

CITY OF MILLER
AUDITED FINANCIAL STATEMENTS
TWO YEARS ENDED DECEMBER 31, 2021 AND 2020

CITY OF MILLER
CITY OFFICIALS
DECEMBER 31, 2021

Mayor:

Ronald Blachford

Governing Board:

Anthony Rangel
Bob Steers
Tammy Lichty
Jeff Swartz
Joe Zeller
Jim Odegaard

Finance Officer:

Sheila Coss

Attorney:

Riter, Rogers, Wattier & Northrup, LLP

CITY OF MILLER

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CITY OF MILLER

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WITH AN OFFICE IN
MOBRIDGE, SOUTH DAKOTA

INDEPENDENT AUDITORS' 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

City Council
City of Miller
Miller, South Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the modified cash basis of accounting financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Miller, South Dakota (City), as of December 31, 2021, and for each of the years in the biennial period then ended, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated August 23, 2022, which was adverse for the discretely presented component unit because there were no audited modified cash basis of accounting financial statements available for the component unit in 2020 or 2021 and unmodified for the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) as a basis for designing 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 City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City'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 City'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 were not identified. We identified certain deficiencies in internal control, described in the accompanying Schedule of Current Audit Findings and Questioned Costs as items #2021-001, #2021-002, and #2021-003, that we consider to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from 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 financial statements. 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 an instance of noncompliance or other matters that is required to be reported under Government Auditing Standards and which is described in the accompanying Schedule of Current Audit Findings and Questioned Costs as item #2021-004.

City's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City's responses to the findings identified in our audit and described in the accompanying Unaudited Corrective Action Plans. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City'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 City'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.

Kohlman, Bierschbach & Anderson, LLP

August 23, 2022

KOHLMAN, BIRSCHBACH & ANDERSON, LLP
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WITH AN OFFICE IN
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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE
UNIFORM GUIDANCE

City Council
City of Miller
Miller, South Dakota

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of Miller, South Dakota (City) compliance with the types of compliance requirements identified as subject to audit in the OMB Compliance Supplement that could have a direct and material effect on each of the City's major federal programs for the biennial period ended December 31, 2021. The City's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Current Audit Findings and Questioned Costs.

In our opinion, the City 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 biennial period ended December 31, 2021.

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; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; 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 Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City 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 City'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 the City's federal programs.

Auditors' 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 City'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 generally accepted auditing standards, Government Auditing Standards, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than 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 City's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, 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 City'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 the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed.

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

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

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.

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 purpose. 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.

Kohlman, Bierschbach & Anderson, LLP

August 23, 2022

CITY OF

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The City of Miller is an equal opportunity employer.

**SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2021 AND 2020**

PRIOR FEDERAL AUDIT FINDINGS:

#2019-001

Initial Fiscal Year Finding Occurred: 2017

The City has no written policies relative to federal awards.

Status: This finding has been resolved.

PRIOR OTHER AUDIT FINDINGS:

#2019-002

Initial Fiscal Year Finding Occurred: Unknown

A material weakness was reported for a lack of segregation of duties for revenues, cash, and equity.

Status: Ongoing. This comment has not been corrected and is restated as current other audit finding #2021-001. The reason for the recurrence is a lack of financial resources available to have the additional staff needed to adequately segregate duties.

#2019-003

Initial Fiscal Year Finding Occurred: 2011

The City does not have an internal control system designed to provide for the preparation of the annual financial statements being audited, including required footnotes and disclosures, in accordance with other comprehensive basis of accounting modified cash basis. As auditors, we were requested to draft the financial statements and accompanying notes to the financial statements.

Status: Ongoing. This comment has not been corrected and is restated as current other audit finding #2021-002. The reason for the recurrence is a lack of financial resources available to provide an internal control structure to prepare the financial statements.

#2019-004

Initial Fiscal Year Finding Occurred: 2011

During the course of our engagement, we proposed material audit adjustments that would not have been identified as a result of the City's existing internal controls, and therefore could have resulted in a material misstatement of the City's financial statements.

SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2021 AND 2020
(Continued)

Status: Ongoing. This comment has not been corrected and is restated as current other audit finding #2021-003. The reason for the recurrence is the lack of financial resources available to provide an internal control structure to record all necessary adjustments.

CITY OF MILLER
SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2021 AND 2020

Section 1 - Summary of the Independent Auditors' Results:

Financial Statements:

- a. An adverse opinion on the financial statements of the discretely presented component unit opinion unit was issued because of its omission of financial data. An unmodified opinion was issued on the financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information opinion units.
- b. Material weaknesses were disclosed by our audit of the financial statements. They are described in findings #2021-001, #2021-002, and #2021-003.
- c. Our audit did disclose an instance of noncompliance which was material to the financial statements. This is described in finding #2021-004.

Federal Awards:

- d. An unmodified opinion was issued on compliance with the requirements applicable to major programs.
- e. Our audit did not disclose any audit findings that are required to be reported in accordance with 2 CFR 200.516(a).
- f. The federal awards tested as major programs were:
 1. Airport Improvement Program - Federal Assistance Listing #20.106
 2. Airport Improvement Program - Covid-19 - Federal Assistance Listing #20.106
- g. The dollar threshold used to distinguish between Type A and Type B federal award programs was \$750,000.
- h. City of Miller did not qualify as a low-risk auditee.

Section 2 - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS:

There were no written current federal compliance audit findings to report.

Section 3 - FINANCIAL STATEMENT FINDINGS:

Internal Control-Related Findings - Material Weaknesses:

Finding #2021-001

Criteria

Internal control can help the City achieve its performance targets and prevent loss of resources. It can help ensure reliable financial reporting, and it can help ensure that the City complies with laws and regulations.

Condition Found

A material weakness was reported for a lack of segregation of duties for revenues, cash, and equity.

CITY OF MILLER
SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2021 AND 2020
(Continued)

Cause

The City only has 3 employees in the finance department, so proper segregation of duties for all areas has not been achieved.

Effect

This comment is the result of the size of the entity which precludes staffing at a level sufficient to provide an ideal environment for internal controls. The City of Miller has determined it is not cost beneficial to employ additional personnel just to be able to adequately segregate duties for revenues, cash, and equity. It is not known how long this comment has been carried forward.

Recommendation

The City is aware of this problem and is attempting to provide compensating controls wherever and whenever possible and practical.

Views of Responsible Officials and Planned Corrective Actions

See the unaudited corrective action plans on pages 12 - 13.

Finding #2021-002

Criteria

An organization's internal control structure should provide for the preparation of financial statements in accordance with other comprehensive basis of accounting modified cash basis.

Condition Found

The City does not have an internal control system designed to provide for the preparation of the annual financial statements being audited, including required footnotes and disclosures, in accordance with other comprehensive basis of accounting modified cash basis. As auditors, we were requested to draft the financial statements and accompanying notes to the financial statements.

Cause

The City was not able to prepare the annual financial statements, so they requested assistance to ensure they were properly prepared.

Effect

This condition may affect the City's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

Recommendation

This circumstance is not unusual in an organization of this size. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

CITY OF MILLER
SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2021 AND 2020
(Continued)

Views of Responsible Officials and Planned Corrective Actions

See the unaudited corrective action plans on pages 12 - 13.

Finding #2021-003

Criteria

An organization's internal control structure should provide for the recording of all necessary material adjustments in order to ensure that accounting records are in accordance with other comprehensive basis of accounting modified cash basis.

Condition Found

During the course of our engagement, we proposed material audit adjustments that would not have been identified as a result of the City's existing internal controls, and therefore could have resulted in a material misstatement of the City's financial statements.

Cause

The City had some adjustments that needed to be made in order to get their accounting records in accordance with other comprehensive basis of accounting modified cash basis that were not properly made.

Effect

This condition may affect the City's ability to record, process, summarize, and report financial statement data consistent with the assertions of management in the financial statements.

