

**MUNICIPALITY OF IRENE
IRENE, 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 IRENE

MUNICIPAL OFFICIALS
DECEMBER 31, 2021

MAYOR:

Bryce Johnke

GOVERNING BOARD:

Brent Mutchelknaus – President
Joe Booth – Vice-President
Matt Davis
Jim Viergutz

FINANCE OFFICER:

Casey Van Beek

Schoenfish & Co., Inc.

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

TABLE OF CONTENTS

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 <i>Government Auditing Standards</i>	1-2
Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance	3-4
Schedule of Prior Audit Findings	5
Schedule of Current Audit Findings and Questioned Costs	6-8
Independent Auditor's Report	9-11
BASIC FINANCIAL STATEMENTS:	
As of and For the Year Ended December 31, 2021:	
Government-Wide Financial Statements:	
Statement of Net Position – Cash Basis	12
Statement of Activities – Cash Basis	13
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet – Cash Basis	14
Statement of Receipts, Disbursements, and Changes In Fund Cash Balance – Cash Basis	15-16
Proprietary Funds:	
Statement of Net Position – Cash Basis	17
Statement of Receipts, Disbursements, and Changes in Fund Cash Net Position – Cash Basis	18
As of and For the Year Ended December 31, 2020:	
Government-Wide Financial Statements:	
Statement of Net Position – Cash Basis	19
Statement of Activities – Cash Basis	20
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet – Cash Basis	21
Statement of Receipts, Disbursements, and Changes In Fund Cash Balance – Cash Basis	22-23
Proprietary Funds:	
Statement of Net Position – Cash Basis	24
Statement of Receipts, Disbursements, and Changes in Fund Cash Net Position – Cash Basis	25

Schoenfish & Co., Inc.

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

TABLE OF CONTENTS
(Continued)

Notes to the Cash Basis Financial Statements.....	26-37
Supplementary Information:	
For the Year Ended December 31, 2021:	
Budgetary Comparison Schedules – Budgetary Basis:	
General Fund.....	38-39
Liquor, Lodging, & Dining Gross Receipts Tax Fund.....	40
For the Year Ended December 31, 2020:	
Budgetary Comparison Schedules – Budgetary Basis:	
General Fund.....	41-42
Liquor, Lodging, & Dining Gross Receipts Tax Fund.....	43
Notes to the Supplementary Information – Budgetary Comparison Schedules.....	44
Schedule of the Municipality's Proportionate Share of Net Pension Liability (Asset).....	45
Schedule of the Municipal Contributions.....	46
Notes to the Supplementary Information – Pension Schedules.....	47
Schedule of Expenditures of Federal Awards.....	48
Schedule of Long-Term Liabilities.....	49-50

Schoenfish & Co., Inc.

CERTIFIED PUBLIC ACCOUNTANTS

P.O. Box 247

105 EAST MAIN, PARKSTON, SOUTH DAKOTA 57366

CERTIFIED PUBLIC ACCOUNTANTS
Phone: 605-928-7241
FAX No.: 605-928-6241
P.O. Box 247
105 EAST MAIN, PARKSTON, SOUTH DAKOTA 57366

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

Governing Board
Municipality of Irene
Irene, 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 cash basis of accounting financial statements of the governmental activities, the business-type activities, and each major fund of the Municipality of Irene, South Dakota (Municipality), as of December 31, 2021 and 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 and have issued our report thereon August 1, 2022.

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 a 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 of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Current Audit Findings and Questioned Costs 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, contracts and grant agreements noncompliance with which could have a direct and

material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Municipality's Response to Findings

The Municipality's response to the finding identified in our audit is described in the accompanying Schedule of Current Audit Findings and Questioned Costs. The Municipality's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 1, 2022

Schoenfish & Co., Inc.

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

CERTIFIED PUBLIC ACCOUNTANTS
Phone: 605-928-7241
FAX No.: 605-928-6241
P.O. Box 247
105 EAST MAIN, PARKSTON, SOUTH DAKOTA 57366

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

Governing Board
Municipality of Irene
Irene, South Dakota

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Municipality of Irene, South Dakota (Municipality), compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the Municipality's major federal programs for the years ended December 31, 2021 and December 31, 2020. The Municipality's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Current Audit Findings and Questioned Costs.

In our opinion, the Municipality of Irene complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the years ended December 31, 2021 and December 31, 2020.

Basis for Opinion on Each Major Federal Program

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

We are required to be independent of the Municipality and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Municipality's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Municipality's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Municipality's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Municipality's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of Municipality's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Municipality's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Current Audit Findings and Questioned Costs as item 2021-001 to be a material weakness.

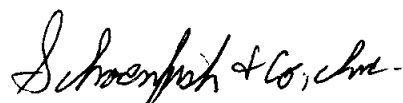
A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important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

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

Government Auditing Standards requires the auditor to perform limited procedures on the Municipality's response to the internal control over compliance findings identified in our audit described in the accompanying Schedule of Current Audit Findings and Questioned Costs. The Municipality's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purposes. As required by South Dakota Codified Law 4-11-11, this report and our report on compliance for each major federal program are matters of public record and their distribution is not limited.



Schoenfish & Co., Inc.
Certified Public Accountants
August 1, 2022

Schoenfish & Co., Inc.

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

SCHEDULE OF PRIOR AUDIT FINDINGS

PRIOR AUDIT FINDINGS:

Finding Number 2019-001:

A material weakness in internal controls was noted due to a lack of proper segregation of duties for revenues resulting in decreased reliability of reported financial data and increased potential for the loss of public assets. This comment has not been corrected and is restated as current audit finding number 2021-001.

Schoenfish & Co., Inc.

CERTIFIED PUBLIC ACCOUNTANTS

P.O. Box 247

105 EAST MAIN, PARKSTON, SOUTH DAKOTA 57366

SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTSSummary of the Independent Auditor's Results:Financial Statements:

- a. An unmodified opinion was issued on the financial statements of the governmental activities, business-type activities, and each major fund opinion units.
- b. A material weakness was disclosed by our audit of the financial statements for a lack of segregation of duties for revenues as discussed in finding number 2021-001.
- c. Our audit did not disclose noncompliance which was material to the financial statements.

Federal Awards:

- d. A material weakness was disclosed for internal control over major federal programs for a lack of segregation of duties affecting the reporting compliance requirement category as discussed in finding number 2021-001.
- e. An unmodified opinion was issued on compliance with the requirements applicable to major programs.
- f. Our audit did not disclose any audit findings that need to be disclosed in accordance with 2 CFR 200.516(a) except for a material weakness resulting in a lack of segregation of duties for revenues as discussed in finding 2021-001.
- g. The federal awards tested as major programs were:
 - 1. Community Development Block Grants CFDA No. 14.228
- h. The dollar threshold used to distinguish between Type A and Type B federal award programs was \$750,000.
- i. The Municipality of Irene did not qualify as a low-risk auditee.

CURRENT FEDERAL 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.

Major Federal Program:

The major federal program affected is the Community Development Block Grants, CFDA No. 14.228.

Criteria:

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

Schoenfish & Co., Inc.

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

SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS
(Continued)

Condition:

The Finance Officer and Liquor Store Manager process all revenue transactions from beginning to end. The Finance Officer receives money, issues receipts, records receipts, posts receipts in the accounting records, prepares bank deposits, reconciles bank statements, and prepares financial statements. The Liquor Store Manager receives money and prepares the bank deposits for the liquor store, which is approximately 35% of the Municipality's operating revenue.

