functions/Programs:	Program Revenues				Net (Expenses) Revenues and Changes in Net Position			Component Unit (Not Audited) 12-31-2021
	Expenses	Charges for Services and Reimbursements	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Totals	
Primary government:								
<i>Governmental activities:</i>								
General government	191,796	24,036	12,767		-154,993		-154,993	
Public safety	128,590	23,891	38,301		-66,398		-66,398	
Public works	702,765	104,711	4,256		-593,798		-593,798	
Health and welfare	76,667	74,561	26,883		24,777		24,777	
Culture and recreation	136,870	10,257	4,256		-122,357		-122,357	
Economic development	16,000				-16,000		-16,000	
Interest and fees (all)	4,984				-4,984		-4,984	
Total governmental activities	1,257,672	237,456	86,462	0	-933,754	0	-933,754	
<i>Business-type activities:</i>								
Water	262,171	255,159				-7,012	-7,012	
Electric	1,131,292	1,359,344				228,052	228,052	
Sewer	155,050	190,916				35,866	35,866	
Total business-type activities	1,548,513	1,805,419	0	0	0	256,906	256,906	
Total primary government	2,806,185	2,042,875	86,462	0	-933,754	256,906	-676,848	
<i>Component unit activity:</i>								
Arlington Housing & Redev Commis	295,755	366,095						70,340
Total component unit activity	295,755	366,095	0	0	0	0	0	70,340
Total government-wide	3,101,940	2,408,970	86,462	0	-933,754	256,906	-676,848	70,340
<i>General revenues:</i>								
Taxes:								
Property taxes					282,620		282,620	
Sales taxes					701,938		701,938	
State shared revenue					52,142		52,142	
County shared revenue					5,082		5,082	
Interest earnings					2,939	876	3,815	62
Rents and franchise fees					23,757		23,757	
Donations					14,358		14,358	
Miscellaneous revenue					24,074		24,074	
Sale of surplus property					8,177		8,177	
Transfers in (out)					34,220	-34,220	0	
Total general revenue and transfers					1,149,307	-33,344	1,115,963	62
Change in net position					215,553	223,562	439,115	70,402
Net position:								
January 1, 2021					4,797,866	4,602,223	9,400,089	341,235
December 31, 2021					5,013,419	4,825,785	9,839,204	411,637

See accompanying notes.

CITY OF ARLINGTON
BALANCE SHEET
GOVERNMENTAL FUNDS
AS OF DECEMBER 31, 2021

	General Fund	2nd Cent Fund	Total Governmental Funds
	-----	-----	-----
ASSETS:			
Cash and cash equivalents	370,073	389,348	759,421
Certificates of deposit	27,527		27,527
Property taxes receivable	10,970		10,970
Due from governments	14,520	3,331	17,851
Accounts receivable	14,296		14,296
Special assessments - current	6,385		6,385
Special assessments - delinquent			0
Special assessments - deferred	10,220		10,220
Inventory of supplies	318,346		318,346
	-----	-----	-----
Total assets	<u>772,337</u>	<u>392,679</u>	<u>1,165,016</u>
LIABILITIES:			
Accounts payable	46,234		46,234
	-----	-----	-----
Total liabilities	46,234	0	46,234
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - delinquent property taxes	10,970		10,970
Unavailable revenue - special assessments	16,605		16,605
	-----	-----	-----
Total deferred inflows of resources	27,575	0	27,575
FUND BALANCES:			
Nonspendable	318,346		318,346
Restricted			0
Committed		392,679	392,679
Assigned	293,332		293,332
Unassigned	86,850		86,850
	-----	-----	-----
Total fund balance	698,528	392,679	1,091,207
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>772,337</u>	<u>392,679</u>	<u>1,165,016</u>

Reconciliation of the above balance sheet - governmental funds to the government-wide statement of net position

Total fund balance - governmental funds (above) 1,091,207

Amounts reported in the government-wide statement of net position are different because:

Capital assets and other assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.

Capital assets 6,963,124
Less: accumulated depreciation -2,990,488

These pension related amounts are not an available financial resource and therefore are not reported in the funds.

Net pension assets 55,800
Deferred outflow of resources 71,550
Deferred inflow of resources -107,801

Assets such as taxes receivable (delinquent) and special assessments are not available to pay for current period expenditures and therefore are deferred in the funds.

27,575

Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.

Long term liabilities at year end consist of:

2018 Bobcat loan -11,627
Fire truck bank loan -22,710
2020 Ditch Witch bank loan -38,229
Accrued leave payable -24,982

Total net position on government-wide statement of net position 5,013,419

CITY OF ARLINGTON
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES -- GOVERNMENTAL FUNDS
FOR THE YEAR ENDING DECEMBER 31, 2021

	General Fund	2nd Cent Fund	Total Governmental Funds
Revenue:			
Revenue from local sources:			
Taxes:			
Ad valorem taxes	280,494		280,494
General sales and use taxes	350,969	350,969	701,938
Amusement taxes	0		0
Licenses and permits:	4,718		4,718
Intergovernmental revenue:			
Federal shared revenue:			
Grants - COVID	85,113		85,113
State shared revenue:			
Grants - mosquito	1,349		1,349
Bank franchise tax	2,636		2,636
Liquor tax reversion	6,497		6,497
Motor vehicle licenses (5%)	17,876		17,876
Highway and bridge	25,133		25,133
County shared revenue:			
Road taxes	5,082		5,082
Charges for goods and services:			
General government	3,479		3,479
Public safety	23,891		23,891
Highway and streets	1,114		1,114
Sanitation	80,232		80,232
Health and welfare	74,561		74,561
Recreation	10,257		10,257
Cemetery	11,345		11,345
Fines and forfeits:	226		226
Miscellaneous revenue:			
Interest earned	2,612	327	2,939
Rental and franchise	23,757		23,757
Special assessments collected	8,751		8,751
Donations	14,358		14,358
Liquor operating agreements	15,613		15,613
Other	24,074		24,074
Total revenues	1,074,137	351,296	1,425,433
Expenditures:			
General government:			
Mayor and Council	18,494		18,494
Elections	15		15
Financial administration	171,088		171,088
Other	4,023		4,023
Public safety:			
Police	67,860		67,860
Fire	40,408		40,408
Public works:			
Highways and streets	317,022		317,022
Storm drainage	11,516		11,516
Airport	14,478		14,478
Solid waste	82,216		82,216
Cemetery	35,019		35,019
Health and welfare:			
West Nile prevention	2,678		2,678
Ambulance	40,554		40,554
Culture and recreation:			
Pool	73,269		73,269
Parks	28,527		28,527
Baseball	4,963		4,963
Library	13,100		13,100
BATA services	1,000		1,000
Economic assistance	15,000		15,000
Debt service: principal	44,690		44,690
interest and fees	4,984		4,984
Capital outlays	583,594		583,594
Total expenditures	1,574,498	0	1,574,498
Excess of revenues over (under) expenditures	-500,361	351,296	-149,065

(continued)

CITY OF ARLINGTON

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES -- GOVERNMENTAL FUNDS (continued)
FOR THE YEAR ENDING DECEMBER 31, 2021

	General Fund	2nd Cent Fund	Total Governmental Funds
	-----	-----	-----
Other financing sources (uses):			
Transfers in (from 2nd cent fund)	549,549	-549,549	0
Transfers in (from electric fund)	34,220		34,220
Sale of surplus property	8,177		8,177
	-----	-----	-----
Net change in fund balance	91,585	-198,253	-106,668
Fund balance:			
January 1, 2021	606,943	590,932	1,197,875
	-----	-----	-----
December 31, 2021	698,528	392,679	1,091,207
	=====	=====	=====
Reconciliation of the above statement of revenues, expenditures, and changes in fund balances to the government-wide statement of activities.			
Amounts reported in the government-wide statement of net position are different because:			
Net change in fund balances - total governmental funds (above)			-106,668
Governmental funds report capitalized cost as expenditures. However, in the statement of activities the cost of these assets is allocated over their estimated useful lives and reported as depreciation.			
2021 capitalized cost			583,594
2021 depreciation			-322,286
Some property taxes will not be collected for several months after the City's year-end. Therefore, they are not considered "available" revenues and are deferred in these funds statement.			2,126
Some special assessments will not be collected for several months after the City's year-end. Therefore, they are not considered "available" revenues and are deferred in these funds statement.			3,269
(Expenses) and reductions of expenses related to pensions do not provide current financial resources and, therefore, are not reported in the funds.			14,882
Governmental funds do not reflect the change in "accrued leave", but the statement of activities reflects the change in "accrued leave" through expenditures.			-4,054
Current debt principal reduction (increase) is not reported in the government-wide statement of activities:			
2018 Bobcat loan			11,147
2019 Fire truck bank loan			21,722
2020 Ditch Witch bank loan			11,821

Change in net position on government-wide statement of activities			215,553
			=====
See accompanying notes.			

