

**MUNICIPALITY OF HOWARD  
HOWARD, SOUTH DAKOTA**

**AUDIT REPORT**

**FOR THE YEAR JANUARY 1, 2020 TO DECEMBER 31, 2020  
AND  
FOR THE YEAR JANUARY 1, 2021 TO DECEMBER 31, 2021**

*Schoenfish & Co., Inc.*

CERTIFIED PUBLIC ACCOUNTANTS  
P.O. Box 247  
105 EAST MAIN, PARKSTON, SOUTH DAKOTA 57366

MUNICIPALITY OF HOWARD

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MUNICIPAL OFFICIALS  
DECEMBER 31, 2021

MAYOR:

Donald Arens

GOVERNING BOARD:

Lynn Borgers – President  
Jean Thompson – Vice-President  
Nathan Dawson  
Rick Kofford  
Eric Rentschler  
Jackie Stuhr

FINANCE OFFICER:

Tyler Genzlinger

ATTORNEY:

Todd Wilkinson

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

Municipal Council  
Municipality of Howard  
Howard, South Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the modified cash basis financial statements of the governmental activities, business-type activities, and each major fund of the Municipality of Howard, South Dakota (Municipality), as of December 31, 2021 and 2020, and for the years in the biennial period then ended which collectively comprise the Municipality's financial statements and have issued our report thereon dated August 31, 2022. A disclaimer of opinion for the aggregate discretely presented component unit was issued due to the Municipality's financial statements including unaudited financial information for the Howard Housing and Redevelopment Commission. An unmodified opinion was issued for the remaining opinion units.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Municipality's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control that we consider to be material weaknesses. We consider the deficiencies described in the accompanying Schedule of Current Audit Findings as item 2021-001 to be a material weakness.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Municipality's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and which are described in the accompanying Schedule of Current Audit Findings as item 2021-002.

### Municipality's Responses to Findings

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

### Purpose of this Report

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



Schoenfish & Co., Inc.  
Certified Public Accountants  
August 31, 2022

*Schoenfish & Co., Inc.*

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SCHEDULE OF PRIOR AUDIT FINDINGSPRIOR AUDIT FINDINGS:Finding Number 2019-001:

A lack of proper segregation of duties existed for the revenue function resulting in decreased reliability of reported financial data and increased potential for the loss of public assets. This condition continues to exist and is restated as current audit finding number 2021-001.

Finding Number 2019-002:

Expenditures exceeded the amounts budgeted in the Library Fines Fund in 2018 and in several departments in the General Fund in 2018 and 2019. This condition continues to exist and a similar comment is restated as current audit finding number 2021-002.

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SCHEDULE OF CURRENT AUDIT FINDINGSCURRENT AUDIT FINDINGS:Internal Control – Related Finding – Material Weakness:Finding Number 2021-001:

A material weakness in internal controls was noted due to a lack of proper segregation of duties for revenues. This is a continuing audit comment since 2001.

Criteria:

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

Condition:

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

Effect:

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

Recommendation:

1. We recommend that the Municipality of Howard officials be cognizant of this lack of segregation of duties for revenues and attempt to provide compensating internal controls whenever, and wherever, possible and practical.

Management's Response:

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

Compliance – Related Findings:Finding Number 2021-002:

Expenditures exceeded the amounts budgeted in the Library Fines Fund in 2021. Expenditures were in excess of amounts budgeted in several departments in the General Fund in 2020 and 2021. The amount budgeted was in excess of the amount available in 2020 and 2021. This is a continuing audit comment since 2005.

Criteria:

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

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SCHEDULE OF CURRENT AUDIT FINDINGS  
(Continued)

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

Condition:

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

Effect:

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

Recommendation:

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

Management's Response:

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

CLOSING CONFERENCE

The audit was discussed with the officials during the course of the audit and with the Mayor and Finance Officer on September 9, 2021.

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## INDEPENDENT AUDITOR'S REPORT

Governing Board  
Municipality of Howard  
Howard, South Dakota

### **Report on the Audit of the Financial Statements**

#### ***Unmodified and Disclaimer of Opinions***

We have audited the accompanying modified cash basis of accounting financial statements of the governmental activities, the business-type activities, and each major fund of the Municipality of Howard, South Dakota, (Municipality) as of December 31, 2021 and December 31, 2020, and for each of the years in the biennial period then ended, and the related notes to the financial statements, which collectively comprise the Municipality's basic financial statements as listed in the table of contents.

#### **Unmodified Opinions**

In our opinion, the accompanying modified cash basis of accounting 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 Municipality of Howard as of December 31, 2021 and December 31, 2020, and the respective changes in financial position thereof for each of the years in the biennial period then ended in accordance with the modified cash basis of accounting described in Note 1.c. to the financial statements.

#### **Disclaimer of Opinion**

Because we were not engaged to audit, and did not audit the Howard Housing and Redevelopment Commission's financial statements, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the financial statements of the aggregate discretely presented component unit opinion unit of the Municipality of Howard, South Dakota as of December 31, 2021 and 2020, and for each of the years in the biennial period then ended.

#### ***Basis for Opinions***

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

The financial statements of the Howard Housing and Redevelopment Commission have not been audited, and we were not engaged to audit the Howard Housing and Redevelopment Commission's financial statements as part of our audit of the Municipality's basic financial statements. The Howard Housing and Redevelopment Commission's unaudited financial activities are included in the Municipality's basic financial statements as a discretely presented component unit and represent 100 percent of the assets, net position, revenues and expenses of the Municipality's aggregate discretely presented component unit opinion unit.

### ***Emphasis of Matter***

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

### ***Responsibilities of Management for the Financial Statements***

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

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 Municipality's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditor's Responsibility for the Audit of the Financial Statements***

Our 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 our 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 GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for 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*, we

- 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.

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- 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 Municipality'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 our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Municipality's ability to continue as a going concern for a reasonable period of time.

We are 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 we identified during the audit.

### ***Supplementary Information***

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

### ***Other Information***

Management is responsible for the other information included in the annual report. The other information comprises the Schedule of Municipal Officials but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

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**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated August 31, 2022 on our consideration of the Municipality's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Municipality's internal control over financial reporting and compliance.



Schoenfish & Co., Inc.  
Certified Public Accountants  
August 31, 2022

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**MUNICIPALITY OF HOWARD**  
**STATEMENT OF NET POSITION - MODIFIED CASH BASIS**  
**December 31, 2021**

	<b>Primary Government</b>			<b>Component Units (Unaudited)</b>
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>	
<b>ASSETS:</b>				
Cash and Cash Equivalents	377,294.90	1,731,172.58	2,108,467.48	556,787.26
Investments	39,511.29	1,260,488.71	1,300,000.00	82,756.12
<b>TOTAL ASSETS</b>	<b>416,806.19</b>	<b>2,991,661.29</b>	<b>3,408,467.48</b>	<b>639,543.38</b>
<b>NET POSITION:</b>				
Restricted for:				
Permanently Restricted Purposes:				
Non-Expendable	39,511.29		39,511.29	
Library Fines	3,018.80		3,018.80	
Unrestricted	374,276.10	2,991,661.29	3,365,937.39	639,543.38
<b>TOTAL NET POSITION</b>	<b>416,806.19</b>	<b>2,991,661.29</b>	<b>3,408,467.48</b>	<b>639,543.38</b>