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.

Identification as a Repeat Finding:

This is a continuing audit finding since 2001.

Recommendation:

1. We recommend that the Municipality of Irene 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.

CLOSING CONFERENCE

The audit findings and recommendations were discussed with the officials during the course of the audit and with the Mayor and Finance Officer on May 10, 2022.

Schoenfish & Co., Inc.

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

CITY OF IRENE

110 S. TILL AVENUE, PO BOX 67, IRENE, SD 57037 (605) 263-3476

July 15, 2022

Corrective Action Plan

Finding Number 2021-001:

A material weakness in internal controls was noted due to a lack of proper segregation of duties for revenues. The major federal program affected is the Community Development Block Grants, CFDA No. 14.228.

The City of Irene Mayor, Bryce Johnke is the contact person for the corrective action plan for this finding. Due to the small size of Irene, the City can't support hiring additional staff that would be sufficient to support the internal controls needed to properly segregate duties. The Mayor, City Council Members and Finance Officer are aware of the problem. We will be working on some different policies and controls that will help minimize the future risk. This will be an ongoing process that will include input from the State Auditor's Office, talking to other municipalities and utilizing the Mayor and Council in some of the financial controls.



Bryce Johnke, Mayor

7-28-22

Date



Casey Van Beek, Finance Officer

7-28-22

Date

CERTIFIED PUBLIC ACCOUNTANTS
Phone: 605-928-7241
FAX No.: 605-928-6241
P.O. Box 247
105 EAST MAIN, PARKSTON, SOUTH DAKOTA 57366

INDEPENDENT AUDITOR'S REPORT

Governing Board
Municipality of Irene
Irene, South Dakota

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying cash basis of accounting financial statements of the governmental activities, the business-type activities, and each major fund of the Municipality of Irene, 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.

In our opinion, the accompanying 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 Irene 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 cash basis of accounting described in Note 1.c. to the financial statements.

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* (*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.

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 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 the financial statements in accordance with the cash basis of accounting described in Note 1.c.; this includes determining that the 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 control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, 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 Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the cash basis of accounting 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.
- 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 cash basis of accounting financial statements that collectively comprise the Municipality's basic financial statements. The Schedule of Expenditures of Federal awards, which as required by the Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, the Budgetary Comparison Schedules, Schedule of Long-term Liabilities, the

Schoenfish & Co., Inc.

CERTIFIED PUBLIC ACCOUNTANTS

P.O. Box 247

105 EAST MAIN, PARKSTON, SOUTH DAKOTA 57366

Schedule of the Municipality's Proportionate Share of the Net Pension Liability (Asset), and the Schedule of Municipal Contributions 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or 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 Schedule of Expenditures of Federal awards, which as required by the Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, the Budgetary Comparison Schedules, Schedule of Long-term Liabilities, the Schedule of the Municipality's Proportionate Share of the Net Pension Liability (Asset), and the Schedule of Municipal Contributions is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

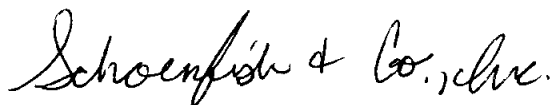
Other Information

Management is responsible for the other information included in the annual report. The other information comprises the 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 1, 2022 on our consideration of the Municipality's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Municipality's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Municipality's internal control over financial reporting and compliance.



Schoenfish & Co., Inc.
 Certified Public Accountants
 August 1, 2022

Schoenfish & Co., Inc.

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

MUNICIPALITY OF IRENE
STATEMENT OF NET POSITION - CASH BASIS
December 31, 2021

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Cash and Cash Equivalents	233,280.38	396,516.35	629,796.73
TOTAL ASSETS	233,280.38	396,516.35	629,796.73
NET POSITION:			
Restricted for:			
City Promotion	538.35		538.35
Debt Service Purposes		190,686.09	190,686.09
Equipment Repair and/or Replacement		7,605.52	7,605.52
Unrestricted	232,742.03	198,224.74	430,966.77
TOTAL NET POSITION	233,280.38	396,516.35	629,796.73

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

MUNICIPALITY OF IRENE
STATEMENT OF ACTIVITIES - CASH BASIS
For the Year Ended December 31, 2021

Functions/Programs	Program Receipts			Net (Expense) Receipts and Changes in Net Position		
	Disbursements	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities
Primary Government:						
Governmental Activities:						
General Government	79,002.38	90.00			(78,912.38)	(78,912.38)
Public Safety	65,659.51	884.35			(64,775.16)	(64,775.16)
Public Works	276,020.46		14,570.11	127,465.82	(133,984.53)	(133,984.53)
Health and Welfare	1,029.00		1,029.00		0.00	0.00
Culture and Recreation	32,036.74				(32,036.74)	(32,036.74)
Conservation and Development	35,650.05				(35,650.05)	(35,650.05)
Miscellaneous Disbursements		360.00			360.00	360.00
Total Governmental Activities	489,398.14	1,334.35	15,599.11	127,465.82	(344,998.86)	(344,998.86)
Business-type Activities:						
Water	202,771.34	133,653.52	37,118.79			(31,999.03)
Sewer	1,354,650.22	138,755.07	185,655.11		(1,030,240.04)	(1,030,240.04)
Liquor	476,108.89	479,299.19			3,190.30	3,190.30
Total Business-Type Activities	2,033,530.45	751,707.78	222,773.90	0.00	(1,059,048.77)	(1,059,048.77)
Total Primary Government	2,522,928.59	753,042.13	238,373.01	127,465.82	(344,998.86)	(1,404,047.63)
General Receipts:						
Taxes:						
Property Taxes					135,178.74	135,178.74
Sales Taxes					115,905.02	115,905.02
State Shared Receipts					4,442.93	4,442.93
Grants and Contributions not Restricted to Specific Programs					45,641.58	45,641.58
Unrestricted Investment Earnings					1,535.79	3,796.63
Debt Issued						1,053,906.00
Miscellaneous Receipts					22,806.36	22,806.36
Total General Receipts					325,510.42	1,381,677.26
Change in Net Position					(19,488.44)	(22,370.37)
Net Position - Beginning					252,768.82	399,398.28
NET POSITION - ENDING					233,280.38	396,516.35

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

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

	General Fund	Gross Receipts Fund	Total Governmental Funds
ASSETS:			
Cash and Cash Equivalents	232,742.03	538.35	233,280.38
TOTAL ASSETS	<u>232,742.03</u>	<u>538.35</u>	<u>233,280.38</u>
FUND BALANCES:			
Restricted:			
Promoting the City		538.35	538.35
Assigned for Capital Improvements	28,008.95		28,008.95
Unassigned	204,733.08		204,733.08
TOTAL FUND BALANCES	<u>232,742.03</u>	<u>538.35</u>	<u>233,280.38</u>

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

MUNICIPALITY OF IRENE
STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND CASH BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2021