CITY OF ARLINGTON

STATEMENT OF NET POSITION - ENTERPRISE FUNDS
AS OF DECEMBER 31, 2021

	Water Fund	Electric Fund	Sewer Fund	Total Enterprise Funds
ASSETS:				
Current assets:				
Cash and cash equivalents	55,982	1,448,364	450,124	1,954,470
Certificates of deposit		35,000	20,000	55,000
Accounts receivable	16,487	112,380	14,833	143,700
Inventory of supplies	20,363	114,998	12,462	147,823
Total current assets	92,832	1,710,742	497,419	2,300,993
Noncurrent assets:				
Capital assets:				
Land		1,000	12,500	13,500
Buildings		195,593		195,593
Improvements	1,940,522	2,897,505	2,584,097	7,422,124
Equipment	13,451	1,278,045	27,862	1,319,358
Construction-in-progress				0
Accumulated depreciation	-875,924	-1,079,751	-1,671,275	-3,626,950
Intangible water rights, net	278,607			278,607
Total noncurrent assets	1,356,656	3,292,392	953,184	5,602,232
Other assets:				
Restricted cash for surcharge		157,408		157,408
Net pension assets	7,378	31,047	6,153	44,578
Total assets	1,456,866	5,191,589	1,456,756	8,105,211
DEFERRED OUTFLOW OF RESOURCES				
Pension related deferred outflows	9,460	39,810	7,889	57,159
Total outflow of resources	9,460	39,810	7,889	57,159
LIABILITIES:				
Current liabilities:				
Accounts payable	9,794	67,038	2,850	79,682
Customer deposits	28,107	60,578		88,685
Current portion of:				
Long-term debt	22,237	125,000	13,557	160,794
Total current liabilities	60,138	252,616	16,407	329,161
Noncurrent liabilities:				
Leave liability	3,040	1,624	3,489	8,153
Noncurrent portion of long-term debt	314,864	2,080,000	518,287	2,913,151
Total noncurrent liabilities	317,904	2,081,624	521,776	2,921,304
Total liabilities	378,042	2,334,240	538,183	3,250,465
DEFERRED INFLOW OF RESOURCES				
Pension related deferred inflows	14,253	59,980	11,887	86,120
Total inflow of resources	14,253	59,980	11,887	86,120
NET POSITION				
Net invested in capital assets	1,019,555	1,087,392	421,340	2,528,287
Restricted:				
Water revenue bond	32,232			32,232
Sewer revenue bond			70,992	70,992
SDRS pension purposes	2,585	10,877	2,155	15,617
Unrestricted	19,659	1,738,910	420,088	2,178,657
Total net position	1,074,031	2,837,179	914,575	4,825,785 *

* Government-wide Statement of Net Position
See accompanying notes.

CITY OF ARLINGTON

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

	Water Fund	Electric Fund	Sewer Fund	Total Enterprise Funds
	-----	-----	-----	-----
Operating revenue:				
Charges for goods and services	255,159	1,359,344	190,916	1,805,419
	-----	-----	-----	-----
Total operating revenue	255,159	1,359,344	190,916	1,805,419
	-----	-----	-----	-----
Operating expenses:				
Personal services	31,504	161,217	33,665	226,386
Other current services	39,774	150,633	24,718	215,125
Cost of goods sold	113,791	590,994		704,785
Amortization	19,104			19,104
Depreciation	40,055	172,002	76,424	288,481
Pension related expense reduction	-1,783	-7,029	-1,753	-10,565
	-----	-----	-----	-----
Total operating expenses	242,445	1,067,817	133,054	1,443,316
	-----	-----	-----	-----
Total operating income (loss)	12,714	291,527	57,862	362,103
Nonoperating revenue (expense):				
Interest earnings	12	306	558	876
Interest expense and fees	-19,726	-63,475	-21,996	-105,197
	-----	-----	-----	-----
Total nonoperating revenue (expense)	-19,714	-63,169	-21,438	-104,321
	-----	-----	-----	-----
Income (loss) before transfers	-7,000	228,358	36,424	257,782
Transfer in (out)		-34,220		-34,220
	-----	-----	-----	-----
Change in net position	-7,000	194,138	36,424	223,562 *
Net position:				
January 1, 2021	1,081,031	2,643,041	878,151	4,602,223
	-----	-----	-----	-----
December 31, 2021	1,074,031	2,837,179	914,575	4,825,785
	=====	=====	=====	=====

* Government-wide Statement of Activities

See accompanying notes.

CITY OF ARLINGTON

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

	Water Fund	Electric Fund	Sewer Fund	Total Enterprise Funds
	-----	-----	-----	-----
Cash flows from:				
Operating activities:				
Receipts from customers	241,623	1,336,160	183,565	1,761,348
Received from other funds	15,470	37,127	6,188	58,785
Payments to employees	-30,483	-160,571	-32,544	-223,598
Payments to suppliers	-148,816	-727,522	-18,164	-894,502
Payments to other funds	-2,428	-292	-4,059	-6,779
Net cash provided (used) by operating activities	----- 75,366	----- 484,902	----- 134,986	----- 695,254
Noncapital financing activities:				
Transfers (out)		-34,220		-34,220
Capital financing activities:				
Cash paid for improvements	-68,830		-174,832	-243,662
Cash paid for equipment		-12,500		-12,500
Principal paid on debt	-59,871	-120,000	-13,500	-193,371
Interest and fees paid on debt	-19,726	-63,475	-21,996	-105,197
Investing activities:				
Interest earnings	12	306	558	876
Net increase (decrease) in cash	----- -73,049	----- 255,013	----- -74,784	----- 107,180
Cash:				
January 1, 2021	129,031	1,350,759	524,908	2,004,698
December 31, 2021	=====	=====	=====	=====
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	12,714	291,527	57,862	362,103
Amortization	19,104			19,104
Depreciation	40,055	172,002	76,424	288,481
Pension related expense reduction	-1,783	-7,029	-1,753	-10,565
(Increase) decrease in:				
Accounts receivable	1,934	9,578	-1,163	10,349
Inventory	0	4,795		4,795
Prepaid expense	1,929			1,929
Increase (decrease) in:				
Accounts payable	392	9,018	2,495	11,905
Customer deposits		4,365		4,365
Leave liability	1,021	646	1,121	2,788
Net cash provided (used) by operating activities	----- =====	----- =====	----- =====	----- =====
Noncash investing, capital and financing activities:				
None				
See accompanying notes.				

CITY OF ARLINGTON
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of Arlington conform to generally accepted accounting principles applicable to government entities in the United States of America.

a. Reporting Entity:

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

The City's officials at December 31, 2021 are:

Governing Board:	Finance Officer:
Curt Lundquist, Mayor	Stephanie Damm
Terry Rowbotham, President	
Rob Achterberg	Attorney:
Cory Falconer	Wilkinson & Schumacher
Garth Johnson	
Terry Mutziger	
Jesse Steffensen	

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

Financial Reporting Entity:

Primary Government: - The City of Arlington
Component Unit: - Arlington Housing and Redevelopment Commission

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

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

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

Based upon the application of these criteria, the Arlington Housing and Redevelopment Commission (AHRC) is a component unit of the City of Arlington. AHRC represents 100% of the balances and activity of the discretely presented component unit column of these financial statements.

AHRC is organized to provide housing. AHRC is a Housing and Redevelopment Commission, established under SDCL 11-7-7. Financial information about AHRC is available at Arlington City Hall.