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

**MUNICIPALITY OF HOWARD**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**  
**For the Year Ended December 31, 2021**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		Component Units (Unaudited)
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	
Primary Government:							
Governmental Activities:							
General Government	199,595.12	6,470.78	129,457.50		(63,666.84)	(63,666.84)	
Public Safety	481,686.14	163,491.45			(318,194.69)	(318,194.69)	
Public Works	536,261.68	2,025.00	53,360.66		(480,876.02)	(480,876.02)	
Health and Welfare	8,672.39				(8,672.39)	(8,672.39)	
Culture and Recreation	185,305.72	20,499.56			(164,806.16)	(164,806.16)	
Conservation and Development	50,319.18				(50,319.18)	(50,319.18)	
Total Governmental Activities	1,461,840.23	192,486.79	182,818.16	0.00	(1,086,535.28)	(1,086,535.28)	
Business-type Activities:							
Water	149,846.61	284,472.82	8,000.00		142,626.21	142,626.21	
Sewer	247,695.37	209,517.07			(38,178.30)	(38,178.30)	
Electric	1,032,312.97	1,295,832.62			263,519.65	263,519.65	
Airport	1,616.28				(1,616.28)	(1,616.28)	
Waste	152,176.36	172,739.84			20,563.48	20,563.48	
Total Business-Type Activities	1,583,647.59	1,962,562.35	8,000.00	0.00	386,914.76	386,914.76	
Total Primary Government	3,045,487.82	2,155,049.14	190,818.16	0.00	(1,086,535.28)	(699,620.52)	
Component Units (Unaudited):							23,823.20
Housing and Redevelopment Commission	117,157.03	71,818.00	69,162.23				
General Revenues:							
Taxes:							
Property Taxes					379,497.29	379,497.29	
Sales Taxes					463,550.54	463,550.54	
State Shared Revenues					8,596.40	8,596.40	
Grants and Contributions not Restricted to Specific Programs					2,530.50	2,530.50	
Unrestricted Investment Earnings					4,163.86	20,062.23	1,501.33
Miscellaneous Revenue					11,116.68	26,199.28	1,347.82
Transfers					169,527.00	0.00	
Total General Revenues and Transfers					1,038,982.27	900,436.24	2,849.15
Change in Net Position					(47,553.01)	200,815.72	26,672.35
Net Position - Beginning					464,359.20	3,207,651.76	612,871.03
NET POSITION - ENDING					416,806.19	3,408,467.48	639,543.38

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

**MUNICIPALITY OF HOWARD  
BALANCE SHEET - MODIFIED CASH BASIS  
GOVERNMENTAL FUNDS  
December 31, 2021**

	<b>General Fund</b>	<b>Library Fines Fund</b>	<b>Cemetery Care Fund</b>	<b>Carmon Meadows Debt Service Fund</b>	<b>Total</b>
<b>ASSETS:</b>					
Cash and Cash Equivalents	374,276.10	3,018.80			377,294.90
Investments			39,511.29		39,511.29
Due from TIF Debt Service Fund	5,471.74				5,471.74
<b>TOTAL ASSETS</b>	<b>379,747.84</b>	<b>3,018.80</b>	<b>39,511.29</b>	<b>0.00</b>	<b>422,277.93</b>
<b>LIABILITIES AND FUND BALANCES:</b>					
Liabilities:					
Due to General Fund				5,471.74	5,471.74
<b>Total Liabilities</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>5,471.74</b>	<b>5,471.74</b>
Fund Balances:					
Nonspendable for Cemetery Perpetual Care			39,511.29		39,511.29
Restricted for Library Fines		3,018.80			3,018.80
Assigned for Next Year's Budget	81,000.00				81,000.00
Unassigned	298,747.84			(5,471.74)	293,276.10
<b>Total Fund Balances</b>	<b>379,747.84</b>	<b>3,018.80</b>	<b>39,511.29</b>	<b>(5,471.74)</b>	<b>416,806.19</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>379,747.84</b>	<b>3,018.80</b>	<b>39,511.29</b>	<b>0.00</b>	<b>422,277.93</b>

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



**MUNICIPALITY OF HOWARD**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES - MODIFIED CASH BASIS**  
**GOVERNMENTAL FUNDS**

For the Year Ended December 31, 2021

	General Fund	Library Fines Fund	Cemetery Care Fund	Carmon Meadows Debt Service Fund	Total
<b>Revenues:</b>					
<b>Taxes:</b>					
General Property Taxes	351,519.23			20,624.77	372,144.00
General Sales and Use Taxes	463,550.54				463,550.54
Penalties & Interest on Delinquent Taxes	7,353.29				7,353.29
Total Taxes	822,423.06	0.00	0.00	20,624.77	843,047.83
Licenses and Permits	4,835.00	0.00	0.00	0.00	4,835.00
Intergovernmental Revenue:					
Federal Grants	124,457.50				124,457.50
Federal Payments in Lieu of Taxes	2,296.75				2,296.75
State Grants	5,000.00				5,000.00
State Shared Revenue:					
Bank Franchise Tax	1,801.63				1,801.63
Prorate License Fees	4,385.95				4,385.95
Liquor Tax Reversion	6,267.77				6,267.77
Motor Vehicle Licenses	14,829.70				14,829.70
County Shared Revenue:					
County Road Tax	4,087.36				4,087.36
County Highway and Bridge Reserve Tax	30,057.65				30,057.65
Other Intergovernmental Revenues	527.00				527.00
Total Intergovernmental Revenue	193,711.31	0.00	0.00	0.00	193,711.31
Charges for Goods and Services:					
General Government	1,560.78				1,560.78
Public Safety	162,415.45				162,415.45
Culture and Recreation	9,412.64				9,412.64
Cemetery	2,025.00				2,025.00
Total Charges for Goods and Services	175,413.87	0.00	0.00	0.00	175,413.87

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

**MUNICIPALITY OF HOWARD**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES - MODIFIED CASH BASIS**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended December 31, 2021**

	General Fund	Library Fines Fund	Cemetery Care Fund	Carmon Meadows Debt Service Fund	Total
<b>Revenues (Continued):</b>					
Fines and Forfeits:					
Court Fines and Costs	1,026.00				1,026.00
Animal Control Fines	50.00				50.00
Library		2,619.56			2,619.56
Total Fines and Forfeits	1,076.00	2,619.56	0.00	0.00	3,695.56
Miscellaneous Revenue:					
Investment Earnings	4,163.86				4,163.86
Rentals	8,542.36				8,542.36
Contributions and Donations from Private Sources	233.75				233.75
Other	11,116.68				11,116.68
Total Miscellaneous Revenue	24,056.65	0.00	0.00	0.00	24,056.65
Total Revenue	1,221,515.89	2,619.56	0.00	20,624.77	1,244,760.22
<b>Expenditures:</b>					
General Government:					
Executive	31,590.17				31,590.17
Financial Administration	131,087.03				131,087.03
Other	36,917.92				36,917.92
Total General Government	199,595.12	0.00	0.00	0.00	199,595.12
Public Safety:					
Police	132,357.95				132,357.95
Fire	349,328.19				349,328.19
Total Public Safety	481,686.14	0.00	0.00	0.00	481,686.14
Public Works:					
Highways and Streets	444,981.99				444,981.99
Sanitation	13,547.95				13,547.95
Cemeteries	55,884.42				55,884.42
Total Public Works	514,414.36	0.00	0.00	0.00	514,414.36

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

**MUNICIPALITY OF HOWARD**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES - MODIFIED CASH BASIS**  
**GOVERNMENTAL FUNDS**

For the Year Ended December 31, 2021

	General Fund	Library Fines Fund	Cemetery Care Fund	Carmon Meadows Debt Service Fund	Total
<b>Expenditures (Continued):</b>					
Health and Welfare:					
Health	8,672.39				8,672.39
Total Health and Welfare	<u>8,672.39</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>8,672.39</u>
Culture and Recreation:					
Recreation	80,005.52				80,005.52
Parks	48,038.61				48,038.61
Libraries	52,610.59	4,651.00			57,261.59
Total Culture and Recreation	<u>180,654.72</u>	<u>4,651.00</u>	<u>0.00</u>	<u>0.00</u>	<u>185,305.72</u>
Conservation and Development:					
Economic Opportunity and Assistance	50,319.18				50,319.18
Total Conservation and Development	<u>50,319.18</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>50,319.18</u>
Debt Service	0.00	0.00	0.00	21,847.32	21,847.32
Total Expenditures	<u>1,435,341.91</u>	<u>4,651.00</u>	<u>0.00</u>	<u>21,847.32</u>	<u>1,461,840.23</u>
Excess Revenues Over (Under) Expenditures	<u>(213,826.02)</u>	<u>(2,031.44)</u>	<u>0.00</u>	<u>(1,222.55)</u>	<u>(217,080.01)</u>
<b>Other Financing Sources (Uses):</b>					
Transfers In	169,527.00				169,527.00
Total Other Financing Sources (Uses)	<u>169,527.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>169,527.00</u>
Net Change in Fund Balance	<u>(44,299.02)</u>	<u>(2,031.44)</u>	<u>0.00</u>	<u>(1,222.55)</u>	<u>(47,553.01)</u>
Fund Balance - Beginning	424,046.86	5,050.24	39,511.29	(4,249.19)	464,359.20
FUND BALANCE - ENDING	<u>379,747.84</u>	<u>3,018.80</u>	<u>39,511.29</u>	<u>(5,471.74)</u>	<u>416,806.19</u>

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

**MUNICIPALITY OF HOWARD**  
**STATEMENT OF NET POSITION - MODIFIED CASH BASIS**  
**PROPRIETARY FUNDS**  
**December 31, 2021**