	General Fund	Liquor, Lodging & Dining Gross Receipts Tax Fund	Total Governmental Funds
Receipts:			
Taxes:			
General Property Taxes	134,013.43		134,013.43
General Sales and Use Taxes	109,381.60	6,523.42	115,905.02
Penalties & Interest on Delinquent Taxes	1,165.31		1,165.31
Total Taxes	244,560.34	6,523.42	251,083.76
Licenses and Permits	360.00	0.00	360.00
Intergovernmental Receipts:			
Federal Grants	45,641.58		45,641.58
State Grants	128,494.82		128,494.82
State Shared Receipts:			
Bank Franchise Tax	1,361.57		1,361.57
Prorate License Fees	482.46		482.46
Liquor Tax Reversion	3,081.36		3,081.36
Motor Vehicle Licenses	5,467.05		5,467.05
Local Government Highway and Bridge Fund	6,945.53		6,945.53
County Shared Receipts:			
County Road Tax	578.61		578.61
County Wheel Tax	1,096.46		1,096.46
Total Intergovernmental Receipts	193,149.44	0.00	193,149.44
Charges for Goods and Services:			
General Government	90.00		90.00
Other	414.35		414.35
Total Charges for Goods and Services	504.35	0.00	504.35
Fines and Forfeits:			
Court Fines and Costs	20.00		20.00
Total Fines and Costs	20.00	0.00	20.00
Miscellaneous Receipts:			
Investment Earnings	1,535.79		1,535.79
Rentals	360.00		360.00
Contributions and Donations from Private Sources	15,448.71		15,448.71
Liquor Operating Agreement Income	1,974.31		1,974.31
Other	5,023.34		5,023.34
Total Miscellaneous Receipts	24,342.15	0.00	24,342.15
Total Receipts	462,936.28	6,523.42	469,459.70

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

MUNICIPALITY OF IRENE
STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND CASH BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2021

	<u>General Fund</u>	<u>Liquor, Lodging & Dining Gross Receipts Tax Fund</u>	<u>Total Governmental Funds</u>
Disbursements:			
General Government:			
Legislative	6,391.14		6,391.14
Executive	37,919.82		37,919.82
Financial Administration	2,361.00		2,361.00
Other	32,330.42		32,330.42
Total General Government	79,002.38	0.00	79,002.38
Public Safety:			
Police	52,663.08		52,663.08
Fire	7,809.65		7,809.65
Protective Inspection	5,186.78		5,186.78
Total Public Safety	65,659.51	0.00	65,659.51
Public Works:			
Highways and Streets	276,020.46		276,020.46
Total Public Works	276,020.46	0.00	276,020.46
Health and Welfare:			
Health	1,029.00		1,029.00
Total Health and Welfare	1,029.00	0.00	1,029.00
Culture and Recreation:			
Parks	24,844.74		24,844.74
Libraries	1,192.00		1,192.00
Auditorium	6,000.00		6,000.00
Total Culture and Recreation	32,036.74	0.00	32,036.74
Conservation and Development:			
Economic Development and Assistance (Industrial Development)	29,664.98	5,985.07	35,650.05
Total Conservation and Development	29,664.98	5,985.07	35,650.05
Total Disbursements	483,413.07	5,985.07	489,398.14
Other Financing Sources (Uses):			
Sale of Municipal Property	450.00		450.00
Total Other Financing Sources (Uses)	450.00	0.00	450.00
Net Change in Fund Cash Balance	(20,026.79)	538.35	(19,488.44)
Fund Cash Balance - Beginning	252,768.82	0.00	252,768.82
FUND CASH BALANCE- ENDING	232,742.03	538.35	233,280.38

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

MUNICIPALITY OF IRENE
STATEMENT OF NET POSITION - CASH BASIS
PROPRIETARY FUNDS
December 31, 2021

	Enterprise Funds			
	Water Fund	Sewer Fund	Liquor Fund	Totals
ASSETS:				
Current Assets:				
Cash and Cash Equivalents	166,986.17	196,754.15	32,776.03	396,516.35
Total Current Assets	<u>166,986.17</u>	<u>196,754.15</u>	<u>32,776.03</u>	<u>396,516.35</u>
TOTAL ASSETS	<u>166,986.17</u>	<u>196,754.15</u>	<u>32,776.03</u>	<u>396,516.35</u>
NET POSITION:				
Restricted for:				
Revenue Bond Debt Service	<u>72,117.97</u>	<u>118,568.12</u>		<u>190,686.09</u>
Equipment Repair and/or Replacement			<u>7,605.52</u>	<u>7,605.52</u>
Unrestricted Net Position	<u>94,868.20</u>	<u>78,186.03</u>	<u>25,170.51</u>	<u>198,224.74</u>
TOTAL NET POSITION	<u>166,986.17</u>	<u>196,754.15</u>	<u>32,776.03</u>	<u>396,516.35</u>

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

MUNICIPALITY OF IRENE
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN
FUND NET POSITION - CASH BASIS
PROPRIETARY FUNDS
For the Year Ended December 31, 2021

	Enterprise Funds			
	Water Fund	Sewer Fund	Liquor Fund	Totals
Operating Receipts:				
Charges for Goods and Services	96,579.76	58,760.74	439,124.31	594,464.81
Surcharge as Security for Debt	37,073.76	79,994.33		117,068.09
Lottery Sales			31,516.16	31,516.16
Miscellaneous			8,658.72	8,658.72
Total Operating Receipts	133,653.52	138,755.07	479,299.19	751,707.78
Operating Disbursements:				
Personal Services	45,370.02	45,479.02	185,555.69	276,404.73
Other Current Disbursements	8,671.59	12,657.79	99,403.08	120,732.46
Materials	41,220.80		177,555.12	218,775.92
Total Operating Disbursements	95,262.41	58,136.81	462,513.89	615,913.11
Operating Income (Loss)	38,391.11	80,618.26	16,785.30	135,794.67
Nonoperating Receipts (Disbursements):				
Operating Grants	37,118.79	185,655.11		222,773.90
Investment Earnings	808.32	1,348.00	104.52	2,260.84
Capital Assets	(73,451.25)	(1,238,998.92)	(13,595.00)	(1,326,045.17)
Debt Service (Principal)	(14,331.11)	(14,303.84)		(28,634.95)
Debt Service (Interest)	(19,726.57)	(43,210.65)		(62,937.22)
Long-Term Debt Issued	38,096.00	1,015,810.00		1,053,906.00
Total Nonoperating Receipts (Disbursements)	(31,485.82)	(93,700.30)	(13,490.48)	(138,676.60)
Change in Net Position	6,905.29	(13,082.04)	3,294.82	(2,881.93)
Net Position - Beginning	160,080.88	209,836.19	29,481.21	399,398.28
NET POSITION - ENDING	166,986.17	196,754.15	32,776.03	396,516.35

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

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

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Cash and Cash Equivalents	<u>252,768.82</u>	<u>399,398.28</u>	<u>652,167.10</u>
TOTAL ASSETS	<u>252,768.82</u>	<u>399,398.28</u>	<u>652,167.10</u>
NET POSITION:			
Restricted for:			
Debt Service Purposes	<u> </u>	<u>168,190.17</u>	<u>168,190.17</u>
Equipment Replacement	<u> </u>	<u>7,605.52</u>	<u>7,605.52</u>
Unrestricted	<u>252,768.82</u>	<u>223,602.59</u>	<u>476,371.41</u>
TOTAL NET POSITION	<u>252,768.82</u>	<u>399,398.28</u>	<u>652,167.10</u>