The City's library is jointly governed with the Arlington School District. The library has a board of 3 persons from the City, 3 persons from the School and the 2 librarians. All costs are split 35% to the City and 65% to the School. The City's cost are blended into its general fund. The library does not keep any separate funds for fines or other matters.

b. Basis of Presentation:

Government-wide Financial Statements:

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

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

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

Fund Financial Statements:

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

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

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

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

Governmental Funds

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

Special Revenue Funds - special revenue funds are used to account for the proceeds of specific revenue sources (other than trusts for individuals, private organizations, or other governments or for major capital projects) that are legally restricted to expenditures for specified purposes. The City has the following special revenue fund:

2nd Cent Sales Tax Fund - A fund established by City to account for an additional 1% sales tax. The City has restricted the use of this fund to street improvements. The 2nd cent sales tax fund is a major fund.

Enterprise Funds

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

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

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

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

Fiduciary Funds

Fiduciary Funds are never considered to be major funds. The City has no fiduciary funds.

c. Measurement Focus and Basis of Accounting:

Measurement focus is a term used to describe "what" transactions are recorded within the various financial statements. Basis of accounting refers to "when" revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements, regardless of the measurement focus.

Measurement Focus

Government-wide Financial Statements:

Both governmental and business-type activities are presented using the "economic resources" measurement focus, applied on the accrual basis of accounting.

The "economic resources" measurement focus includes all assets and liabilities (whether current or noncurrent, financial, or nonfinancial) on the balance sheet. Operating statements use the flow of all economic resources to present operating income, changes in net position, and cash flows during the accounting period. This measurement focus uses the term "net position" to describe its equity at the end of the accounting period.

Fund Financial Statements:

All governmental funds are presented using the "current financial resources" measurement focus and the modified accrual basis of accounting.

The "current financial resources" measurement focus includes only current financial assets and liabilities on the balance sheet. Operating statements present sources and uses of available spendable financial resources during the accounting period. This measurement focus uses the term "fund balance" to describe its equity at the end of the accounting period. It is a measure of available spendable financial resources.

Enterprise and fiduciary funds are presented using the "economic resources" measurement focus (described above) and the accrual basis of accounting.

Basis of Accounting

Government-wide Financial Statements:

In the government-wide financial statements, the accrual basis of accounting is used for both governmental and business-type activities in the Statement of Net Position and Statement of Activities. Under the accrual basis of accounting, revenues and related assets generally are recorded when earned (usually when the right to receive cash vests); and, expenses and related liabilities are recorded when an obligation is incurred (usually when the obligation to pay cash in the future vests). The accrual period does not exceed one bill-paying cycle, which for the City is 30 days. The revenues which are accrued at December 31, 2021 are state shared revenue and other accounts receivable.

Fund Financial Statements:

In the fund financial statements, all governmental funds are accounted for using the modified accrual basis of accounting. Their revenues, including property taxes, generally are recognized when they become measurable and available. "Available" means resources are collected or to be collected soon enough after the end of the fiscal year that they can be used to pay the bills of the current period. The accrual period does not exceed one bill-paying cycle, which for the City is 30 days. The revenues which are accrued at December 31, 2021 are state shared revenue and other accounts receivable.

Under the modified accrual basis of accounting, receivables may be measurable but "not available". Not available means not collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Reported deferred inflow of resources are those where the asset recognition criteria has been met but for which the revenue recognition criteria has not been met because the receivable is not available.

Expenditures generally are recognized when the related fund liability is incurred. Exceptions to this general rule include principal and interest on general long-term debt which are recognized when due. However, the City of Arlington budgets for, and makes payment of, debt obligations due on January 1st as of December 31st, the end of the City's fiscal year.

All enterprise funds and fiduciary funds are accounted for using the accrual basis of accounting, the same as in the government-wide financial statements. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

d. Interfund Eliminations and Reclassifications:

Government-wide Financial Statements:

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

In order to minimize the grossing-up effect on assets and liabilities within the governmental and business-type activities columns of the primary government, amounts reported as interfund receivables and payables have been eliminated in the governmental and business-type activities columns, except for the net residual amounts due between governmental and business-type activities, which are presented as "Internal Balances" (if any).

Fund Financial Statements:

In the fund financial statements, noncurrent portions of long-term interfund receivables are reported as Nonspendable Fund Balance to the extent that the proceeds from the collection of those receivables are not Restricted, Committed, or Assigned. Current portions of interfund receivables (reported in "Due from" asset accounts) are considered "available spendable resources" and are reported in the appropriate fund balance category.

e. Interfund Transactions:

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

f. Cash and Cash Equivalents:

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

For the year ending December 31, 2021, all enterprise fund deposits and investments are considered to be cash and cash equivalent for purposes of the statement of cash flow except certificates of deposit totaling \$35,000 held for the electric fund and \$20,000 held for the sewer fund because their maturity when purchased was longer than three months and they are not part of a pool.

g. Capital Assets and Infrastructure assets:

Capital assets include land, buildings, improvements, and equipment, and all other tangible or intangible assets that are used in operations, which have initial useful lives extending beyond a single reporting period. *Infrastructure* assets are long-lived capital assets that normally are stationary in nature and normally can be preserved for significantly greater number of years than most capital assets. Infrastructure assets, if any, are classified as "Improvements Other than Buildings."

Government-wide Financial Statements:

In the government-wide financial statements, capital assets are accounted for on the accrual basis of accounting. Capital asset purchases are capitalized and not expensed. Instead, capital purchases are expensed over the life of the asset as depreciation or amortization.

Capital assets are valued at historical cost, or estimated historical cost, if actual historical cost is not available. Donated capital assets are valued at their estimated fair value on the date donated. Reported cost values include ancillary charges necessary to place the asset into its intended location and condition for use. After an item has been capitalized, subsequent improvements or betterments that are significant, and which extend the useful life of the item, are also capitalized.

The total December 31, 2021 balance of capital assets for governmental activities include approximately 10% for which the costs were determined by estimates of the original costs. The total December 31, 2021 balance of capital assets for business-type activities includes approximately 5% for which the costs were determined by estimates of the original costs. Estimated original costs were established by basing the estimates on a comparison to historical costs of similar items.

Interest cost incurred during construction of general capital assets are not capitalized with other capital asset cost. Interest cost incurred during construction of enterprise capital assets also are not capitalized with other capital asset cost.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the government-wide statement of activities and the enterprise fund statement of revenue, expenses and changes in fund net position. Accumulated depreciation is reported on the government-wide statement of net position and on the enterprise fund's statement of net position. See also page 37.

Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts), depreciation method, and estimated useful lives of capital assets reported in the government-wide statements and enterprise funds are as follows:

	Capitalization Threshold	Depreciation Method	Estimated Life in Years
	-----	-----	-----
Land	All	N/A	N/A
Buildings/structures	All	Straight-line	33-50
Improvements	5,000	Straight-line	20-75
Equipment	5,000	Straight-line	5-10

Land is an inexhaustible capital asset and is not depreciated.

There was no construction-in-progress at December 31, 2021.

Fund Financial Statements:

In the fund financial statements, governmental funds account for capital asset purchases as expenditures of the appropriate governmental fund because these funds have a "current financial resources" measurement focus. Enterprise funds account for capital asset purchases on the accrual basis of accounting, the same as in the government-wide statements.

h. Long-term Liabilities:

Government-wide Financial Statements:

In the government-wide financial statement, all long-term liabilities to be repaid from governmental or business-type resources are reported as liabilities. Long-term liabilities primarily consist of loans payable, a capital lease/purchase and accrued leave payable.

Fund Financial Statements:

In the fund financial statements, governmental debt proceeds are reported as revenues (other financing sources), while payments of principal and interest are reported as expenditures when they become due. Enterprise fund long-term debt is reported as a liability, the same as in the government-wide statements.

i. Program Revenues and General Revenues and Deferred Inflows and Deferred Outflows of Resources:

Program Revenue

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

1. Charges for services - These arise from charges to customers, applicants, or others who purchase, use, or directly benefit from the goods, services, or privileges provided, or are otherwise directly affected by the services.