	Enterprise Funds				
	Water Fund	Sewer Fund	Electric Fund	Airport Fund	Waste Fund
<b>ASSETS:</b>					<b>Totals</b>
Current Assets:					
Cash and Cash Equivalents	441,454.09	257,253.49	932,065.29	49,259.11	51,140.60
Investments	300,000.00	467,100.91	333,387.80	160,000.00	
Total Current Assets	<u>741,454.09</u>	<u>724,354.40</u>	<u>1,265,453.09</u>	<u>209,259.11</u>	<u>51,140.60</u>
<b>TOTAL ASSETS</b>	<u>741,454.09</u>	<u>724,354.40</u>	<u>1,265,453.09</u>	<u>209,259.11</u>	<u>51,140.60</u>
<b>NET POSITION:</b>					
Unrestricted Net Position	<u>741,454.09</u>	<u>724,354.40</u>	<u>1,265,453.09</u>	<u>209,259.11</u>	<u>51,140.60</u>
<b>TOTAL NET POSITION</b>	<u>741,454.09</u>	<u>724,354.40</u>	<u>1,265,453.09</u>	<u>209,259.11</u>	<u>51,140.60</u>

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

**MUNICIPALITY OF HOWARD**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN**  
**FUND NET POSITION - MODIFIED CASH BASIS**  
**PROPRIETARY FUNDS**

For the Year Ended December 31, 2021

	Enterprise Funds					
	Water Fund	Sewer Fund	Electric Fund	Airport Fund	Waste Fund	Totals
<b>Operating Revenue:</b>						
Charges for Goods and Services	284,472.82	209,517.07	1,295,832.62		172,739.84	1,962,562.35
Total Operating Revenue	284,472.82	209,517.07	1,295,832.62	0.00	172,739.84	1,962,562.35
<b>Operating Expenses:</b>						
Personal Services	42,140.34	13,032.47	97,607.44	575.83		153,356.08
Other Current Expense	154,197.21	162,203.00	827,755.62	832.00	152,176.36	1,297,164.19
Materials	4,989.13	72,459.90	62,982.97	208.45		140,640.45
Total Operating Expenses	201,326.68	247,695.37	988,346.03	1,616.28	152,176.36	1,591,160.72
Operating Income (Loss)	83,146.14	(38,178.30)	307,486.59	(1,616.28)	20,563.48	371,401.63
<b>Non-operating Revenue (Expenses):</b>						
Operating Grants	8,000.00					8,000.00
Investment Earnings	4,379.68	3,013.68	7,368.59	991.74	144.68	15,898.37
Rental Revenue		1,200.00		13,882.60		15,082.60
Capital Assets	51,480.07		(43,966.94)			7,513.13
Total Non-operating Revenue (Expense)	63,859.75	4,213.68	(36,598.35)	14,874.34	144.68	46,494.10
Income (Loss) Before Transfers	147,005.89	(33,964.62)	270,888.24	13,258.06	20,708.16	417,895.73
Transfers Out		(169,527.00)				(169,527.00)
Change in Net Position	147,005.89	(203,491.62)	270,888.24	13,258.06	20,708.16	248,368.73
Net Position - Beginning	594,448.20	927,846.02	994,564.85	196,001.05	30,432.44	2,743,292.56
<b>NET POSITION - ENDING</b>	<b>741,454.09</b>	<b>724,354.40</b>	<b>1,265,453.09</b>	<b>209,259.11</b>	<b>51,140.60</b>	<b>2,991,661.29</b>

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

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

	Primary Government		Component Units (Unaudited)
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS:</b>			
Cash and Cash Equivalents	24,847.91	1,182,803.85	1,207,651.76
Investments	439,511.29	1,560,488.71	2,000,000.00
<b>TOTAL ASSETS</b>	<b>464,359.20</b>	<b>2,743,292.56</b>	<b>3,207,651.76</b>
<b>NET POSITION:</b>			
Restricted for:			
Permanently Restricted Purposes:			
Non-Expendable	39,511.29		39,511.29
Library Fines	5,050.24		5,050.24
Unrestricted	419,797.67	2,743,292.56	3,163,090.23
<b>TOTAL NET POSITION</b>	<b>464,359.20</b>	<b>2,743,292.56</b>	<b>612,871.03</b>

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

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

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		Component Units (Unaudited)
	Expenses	Charges for Services	Operating Grants and Contributions		Primary Government		
			Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	
Primary Government:							
Governmental Activities:							
General Government	199,732.03	7,266.37	31,996.36		(160,469.30)	(160,469.30)	
Public Safety	160,201.49	39,467.88	84.00		(120,649.61)	(120,649.61)	
Public Works	500,546.21	4,062.00	51,136.60	218.88	(445,128.73)	(445,128.73)	
Health and Welfare	7,325.85	35.00	1,524.00		(5,766.85)	(5,766.85)	
Culture and Recreation	170,017.82	20,171.20			(149,846.62)	(149,846.62)	
Conservation and Development	50,000.00				(50,000.00)	(50,000.00)	
Total Governmental Activities	1,087,823.40	71,002.45	84,740.96	218.88	(931,861.11)	(931,861.11)	
Business-type Activities:							
Water	429,408.70	254,045.18			(175,363.52)	(175,363.52)	
Sewer	124,074.64	193,379.06			69,304.42	69,304.42	
Electric	1,224,336.35	1,267,751.93	5,000.00		48,415.58	48,415.58	
Airport	76,923.14				(76,923.14)	(76,923.14)	
Waste	156,840.23	158,836.44			1,996.21	1,996.21	
Total Business-Type Activities	2,011,583.06	1,874,012.61	5,000.00	0.00	(132,570.45)	(132,570.45)	
Total Primary Government	3,099,406.46	1,945,015.06	89,740.96	218.88	(931,861.11)	(1,064,431.56)	41,769.00
Component Units (Unaudited):							
Housing and Redevelopment Commission	108,751.48	70,780.16	79,740.32				
General Revenues:							
Taxes:							
Property Taxes					384,589.38	384,589.38	
Sales Taxes					378,470.33	378,470.33	
State Shared Revenues					10,348.53	10,348.53	
Grants and Contributions not Restricted to Specific Programs					2,893.83	2,893.83	
Unrestricted Investment Earnings					8,883.07	43,910.90	1,368.03
Miscellaneous Revenue					30,654.82	50,242.44	1,054.88
Total General Revenues					815,839.96	870,455.41	2,422.91
Change in Net Position					(116,021.15)	(193,976.15)	44,191.91
Net Position - Beginning					580,380.35	2,821,247.56	568,679.12
NET POSITION - ENDING					464,359.20	3,207,651.76	612,871.03

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

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

	<b>General Fund</b>	<b>Library Fines Fund</b>	<b>Cemetery Care Fund</b>	<b>Carmon Meadows Debt Service Fund</b>	<b>Total</b>
<b>ASSETS:</b>					
Cash and Cash Equivalents	19,797.67	5,050.24			24,847.91
Investments	400,000.00		39,511.29		439,511.29
Due from TIF Fund	4,249.19				4,249.19
<b>TOTAL ASSETS</b>	<u>424,046.86</u>	<u>5,050.24</u>	<u>39,511.29</u>	<u>0.00</u>	<u>468,608.39</u>
<b>LIABILITIES</b>					
Due to General Fund				4,249.19	4,249.19
<b>TOTAL LIABILITIES</b>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>4,249.19</u>	<u>4,249.19</u>
<b>FUND BALANCES:</b>					
Nonspendable for Cemetery Perpetual Care			39,511.29		39,511.29
Restricted for Library Fines		5,050.24			5,050.24
Assigned for Next Year's Budget	424,046.86				424,046.86
Unassigned				(4,249.19)	(4,249.19)
<b>TOTAL FUND BALANCES</b>	<u>424,046.86</u>	<u>5,050.24</u>	<u>39,511.29</u>	<u>(4,249.19)</u>	<u>464,359.20</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>424,046.86</u>	<u>5,050.24</u>	<u>39,511.29</u>	<u>0.00</u>	<u>468,608.39</u>

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



**MUNICIPALITY OF HOWARD**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES - MODIFIED CASH BASIS**  
**GOVERNMENTAL FUNDS**