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

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

Functions/Programs	Program Receipts				Net (Expense) Receipts and Changes in Net Position		
	Disbursements	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
Primary Government:							
Governmental Activities:							
General Government	94,368.05				(94,368.05)		(94,368.05)
Public Safety	106,109.80	74.70			(106,035.10)		(106,035.10)
Public Works	293,754.27		13,535.99	212,534.18	(67,684.10)		(67,684.10)
Health and Welfare	1,294.11		1,039.00		(255.11)		(255.11)
Culture and Recreation	19,115.12				(19,115.12)		(19,115.12)
Conservation and Development	6,212.55				(6,212.55)		(6,212.55)
Miscellaneous Disbursements		2,128.00			2,128.00		2,128.00
Total Governmental Activities	520,853.90	2,202.70	14,574.99	212,534.18	(291,542.03)		(291,542.03)
Business-type Activities:							
Water	1,386,961.81	127,057.20	159,760.76			(1,100,143.85)	(1,100,143.85)
Sewer	2,838,633.15	123,250.76	410,813.43			(2,304,568.96)	(2,304,568.96)
Liquor	410,710.52	402,554.02	593.16			(7,563.34)	(7,563.34)
Total Business-Type Activities	4,636,305.48	652,861.98	571,167.35	0.00		(3,412,276.15)	(3,412,276.15)
Total Primary Government	5,157,159.38	655,064.68	585,742.34	212,534.18	(291,542.03)	(3,412,276.15)	(3,703,818.18)
General Receipts:							
Taxes:							
Property Taxes					121,357.03		121,357.03
Sales Taxes					126,460.14		126,460.14
State Shared Receipts					4,002.36		4,002.36
Grants and Contributions not Restricted to Specific Programs					41,385.69		41,385.69
Unrestricted Investment Earnings					2,214.29	3,105.97	5,320.26
Debt Issued						3,529,094.00	3,529,094.00
Miscellaneous Receipts					9,970.12		9,970.12
Total General Receipts					305,389.63	3,532,199.97	3,837,589.60
Change in Net Position					13,847.60	119,923.82	133,771.42
Net Position - Beginning					238,921.22	279,474.46	518,395.68
NET POSITION - ENDING					252,768.82	399,398.28	652,167.10

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

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

	General Fund
ASSETS:	
Cash and Cash Equivalents	<u>252,768.82</u>
TOTAL ASSETS	<u><u>252,768.82</u></u>
FUND BALANCES:	
Assigned for Capital Improvements	<u>28,008.95</u>
Unassigned	<u>224,759.87</u>
TOTAL FUND BALANCES	<u><u>252,768.82</u></u>

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

MUNICIPALITY OF IRENE
STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND CASH BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2020

	General Fund	Liquor, Lodging & Dining Gross Receipts Tax Fund	Total Governmental Funds
Receipts:			
Taxes:			
General Property Taxes	120,917.34		120,917.34
General Sales and Use Taxes	120,247.59	6,212.55	126,460.14
Amusement Taxes	24.00		24.00
Penalties & Interest on Delinquent Taxes	415.69		415.69
Total Taxes	241,604.62	6,212.55	247,817.17
Licenses and Permits	765.00	0.00	765.00
Intergovernmental Receipts:			
Federal Grants	41,385.69		41,385.69
State Grants	213,573.18		213,573.18
State Shared Receipts:			
Bank Franchise Tax	1,095.22		1,095.22
Prorate License Fees	700.12		700.12
Liquor Tax Reversion	2,907.14		2,907.14
Motor Vehicle Licenses	5,591.37		5,591.37
Local Government Highway and Bridge Fund	6,665.89		6,665.89
County Shared Receipts:			
County Road Tax	578.61		578.61
Total Intergovernmental Receipts	272,497.22	0.00	272,497.22
Charges for Goods and Services:			
Other	1,363.00		1,363.00
Total Charges for Goods and Services	1,363.00	0.00	1,363.00
Fines and Forfeits:			
Court Fines and Costs	74.70		74.70
Total Fines and Costs	74.70	0.00	74.70
Miscellaneous Receipts:			
Investment Earnings	2,214.29		2,214.29
Rentals	360.00		360.00
Contributions and Donations from Private Sources	1,274.87		1,274.87
Liquor Operating Agreement Income	2,291.23		2,291.23
Other	3,944.02		3,944.02
Total Miscellaneous Receipts	10,084.41	0.00	10,084.41
Total Receipts	526,388.95	6,212.55	532,601.50
Disbursements:			
General Government:			
Legislative	6,787.81		6,787.81
Executive	41,085.59		41,085.59
Financial Administration	15,413.00		15,413.00
Other	31,081.65		31,081.65
Total General Government	94,368.05	0.00	94,368.05

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

MUNICIPALITY OF IRENE
STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND CASH BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2020

	General Fund	Liquor, Lodging & Dining Gross Receipts Tax Fund	Total Governmental Funds
Disbursements: (continued)			
Public Safety:			
Police	51,846.00		51,846.00
Fire	48,728.11		48,728.11
Other Protection	5,535.69		5,535.69
Total Public Safety	106,109.80	0.00	106,109.80
Public Works:			
Highways and Streets	293,754.27		293,754.27
Total Public Works	293,754.27	0.00	293,754.27
Health and Welfare:			
Health	1,294.11		1,294.11
Total Health and Welfare	1,294.11	0.00	1,294.11
Culture and Recreation:			
Parks	10,535.12		10,535.12
Libraries	2,580.00		2,580.00
Auditorium	6,000.00		6,000.00
Total Culture and Recreation	19,115.12	0.00	19,115.12
Conservation and Development:			
Economic Development and Assistance (Industrial Development)		6,212.55	6,212.55
Total Conservation and Development	0.00	6,212.55	6,212.55
Total Disbursements	514,641.35	6,212.55	520,853.90
Excess Receipts Over (Under) Disbursements	11,747.60	0.00	11,747.60
Other Financing Sources (Uses):			
Compensation for Loss or Damage to Capital Assets	2,100.00		2,100.00
Total Other Financing Sources (Uses)	2,100.00	0.00	2,100.00
Net Change in Fund Cash Balance	13,847.60	0.00	13,847.60
Fund Cash Balance - Beginning	238,921.22	0.00	238,921.22
FUND CASH BALANCE- ENDING	252,768.82	0.00	252,768.82

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

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

	Enterprise Funds			
	Water Fund	Sewer Fund	Liquor Fund	Totals
ASSETS:				
Current Assets:				
Cash and Cash Equivalents	160,080.88	209,836.19	29,481.21	399,398.28
Total Current Assets	<u>160,080.88</u>	<u>209,836.19</u>	<u>29,481.21</u>	<u>399,398.28</u>
TOTAL ASSETS	<u>160,080.88</u>	<u>209,836.19</u>	<u>29,481.21</u>	<u>399,398.28</u>
NET POSITION:				
Restricted for:				
Equipment Repair and/or Replacement			7,605.52	7,605.52
Revenue Bond Debt Service	<u>72,101.89</u>	<u>96,088.28</u>		<u>168,190.17</u>
Unrestricted Net Position	<u>87,978.99</u>	<u>113,747.91</u>	<u>21,875.69</u>	<u>223,602.59</u>
TOTAL NET POSITION	<u>160,080.88</u>	<u>209,836.19</u>	<u>29,481.21</u>	<u>399,398.28</u>

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

MUNICIPALITY OF IRENE
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN
FUND NET POSITION - CASH BASIS
PROPRIETARY FUNDS
For the Year Ended December 31, 2020