2. Program-specific operating grants and contribution - These arise from mandatory and voluntary non-exchange transactions with other governments, organizations, or individuals that are restricted for use in a particular program.
3. Program-specific capital grants and contribution - These arise from mandatory and voluntary non-exchange transactions with other government, organization, or individuals that are restricted for the acquisition of capital assets for use in a particular program.

General Revenue

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

Deferred Inflows and Deferred Outflows of Resources

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources (if any). Deferred outflows of resources represent consumption of net position that applies to a future period or periods. These items will not be recognized as an outflow of resources until the applicable future period.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources (if any). Deferred inflows of resources represent acquisitions of net position that applies to a future period or periods. These items will not be recognized as an inflow of resources until the applicable future period.

j. Enterprise Fund Revenue and Expense Classifications:

In the government-wide and fund financial statements, enterprise revenues and expenses are classified in a manner consistent with how they are classified in the statement of cash flows. That is, transactions for which related cash flows are reported as capital and related financing activities, noncapital financing activities, or investing activities are not reported as components of operating revenues or expenses.

k. Equity Classifications:

Government-wide Financial Statements:

Equity is classified as "Net Position" and is displayed in three components:

1. Net Invested in Capital Assets - Consists of capital assets, including restricted capital assets, net of accumulated depreciation (if applicable) and reduced by the outstanding balances of any bonds payable, capitalized leases payable, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
2. Restricted Net Position - Consists of net position with constraints placed on its use either by (a) external groups such as creditor, grantor, contributors, or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
3. Unrestricted Net Position - Other net position that does not meet the criteria of 1 or 2 above.

Fund Financial Statements:

Governmental fund equity is classified as "Fund Balance", and may distinguish between "Nonspendable", "Restricted", "Committed", "Assigned", and "Unassigned" components. Enterprise fund equity is classified as "Net Position", the same as

components. Enterprise fund equity is classified as "Net Position", the same as in the government-wide financial statements. Fiduciary fund equity (if any) is reported as "Custodial Net Position".

1. Fund Balance Classification Policies and Procedures:

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

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

The City of Arlington fund balance classifications are made up of:

<u>Fund Balance Classifications</u>	<u>Account or Fund</u>	<u>Authority or Action</u>	<u>Amount</u>
Nonspendable	Inventory		318,346
Restricted	None		0
Committed	2nd cent sales tax	Ordinance	392,679
Assigned	General:	Resolutions	
	Unemployment	9,824	
	Park and recreation	8,741	
	Fire	87,230	
	Street equipment	58,758	
	Airport improvements	10,001	
	Ambulance	81,373	
	Library	37,405	
		-----	293,332
Unassigned	General		86,850

			1,091,207

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

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

The City's special revenue 2nd cent sales tax fund receives its revenue from the 2nd cent sales tax. See page 13.

m. Application of Net Position:

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

n. Allowance for Doubtful Accounts:

Because write-off of uncollected taxes and/or utility billings is minimal, is it not considered necessary to establish an estimated allowance for doubtful accounts.

o. Accounting Estimates:

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual amounts could differ from these estimates. Following are the estimates made by management during the year:

- * Allowance for doubtful accounts - estimated uncollectables
- * Inventory - estimated fair market value
- * Depreciation - estimated service lives
- * Cash Flows - interfund utility usage
- * SDRS Pension - actuarial assumptions

2. VIOLATIONS OF FINANCE-RELATED LEGAL AND CONTRACTUAL PROVISIONS

Budget:

The City is prohibited by statute from spending in excess of appropriated amounts by department within a fund. The general fund/general government/finance went over its budget by \$6,233; general fund/public safety/fire went over its budget by \$6,358; the general fund/public works/highways and streets went over its budget by \$352; the general fund/public works/solid waste went over its budget by \$321; the general fund/culture and recreation/recreation went over its budget by \$15,417; and the general fund/debt service went over its budget by \$2,242.

These over budget amounts are not considered material to the financial statements. In the future, the City expects to make contingency transfers or adopt supplemental appropriations to cover expenditures that will exceed their original appropriation.

Recoverable Costs:

A water and sewer project costing \$86,840 was assessed in 1993. Of this amount \$19,965 was charged to existing residential lots and was repaid over 10 years at 8.0%.

The remainder of this water and sewer project cost was for land that was agricultural and not subject to assessment until residential lots are platted and created from that property. When residential lots are created, these cost will be recoverable under SDCL 9-47-16 and 9-48-15. The allocation of recoverable cost is \$28,991 to the water fund and \$37,884 to the sewer fund. As of December 31, 2021 all or some of this land has been platted, but no assessments have been made to recover the City's original cost of putting in water and sewer lines.

3. DEPOSITS AND RELATED RISKS

The City follows the practice of aggregating deposits of its various funds for cash management efficiency and returns, except for restricted cash held by 3rd parties and certificates of deposits purchased for an individual fund.

The City's deposits are made in qualified public depositories as defined by SDCL 4-6A-1, 9-22-6, 9-22-6.1 and 9-22-6.2 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 exceed deposit insurance such as FDIC and NCUA. In lieu of pledging eligible securities, a qualified public depository may furnish irrevocable standby letters of credit issued by federal home loan banks accompanied by written evidence of that bank's public debt rating which may not be less than "AA" or a qualified public depository may furnish a corporate surety bond of a corporation authorized to do business in South Dakota.

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

Actual bank balances at December 31, 2021 were as follows: Insured \$500,000, Collateralized ** \$2,511,237, for a total of \$3,011,237.

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

The carrying amount of these deposits, including certificates of deposit and \$50 of petty cash, at December 31, 2021 was \$2,953,826.

Certificates of deposit, with a term to maturity of greater than 90 days when purchased, are insured or collateralized and are considered deposits.

Custodial Deposit Risk - The risk that, in the event of a depository failure, the City's deposits may not be returned to it. At December 31, 2021, the City's deposits in financial institutions were not exposed to custodial credit risk.

Concentration of Credit Risk - the City places no limit on the amount that may be invested in any one institution. All of the City's deposits are in Citizens State Bank.

4. INVESTMENTS AND RELATED RISKS

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

During 2021 the City had no investment.

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

Custodial Investment Risk - The risk that, in the event of failure of the counterparty to a transaction, the City will not be able to recover the value of investment or collateral securities that are in possession of an outside party. The City had no investments during the year ending December 31, 2021 and was not exposed to custodial investment risk.

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

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

5. RECEIVABLES AND PAYABLES:

The financial statements do not aggregated receivables or payables. The City expects all receivables to be collected within one year. Allowances for estimated uncollectible accounts are not material to these financial statements. However, in 2021 the City did write-off \$40,092 of ambulance and utility receivables that went back several years.

6. INVENTORY OF SUPPLIES AND SMALL TOOLS

Government-wide Statements: (consumption method)

In the government-wide financial statements inventory of supplies and small tools are recorded as assets when purchased and charged to expense when they are consumed. Inventory of supplies and small tools are recorded at cost. Donated items are valued at estimated market value at the date of receipt. Items are accounted for by specific identification.

Fund Financial Statements: (consumption method)

In the fund financial statements inventory of supplies and small tools are recorded as assets when purchased and charged to expenditure/expense when they are consumed. Reported governmental inventories are equally offset by a nonspendable fund balance which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets.

Inventory of supplies and small tools are recorded at cost. Donated items are valued at estimated market value at the date of receipt. Items are accounted for by specific identification.

7. CHANGES IN CAPITAL ASSETS (see schedule one on page 37) INTANGIBLE WATER RIGHTS

A summary of the changes in capital assets is presented in schedule one at the end of these notes. There is no construction-in-progress at December 31, 2021.

At the end of 2009 the City of Arlington early applied GASB Statement No. 51 by booking the initial present value of 480 monthly payments of \$1,928.58 made for "contribution in aid of construction" to Kingbrook Rural Water System for intangible water rights related to the use of a Kingbrook water line. The initial present value at 5.00% of these payments is \$507,860. After 480 monthly payments Kingbrook will continue to own the water line and the City's right to Kingbrook water will end. In 2010 the City began amortizing its water rights at \$19,104 per year to yield \$278,607 of remaining intangible water rights at December 31, 2021.