Recommendation

This circumstance is not unusual in an organization of this size. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Views of Responsible Officials and Planned Corrective Actions

See the unaudited corrective action plans on pages 12 - 13.

Compliance and Other Matters:

Finding #2021-004

Criteria

SDCL 9-21-9 limits expenditures to appropriate amounts.

Condition Found

The City had a material budget overdraft and a few immaterial budget overdrafts in 2020 and 2021. See the listing of overdrafts in Note 2.

CITY OF MILLER
SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2021 AND 2020
(Continued)

Cause

The City went over budget in a few accounts during both audit years.

Effect

Budgets are required for all funds. Per SDCL 9-21-9, expenditures are limited to the appropriated amounts.

Recommendation

We recommend the City limit expenditures to the amount budgeted, adopt a supplemental appropriation ordinance, or make contingency transfers for small line item deficits.

Views of Responsible Officials and Planned Corrective Actions

See the unaudited corrective action plans on pages 12-13.

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UNAUDITED CORRECTIVE ACTION PLANS DECEMBER 31, 2021 AND 2020

City of Miller submits the following unaudited corrective action plans for the two years ended December 31, 2021.

Corrective Action Plan #2021-001

Condition: A material weakness was reported for a lack of segregation of duties for revenues, cash, and equity.

Responsible official: Ron Blachford, Mayor

Planned corrective actions: This comment is a result of the size of the City of Miller which precludes staffing at a level sufficient to provide an ideal environment for internal controls. The City of Miller has determined that it is not cost beneficial to employ additional personnel just to be able to adequately segregate duties for revenues, cash and equity. The City of Miller is aware of the problem and is attempting to provide compensating controls by having the mayor review the financial statements and bank statements monthly to reduce risks. However, the lack of segregation of duties regarding revenues, cash, and equity continues to exist.

Anticipated completion date: Ongoing

Corrective Action Plan #2021-002

Condition: The City does not have an internal control system designed to provide for the preparation of the annual financial statements being audited, including required footnotes and disclosures, in accordance with other comprehensive basis of accounting modified cash basis. As auditors, we were requested to draft the financial statements and accompanying notes to the financial statements.

Responsible official: Ron Blachford, Mayor

Planned corrective actions: The City prefers to have an auditing firm do the financial reports, which are reviewed by the council, mayor and finance officer.

Anticipated completion date: Ongoing

Corrective Action Plan #2021-003

Condition: During the course of our engagement, we proposed material audit adjustments that would not have been identified as a result of the City's existing internal controls, and therefore could have resulted in a material misstatement of the City's financial statements.

Responsible official: Ron Blachford, Mayor

Planned corrective actions: The City accepts the risk of deficiency. The Council will attempt to be more accurate with account classifications in future transactions.

UNAUDITED CORRECTIVE ACTION PLANS
DECEMBER 31, 2021 AND 2020
(Continued)

Anticipated completion date: Ongoing

Corrective Action Plan #2021-004

Condition: The City had a material budget overdraft and a few immaterial budget overdrafts in 2020 and 2021. See the listing of overdrafts in Note 2.

Responsible official: Ron Blachford, Mayor

Planned corrective actions: The City will watch the budget and supplement accordingly before year-end.

Anticipated completion date: Ongoing

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WITH AN OFFICE IN
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INDEPENDENT AUDITORS' REPORT

City Council
City of Miller
Miller, South Dakota

Adverse and Unmodified Opinions

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

Adverse Opinion on Aggregate Discretely Presented Component Unit

In our opinion, because of the significance of the matter described in the Basis for Adverse and Unmodified Opinions section of our report, the financial statements referred to above do not present fairly the financial position of the discretely presented component unit of the City of Miller, South Dakota, as of December 31, 2021, or the changes in financial position thereof for each of the years in the biennial period then ended in conformity with the modified cash basis of accounting described in Note 1.c. to the financial statements.