	Enterprise Funds			
	Water Fund	Sewer Fund	Liquor Fund	Totals
Operating Receipts:				
Charges for Goods and Services	97,739.82	63,690.90	371,723.54	533,154.26
Surcharge as Security for Debt	29,317.38	59,559.86		88,877.24
Lottery Sales			22,588.65	22,588.65
Miscellaneous			8,241.83	8,241.83
Total Operating Receipts	127,057.20	123,250.76	402,554.02	652,861.98
Operating Disbursements:				
Personal Services	45,215.50	45,123.82	172,501.21	262,840.53
Other Current Disbursements	13,192.82	14,827.28	76,166.63	104,186.73
Materials	42,947.50		158,001.30	200,948.80
Total Operating Disbursements	101,355.82	59,951.10	406,669.14	567,976.06
Operating Income (Loss)	25,701.38	63,299.66	(4,115.12)	84,885.92
Nonoperating Receipts (Disbursements):				
Operating Grants	159,760.76	410,813.43	593.16	571,167.35
Investment Earnings	817.89	2,074.85	213.23	3,105.97
Capital Assets	(1,270,291.99)	(2,746,424.49)	(4,041.38)	(4,020,757.86)
Debt Service	(7,014.45)	(13,848.26)		(20,862.71)
Interest Expense	(8,299.55)	(18,409.30)		(26,708.85)
Long-Term Debt Issued	1,152,904.00	2,376,190.00		3,529,094.00
Total Nonoperating Receipts (Disbursements)	27,876.66	10,396.23	(3,234.99)	35,037.90
Change in Net Position	53,578.04	73,695.89	(7,350.11)	119,923.82
Net Position - Beginning	73,981.34	168,661.80	36,831.32	279,474.46
Restatements:				
2019 Phase II Project Expense Corrections	32,521.50	(32,521.50)	0.00	0.00
Restated Net Position - Beginning	106,502.84	136,140.30	36,831.32	279,474.46
NET POSITION - ENDING	160,080.88	209,836.19	29,481.21	399,398.28

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

NOTES TO THE CASH BASIS FINANCIAL STATEMENTS
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

b. Basis of Presentation:

Government-wide Financial Statements:

The Statement of Net Position – Cash Basis and Statement of Activities – Cash Basis display information about the reporting entity as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities 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.

The Statement of Activities – Cash Basis presents a comparison between direct disbursements and program receipts for each segment of the business-type activities of the Municipality and for each function of the Municipality's governmental activities. Direct disbursements are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program receipts 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. Receipts that are not classified as program receipts, including all taxes, are presented as general receipts.

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, receipts, and disbursements. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the Municipality or it meets the following criteria.

1. Total assets, liabilities, receipts, or disbursements 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, receipts, or disbursements of the individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined, or

NOTES TO THE CASH BASIS FINANCIAL STATEMENTS
(Continued)

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 special revenue sources (other than trusts for individuals, private organizations, or other governments or for major capital projects) that are legally restricted to disbursements for specified purposes.

Liquor, Lodging and Dining Gross Receipts Tax Fund – to account for the collection of a one percent tax on the gross receipts of lodgings, alcoholic beverages, prepared food and admissions which tax shall be used for the purpose of land acquisition, architectural fees, construction costs, payments for civic center, auditorium or athletic facility buildings, including the maintenance, staffing, and operations of such facilities and the promotion and advertising of the city (SDCL 10-52A-2). This fund may be established at the direction of the governing body through local ordinance. This is 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 the 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 the 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.

Liquor Fund – to account for the operation of an on-sale and/or off-sale municipal liquor store. (SDCL 35-3-21) This is a major fund.

NOTES TO THE CASH BASIS FINANCIAL STATEMENTS
(Continued)

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

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

Measurement Focus:

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

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

The 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, 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.

As a result of the use of this 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. 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.

e. Long-Term Liabilities:

Under the 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

NOTES TO THE CASH BASIS FINANCIAL STATEMENTS
(Continued)

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.

The Municipality has presented as Supplementary Information a Schedule of Changes in Long-Term Debt along with related notes that include details of any outstanding Long-Term Debt.

f. Program Receipts:

Program receipts derive directly from the program itself or from parties other than the Municipality's taxpayers or citizenry, as a whole. Program receipts 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.

g. Proprietary Funds Receipts and Disbursement Classifications:

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

h. Equity Classifications:

Government-wide Statements:

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

1. Restricted net position – Consists of net position with constraints placed on 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."

NOTES TO THE CASH BASIS FINANCIAL STATEMENTS
(Continued)

Fund Financial Statements:

Government 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.

i. 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.

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

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

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

<u>Major Special Revenue Fund</u>	<u>Revenue Source</u>
Gross Receipts Tax Fund	Sales Tax

NOTES TO THE 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>
Gross Receipts Tax Fund:		
Economic Development & Assistance	\$ 112.55	\$ 385.07

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

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

Investments - In general, SDCL 4-5-6 permits Municipality funds to be invested 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.

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 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 deposits and investments to the fund making the investment.

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, 2020 and 2021 were as follows:

<u>Purpose:</u>	<u>Restricted By</u>	<u>12/31/2020</u>	<u>12/31/2021</u>
Major Funds:			
Gross Receipts Fund	Law		538.35
Water Fund	Debt Covenants	72,101.89	72,117.97
Sewer Fund	Debt Covenants	96,088.28	118,568.12
Liquor Fund	Equipment Replacement	7,605.52	7,605.52
		<u>175,795.69</u>	<u>198,829.96</u>

6. OPERATING LEASES

The Municipality has a copier lease for one copier. Payments towards this lease are paid by the General Fund.

The following are the minimum payments required for existing operating leases:

<u>Year</u>	<u>General Fund Copier</u>
2022	712.08
2023	712.08
2024	712.08
2025	712.08

7. WATER PURCHASE AGREEMENT

In 1997, the Municipality of Irene entered into a 20-year purchase agreement with B-Y Water to provide water to the Municipality. A monthly service charge in the amount of \$209 is paid by the city to B-Y Water along with a charge of \$3.10 per 1,000 gallons of water consumed. The monthly service charge represents a contribution by the city to aid B-Y Water in the construction of the facilities necessary to provide the Municipality with water.

NOTES TO THE CASH BASIS FINANCIAL STATEMENTS
(Continued)

The Municipality will not acquire ownership of any of these water facilities through these payments. Payments are made from the Municipality's Water Fund.

8. PRIOR PERIOD ADJUSTMENTS:

The Municipality has restated the beginning net position to adjust for 2019 Phase II project expense corrections. The adjustments to beginning net position as of January 1, 2020, are as follows:

	<u>Water Fund</u>	<u>Sewer Fund</u>
Net Position January 1, 2020, as previously reported	\$ 73,981.34	\$ 168,661.80
Restatement:		
2019 Phase II project expense corrections	32,521.50	(32,521.50)
Net Position January 1, 2020, as Restated	<u>\$ 106,502.84</u>	<u>\$ 136,140.30</u>

9. PENSION PLAN

Plan Information:

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

Benefits Provided:

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

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

NOTES TO THE CASH BASIS FINANCIAL STATEMENTS
(Continued)

above criteria may be payable at a reduced level. Generational members will also have a variable retirement account (VRA) established, in which they will receive up to 1.5 percent of compensation funded by part of the employer contribution. VRAs will receive investment earnings based on investment returns.

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

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

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

Contributions:

Per SDCL 3-12, contribution requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A Members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. The Municipality's share of contributions to the SDRS for the fiscal years ended December 31, 2021, 2020, and 2019, were \$9,945.84, \$10,096.62, and \$9,565.95, respectively, equal to the required contributions each year.