8. RESTRICTED NET POSITION

The following table shows the net position restricted for specific purposes as shown on the statement of net position:

Purpose:	Restricted By:	Government-Wide	Business-Type
Debt	Covenants	0	103,224
Pension	GASB-68	19,549	15,617
		-----	-----
		19,549	118,841

9. CHANGES IN LONG-TERM DEBT (see schedule two on page 38) PLEDGED FUTURE REVENUE TO SECURE DEBT

A summary of changes in long-term liabilities is presented as supplementary information on page 38. For the year ending December 31, 2021, the City has no: (a) unused lines-of-credit, (b) short-term debt, (c) debt extinguishments, defeasances, refundings or troubled debt restructuring, (d) special assessment debt, (e) conduit debt, (f) derivatives or hedging of variable rate debt, (g) debt related to claims and judgments, or (h) other than the collateral specified, terms in debt agreements related to significant (1) events of default with finance-related consequences, (2) termination events with finance-related consequences or (3) subjective acceleration clauses. The City has no defeased or conduit debt.

Pledged Future Revenue to Secure Debt:

See also page 39	1997 Water Revenue Bonds for Water Improvements	2004 Sewer Revenue Bonds for Sewer Improvements
Maturing in:	2039	2045
Remaining balance:	\$187,755	\$531,844
Pledged net revenue: (after normal operating, repair and maintenance expenses, but before amor- tization, depreciation and pension activity)	70,090	132,533
Total 2021 bond payments:	16,116	35,496

10. ELECTRICAL SURCHARGE REVENUE BOND, SERIES 2016A

In 2016 the City issued a Electrical Surcharge Revenue Bond for \$2,800,000. It received a premium of \$4,635 and had issue cost of \$54,800 for net proceeds of \$2,749,835. The bonds are subject to redemption at the election of the City on or after June 1, 2023. The bonds are secured by an electric surcharge only. They are not secured by, nor are they payable from, the revenues derived from the operation of the electric fund (utility) or any other properties of the City other than the electric surcharge revenue. See page 39 for more information. The bonds were issued to improve the City's primary electric infrastructure including a conversion of the City's primary operating voltage from 4.160 kV to 12.470 kV in order to correct voltage drop violations and improve losses. Work included replacing all existing 4.16 kV padmounted distribution transformers with new dual voltage 12.47/4.16 kV padmounted transformers, and replacing an existing 5 kV rated primary cable with 15 kV rated primary cable.

A new dual transformer substation will was also constructed adjacent to the City's existing North substation to carry the system at its new voltage level and replace aging and failing substation equipment. The new substation centralized the systems primary transformation capability and eliminated the need for the City's existing West substation. The 1 mile 69 kV transmission feed was also reconstructed due to age.

11. INTERFUND BALANCES AND TRANSFERS

At December 31, 2021, there are no interfund "due from" "due to" amounts.

Net transfers "in" and "(out)" between funds are:

	Governmental	Enterprise	Purpose
For operations and capital improvements:			
General	549,549		Street projects
General	34,220		Operation
2nd cent	(549,549)		Street projects
Electric		(34,220)	Operations
	-----	-----	
	34,220	(34,220)	

12. PENSION PLAN

Summary of Significant Accounting Policies:

For purpose of measuring the net pension (assets), liabilities, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the South Dakota

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

Plan Information:

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

Benefits Provided:

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

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

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

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

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

> Baseline actuarial accrued liabilities will be calculated assuming the COLA is equal to long-term inflation assumption of 2.25%.

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

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

Contributions:

Per SDCL 3-12, contributions requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A Members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. The City's share of contributions to the SDRS for the years ending December 31, 2021, 2020 and 2019 were \$19,385, \$17,110 and \$19,440, respectively (employer's share) equal to the required contribution each year.

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

At June 30, 2021 SDRS is 105.53% funded and accordingly has net pension (asset). The proportionate shares of the components of the net pension (asset) of South Dakota Retirement System, for the City as of this measurement period ending June 30, 2021 and reported by the City as of December 31, 2021 are as follows:

Proportionate share of total pension liability	\$ 1,817,465
Less: Proportionate share of net position restricted for pension benefits	(1,917,843)

Proportionate share of net pension (asset)/liability	\$ (100,378)
	=====

At December 31, 2021 the City reported a (asset)/liability of \$(100,378) for its proportionate share of the net pension (asset)/liability. The net pension (asset) was measured as of June 30, 2021 and the total pension liability used to calculate the net pension (asset) was based on a projection of the City's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2021, the City's proportion was .000131070 which is a decrease of .000008008 over its proportion measured as of June 30, 2020.

For the year ended December 31, 2021, the City recognized net pension (expense reduction) of \$25,447.

At December 31, 2021 the City reported deferred outflows of resources and deferred inflows of resources related to the pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 3,604	\$ 263
Change in assumptions	115,433	50,267
Net difference between projected and actual earnings on pension plan investments	0	143,391
Changes in proportion and difference between client contribution and proportionate share of contributions	(20)	
City contributions subsequent to the measurement date	9,693	
	-----	-----
Totals	128,710	193,921
	(9,693)	=====
	(193,921)	

To be amortized over 4 years	(74,904)	
	=====	

The \$9,693 reported as deferred outflow of resources related to the pension, results from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2022.

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

Year Ending December 31, 2022	\$ (18,449)
December 31, 2023	(12,584)
December 31, 2024	(3,520)
December 31, 2025	(40,351)

	(74,904)

Actuarial Assumptions:

The total pension liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25%
Salary Increases	6.50% at entry to 3.00% after 25 years of service
Discount Rate	6.50% net of plan investment expense. This is composed of an average inflation rate of 2.25% and real returns of 4.25%.
Future COLAs	2.25%

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

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

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period of July 1, 2011 to June 30, 2016.

Discount Rate:

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

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

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

	1% Decrease 5.50%	Current Discount Rate 6.50%	1% Increase 7.50%
City's proportionate share of the net pension (asset)/liability	\$162,536	\$(100,378)	\$(313,801)

Investments

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

Best estimates of real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2021 (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	58.0%	4.3%
Fixed Income	30.0%	1.6%
Real Estate	10.0%	4.6%
Cash	2.0%	0.9%
	----- 100.0% =====	

Pension Plan Fiduciary Net Position:

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

13. EMPLOYEE BENEFIT PLAN

The city offers eligible employees a "Flexible Benefits Plan" (also known as "Flex One" or a "cafeteria plan") under IRC Sec.125. The Plan allows eligible employees to use money provided by the City through employee salary redirection, to choose (and pay for) one or more benefits offered through the Plan. The Plan is administered by an independent third party.

14. PROPERTY TAX

Taxes are levied on or before October 1, attach as an enforceable lien on property, become due and payable on the following January 1, and are payable in two installment on or before the following April 30 and October 31. The county bills and collects the City's taxes and remits them to the City.

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

Delinquent property taxes, from prior year tax levies, are included in "net position" in the government-wide statement of activities but are deferred in the fund financial statements. Property taxes collected within the 30 day availability period are immaterial to these financial statements. See reconciliations on page 12 and 14.

15. JOINT POWERS AGREEMENT

In 2006 the City joined the Regional Economic Development Partnership coordinated by the Brookings Economic Development Corporation (BEDC). The purpose of the Partnership is to (1) establish a regional economic development plan, (2) cooperation in such areas as joint bidding, fire and police protection, animal control, code enforcement, and mosquito abatement, and (3) availability of "Technical Assistance" from City of Brookings staff. In 2021 the City of Arlington paid dues of \$5,000 to BEDC for participation in the Partnership.

At December 31, 2021 BEDC had total AUDITED equity of \$3,958,171 and \$68,558 in long-term debt. The BEDC can be reached through the City of Brookings at P.O. Box 270, Brookings, SD 57006 or by calling 605.697.8103.

16. RELATED PARTY

The Arlington Community Development Corporation (ACDC) is considered a related party because ACDC is financial dependent on loan guarantees from the City. At December 31, 2021 ACDC had UNAUDITED equity/net assets of \$1,327,912 and long-term debt of \$1,165,598. It had total income of \$42,136 total expenses of \$19,504 and net income of \$22,632.