Unmodified Opinions on Governmental Activities, Business-Type Activities, Each Major Fund, and Aggregate Remaining Fund Information

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position on a modified cash basis of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Miller, South Dakota, as of December 31, 2021, and the respective changes in financial position thereof for each of the years in the biennial period then ended in accordance with the modified cash basis of accounting described in Note 1.c. to the financial statements.

Basis for Adverse and Unmodified Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City, 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 adverse and unmodified audit opinions.

Matter Giving Rise to Adverse Opinion on Aggregate Discretely Presented Component Unit

The financial statements referred to above do not include financial data for the City's legally separate component unit. Accounting principles generally accepted in the United States of America require financial data for the component unit to be reported with the financial data of the City's primary government unless the City also issues financial statements for the financial reporting entity that include the financial data for its component unit. The City has not issued such reporting entity financial statements. Because of this departure from accounting principles generally accepted in the United States of America, the assets, liabilities, net position, revenues, and expenses of the discretely presented component unit would have been reported for the year ended December 31, 2021, as \$1,047,621, \$54,453, \$993,168, \$287,440, and \$199,279 and for the year ended December 31, 2020, as \$941,904, \$36,897, \$905,007, \$234,677, and \$198,849.

Emphasis of Matter - Basis of Accounting

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

Responsibilities of Management for the Financial Statements

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 generally accepted 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 generally accepted 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 City'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 City's ability to continue as a going concern for a reasonable period of time.

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the modified cash basis of accounting financial statements that collectively comprise the City's basic financial statements. The Budgetary Comparison Schedules, the Schedule of Expenditures of Federal Awards which is 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 Schedule of Changes in Long-Term Debt and the Schedule of the City's Proportionate Share of the Net Pension Liability (Asset) listed in the Table of Contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 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, the Budgetary Comparison Schedules, the Schedule of Changes in Long-Term Debt, and the Schedule of the City's Proportionate Share of the Net Pension Liability (Asset) are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated August 23, 2022, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of 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 City's internal control over financial reporting or on compliance. That report is an

integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control over financial reporting and compliance.

Kohlman, Birschbach & Anderson, LLP

August 23, 2022

CITY OF MILLER
STATEMENT OF NET POSITION - MODIFIED CASH BASIS
DECEMBER 31, 2021

	PRIMARY GOVERNMENT		
	Governmental	Business-Type	
	Activities	Activities	Total
ASSETS:			
Cash and cash equivalents	\$1,290,682	\$2,550,774	\$3,841,456
Investments	476,066	463,935	940,001
Restricted Assets:			
Cash and cash equivalents	<u>5,000</u>	<u>259,538</u>	<u>264,538</u>
TOTAL ASSETS	<u>\$1,771,748</u>	<u>\$3,274,247</u>	<u>\$5,045,995</u>
NET POSITION:			
Restricted for:			
Capital Projects Purposes	\$ 9,354	\$ --	\$ 9,354
Debt Service Purposes	--	259,538	259,538
Liquor, Lodging, and Dining Gross Receipts			
Tax Purposes	42,779	--	42,779
Bike Path Purposes	5,000	--	5,000
Unrestricted	<u>1,714,615</u>	<u>3,014,709</u>	<u>4,729,324</u>
TOTAL NET POSITION	<u>\$1,771,748</u>	<u>\$3,274,247</u>	<u>\$5,045,995</u>

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

CITY OF MILLER
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
YEAR ENDED DECEMBER 31, 2021