Pension Liabilities (Assets):

At June 30, 2021, SDRS is 105.53% funded and accordingly has net pension asset. The proportionate shares of the components of the net pension asset of the 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	\$ 1,004,479.86
Less proportionate share of net pension restricted for pension benefits	<u>\$ 1,059,956.50</u>
Proportionate share of net pension liability (asset)	<u><u>\$ (55,476.64)</u></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 0.00724400%, which is an increase (decrease) of -0.0001875% from its proportion measured as of June 30, 2020.

NOTES TO THE CASH BASIS FINANCIAL STATEMENTS
(Continued)

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

Proportionate share of pension liability	\$ 913,553.94
Less proportionate share of net pension restricted for pension benefits	<u>\$ 913,876.69</u>
Proportionate share of net pension liability (asset)	<u><u>\$ (322.75)</u></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 0.00743150%, which is an increase (decrease) of 0.0002584% from its proportion measured as of June 30, 2019.

Actuarial Assumptions:

The total pension liability (asset) in the June 30, 2021 and June 30, 2020 actuarial valuations were 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%

Mortality rates were based on 97% of the RP-2014 Mortality Table, projected generationally with Scale MP-2016, white collar rates for females and total dataset rates for males. Mortality rates for disabled members were based on the RP-2014 Disabled Retiree Mortality Table, 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 if 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 for each major asset class included in the pension plan's target asset allocation as of June 30, 2021 and 2020 (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

NOTES TO THE CASH BASIS FINANCIAL STATEMENTS
(Continued)

<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:

At June 30, 2021, the following presents the Municipality's proportionate share of net pension liability (asset) calculated using the discount rate of 6.50 percent, as well as what the Municipality's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage point lower (5.50%) or 1-percentage point higher (7.50%) than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Municipality's proportionate share of the net pension liability (asset)	\$89,830.49	\$(55,476.64)	\$(173,432.21)

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

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Municipality's proportionate share of the net pension liability (asset)	\$125,205.06	\$(322.75)	\$(103,002.02)

Pension Plan Fiduciary Net Position:

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

10. SIGNIFICANT CONTINGENCIES - LITIGATION

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

NOTES TO THE CASH BASIS FINANCIAL STATEMENTS
(Continued)

11. RISK MANAGEMENT

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

Employee Health Insurance:

The Municipality joined the South Dakota Municipal League Health Pool. This is a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The Municipality pays a monthly premium to the pool to provide health insurance coverage for its employees. The pool purchases reinsurance coverage with the premiums it receives from the members. The coverage provides a deductible of \$500 per person or \$500 per family. The plan also provides for coinsurance of 90 percent up to \$5,000.

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

Liability Insurance:

The Municipality purchases liability insurance for risks related to torts; theft of or damage to property; and errors and omissions of public officials from a commercial insurance carrier. 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, 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 the pool to provide worker's compensation coverage for its employees. Coverage limits are set by state statute. The pool pays the first \$650,000 of any claim per individual and has reinsurance which covers up to an additional \$2,000,000 per individual per incident.

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

12. RELATED PARTY TRANSACTION

Municipal Finance officer serves as the treasurer of the Irene Development Corporation.

13. SUBSEQUENT EVENTS

Management has evaluated whether any subsequent events have occurred through August 1, 2022, the date on which the financial statements were available to be issued.

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

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget - Positive (Negative)
Receipts:				
Taxes:				
General Property Taxes	130,660.00	130,660.00	134,013.43	3,353.43
General Sales and Use Taxes	91,100.00	91,100.00	109,381.60	18,281.60
Amusement Taxes	85.00	85.00	0.00	(85.00)
Penalties and Interest on Delinquent Taxes	400.00	400.00	1,165.31	765.31
Total Taxes	222,245.00	222,245.00	244,560.34	22,315.34
Licenses and Permits	600.00	600.00	360.00	(240.00)
Intergovernmental Receipts:				
Federal Grants	0.00	0.00	45,641.58	45,641.58
State Grants	1,000.00	128,465.00	128,494.82	29.82
State Shared Receipts:				
Bank Franchise Tax	1,000.00	1,000.00	1,361.57	361.57
Prorate License Fees	500.00	500.00	482.46	(17.54)
Liquor Tax Reversion	2,800.00	2,800.00	3,081.36	281.36
Motor Vehicle Licenses	5,000.00	5,000.00	5,467.05	467.05
Local Government Highway and Bridge Fund	6,700.00	6,700.00	6,945.53	245.53
County Shared Receipts:				
County Road Tax	575.00	575.00	578.61	3.61
County Wheel Tax	0.00	0.00	1,096.46	1,096.46
Total Intergovernmental Receipts	17,575.00	145,040.00	193,149.44	48,109.44
Charges for Goods and Services:				
General Government	120.00	120.00	90.00	(30.00)
Other	100.00	100.00	414.35	314.35
Total Charges for Goods and Services	220.00	220.00	504.35	284.35
Fines and Forfeits:				
Court Fines and Costs	0.00	0.00	20.00	20.00
Total Fines and Forfeits	0.00	0.00	20.00	20.00
Miscellaneous Receipts:				
Investment Earnings	2,500.00	2,500.00	1,535.79	(964.21)
Rentals	360.00	360.00	360.00	0.00
Contributions and Donations from Private Sources	0.00	10,450.00	15,448.71	4,998.71
Liquor Operating Agreement Income	1,900.00	1,900.00	1,974.31	74.31
Other	4,600.00	4,600.00	5,023.34	423.34
Total Miscellaneous Receipts	9,360.00	19,810.00	24,342.15	4,532.15
Total Receipts	250,000.00	387,915.00	462,936.28	75,021.28

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

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget -
				Positive (Negative)
Disbursements:				
General Government:				
Legislative	7,220.00	7,220.00	6,391.14	828.86
Contingency	10,000.00	10,000.00		
Amount Transferred		(10,000.00)		0.00
Executive	40,385.00	40,385.00	37,919.82	2,465.18
Financial Administration	5,000.00	5,000.00	2,361.00	2,639.00
Other	36,815.00	36,815.00	32,330.42	4,484.58
Total General Government	99,420.00	89,420.00	79,002.38	10,417.62
Public Safety:				
Police	52,825.00	52,825.00	52,663.08	161.92
Fire	5,550.00	8,000.00	7,809.65	190.35
Protective Inspection	5,920.00	5,920.00	5,186.78	733.22
Total Public Safety	64,295.00	66,745.00	65,659.51	1,085.49
Public Works:				
Highways and Streets	84,585.00	276,050.00	276,020.46	29.54
Total Public Works	84,585.00	276,050.00	276,020.46	29.54
Health and Welfare:				
Health	1,100.00	1,100.00	1,029.00	71.00
Total Health and Welfare	1,100.00	1,100.00	1,029.00	71.00
Culture and Recreation:				
Parks	9,800.00	24,850.00	24,844.74	5.26
Libraries	2,800.00	2,800.00	1,192.00	1,608.00
Community Center	6,000.00	6,000.00	6,000.00	0.00
Total Culture and Recreation	18,600.00	33,650.00	32,036.74	1,613.26
Conservation and Development:				
Economic Development and Assistance		29,670.00	29,664.98	5.02
(Industrial Development)				
Total Conservation and Development	0.00	29,670.00	29,664.98	5.02
Total Disbursements	268,000.00	496,635.00	483,413.07	13,221.93
Excess of Receipts Over (Under)				
Disbursements	(18,000.00)	(108,720.00)	(20,476.79)	88,243.21
Other Financing Sources (Uses):				
Sale of Municipal Property	0.00	0.00	450.00	450.00
Total Other Financing Sources (Uses)	0.00	0.00	450.00	450.00
Fund Cash Balance - Beginning	252,768.82	252,768.82	252,768.82	0.00
FUND CASH BALANCE - ENDING	234,768.82	144,048.82	232,742.03	88,693.21