In 2017 the City guaranteed 100% of a \$465,000 industrial park 10 year bank loan to ACDC. The City has not been asked to make any payments on this loan, which has a balance of \$404,839 at December 31, 2021.

17. RISK MANAGEMENT

The City is exposed to various risks of loss related to injuries to employees; torts; theft of or damage to property; errors and omissions of public officials; and natural disasters. During the year ending December 31, 2021, the City managed its risks as follows:

Employee Health Insurance

The City joined the South Dakota Municipal League Health Pool of South Dakota. This is a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The City pays a monthly premium to the pool to provide health insurance coverage for its employees. The pool purchases reinsurance coverage with the premiums it receives from the members. The coverage includes a lifetime medical maximum of \$2,000,000 per person.

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

Liability Insurance:

The City purchases liability insurance coverage for property, liability, inland marine, crime, automobile, and professional liability from a commercial carrier. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

Worker's Compensation:

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

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

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

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

Unemployment Benefits:

The City has elected to be self-insured and retain all risk for liabilities resulting from claims for unemployment benefits. The City has assigned fund balance in the general fund of \$9,824 for the payment of future unemployment benefits.

During the year ending December 31, 2021, no claims were paid for unemployment benefits. At December 31, 2021, no claims have been filed for unemployment benefits and none are anticipated in 2022.

18. LITIGATION

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

19. TAX ABATEMENTS

In January 2021 the City approved a tax abatement request (correction) for a utility company that is "Centrally Assessed" at the state level and not at the county level. Utility company property taxes are sent to the state and not the county. Other than this, the City did not provide any tax abatement incentives through its Tax Increment Financing District Projects or through other agreements that are considered tax abatements in accordance with the provisions of GASB Statement No. 77.

20. OTHER DISCLOSURES AND SUBSEQUENT EVENTS

The City does not operate a landfill.

The City does not offer any Other Post Employment Benefits.

The City does not have any material related party transactions.

In May 2022 the City borrowed \$150,050 for a ballfield score board and concession stand.

In 2022 the City received the second half of an ARPA distribution of \$76,806.

In May 2022 the City changed from accrual to the cash basis of accounting.

CITY OF ARLINGTON

NOTES TO THE FINANCIAL STATEMENTS -- SCHEDULE ONE

CHANGES IN CAPITAL ASSETS

FOR THE YEAR ENDING DECEMBER 31, 2021

	Beginning 12-31-20 -----	Book Adjustments -----	2021 Additions -----	2021 Deletions -----	Ending 12-31-21 -----	Accumulated Depreciation 12-31-20 -----	Book Adjustments -----	2021 Depreciation (Additions) -----	2021 Depreciation Deletions -----	Accumulated Depreciation 12-31-21 -----	Remaining Cost 12-31-21 -----
General capital assets:											
Land	313,460				313,460						313,460
Buildings	433,327				433,327	-279,841		-9,054		-288,895	144,432
Improvements	3,532,613		519,730	36,815	4,089,158	-993,446		-195,448		-1,188,894	2,900,264
Equipment	2,064,988	-1,673	63,864		2,127,179	-1,396,588	1,673	-117,784		-1,512,699	614,480
Construction-in-progress	36,815			-36,815	0	0				0	0
Totals	6,381,203	-1,673	583,594	0	6,963,124	-2,669,875	1,673	-322,286	0	-2,990,488	3,972,636

Allocation of Depreciation:

General government	3,629
Public safety	20,322
Public works	247,889
Health and welfare	33,435
Culture and recreation	17,011

	322,286
	=====

Business-type activity:

Enterprise funds:

Land	13,500				13,500	0				0	13,500
Buildings	195,593				195,593	-23,708		-5,927		-29,635	165,958
Improvements	7,150,056		243,662	28,405	7,422,123	-2,681,389		-170,558		-2,851,947	4,570,176
Equipment	1,306,858		12,500		1,319,358	-633,372		-111,996		-745,368	573,990
Construction-in-progress	28,405			-28,405	0	0		0		0	0
Intangible water rights	507,861				507,861	-210,150		-19,104		-229,254	278,607
Totals	9,202,273	0	256,162	0	9,458,435	-3,548,619	0	-307,585	0	-3,856,204	5,602,231

CITY OF ARLINGTON
NOTES TO THE FINANCIAL STATEMENTS -- SCHEDULE TWO
CHANGES IN LONG-TERM DEBT
FOR THE YEAR ENDING DECEMBER 31, 2021

	Beginning 12-31-20	Additions	(Deletions)	Governmental Funds Ending 12-31-21	Enterprise Funds Ending 12-31-21	Payments Due in 2022
	-----	-----	-----	-----	-----	-----
GOVERNMENTAL - DIRECT BORROWING						
2018 A770 T4 Bobcat All-wheel Steer Loader bank loan:						
Cost: \$59,252.58						
Trade-in: \$15,500.00						
Amount financed: \$43,752.58						
Four annual payments of \$12,125.49						
Maturing August 9, 2022						
Interest at 4.25%						
Secured by equipment						
Paid by the General Fund	22,774		-11,147	11,627		11,627
2019 Fire-rescue truck lease/purchase:						
Original amount of \$65,210						
Maturing in October 2022						
Interest at 4.48%						
Lease/purchase of a fire-rescue truck						
Secured by equipment						
Paid by the General Fund	44,432		-21,722	22,710		22,710
2020 Ditch Witch bank loan:						
Cost: \$63,664.85						
Amount financed: \$50,000.00						
Four annual payments of \$13,806.68						
Maturing November 3, 2024						
Interest at 4.099%						
Secured by equipment						
Paid by the General Fund	50,050		-11,821	38,229		12,256
GOVERNMENTAL - OTHER DEBT						
Leave liability:						
Paid by General Fund	20,928	24,982	-20,928	24,982		24,982
Totals	138,184	24,982	-65,618	97,548		71,575
	=====	=====	=====	=====		=====

CITY OF ARLINGTON

NOTES TO THE FINANCIAL STATEMENTS -- SCHEDULE TWO (continued)
 CHANGES IN LONG-TERM DEBT
 FOR THE YEAR ENDING DECEMBER 31, 2021

				Governmental Funds	Enterprise Funds	Payments Due in
	Beginning 12-31-20	Additions	(Deletions)	Ending 12-31-21	Ending 12-31-21	2022
BUSINESS-TYPE - DIRECT BORROWING						
1996 Kingbrook Water Line Lease:						
Original lease amount of \$299,664						
Maturing in July 2034						
Interest at 5.50%						
Monthly payments of \$1,545.58						
At end of 40 year lease the City will not own the water lines.						
Paid by water fund	155,647		-50,324		105,323	12,754
1996 Kingbrook Water Line Lease:						
Original lease amount of \$507,861						
Maturing in 2039						
Interest at 5.25%						
Monthly payments of \$383						
At end of 40 year lease the City will not own the water lines.						
Paid by water fund	46,244		-2,221		44,023	2,285
1997 Water Revenue Bond:						
Original Loan Amount of \$285,700						
Maturing on or before 1-11-2039						
Callable on any installment pymt date						
Interest at 4.75%						
Secured by water facility						
Paid by the Water Fund	195,081		-7,326		187,755	7,198
2004 Sewer Revenue Bond:						
Original Loan Amount of \$686,250						
Maturing on or before April, 2045						
Callable on any installment pymt date						
Interest at 4.125%						
Payable solely from revenue derived from operation of the improvements						
Secured by a statutory mortgage lien upon the City's sewer and water utility						
Paid by the Sewer Fund	545,344		-13,500		531,844	13,557
2016 Electrical Surcharge Revenue Bond:						
Original Bond Amount of \$2,800,000						
Maturing on June 1, 2036						
Callable on or after June 1, 2023						
Interest at 0.90% to 3.50%						
Payable solely from surcharge revenue derived from operation of the City's electric utility						
Paid by the Electric Fund	2,325,000		-120,000		2,205,000	125,000
BUSINESS-TYPE - OTHER DEBT						
Leave liability:						
Paid by the Water Fund	2,019	3,040	-2,019		3,040	3,040
Paid by the Electric Fund	978	1,624	-978		1,624	1,624
Paid by the Sewer Fund	2,368	3,489	-2,368		3,489	3,489
Totals	3,272,681	8,153	-198,736		3,082,098	168,947