For the Year Ended December 31, 2020

	General Fund	Library Fines Fund	Cemetery Care Fund	Carmon Meadows Debt Service Fund	Total
<b>Revenues:</b>					
<b>Taxes:</b>					
General Property Taxes	354,409.02			22,342.42	376,751.44
General Sales and Use Taxes	378,470.33				378,470.33
Penalties & Interest on Delinquent Taxes	7,837.94				7,837.94
Total Taxes	740,717.29	0.00	0.00	22,342.42	763,059.71
Licenses and Permits	5,015.00	0.00	0.00	0.00	5,015.00
Intergovernmental Revenue:					
Federal Grants	9,965.72				9,965.72
Federal Payments in Lieu of Taxes	2,293.83				2,293.83
State Grants	23,554.64				23,554.64
State Shared Revenue:					
Bank Franchise Tax	1,431.87				1,431.87
Prorate License Fees	4,001.44				4,001.44
Liquor Tax Reversion	5,938.86				5,938.86
Motor Vehicle Licenses	14,200.35				14,200.35
911 Remittances	84.00				84.00
County Shared Revenue:					
County Road Tax	4,087.36				4,087.36
County Highway and Bridge Reserve Tax	28,847.45				28,847.45
Other Intergovernmental Revenues	2,977.80				2,977.80
Total Intergovernmental Revenue	97,383.32	0.00	0.00	0.00	97,383.32
Charges for Goods and Services:					
General Government	1,903.03				1,903.03
Public Safety	38,212.88				38,212.88
Sanitation	12.00				12.00
Health	35.00				35.00
Culture and Recreation	10,031.54				10,031.54
Cemetery	4,050.00				4,050.00
Total Charges for Goods and Services	54,244.45	0.00	0.00	0.00	54,244.45

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

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

	General Fund	Library Fines Fund	Cemetery Care Fund	Carmon Meadows Debt Service Fund	Total
<b>Revenues (Continued):</b>					
Fines and Forfeits:					
Animal Control Fines	1,255.00				1,255.00
Library		3,205.13			3,205.13
Total Fines and Forfeits	1,255.00	3,205.13	0.00	0.00	4,460.13
Miscellaneous Revenue:					
Investment Earnings	8,883.07				8,883.07
Rentals	7,282.87				7,282.87
Special Assessments	218.88				218.88
Contributions and Donations from Private Sources	600.00				600.00
Other	30,654.82				30,654.82
Total Miscellaneous Revenue	47,639.64	0.00	0.00	0.00	47,639.64
Total Revenue	946,254.70	3,205.13	0.00	22,342.42	971,802.25
<b>Expenditures:</b>					
General Government:					
Executive	36,005.62				36,005.62
Financial Administration	127,386.98				127,386.98
Other	36,339.43				36,339.43
Total General Government	199,732.03	0.00	0.00	0.00	199,732.03
Public Safety:					
Police	119,766.02				119,766.02
Fire	40,435.47				40,435.47
Total Public Safety	160,201.49	0.00	0.00	0.00	160,201.49
Public Works:					
Highways and Streets	439,999.65				439,999.65
Sanitation	19,890.61				19,890.61
Cemeteries	18,808.63				18,808.63
Total Public Works	478,698.89	0.00	0.00	0.00	478,698.89

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

**MUNICIPALITY OF HOWARD**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES - MODIFIED CASH BASIS**  
**GOVERNMENTAL FUNDS**

For the Year Ended December 31, 2020

	General Fund	Library Fines Fund	Cemetery Care Fund	Carmon Meadows Debt Service Fund	Total
<b>Expenditures (Continued):</b>					
Health and Welfare:					
Health	7,325.85				7,325.85
Total Health and Welfare	<u>7,325.85</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>7,325.85</u>
Culture and Recreation:					
Recreation	87,066.28				87,066.28
Parks	42,582.67				42,582.67
Libraries	39,939.20	429.67			40,368.87
Total Culture and Recreation	<u>169,588.15</u>	<u>429.67</u>	<u>0.00</u>	<u>0.00</u>	<u>170,017.82</u>
Conservation and Development:					
Economic Opportunity and Assistance	50,000.00				50,000.00
Total Conservation and Development	<u>50,000.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>50,000.00</u>
Debt Service	0.00	0.00	0.00	21,847.32	21,847.32
Total Expenditures	<u>1,065,546.41</u>	<u>429.67</u>	<u>0.00</u>	<u>21,847.32</u>	<u>1,087,823.40</u>
Net Change in Fund Balance	<u>(119,291.71)</u>	<u>2,775.46</u>	<u>0.00</u>	<u>495.10</u>	<u>(116,021.15)</u>
Fund Balance - Beginning	543,338.57	2,274.78	39,511.29	(4,744.29)	580,380.35
FUND BALANCE - ENDING	<u>424,046.86</u>	<u>5,050.24</u>	<u>39,511.29</u>	<u>(4,249.19)</u>	<u>464,359.20</u>

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

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

	Enterprise Funds				Totals
	Water Fund	Sewer Fund	Electric Fund	Airport Fund	Waste Fund
<b>ASSETS:</b>					
Current Assets:					
Cash and Cash Equivalents	194,448.20	660,745.11	261,177.05	36,001.05	30,432.44
Investments	400,000.00	267,100.91	733,387.80	160,000.00	
Total Current Assets	594,448.20	927,846.02	994,564.85	196,001.05	30,432.44
<b>TOTAL ASSETS</b>	<b>594,448.20</b>	<b>927,846.02</b>	<b>994,564.85</b>	<b>196,001.05</b>	<b>30,432.44</b>
<b>NET POSITION:</b>					
Unrestricted Net Position	594,448.20	927,846.02	994,564.85	196,001.05	30,432.44
<b>TOTAL NET POSITION</b>	<b>594,448.20</b>	<b>927,846.02</b>	<b>994,564.85</b>	<b>196,001.05</b>	<b>30,432.44</b>

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

**MUNICIPALITY OF HOWARD**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN**  
**FUND NET POSITION - MODIFIED CASH BASIS**  
**PROPRIETARY FUNDS**

For the Year Ended December 31, 2020

	Enterprise Funds					Totals
	Water Fund	Sewer Fund	Electric Fund	Airport Fund	Solid Waste Fund	
<b>Operating Revenue:</b>						
Charges for Goods and Services	254,045.18	193,379.06	1,267,751.93		158,836.44	1,874,012.61
Total Operating Revenue	254,045.18	193,379.06	1,267,751.93	0.00	158,836.44	1,874,012.61
<b>Operating Expenses:</b>						
Personal Services	43,346.46	13,800.26	100,824.43	1,227.24		159,198.39
Other Current Expense	175,399.58	58,167.39	890,293.32	3,193.58	156,840.23	1,283,894.10
Materials	5,973.35	51,737.96	55,566.23	2,502.32		115,779.86
Total Operating Expenses	224,719.39	123,705.61	1,046,683.98	6,923.14	156,840.23	1,558,872.35
Operating Income (Loss)	29,325.79	69,673.45	221,067.95	(6,923.14)	1,996.21	315,140.26
<b>Non-operating Revenue (Expenses):</b>						
Operating Grants			5,000.00			5,000.00
Investment Earnings	8,924.47	8,736.64	14,160.52	2,853.85	352.35	35,027.83
Rental Revenue		1,200.00		18,387.62		19,587.62
Capital Assets	(204,689.31)	(369.03)	(177,652.37)	(70,000.00)		(452,710.71)
Total Non-operating Revenue (Expense)	(195,764.84)	9,567.61	(158,491.85)	(48,758.53)	352.35	(393,095.26)
Change in Net Position	(166,439.05)	79,241.06	62,576.10	(55,681.67)	2,348.56	(77,955.00)
Net Position - Beginning	760,887.25	848,604.96	931,988.75	251,682.72	28,083.88	2,821,247.56
NET POSITION - ENDING	594,448.20	927,846.02	994,564.85	196,001.05	30,432.44	2,743,292.56

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

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## NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

#### a. Financial Reporting Entity:

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

Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The Municipality 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 Municipality (primary government). The Municipality may also be financially accountable for another organization if that organization is fiscally dependent on the Municipality.

The Housing and Redevelopment Commission of the Municipality of Howard, South Dakota (Commission) is a proprietary fund-type, discretely presented component unit. The five members of the Commission are appointed by the Municipality's Governing Board Chairperson with the approval of the Governing Board for five-year, staggered terms. The Commission elects its own chairperson and recruits and employs its own management personnel and other workers. The Municipality's Governing Board, though, retains the statutory authority to approve or deny or otherwise modify the Commission's plans to construct a low-income housing unit, or to issue debt, which gives the Municipality's Governing Board the ability to impose its will on the Commission. The financial statements of the Howard Housing and Redevelopment Commission, a discretely presented component unit of the Municipality of Howard, have not been audited; however, the component unit's unaudited financial information is included in the financial statements of the Municipality. Separately issued financial statements of the Housing and Redevelopment Commission may be obtained from: Howard Housing and Redevelopment Commission, 117 North Arthur Street, Howard, South Dakota 57349.