SUPPLEMENTARY INFORMATION
MUNICIPALITY OF IRENE
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
LIQUOR, LODGING AND DINING GROSS RECEIPTS TAX FUND
For the Year Ended December 31, 2021

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget - Positive (Negative)
Receipts:				
Taxes:				
General Sales and Use Taxes	5,600.00	5,600.00	6,523.42	923.42
Total Taxes	5,600.00	5,600.00	6,523.42	923.42
Total Receipts	5,600.00	5,600.00	6,523.42	923.42
Disbursements:				
Conservation and Development:				
Economic Development and Assistance (Industrial Development)	5,600.00	5,600.00	5,985.07	(385.07)
Total Conservation and Development	5,600.00	5,600.00	5,985.07	(385.07)
Total Disbursements	5,600.00	5,600.00	5,985.07	(385.07)
Net Change in Fund Cash Balances	0.00	0.00	538.35	538.35
Fund Cash Balance - Beginning	0.00	0.00	0.00	0.00
FUND CASH BALANCE - ENDING	0.00	0.00	538.35	538.35

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

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget - Positive (Negative)
Receipts:				
Taxes:				
General Property Taxes	127,785.00	127,785.00	120,917.34	(6,867.66)
General Sales and Use Taxes	94,000.00	94,000.00	120,247.59	26,247.59
Amusement Taxes	85.00	85.00	24.00	(61.00)
Penalties and Interest on Delinquent Taxes	1,100.00	1,100.00	415.69	(684.31)
Total Taxes	222,970.00	222,970.00	241,604.62	18,634.62
Licenses and Permits	700.00	700.00	765.00	65.00
Intergovernmental Receipts:				
Federal Grants	0.00	44,250.00	41,385.69	(2,864.31)
State Grants	1,000.00	205,640.00	213,573.18	7,933.18
State Shared Receipts:				
Bank Franchise Tax	700.00	700.00	1,095.22	395.22
Prorate License Fees	500.00	500.00	700.12	200.12
Liquor Tax Reversion	2,600.00	2,600.00	2,907.14	307.14
Motor Vehicle Licenses	5,000.00	5,000.00	5,591.37	591.37
Local Government Highway and Bridge Fund	6,700.00	6,700.00	6,665.89	(34.11)
County Shared Receipts:				
County Road Tax	580.00	580.00	578.61	(1.39)
County Wheel Tax	350.00	350.00	0.00	(350.00)
Total Intergovernmental Receipts	17,430.00	266,320.00	272,497.22	6,177.22
Charges for Goods and Services:				
Other	50.00	50.00	1,363.00	1,313.00
Total Charges for Goods and Services	50.00	50.00	1,363.00	1,313.00
Fines and Forfeits:				
Court Fines and Costs	0.00	0.00	74.70	74.70
Total Fines and Forfeits	0.00	0.00	74.70	74.70
Miscellaneous Receipts:				
Investment Earnings	3,000.00	3,000.00	2,214.29	(785.71)
Rentals	960.00	960.00	360.00	(600.00)
Contributions and Donations from Private Sources	0.00	0.00	1,274.87	1,274.87
Liquor Operating Agreement Income	2,000.00	2,000.00	2,291.23	291.23
Other	4,400.00	4,400.00	3,944.02	(455.98)
Total Miscellaneous Receipts	10,360.00	10,360.00	10,084.41	(275.59)
Total Receipts	251,510.00	500,400.00	526,388.95	25,988.95
Disbursements:				
General Government:				
Legislative	7,220.00	7,220.00	6,787.81	432.19
Contingency	10,000.00	10,000.00		
Amount Transferred		(10,000.00)		0.00
Executive	37,345.00	41,225.00	41,085.59	139.41
Financial Administration	12,000.00	15,500.00	15,413.00	87.00
Other	43,450.00	43,450.00	31,081.65	12,368.35
Total General Government	110,015.00	107,395.00	94,368.05	13,026.95

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

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget - Positive (Negative)
Disbursements (Continued):				
Public Safety:				
Police	52,050.00	52,050.00	51,846.00	204.00
Fire	5,550.00	48,770.00	48,728.11	41.89
Other Protection	5,320.00	5,570.00	5,535.69	34.31
Total Public Safety	62,920.00	106,390.00	106,109.80	280.20
Public Works:				
Highways and Streets	50,900.00	304,385.00	293,754.27	10,630.73
Total Public Works	50,900.00	304,385.00	293,754.27	10,630.73
Health and Welfare:				
Health	2,000.00	2,000.00	1,294.11	705.89
Total Health and Welfare	2,000.00	2,000.00	1,294.11	705.89
Culture and Recreation:				
Parks	17,975.00	17,975.00	10,535.12	7,439.88
Libraries	1,700.00	2,580.00	2,580.00	0.00
Community Center	6,000.00	6,000.00	6,000.00	0.00
Total Culture and Recreation	25,675.00	26,555.00	19,115.12	7,439.88
Total Disbursements	251,510.00	546,725.00	514,641.35	32,083.65
Excess of Receipts Over (Under) Disbursements	0.00	(46,325.00)	11,747.60	58,072.60
Other Financing Sources (Uses):				
Compensation for Loss or Damage to Capital Assets	0.00	0.00	2,100.00	2,100.00
Total Other Financing Sources (Uses)	0.00	0.00	2,100.00	2,100.00
Net Change in Fund Cash Balances	0.00	(46,325.00)	13,847.60	60,172.60
Fund Cash Balance - Beginning	238,921.22	238,921.22	238,921.22	0.00
FUND CASH BALANCE - ENDING	238,921.22	192,596.22	252,768.82	60,172.60

SUPPLEMENTARY INFORMATION
MUNICIPALITY OF IRENE
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
LIQUOR, LODGING AND DINING GROSS RECEIPTS TAX FUND
For the Year Ended December 31, 2020

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget - Positive (Negative)
Receipts:				
Taxes:				
General Sales and Use Taxes	6,100.00	6,100.00	6,212.55	112.55
Total Taxes	6,100.00	6,100.00	6,212.55	112.55
Total Receipts	6,100.00	6,100.00	6,212.55	112.55
Disbursements:				
Conservation and Development:				
Economic Development and Assistance (Industrial Development)	6,100.00	6,100.00	6,212.55	(112.55)
Total Conservation and Development	6,100.00	6,100.00	6,212.55	(112.55)
Total Disbursements	6,100.00	6,100.00	6,212.55	(112.55)
Net Change in Fund Cash Balances	0.00	0.00	0.00	0.00
Fund Cash Balance - Beginning	0.00	0.00	0.00	0.00
FUND CASH BALANCE - ENDING	0.00	0.00	0.00	0.00

NOTES TO THE SUPPLEMENTARY INFORMATION

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

Note 1. Budgets and Budgetary Accounting

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

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

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

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

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 and special revenue funds are adopted on a basis consistent with the 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 cash basis. Utilizing the cash basis, revenues are recorded when received in cash and expenditures are recorded when paid. Under the GAAP basis, revenues and expenditures are recorded on the modified accrual basis of accounting on the governmental fund statements and on the full accrual basis on the government-wide statements.