CITY OF ARLINGTON
NOTES TO THE FINANCIAL STATEMENTS -- SCHEDULE TWO (continued)
CHANGES IN LONG-TERM DEBT
FOR THE YEAR ENDING DECEMBER 31, 2021

SCHEDULE OF PAYMENTS FOR LONG-TERM DEBT
AT DECEMBER 31, 2021

	Total Payment	Principal	Interest	Balance
	-----	-----	-----	-----
2018 A770 T4 Bobcat All-wheel Steer Loader bank loan:				
2022	12,125	11,627	498	0
	=====	=====	=====	
2019 Fire-rescue truck lease/purchase:				
2022	23,742	22,710	1,032	0
	=====	=====	=====	
2020 Ditch Witch bank loan:				
2022	13,807	12,256	1,551	25,973
2023	13,806	12,753	1,053	13,220
2024	13,807	13,220	587	0
	-----	-----	-----	
Totals	41,420	38,229	3,191	
	=====	=====	=====	
1996 Kingbrook Water Line Lease:				
2022	18,547	12,754	5,793	92,569
2023	18,547	13,456	5,091	79,113
2024	18,547	14,196	4,351	64,917
2025	18,547	14,976	3,571	49,941
2026	18,547	15,800	2,747	34,141
2027-2028	36,980	34,141	2,839	0
	-----	-----	-----	
Totals	129,715	105,323	24,392	
	=====	=====	=====	
1996 Kingbrook Water Line Lease:				
2022	4,596	2,285	2,311	41,738
2023	4,596	2,405	2,191	39,333
2024	4,596	2,531	2,065	36,802
2025	4,596	2,664	1,932	34,138
2026	4,596	2,804	1,792	31,334
2027-2031	22,980	16,387	6,593	14,947
2032-2035	16,843	14,947	1,896	0
	-----	-----	-----	
Totals	62,803	44,023	18,780	
	=====	=====	=====	
1997 Water Revenue Bond:				
2022	16,116	7,198	8,918	180,557
2023	16,116	7,540	8,576	173,017
2024	16,116	7,898	8,218	165,119
2025	16,116	8,273	7,843	156,846
2026	16,116	8,665	7,451	148,181
2027-2031	80,580	49,908	30,672	98,273
2032-2036	80,580	62,942	17,638	35,331
2037-2039	38,276	35,331	2,945	0
	-----	-----	-----	
Totals	280,016	187,755	92,261	
	=====	=====	=====	
2004 Sewer Revenue Bond:				
2022	35,496	13,557	21,939	518,288
2023	35,496	14,117	21,379	504,171
2024	35,496	14,699	20,797	489,472
2025	35,496	15,305	20,191	474,167
2026	35,496	15,937	19,559	458,230
2027-2031	177,480	90,103	87,377	368,127
2032-2036	177,480	110,285	67,195	257,842
2037-2041	177,480	134,987	42,493	122,855
2042-2045	135,385	122,855	12,530	0
	-----	-----	-----	
Totals	845,305	531,845	313,460	
	=====	=====	=====	
2016 Electrical Surcharge Revenue Bond:				
1.70%	2022	186,482	125,000	61,482
1.85%	2023	184,264	125,000	59,264
1.85%	2024	186,742	130,000	56,742
2.10%	2025	184,013	130,000	54,013
2.30%	2026	186,095	135,000	51,095
2.30% - 3.00%	2027-2031	919,838	725,000	194,838
3.10% - 3.50%	2032-2036	908,396	835,000	73,396
		-----	-----	-----
Totals	2,755,830	2,205,000	550,830	
	=====	=====	=====	

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

GENERAL FUND	Budgeted Amounts				Actual	Variance Positive (Negative)
	Original	Contingency Transfers	Supplementa	Final		
Revenue:						
Revenue from local sources:						
Taxes:						
Ad valorem taxes	292,275			292,275	280,494	-11,781
Sales and use tax	300,000			300,000	350,969	50,969
Other taxes	2,600			2,600	0	-2,600
Licenses and permits:	4,950			4,950	4,718	-232
Intergovernmental revenue:						
Federal shared revenue: grant				0	85,113	85,113
State shared revenue:						
Grants				0	1,349	1,349
Bank franchise tax	2,200			2,200	2,636	436
Liquor tax reversion	6,000			6,000	6,497	497
Motor vehicle licenses (5%	18,000			18,000	17,876	-124
Highway and bridge	17,000			17,000	25,133	8,133
County shared revenue	14,200			14,200	5,082	-9,118
Charges for goods and services:						
General government	2,400			2,400	3,479	1,079
Public safety	7,500			7,500	23,891	16,391
Highways and streets	1,600			1,600	1,114	-486
Solid waste collection	2,000			2,000	80,232	78,232
Health and welfare	42,500			42,500	74,561	32,061
Recreation	4,500			4,500	10,257	5,757
Cemetery	7,350			7,350	11,345	3,995
Fines and forfeits:	500			500	226	-274
Miscellaneous revenue:						
Interest and dividends				0	2,612	2,612
Rentals and franchise				0	23,757	23,757
Special assessments collecte	4,200			4,200	8,751	4,551
Donations				0	14,358	14,358
Liquor operating agreements	15,400			15,400	15,613	213
Other	607,160			607,160	24,074	-583,086
Total revenues	1,352,335	0	0	1,352,335	1,074,137	-278,198
Expenditures:						
General government:						
Mayor and Council	20,780			20,780	18,494	2,286
Contingency	50,000			50,000		50,000
Amount transferred		-9,775		-9,775		-9,775
Elections	620			620	15	605
Financial administration	116,430	435	48,000	164,865	171,088	-6,223
Other	18,920			18,920	4,023	14,897
Public safety:						
Police	70,000			70,000	67,860	2,140
Fire	34,050			34,050	40,408	-6,358
Public works:						
Highways and streets	650,518	6,660	192,000	849,178	849,530	-352
Storm drainage	22,640			22,640	11,516	11,124
Airport	9,600		5,000	14,600	14,478	122
Solid waste	79,465	430	2,000	81,895	82,216	-321
Cemetery	33,270		3,500	36,770	35,019	1,751
Health and welfare:						
West Nile prevention	5,970			5,970	2,678	3,292
Ambulance	47,650			47,650	40,554	7,096
Culture and recreation:						
Recreation (pool, baseball)	90,135	1,880	14,200	106,215	121,632	-15,417
Parks	29,470	370	6,000	35,840	34,406	1,434
Library	20,885			20,885	14,907	5,978
BATA services	1,000			1,000	1,000	0
Economic development:	25,000			25,000	15,000	10,000
Debt service:	25,932		21,500	47,432	49,674	-2,242
Total expenditures	1,352,335	0	292,200	1,644,535	1,574,498	70,037
Excess of revenues						
over (under) expenditures	0	0	-292,200	-292,200	-500,361	-208,161
Other financing sources (uses):						
Transfer in	486,810			486,810	583,769	96,959
Sale of surplus property				0	8,177	8,177
Net change in fund balance	486,810	0	-292,200	194,610	91,585	-103,025
Fund balance:						
January 1, 2021	606,943			606,943	606,943	0
December 31, 2021	1,093,753	0	-292,200	801,553	698,528	-103,025

CITY OF ARLINGTON

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

	Budgeted Amounts				Variance
	Original	Supplemental	Final	Actual	Positive (Negative)
2ND CENT FUND					
Revenue:					
Revenue from local sources:					
Taxes:					
General sales and use taxes:	300,000		300,000	350,969	50,969
Miscellaneous revenue:					
Interest and dividends			0	327	327
Total revenues	300,000	0	300,000	351,296	51,296
Expenditures:					
Fire and street equipment	18,000		18,000	0	18,000
Total expenditures	18,000	0	18,000	0	18,000
Excess of revenues over (under) expenditures	282,000	0	282,000	351,296	69,296
Other financing sources (uses):					
Transfer in	18,000		18,000		-18,000
Transfer (out)			0	-549,549	-549,549
Net change in fund balance	300,000	0	300,000	-198,253	-498,253
Fund balance:					
January 1, 2021	590,932		590,932	590,932	0
December 31, 2021	890,932	0	890,932	392,679	-498,253