#### b. Basis of Presentation:

##### Government-wide Financial Statements:

The Statement of Net Position and Statement of Activities 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 and discretely presented component units. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. Discretely presented component units are legally separate organizations that meet certain criteria, as described in Note 1.a., above, and may be classified as either governmental or business-type activities. See the discussion of individual component units in Note 1.a., above.

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS  
(Continued)

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

**Fund Financial Statements:**

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

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

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

**Governmental Funds:**

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

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) that are legally restricted to expenditures for specified purposes.

Library Fines Fund – to account for fines and similar charges, deposited in a library board bank account subject to checks by the librarian for library purposes. (SDCL 14-2-42) The Municipality has elected to report this fund as a major fund.

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

Carmon Meadows Debt Service Fund – to account for the tax levy which may be used only for the payment of the debt principal, interest, and related costs of the Carmon Meadows Housing Development (TIF District). The Municipality has elected to report this fund as a major fund.

Permanent Funds – Permanent funds are used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the Municipality's programs – that is for the benefit of the Municipality and its citizenry.

See Independent Auditor's Report.

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS  
(Continued)

Cemetery Care Fund – to account for the payments received for perpetual care of cemeteries which is permanently set aside and for which only the 75% of the investment earnings may be used for care and maintenance of the cemetery. The remaining balance may be used for land acquisition for cemetery expansion. The Municipality has elected to report this fund as a major fund.

Proprietary Funds:

Enterprise Funds – Enterprise funds may be used to report any activity for which a fee is charged to external users for goods or services. Activities are required to be reported as enterprise funds if any one of the following criteria is met. Governments should apply each of these criteria in the context of the activity's principal revenue sources.

- a. The activity is financed with debt that is secured solely by a pledge of the net revenues from fees and charges of that activity. Debt that is secured by a pledge of net revenues from fees and charges and the full faith and credit of a related primary government or component unit – even if that government is not expected to make any payments – is not payable solely from fees and charges of the activity. (Some debt may be secured, in part, by a portion of its own proceeds but should be considered as payable "solely" from revenues of the activity.)
- b. Laws or regulations require that the activity's costs of providing services, including capital costs (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues.
- c. The pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).

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

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

Electric Fund – financed primarily by user charges, this fund accounts for the construction and operation of the municipal electrical system and related facilities. (SDCL 9-39-1 and 9-39-26) This is a major fund.

Airport Fund – financed primarily by a share of crops produced on the airport land, this fund accounts for the acquisition, construction and operation of the municipal airport. (SDCL 50-7-2) This is a major fund.

Solid Waste Fund – financed primarily by user charges, this fund accounts for the collection and disposal of solid waste from the municipality. (SDCL 9-32-11 and 34A-6) This is a major fund.

c. Measurement Focus and Basis of Accounting:

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

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



NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS  
(Continued)

Measurement Focus:

Government-Wide Financial Statements:

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

Fund Financial Statements:

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

Basis of Accounting:

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

The modified cash basis of accounting involves the measurement of cash and cash equivalents and changes in cash and cash equivalents resulting from cash receipt and disbursement transactions. Under the cash basis of accounting, the statement of financial position reports only cash and cash equivalents (those investments with terms to maturity of 90 days (three months) or less at the date of acquisition). Under the modified cash basis of accounting, transactions are recorded in the accounts when cash and/or cash equivalents are received or disbursed and assets and liabilities are recognized to the extent that cash has been received or disbursed. Acceptable modifications to the cash basis of accounting implemented by the Municipality in these financial statements are:

1. Recording long-term investments in marketable securities (those with maturities more than 90-days (three months) from the date of acquisition) acquired with cash assets at cost.
2. Recording assets and liabilities related to interfund receivables and payables resulting from cash transactions between funds.

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

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

d. Interfund Eliminations and Reclassifications:

Government-Wide Financial Statements:

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

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS  
(Continued)

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

e. Deposits and Investments:

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

Investments classified in the financial statements consist entirely of certificates of deposit whose term to maturity at date of acquisition exceeds three months, and/or those types of investment authorized by South Dakota Codified Laws (SDCL) 4-5-6. Under the modified cash basis of accounting, investments are carried at cost.

f. Capital Assets:

Under the modified cash basis of accounting, capital assets are recorded when they result from cash transactions, and are depreciated, where appropriate. The account treatment for property, plant and equipment (capital assts) depends on whether the assets are used in governmental fund operations or proprietary fund and similar discretely presented component unit operations and whether they are reported in the government-wide or fund financial statements.

Government-Wide Financial Statements:

As discussed in Note 1.c. above, the government-wide Statement of Net Position and Statement of Activities and the fund financial statements, governmental, and business-type, are presented using a modified cash basis of accounting. The Municipality has not elected to modify their cash basis presentation by recording capital assets arising from cash transactions and depreciating those assets where appropriate so any capital assets owned by the Municipality and the related depreciation are not reported on the financial statements of the Municipality. Under the modified cash basis of accounting, capital assets are considered a cost of the program for which they were acquired, for the amount paid in cash. In the Statements of Activities, cash payments for capital assets are recorded in the program category for which they were acquired. Allocations between programs are made, where necessary to match the cost with the program that benefits from the use of the capital assets.

g. Long-Term Liabilities:

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

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

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS  
(Continued)

h. Revenue Received in Advance:

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

i. Program Revenues:

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

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

j. Proprietary Funds Revenue and Expense Classifications:

Proprietary funds distinguish operating revenues and expenses from non-operating items. The Municipality has five proprietary (enterprise) funds to account for the Municipality's water, electric, sewer, airport, and waste services. Operating revenues and expenses generally result from providing services in connection with the fund's principal operations.

The Municipality prepares the Statement of Revenues, Expenses and Changes in Fund Net Position on a modified cash basis of accounting. Thus the Municipality does not present a Statement of Cash Flows because all cash flow information is, in substance, already presented in the Statement of Revenues, Expenses, and Changes in Fund Net Position.

k. Equity Classifications:

Government-wide Statements:

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

1. Restricted net position – Consists of net position with constraints placed on their use either by (a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
2. Unrestricted net position – All other net position that do not meet the definition of "restricted" or "net investment in capital assets."

Fund Financial Statements:

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

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS  
(Continued)

l. Application of Net Position:

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

m. Fund Balance Classification Policies and Procedures:

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

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

The Nonspendable Fund Balance is comprised of the following:

- Amount reported in non-spendable form such as Cemetery Care Fund.

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

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

The purpose of each major special revenue fund and revenue source is listed below:

<u>Major Special Revenue Fund</u>	<u>Revenue Source</u>
Library Fund	Library Fines

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS  
(Continued)

**2. VIOLATIONS OF FINANCE-RELATED LEGAL AND CONTRACTUAL PROVISIONS**

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

	Year Ended <u>12/31/2020</u>	Year Ended <u>12/31/2021</u>
General Fund:		
General Government - Executive	\$ 7,375.62	
General Gov't - Financial Administration		\$ 943.03
Economic Development and Assistance		\$ 319.18
Library Fines Fund:		
Libraries		\$ 3,151.00

The Governing Board plans to take the following actions to address these violations: use supplemental budgets when allowed by law.

**3. DEPOSITS AND INVESTMENTS, CREDIT RISK, CONCENTRATIONS OF CREDIT RISK AND INTEREST RATE RISK**

The Municipality follows the practice of aggregating the cash assets of various funds to maximize cash management efficiency and returns. Various restrictions on deposits and investments are imposed by statutes. These restrictions are summarized below:

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

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

As of December 31, 2021 and 2020, the Municipality did not have any investments. The investments reported in the financial statements consist of only certificates of deposit.

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

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

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS  
(Continued)

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

Assignment of Investment Income – State law allows income from deposits and investments to be credited to either the General Fund or the fund making investment. The Municipality's policy is to credit all income from investments to the fund making the investment, except for interest generated by the Cemetery Perpetual Care Fund, which must be credited to the General Fund, and used only for maintenance of the municipal cemetery, as required by SDCL 9-32-18.

#### 4. PROPERTY TAXES

Property taxes are levied on or before October 1, of the year preceding the start of the fiscal year. They attach as an enforceable lien on property and become due and payable as of January 1, the first day of the fiscal year. Taxes are payable in two installments on or before April 30 and October 31 of the fiscal year.