		Program Revenues			Net (Expense) Revenue and Changes in Net Position		
					Primary Government		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contribution	Capital Grants and Contributions	Governmental Activities	Business- Type Activities	Total
Primary Government:							
Governmental Activities:							
General government	\$ 129,803	\$ 33,803	\$ 1,166	\$ 25,016	\$ (69,818)		\$ (69,818)
Public safety	433,241	885	39,526	749	(392,081)		(392,081)
Public works	1,254,314	20,183	98,288	716,257	(419,586)		(419,586)
Health and welfare	4,843	--	7,795	--	2,952		2,952
Culture and recreation	152,196	19,059	--	--	(133,137)		(133,137)
Conservation and development	116,904	--	--	--	(116,904)		(116,904)
Miscellaneous	<u>--</u>	<u>7,767</u>	<u>--</u>	<u>--</u>	<u>7,767</u>		<u>7,767</u>
Total Governmental Activities	<u>2,091,301</u>	<u>81,697</u>	<u>146,775</u>	<u>742,022</u>	<u>(1,120,807)</u>		<u>(1,120,807)</u>
Business-Type Activities:							
Water	1,553,202	630,653	--	760,863		\$ (161,686)	(161,686)
Sewer	2,142,764	586,790	--	1,147,714		(408,260)	(408,260)
Electric	<u>1,943,176</u>	<u>2,028,001</u>	<u>--</u>	<u>5,000</u>		<u>89,825</u>	<u>89,825</u>
Total Business-Type Activities	<u>5,639,142</u>	<u>3,245,444</u>	<u>--</u>	<u>1,913,577</u>		<u>(480,121)</u>	<u>(480,121)</u>
Total Primary Government	<u>\$7,730,443</u>	<u>\$3,327,141</u>	<u>\$146,775</u>	<u>\$2,655,599</u>	<u>(1,120,807)</u>	<u>(480,121)</u>	<u>(1,600,928)</u>
General Revenues:							
Taxes:							
Property taxes					431,186	--	431,186
Sales taxes					953,858	--	953,858
State shared revenues					15,762	--	15,762
Grants and contributions not restricted to specific programs					4,470	--	4,470
Unrestricted investment earnings					1,353	2,539	3,892
Debt issued					--	864,604	864,604
Miscellaneous revenue					<u>34,867</u>	<u>61,785</u>	<u>96,652</u>
Total General Revenues					<u>1,441,496</u>	<u>928,928</u>	<u>2,370,424</u>
Change in Net Position					320,689	448,807	769,496
Net Position - Beginning					<u>1,451,059</u>	<u>2,825,440</u>	<u>4,276,499</u>
Net Position - Ending					<u>\$ 1,771,748</u>	<u>\$3,274,247</u>	<u>\$ 5,045,995</u>

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

CITY OF MILLER
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
YEAR ENDED DECEMBER 31, 2020

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business- Type Activities	
Primary Government:							
Governmental Activities:							
General government	\$ 165,025	\$ 32,397	\$ 12,791	\$ --	\$ (119,837)		\$ (119,837)
Public safety	426,699	1,198	228,476	794	(196,231)		(196,231)
Public works	485,684	10,730	96,940	90,442	(287,572)		(287,572)
Health and welfare	15,485	--	7,650	--	(7,835)		(7,835)
Culture and recreation	453,312	10,615	--	254,692	(188,005)		(188,005)
Conservation and development	111,517	--	--	--	(111,517)		(111,517)
Miscellaneous	--	7,614	--	--	7,614		7,614
Total Governmental Activities	<u>1,657,722</u>	<u>62,554</u>	<u>345,857</u>	<u>345,928</u>	<u>(903,383)</u>		<u>(903,383)</u>
Business-Type Activities:							
Water	1,785,551	599,979	--	873,415		\$ (312,157)	(312,157)
Sewer	2,551,159	585,294	--	1,051,766		(914,099)	(914,099)
Electric	<u>13,013,172</u>	<u>2,107,876</u>	<u>--</u>	<u>--</u>		<u>(10,905,296)</u>	<u>(10,905,296)</u>
Total Business-Type Activities	<u>17,349,882</u>	<u>3,293,149</u>	<u>--</u>	<u>1,925,181</u>		<u>(12,131,552)</u>	<u>(12,131,552)</u>
Total Primary Government	<u>\$19,007,604</u>	<u>\$3,355,703</u>	<u>\$345,857</u>	<u>\$2,271,109</u>	<u>(903,383)</u>	<u>(12,131,552)</u>	<u>(13,034,935)</u>
General Revenues:							
Taxes:							
Property taxes					428,227	--	428,227
Sales taxes					878,410	--	878,410
State shared revenues					15,596	--	15,596
Grants and contributions not restricted to specific programs					3,852	--	3,852
Unrestricted investment earnings					817	6,487	7,304
Debt issued					--	11,298,339	11,298,339
Miscellaneous revenue					<u>25,151</u>	<u>198,576</u>	<u>223,727</u>
Total General Revenues					<u>1,352,053</u>	<u>11,503,402</u>	<u>12,855,455</u>
Change in Net Position					448,670	(628,150)	(179,480)
Net Position - Beginning					<u>1,002,389</u>	<u>3,453,590</u>	<u>4,455,979</u>
Net Position - Ending					<u>\$1,451,059</u>	<u>\$ 2,825,440</u>	<u>\$ 4,276,499</u>