CITY OF ARLINGTON

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGET

SCHEDULE OF BUDGETARY COMPARISON FOR THE
GENERAL AND 2ND CENT FUNDS FOR THE YEAR ENDING December 31, 2021

1. BUDGETS AND BUDGETARY ACCOUNTING

The City follows these procedures in establishing the budgetary data reflected in the required supplementary information:

- a. At the first regular board meeting in September of each year or within ten days thereafter, the governing board introduces the annual appropriation ordinance for the ensuing fiscal year.
- b. After adoption by the governing board, the operating budget is legally binding and actual expenditures for each purpose cannot exceed the amounts budgeted, except as indicated in d.
- c. A line item for contingencies may be included in the annual budget. Such a line item may not exceed 5 percent of the total municipal budget and may be transferred by resolution of the governing board to any other budget category that is deemed insufficient during the year.
- d. If it is determined during the year that sufficient amounts have not been budgeted, state statute allows the adoption of supplemental appropriations. During 2021 there was one supplemental appropriation to increase the general fund's budget. See page 41.
- e. Unexpended appropriations lapse at year end unless encumbered by resolution of the governing board. There were no encumbered appropriations at December 31, 2021.

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

- f. Formal budgetary integration is employed as a management control device for the general and 2nd cent funds.
- g. Budgets for the general and 2nd cent funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).

2. GAAP and Budgetary Accounting Basis Difference:

The financial statements prepared in conformity with U.S.GAAP present capital outlay expenditure information in a separate category of expenditures. Under the budgetary basis of accounting, capital outlay expenditures are reported within the function to which they relate. For example, the purchase of a road grader would be reported as a capital expenditure on the governmental funds statement of revenues, expenditures and changes in fund balances. However, in the budgetary RSI schedule, the purchase of a road grader would be reported as an expenditure in the public works function of general fund, along with all other current public works expenditures.

CITY OF ARLINGTON
FOR THE EIGHT YEARS ENDING DECEMBER 31, 2021

REQUIRED SUPPLEMENTARY INFORMATION

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

SDRS Measurement Date Year Ended (1)	City's Pension Allocation Percentage	City's Proportionate Share of Net Pension (Asset) Liability	City's Covered Employee Payroll for its 6-30 Year End	City's Proportionate Share of the Net Pension (Asset) Liability as a Percentage of its Covered Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
-----	-----	-----	-----	-----	-----
June 30, 2021	0.0131070%	-100,377	297,433	(33.75%)	105.53%
June 30, 2020	0.0139078%	-604	305,233	(0.20%)	100.04%
June 30, 2019	0.0151142%	-1,602	321,367	(0.50%)	100.09%
June 30, 2018	0.0154633%	-361	321,467	(0.11%)	100.02%
June 30, 2017	0.0151385%	-1,374	307,583	(0.45%)	100.10%
June 30, 2016	0.0159088%	53,738	302,500	17.76%	96.89%
June 30, 2015	0.0148417%	-62,948	270,967	(23.23%)	104.10%
June 30, 2014	0.0110560%	-79,654	193,333	(41.20%)	107.30%

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

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

CITY OF ARLINGTON
FOR THE EIGHT YEARS ENDING DECEMBER 31, 2021

SUPPLEMENTARY INFORMATION

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

City's Year Ended	Contractually Required Contribution	Contributions Related to the Contractually Required Contribution	Contribution Deficiency (Excess)	City's Covered Employee Payroll for its Calendar Year End	Contributions as a Percentage of Covered Employee Payroll
-----	-----	-----	-----	-----	-----
December 31, 2021	19,385	19,385	0	323,083	6.00%
December 31, 2020	17,110	17,110	0	285,167	6.00%
December 31, 2019	19,440	19,440	0	324,000	6.00%
December 31, 2018	19,361	19,361	0	322,683	6.00%
December 31, 2017	19,147	19,147	0	319,117	6.00%
December 31, 2016	19,244	19,244	0	320,733	6.00%
December 31, 2015	18,041	18,041	0	300,683	6.00%
December 31, 2014	14,561	14,561	0	242,683	6.00%

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

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION

SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION (ASSET)/LIABILITY
AND SCHEDULE OF PENSION CONTRIBUTIONS FOR THE YEAR ENDING DECEMBER 31, 2021

Changes of Prior Valuation:

The June 30, 2021 Actuarial Valuation reflects no changes in actuarial methods from the June 30, 2020 Actuarial Valuation. One change in actuarial assumptions and one plan provision change are reflected and described below.

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

Benefit Provision Changes:

Legislation enacted in 2021 reduced the minimum SDRS COLA from 0.5% to 0%. This change will impact the SDRS COLA only when inflation is very low or when a restricted maximum COLA of 0.5% is not affordable. The change had no impact on the current assets or liabilities of SDRS.

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 0.0% (0.5% prior to 2021) and no greater than 3.5%. However, if the FVFR assuming the long-term COLA is equal to the baseline COLA assumption (currently 2.25%) is less than 100%, the maximum COLA payable will be limited to the increase that if assumed on a long-term basis, results in a FVFR equal to or exceeding 100%. The condition existed as of June 30, 2020 and the July 2021 SDRS COLA was limited to a restricted maximum of 1.41%. As of June 30, 2021, the FVFR assuming the COLA is equal to the baseline COLA assumption is greater than 100%. The July 2022 SDRS COLA will equal inflation, between 0% and 3.5%. For the June 30, 2020 actuarial valuation, future COLAs were assumed to equal the restricted maximum of 1.41%. For this June 30, 2021 actuarial valuation, future COLAs are assumed to equal the baseline COLA assumption of 2.25%.

The change in the COLA assumption increased the actuarial accrued liability by \$1,135 million, or 8.9% of the actuarial accrued liability based on the 1.41% 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 approved by the Board of Trustees are anticipated to be first implemented in the June 30, 2022 actuarial valuation.

Actuarial Method Changes:

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

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

Governing Board
City of Arlington
Arlington, South Dakota

INDEPENDENT AUDITOR'S REPORT

I have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of governmental activities, business-type activities, the discretely presented component unit, and each major fund of the City of Arlington (City), Kingsbury County, South Dakota, as of and for the one year then ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the City of Arlington's basic financial statements and have issued my report thereon dated April 20, 2023 which was unmodified except for a disclaimer of opinion on the discretely presented component unit.

Compliance and Other Matters:

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

The results of my tests did not disclose an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards*.

However, I did note a minor matters involving compliance that I reported to the governing body and management of the City of Arlington in a separate Letter of Comments dated April 20, 2023.

Internal Control Over Financial Reporting

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

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

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

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

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

I did identify a deficiency in internal control, described in the accompanying schedule of current audit findings and responses, as item 2021-01, that I consider to be a significant deficiency.

Management response to the finding identified in my audit is described in the accompanying schedule of current audit findings and responses. I did not audit the management response and, accordingly, I express no opinion on it.

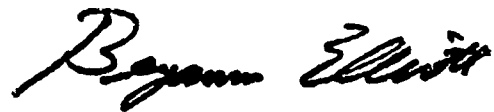
I did note minor matters involving internal control that I reported to the governing body and management of the City of Arlington in a separate Letter of Comments dated April 20, 2023.

Purpose of this Report

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

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

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



April 20, 2023

CITY OF ARLINGTON
SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2021

SCHEDULE OF PRIOR AUDIT FINDINGS

Prior Federal Compliance Audit finding: None Reported

Prior Other Audit Findings:

2020-01: Preparation of Financial Statements -- Repeated below

SCHEDULE OF CURRENT AUDIT FINDINGS AND RESPONSES

Finding 2021-01: Preparation of Financial Statements
(internal control - first reported in 2018)

Condition:

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

Criteria:

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

Cause of the Condition:

The City Council has elected not to have an internal control system designed to provide for the preparation of the financial statement being audited.

Effect:

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

Recommendation:

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

Management Response:

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

Government Auditing Standards requires the auditor to perform limited procedures on the City of Arlington's response to the finding identified in my audit and described in the above Schedule of Findings and Responses. The City of Arlington's response was not subject to the other auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on the response.