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

#### 5. RESTRICTED NET POSITION

Restricted net position for the years ended December 31, 2021 and 2020 were as follows:

	<u>2021</u>	<u>2020</u>
Major Purposes:		
Library Fines Purposes	\$ 3,018.80	\$ 5,050.24
Permanently Restricted:		
Cemetery Care - Non-Expendable Purposes	<u>39,511.29</u>	<u>39,511.29</u>
Total Restricted Net Position	<u>\$ 42,530.09</u>	<u>\$ 44,561.53</u>

These balances are restricted due to statutory requirements.

#### 6. PENSION PLAN

##### Plan Information:

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

##### Benefits Provided:

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

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS  
(Continued)

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

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

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

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

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

Contributions:

Per SDCL 3-12, contribution requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A Members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. The Municipality's share of contributions to the SDRS for the fiscal years ended December 31, 2021, 2020, and 2019, were \$13,035.94, \$12,901.38, and \$15,481.53, respectively, equal to the required contributions each year.

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS  
(Continued)

Pension Liabilities (Assets), Pension Expense (Revenue), and Deferred Outflows of Resources and Deferred Inflows of Resources to Pensions:

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

Proportionate share of pension liability	\$ 1,295,534.97
Less proportionate share of net position restricted for pension benefits	<u>\$ 1,367,086.36</u>
Proportionate share of net pension liability (asset)	<u>\$ (71,551.39)</u>

The net pension liability (asset) was measured as of June 30, 2021 and the total pension liability (asset) used to calculate the net pension liability (asset) was based on a projection of the Municipality's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2021, the Municipality's proportion was 0.00934300%, which is a decrease of 0.0020179% from its proportion measured as of June 30, 2020.

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

Proportionate share of pension liability	\$ 1,396,594.90
Less proportionate share of net position restricted for pension benefits	<u>\$ 1,397,088.30</u>
Proportionate share of net pension liability (asset)	<u>\$ (493.40)</u>

The net pension liability (asset) was measured as of June 30, 2020 and the total pension liability (asset) used to calculate the net pension liability (asset) was based on a projection of the Municipality's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2020, the Municipality's proportion was 0.01136090%, which is an increase of 0.0001237% from its proportion measured as of June 30, 2019.

Actuarial Assumptions:

The total pension liability (asset) 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 percent
Salary Increases	Graded by years of service, from 6.50% at entry to 3.00% after 25 years of service
Discount Rate	6.50% net of plan investment expense. This is composed of an average inflation rate of 2.25% and real returns of 4.25%
Future COLAs	2.25%



NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS  
(Continued)

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

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

Mortality rates were based on 97% of the RP-2014 Mortality Table, adjusted to 2006 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, 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.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	58.0%	4.3%
Fixed Income	30.0%	1.6%
Real Estate	10.0%	4.6%
Cash	2.0%	0.9%
Total	100%	

Discount Rate:

The discount rate used to measure the total pension liability (asset) was 6.50 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that matching employer contributions from will be made at rates equal to the member rate. Based on these 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 liability (asset).

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

The following presents the Municipality's proportionate share of net pension liability (asset) calculated using the discount rate of 6.50 percent as well as what the Municipality's proportionate share of the net pension

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS  
(Continued)

liability (asset) would be if it were calculated using a discount rate that is 1-percentage point lower (5.50%) or 1-percentage point higher (7.50%) than the current rate:

<u>2021</u>	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Municipality's proportionate share of the net pension liability (asset)	\$115,859.50	\$(71,551.39)	\$(223,685.41)
<u>2020</u>	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Municipality's proportionate share of the net pension liability (asset)	\$191,407.14	\$(493.40)	\$(157,464.27)

Pension Plan Fiduciary Net Position:

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

7. SIGNIFICANT CONTINGENCIES - LITIGATION

At December 31, 2021 and 2020, the Municipality was not involved in any significant litigation.

8. COOPERATIVE AGREEMENT

The Municipality is involved in a cooperative agreement with Miner County concerning law enforcement. The Municipality pays Miner County to provide law enforcement coverage for the Municipality.

The Municipality is involved in a cooperative agreement with the Miner County Rural Fire Protection District to provide fire protection. The Municipality and the Rural Fire Protection District will each pay 50% of costs to provide fire protection. The Municipality will pay the fire costs and be reimbursed for 50% by the Fire District.

9. RISK MANAGEMENT

The Municipality is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the biennial period ended December 31, 2021, the Municipality managed its risks as follows:

Employee Health Insurance:

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

Liability Insurance:

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

See Independent Auditor's Report.

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS  
(Continued)

the ultimate cost of the experience to date of the SDPAA member, based on their exposure or type of coverage. The Municipality pays an annual premium to the pool to provide coverage for real and personal property, vehicles, miscellaneous property, electronic data processing equipment, and boiler and equipment.

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

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

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

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

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

As of December 31, 2020, the Municipality's balance available to be refunded per the SDPAA was \$61,876.00 which was an increase of \$1,221.00 from the previous year.

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

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

Worker's Compensation:

The Municipality joined the South Dakota Municipal League Worker's Compensation Fund (Fund), a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The objective of the fund is to formulate, develop, and administer, on behalf of the member organizations, a program of worker's compensation coverage, to obtain lower costs for that coverage, and to develop a comprehensive loss control program. The Municipality's responsibility is to initiate and maintain a safety program to give its employees safe and sanitary working conditions and to promptly report to and cooperate with the Fund to resolve any worker's compensation claims. The Municipality pays an annual premium, to provide worker's compensation coverage for its employees, under a retrospectively rated policy 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 an additional \$2,000,000 per individual per incident.

See Independent Auditor's Report.

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS  
(Continued)

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

Unemployment Benefits:

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

**10. DEFICIT FUND BALANCES / NET POSITION OF INDIVIDUAL NONMAJOR FUNDS**

The following individual nonmajor funds had deficit fund balances/net position in the amounts shown:

	<u>12/31/2021</u>	<u>12/31/2020</u>
Carmen Meadows Debt Service Fund	\$ 5,471.74	\$ 4,249.19

The Municipality plans to take the following actions to address the deficit fund balances/net position: taxes collections will be received to eliminate this deficit.

**11. INDIVIDUAL FUND INTERFUND RECEIVABLE AND PAYABLE BALANCES**

Interfund receivable and payable balances were:

	<u>December 31, 2021</u>		<u>December 31, 2020</u>	
	<u>Interfund Receivables</u>	<u>Interfund Payables</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
<u>Fund:</u>				
General Fund	\$ 5,471.74		\$ 4,249.19	
Debt Service Funds:				
Carmen Meadows Debt Service Fund		\$ 5,471.74		\$ 4,249.19

The purposes for the interfund receivable and payable balance is to eliminate the negative cash balance until taxes are collected.

**12. INTERFUND TRANSFERS**

Interfund transfers for the year ended December 31, 2021 were as follow:

<u>Transfers From:</u>	<u>Transfers To:</u>
	<u>General Fund</u>
Major Funds:	
Sewer Fund	<u>\$ 169,527.00</u>

The Municipality typically budgets transfers to the General Fund to conduct the indispensable functions of the Municipality.

**13. SUBSEQUENT EVENTS**

Management has evaluated whether any subsequent events have occurred through August 31, 2022, the date on which the financial statements were available to be issued.