SUPPLEMENTARY INFORMATION

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

South Dakota Retirement System

*Last 10 Years

	2021	2020	2019	2018	2017	2016	2015
Municipality's proportion of the net pension liability/asset	0.00724440%	0.0074315%	0.0071731%	0.0073564%	0.0070357%	0.0078064%	0.0072456%
Municipality's proportionate share of net pension liability (asset)	\$ (55,476.64)	\$ (322.75)	\$ (760.15)	\$ (171.57)	\$ (638.50)	\$ 26,369.25	\$ (30,730.66)
Municipality's covered-employee payroll	\$ 164,394.80	\$ 163,150.08	\$ 152,563.84	\$ 152,933.13	\$ 143,331.70	\$ 145,960.55	\$ 128,080.50
Municipality's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	33.75%	0.20%	0.50%	0.11%	0.45%	18.07%	23.99%
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 10 Years

	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 9,945.84	\$ 10,096.62	\$ 9,565.95	\$ 9,068.77	\$ 9,196.69	\$ 8,563.46	\$ 8,141.30
Contributions in relation to the contractually required contribution	\$ 9,945.84	\$ 10,096.62	\$ 9,565.95	\$ 9,068.77	\$ 9,196.69	\$ 8,563.46	\$ 8,141.30
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Municipality's covered-employee payroll	\$ 165,765.58	\$ 168,328.15	\$ 159,481.15	\$ 151,142.97	\$ 153,176.35	\$ 142,497.75	\$ 132,036.74
Contributions as a percentage of covered-employee payroll	6.00%	6.00%	6.00%	6.00%	6.00%	6.01%	6.17%

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

Actuarial Method Changes

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

MUNICIPALTY OF IRENE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Two Years Ended December 31, 2021

48

Federal Grantor/Pass-Through Grantor Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Total Federal Expenditures 2020	Total Federal Expenditures 2021
US Department of Housing and Urban Development - Pass-Through Programs: SD Governor's Office of Economic Development, Community Development Block Grant/State's Program and Non-Entitlement Grants in Hawaii (Note 4)	14.228		570,574.19	186,472.09
Total US Department of Housing and Urban Development			570,574.19	186,472.09
US Department of Treasury - Pass Through Programs: SD Bureau of Finance and Management, Coronavirus Relief Fund	21.019		41,978.85	45,641.58
US Department of Treasury - Direct Programs: Coronavirus State and Local Fiscal Recovery Funds	21.027			36,301.81
Total US Department of Treasury			41,978.85	81,943.39
US Environmental Protection Agency - Pass-Through Programs: SD Department of Environment and Natural Resources, Nonpoint Source Implementation Grants	66.460		346,882.00	
Total US Elections Assistance Commission			346,882.00	0.00
GRAND TOTAL			\$959,435.04	\$268,415.48

Note 1: Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of the Municipality under programs of the federal government for the year ended December 31, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Municipality, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Municipality.

Note 2: Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified cash basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The Municipality has elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 3: Federal Reimbursement

Federal reimbursements are not based upon specific expenditures. Therefore, the amounts reported here represent cash received rather than federal expenditures.

Note 4: Major Federal Financial Assistance Program

This represents a Major Federal Financial Assistance Program.

SUPPLEMENTARY INFORMATIONLONG-TERM LIABILITIES

A summary of changes in long-term liabilities follows:

	Beginning Balance 01/01/20	Additions	Deletions	Ending Balance 12/31/21	Due Within One Year
Primary Government:					
Business-Type Activities					
Bonds Payable:					
SRF Drinking Water Revenue Loan #2	279,265.07		14,241.72	265,023.35	7,446.54
SRF Clean Water Revenue Loan #1	571,597.43		28,152.10	543,445.33	14,774.42
SRF Drinking Water Revenue Loan #3	0.00	1,191,000.00	796,103.84	394,896.16	9,659.68
SRF Clean Water Revenue Loan #2	0.00	3,392,000.00	2,548,000.00	844,000.00	18,386.05
Total Business-Type Activities	<u>850,862.50</u>	<u>4,583,000.00</u>	<u>3,386,497.66</u>	<u>2,047,364.84</u>	<u>50,266.69</u>
TOTAL PRIMARY GOVERNMENT	<u>850,862.50</u>	<u>4,583,000.00</u>	<u>3,386,497.66</u>	<u>2,047,364.84</u>	<u>50,266.69</u>

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

Revenue Bonds:

SRF Drinking Water Revenue Loan #2; Interest Rate 3.0%, Maturity Date May 15, 2046, Paid by Sewer Fund	\$ 265,023.35
SRF Clean Water Revenue Loan #1; Interest Rate 3.0%, Maturity Date May 15, 2046, Paid by Sewer Fund	\$ 543,445.33
SRF Drinking Water Revenue Loan #3; Interest Rate at 2.25%; Maturity Date of February 15, 2051; Paid by Sewer Fund	\$ 394,896.16
SRF Clean Water Revenue Loan #2; Interest Rate at 2.75%; Maturity Date of November 15, 2051; Paid by Sewer Fund	\$ 844,000.00

SUPPLEMENTARY INFORMATION

LONG-TERM LIABILITIES (Continued)

The annual requirements to amortize all debt outstanding as of December 31, 2021, including interest payments of \$900,427.79, are as follows:

Annual Requirements to Maturity for Long-Term Debt
December 31, 2021

Year Ending Dec. 31,	SRF Drinking Water Revenue Loan #2		SRF Clean Water Revenue Loan #1		SRF Drinking Water Revenue Loan #3	
	Principal	Interest	Principal	Interest	Principal	Interest
2022	7,446.54	7,867.46	14,774.42	17,483.14	9,659.68	8,804.04
2023	7,672.45	7,641.55	15,260.47	16,997.09	9,878.85	8,584.87
2024	7,905.23	7,408.77	15,762.52	16,495.04	10,103.02	8,360.70
2025	8,145.07	7,168.93	16,281.08	15,976.48	10,332.26	8,131.46
2026	8,392.19	6,921.81	16,816.68	15,440.88	10,566.70	7,897.02
2027-2031	45,938.15	30,631.85	92,755.14	68,532.66	56,540.68	35,777.92
2032-2036	53,342.64	23,227.36	109,050.01	52,237.79	63,253.15	29,065.45
2037-2041	61,940.64	14,629.36	128,207.46	33,080.34	70,762.55	21,556.05
2042-2046	64,240.44	4,672.56	134,537.55	10,621.47	79,163.42	13,155.18
2047-2051					74,635.85	3,834.96
Totals	265,023.35	110,169.65	543,445.33	246,864.89	394,896.16	145,167.65

Year Ending Dec. 31,	SRF Clean Water Revenue Loan #2		TOTALS	
	Principal	Interest	Principal	Interest
2022	18,386.05	23,021.47	50,266.69	57,176.11
2023	18,896.90	22,510.62	51,708.67	55,734.13
2024	19,421.95	21,985.57	53,192.72	54,250.08
2025	19,961.58	21,445.94	54,719.99	52,722.81
2026	20,516.21	20,891.31	56,291.78	51,151.02
2027-2031	111,455.13	95,582.47	306,689.10	230,524.90
2032-2036	127,823.64	79,213.96	353,469.44	183,744.56
2037-2041	146,596.08	60,441.52	407,506.73	129,707.27
2042-2046	168,125.48	38,912.12	446,066.89	67,361.33
2047-2051	192,816.98	14,220.62	267,452.83	18,055.58
Totals	844,000.00	398,225.60	2,047,364.84	900,427.79