**SUPPLEMENTARY INFORMATION**  
**MUNICIPALITY OF HOWARD**  
**BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS**  
**GENERAL FUND**  
**For the Year Ended December 31, 2021**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>(Budgetary Basis)</b>	<b>Final Budget - Positive (Negative)</b>
<b>Revenues:</b>				
Taxes:				
General Property Taxes	315,000.00	315,000.00	351,519.23	36,519.23
General Sales and Use Taxes	400,000.00	400,000.00	463,550.54	63,550.54
Penalties and Interest on Delinquent Taxes	1,500.00	1,500.00	7,353.29	5,853.29
Total Taxes	716,500.00	716,500.00	822,423.06	105,923.06
Licenses and Permits	6,750.00	6,750.00	4,835.00	(1,915.00)
Intergovernmental Revenue:				
Federal Grants	300,000.00	300,000.00	124,457.50	(175,542.50)
Federal Payments in Lieu of Taxes	1,500.00	1,500.00	2,296.75	796.75
State Grants	1,500.00	1,500.00	5,000.00	3,500.00
State Shared Revenue:				
Bank Franchise Tax	1,200.00	1,200.00	1,801.63	601.63
Prorate License Fees	3,200.00	3,200.00	4,385.95	1,185.95
Liquor Tax Reversion	4,500.00	4,500.00	6,267.77	1,767.77
Motor Vehicle Licenses	14,000.00	14,000.00	14,829.70	829.70
911 Remittances	130.00	130.00	0.00	(130.00)
County Shared Revenue:				
County Road Tax	4,100.00	4,100.00	4,087.36	(12.64)
County Highway & Bridge Reserve Tax	27,000.00	27,000.00	30,057.65	3,057.65
Other	3,000.00	3,000.00	527.00	(2,473.00)
Total Intergovernmental Revenue	360,130.00	360,130.00	193,711.31	(166,418.69)
Charges for Goods and Services:				
General Government	1,000.00	1,000.00	1,560.78	560.78
Public Safety	179,255.00	179,255.00	162,415.45	(16,839.55)
Health	175.00	175.00	0.00	(175.00)
Culture and Recreation	15,000.00	15,000.00	9,412.64	(5,587.36)
Cemetery	900.00	900.00	2,025.00	1,125.00
Total Charges for Goods and Services	196,330.00	196,330.00	175,413.87	(20,916.13)
Fines and Forfeits:				
Court Fines and Costs	0.00	0.00	1,026.00	1,026.00
Animal Control Fines	0.00	0.00	50.00	50.00
Total Fines and Forfeits	0.00	0.00	1,076.00	1,076.00
Miscellaneous Revenue:				
Investment Earnings	5,000.00	5,000.00	4,163.86	(836.14)
Rentals	2,000.00	2,000.00	8,542.36	6,542.36
Special Assessments	3,000.00	3,000.00	0.00	(3,000.00)
Contributions and Donations from Private Sources	1,000.00	1,000.00	233.75	(766.25)
Other	8,800.00	8,800.00	11,116.68	2,316.68
Total Miscellaneous Revenue	19,800.00	19,800.00	24,056.65	4,256.65
Total Revenue	1,299,510.00	1,299,510.00	1,221,515.89	(77,994.11)

**SUPPLEMENTARY INFORMATION**  
**MUNICIPALITY OF HOWARD**  
**BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS**  
**GENERAL FUND**  
**For the Year Ended December 31, 2021**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>(Budgetary Basis)</b>	<b>Final Budget - Positive (Negative)</b>
<b>Expenditures:</b>				
General Government:				
Contingency	50,000.00	50,000.00		
Amount Transferred		(50,000.00)		0.00
Executive	29,705.00	32,105.00	31,590.17	514.83
Financial Administration	108,470.00	130,144.00	131,087.03	(943.03)
Other	22,043.00	36,930.00	36,917.92	12.08
Total General Government	210,218.00	199,179.00	199,595.12	(416.12)
Public Safety:				
Police	133,555.00	133,555.00	132,357.95	1,197.05
Fire	361,211.00	361,211.00	349,328.19	11,882.81
Total Public Safety	494,766.00	494,766.00	481,686.14	13,079.86
Public Works:				
Highways and Streets	1,106,612.00	1,106,612.00	444,981.99	661,630.01
Sanitation	6,475.00	14,048.00	13,547.95	500.05
Cemeteries	26,555.00	55,955.00	55,884.42	70.58
Total Public Works	1,139,642.00	1,176,615.00	514,414.36	662,200.64
Health and Welfare:				
Health	12,473.00	12,473.00	8,672.39	3,800.61
Total Health and Welfare	12,473.00	12,473.00	8,672.39	3,800.61
Culture and Recreation:				
Recreation	144,530.00	144,530.00	80,005.52	64,524.48
Parks	33,130.00	48,139.00	48,038.61	100.39
Libraries	62,047.00	62,047.00	52,610.59	9,436.41
Total Culture and Recreation	239,707.00	254,716.00	180,654.72	74,061.28
Conservation and Development:				
Economic Development and Assistance	50,000.00	50,000.00	50,319.18	(319.18)
Total Conservation and Development	50,000.00	50,000.00	50,319.18	(319.18)
Total Expenditures	2,146,806.00	2,187,749.00	1,435,341.91	752,407.09
Excess of Revenues Over (Under)				
Expenditures	(847,296.00)	(888,239.00)	(213,826.02)	674,412.98
<b>Other Financing Sources (Uses):</b>				
Transfers In	0.00	0.00	169,527.00	169,527.00
Total Other Financing Sources (Uses)	0.00	0.00	169,527.00	169,527.00
Net Change in Fund Balances	(847,296.00)	(888,239.00)	(44,299.02)	843,939.98
Fund Balance - Beginning	424,046.86	424,046.86	424,046.86	0.00
FUND BALANCE - ENDING	(423,249.14)	(464,192.14)	379,747.84	843,939.98

**SUPPLEMENTARY INFORMATION**  
**MUNICIPALITY OF HOWARD**  
**BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS**  
**LIBRARY FINES FUND**  
**For the Year Ended December 31, 2021**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>(Budgetary Basis)</b>	<b>Final Budget - Positive (Negative)</b>
<b>Revenues:</b>				
Fines and Forfeits:				
Library	750.00	750.00	2,619.56	1,869.56
Total Fines and Forfeits	750.00	750.00	2,619.56	1,869.56
Total Revenue	750.00	750.00	2,619.56	1,869.56
<b>Expenditures:</b>				
Culture and Recreation:				
Libraries	1,500.00	1,500.00	4,651.00	(3,151.00)
Total Culture and Recreation	1,500.00	1,500.00	4,651.00	(3,151.00)
Total Expenditures	1,500.00	1,500.00	4,651.00	(3,151.00)
Net Change in Fund Balances	(750.00)	(750.00)	(2,031.44)	(1,281.44)
Fund Balance - Beginning	5,050.24	5,050.24	5,050.24	0.00
FUND BALANCE - ENDING	4,300.24	4,300.24	3,018.80	(1,281.44)

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

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>(Budgetary Basis)</b>	<b>Final Budget - Positive (Negative)</b>
<b>Revenues:</b>				
Taxes:				
General Property Taxes	315,000.00	315,000.00	354,409.02	39,409.02
General Sales and Use Taxes	400,000.00	400,000.00	378,470.33	(21,529.67)
Penalties and Interest on Delinquent Taxes	1,500.00	1,500.00	7,837.94	6,337.94
Total Taxes	716,500.00	716,500.00	740,717.29	24,217.29
Licenses and Permits	6,750.00	6,750.00	5,015.00	(1,735.00)
Intergovernmental Revenue:				
Federal Grants	1,500.00	1,500.00	9,965.72	8,465.72
Federal Payments in Lieu of Taxes	1,500.00	1,500.00	2,293.83	793.83
State Grants	344,644.00	344,644.00	23,554.64	(321,089.36)
State Shared Revenue:				
Bank Franchise Tax	1,200.00	1,200.00	1,431.87	231.87
Prorate License Fees	3,200.00	3,200.00	4,001.44	801.44
Liquor Tax Reversion	4,500.00	4,500.00	5,938.86	1,438.86
Motor Vehicle Licenses	14,000.00	14,000.00	14,200.35	200.35
911 Remittances	130.00	130.00	84.00	(46.00)
County Shared Revenue:				
County Road Tax	4,100.00	4,100.00	4,087.36	(12.64)
County Highway & Bridge Reserve Tax	27,000.00	27,000.00	28,847.45	1,847.45
Other	3,000.00	3,000.00	2,977.80	(22.20)
Total Intergovernmental Revenue	404,774.00	404,774.00	97,383.32	(307,390.68)
Charges for Goods and Services:				
General Government	1,000.00	1,000.00	1,903.03	903.03
Public Safety	27,000.00	27,000.00	38,212.88	11,212.88
Sanitation	0.00	0.00	12.00	12.00
Health	175.00	175.00	35.00	(140.00)
Culture and Recreation	15,000.00	15,000.00	10,031.54	(4,968.46)
Cemetery	900.00	900.00	4,050.00	3,150.00
Total Charges for Goods and Services	44,075.00	44,075.00	54,244.45	10,169.45
Fines and Forfeits:				
Animal Control Fines	0.00	0.00	1,255.00	1,255.00
Total Fines and Forfeits	0.00	0.00	1,255.00	1,255.00
Miscellaneous Revenue:				
Investment Earnings	5,000.00	5,000.00	8,883.07	3,883.07
Rentals	2,000.00	2,000.00	7,282.87	5,282.87
Special Assessments	3,000.00	3,000.00	218.88	(2,781.12)
Contributions and Donations from Private Sources	1,000.00	1,000.00	600.00	(400.00)
Other	8,800.00	8,800.00	30,654.82	21,854.82
Total Miscellaneous Revenue	19,800.00	19,800.00	47,639.64	27,839.64
Total Revenue	1,191,899.00	1,191,899.00	946,254.70	(245,644.30)



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

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>(Budgetary Basis)</b>	<b>Final Budget -</b>
				<b>Positive (Negative)</b>
<b>Expenditures:</b>				
General Government:				
Contingency	50,000.00	50,000.00		
Amount Transferred		(50,000.00)		0.00
Executive	28,630.00	28,630.00	36,005.62	(7,375.62)
Financial Administration	97,370.00	131,370.00	127,386.98	3,983.02
Other	59,943.00	59,943.00	36,339.43	23,603.57
Total General Government	235,943.00	219,943.00	199,732.03	20,210.97
Public Safety:				
Police	121,000.00	121,000.00	119,766.02	1,233.98
Fire	64,701.00	64,701.00	40,435.47	24,265.53
Total Public Safety	185,701.00	185,701.00	160,201.49	25,499.51
Public Works:				
Highways and Streets	1,110,520.00	1,115,020.00	439,999.65	675,020.35
Sanitation	5,338.00	20,338.00	19,890.61	447.39
Cemeteries	31,550.00	31,550.00	18,808.63	12,741.37
Total Public Works	1,147,408.00	1,166,908.00	478,698.89	688,209.11
Health and Welfare:				
Health	12,473.00	12,473.00	7,325.85	5,147.15
Total Health and Welfare	12,473.00	12,473.00	7,325.85	5,147.15
Culture and Recreation:				
Recreation	134,440.00	134,440.00	87,066.28	47,373.72
Parks	29,630.00	42,630.00	42,582.67	47.33
Libraries	62,447.00	62,447.00	39,939.20	22,507.80
Total Culture and Recreation	226,517.00	239,517.00	169,588.15	69,928.85
Conservation and Development:				
Economic Development and Assistance	50,000.00	50,000.00	50,000.00	0.00
Total Conservation and Development	50,000.00	50,000.00	50,000.00	0.00
Total Expenditures	1,858,042.00	1,874,542.00	1,065,546.41	808,995.59
Net Change in Fund Balances	(666,143.00)	(682,643.00)	(119,291.71)	563,351.29
Fund Balance - Beginning	543,338.57	543,338.57	543,338.57	0.00
FUND BALANCE - ENDING	(122,804.43)	(139,304.43)	424,046.86	563,351.29

**SUPPLEMENTARY INFORMATION**  
**MUNICIPALITY OF HOWARD**  
**BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS**  
**LIBRARY FINES FUND**  
**For the Year Ended December 31, 2020**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>(Budgetary Basis)</b>	<b>Final Budget - Positive (Negative)</b>
<b>Revenues:</b>				
Fines and Forfeits:				
Library	750.00	750.00	3,205.13	2,455.13
Total Fines and Forfeits	750.00	750.00	3,205.13	2,455.13
Total Revenue	750.00	750.00	3,205.13	2,455.13
<b>Expenditures:</b>				
Culture and Recreation:				
Libraries	1,500.00	1,500.00	429.67	1,070.33
Total Culture and Recreation	1,500.00	1,500.00	429.67	1,070.33
Total Expenditures	1,500.00	1,500.00	429.67	1,070.33
Net Change in Fund Balances	(750.00)	(750.00)	2,775.46	3,525.46
Fund Balance - Beginning	2,274.78	2,274.78	2,274.78	0.00
FUND BALANCE - ENDING	1,524.78	1,524.78	5,050.24	3,525.46

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NOTES TO THE SUPPLEMENTARY INFORMATION

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

Note 1. Budgets and Budgetary Accounting:

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

1. At the first regular board meeting in September of each year or within ten days thereafter, the Governing Board introduces the annual appropriation ordinance for the ensuing fiscal year.
2. After adoption by the Governing Board, the operating budget is legally binding and actual expenditures for each purpose cannot exceed the amounts budgeted, except as indicated in number 4.
3. A line item for contingencies may be included in the annual budget. Such a line item may not exceed 5 percent of the total municipal budget and may be transferred by resolution of the Governing Board to any other budget category that is deemed insufficient during the year.
4. If it is determined during the year that sufficient amounts have not been budgeted, state statute allows the adoption of supplemental budgets.
5. Unexpected appropriations lapse at year end unless encumbered by resolution of the Governing Board.

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

The Municipality did not encumber any amounts at December 31, 2021 and 2020.

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

Note 2. GAAP/Budgetary Accounting Basis Differences:

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

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

## South Dakota Retirement System

Last Seven Years \*

	2021	2020	2019	2018	2017	2016	2015
Municipality's proportion of the net pension liability/asset	0.0093430%	0.0113609%	0.0112372%	0.0098642%	0.0091996%	0.0089800%	0.0096757%
Municipality's proportionate share of net pension liability (asset)	\$ (71,551)	\$ (493)	\$ (1,191)	\$ (230)	\$ (835)	\$ 30,334	\$ (41,067)
Municipality's covered-employee payroll	\$ 211,856	\$ 244,239	\$ 236,198	\$ 206,866	\$ 185,586	\$ 170,754	\$ 176,645
Municipality's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	33.77%	0.20%	0.50%	0.11%	0.45%	17.76%	23.23%
Plan fiduciary net position as a percentage of the total pension liability (asset)	105.52%	100.04%	100.09%	100.02%	100.10%	96.89%	104.10%

\* The amounts presented were determined as of the measurement date of the collective net pension liability (asset) which is 06/30 of previous fiscal year. Until a full 10-year trend is compiled, the Municipality will present information for those years for which information is available.

SUPPLEMENTARY INFORMATION  
SCHEDULE OF THE MUNICIPALITY CONTRIBUTIONS  
South Dakota Retirement System  
Last Seven Years \*

	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 13,036	\$ 12,901	\$ 15,482	\$ 13,236	\$ 11,447	\$ 10,503	\$ 11,157
Contributions in relation to the contractually required contribution	\$ 13,036	\$ 12,901	\$ 15,482	\$ 13,236	\$ 11,447	\$ 10,503	\$ 11,157
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Municipality's covered-employee payroll	\$ 217,276	\$ 215,022	\$ 258,036	\$ 222,403	\$ 190,782	\$ 175,053	\$ 185,939
Contributions as a percentage of covered-employee payroll	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%

\* Until a full 10-year trend is compiled, the Municipality will present information for those years for which information is available.

**Notes to Supplementary Information  
for the Year Ended December 31, 2021**

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

**Changes from 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 two plan provision changes are reflected and described below.

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

**Benefit Provision Changes**

Legislation enacted in 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 0.5% and no greater than 3.5%. However, if the FVFR assuming the long-term COLA is equal to the baseline COLA assumption (currently 2.25%) is less than 100%, the maximum COLA payable will be limited to the increase that if assumed on a long-term basis, results in a FVFR equal to or exceeding 100%. That condition existed as of June 30, 2020 and 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 COLA 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 anticipated to be first implemented in the June 30, 2022 Actuarial Valuation.

**Actuarial Method Changes**

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

SUPPLEMENTARY INFORMATIONLONG-TERM DEBT

A summary of changes in long-term debt follows:

	Beginning Balance 01/01/20	Additions	Deletions	Ending Balance 12/31/21	Due Within One Year
<b>Primary Government:</b>					
<b>Governmental Activities:</b>					
Tax Incremental Notes, Series 2007	60,380.75		39,293.96	21,086.79	21,086.79
<b>Total Governmental Activities</b>	60,380.75	0.00	39,293.96	21,086.79	21,086.79
<b>TOTAL PRIMARY GOVERNMENT</b>	60,380.75	0.00	39,293.96	21,086.79	21,086.79

Debt payable at December 31, 2021 is comprised of the following:

**Tax Incremental Notes, Series 2007:**

Tax Incremental Notes, Series 2007, for Improvements  
in the Carmon Meadows Housing Development;  
Matures December 1, 2022;  
Interest at 4.790%;  
Payable From Debt Service Fund

\$ 21,086.79

The annual requirements to amortize all debt outstanding as of December 31, 2021, are as follows:

Annual Requirements to Amortize Long-Term Debt  
December 31, 2021

Year Ending Dec. 31,	Tax Incremental Notes, Series 2007	
	Principal	Interest
2022	21,086.79	760.53
Totals	21,086.79	760.53