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

CITY OF MILLER
BALANCE SHEET - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
DECEMBER 31, 2021

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Other Governmental Fund</u>	<u>Total Governmental Funds</u>
ASSETS:				
Cash and cash equivalents	\$1,263,605	\$9,354	\$17,723	\$1,290,682
Investments	451,010	--	25,056	476,066
Restricted cash and cash equivalents	<u>5,000</u>	<u>--</u>	<u>--</u>	<u>5,000</u>
 TOTAL ASSETS	 <u>\$1,719,615</u>	 <u>\$9,354</u>	 <u>\$42,779</u>	 <u>\$1,771,748</u>
 FUND BALANCES:				
Restricted	\$ 5,000	\$9,354	\$42,779	\$ 57,133
Assigned	167,500	--	--	167,500
Unassigned	<u>1,547,115</u>	<u>--</u>	<u>--</u>	<u>1,547,115</u>
 TOTAL FUND BALANCES	 <u>\$1,719,615</u>	 <u>\$9,354</u>	 <u>\$42,779</u>	 <u>\$1,771,748</u>

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

CITY OF MILLER
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2021

	General Fund	Capital Projects Fund	Other Governmental Fund	Total Governmental Funds
REVENUES:				
Taxes:				
General property taxes	\$ 428,091	\$ --	\$ --	\$ 428,091
General sales and use taxes	906,751	--	47,107	953,858
Tax deed revenue	2,198	--	--	2,198
Penalties and interest on delinquent taxes	897	--	--	897
Licenses and Permits	9,905	--	--	9,905
Intergovernmental Revenue:				
Federal grants	81,279	699,662	--	780,941
State grants	7,795	1,773	--	9,568
State shared revenue:				
Bank franchise tax	5,120	--	--	5,120
Prorate license fees	8,609	--	--	8,609
Liquor tax reversion (25%)	10,642	--	--	10,642
Motor vehicle licenses	33,214	--	--	33,214
Local government highway and bridge fund	52,142	--	--	52,142
County shared revenue:				
County road tax (25%)	4,323	--	--	4,323
Other intergovernmental revenues	3,416	--	--	3,416
Charges for Goods and Services:				
General government	69	--	--	69
Public safety	805	--	--	805
Highways and streets	19,900	--	--	19,900
Sanitation	283	--	--	283
Culture and recreation	19,059	--	--	19,059
Other	7,767	--	--	7,767
Fines and Forfeits:				
Court fines and costs	80	--	--	80
Miscellaneous Revenue:				
Investment earnings	1,297	--	56	1,353
Rentals	23,829	--	--	23,829
Contributions and donations from private sources	4,470	--	--	4,470
Other	<u>18,150</u>	<u>--</u>	<u>--</u>	<u>18,150</u>
TOTAL REVENUES	<u>1,650,091</u>	<u>701,435</u>	<u>47,163</u>	<u>2,398,689</u>
EXPENDITURES:				
General Government:				
Legislative	35,836	--	--	35,836
Elections	996	--	--	996
Financial administration	67,103	--	--	67,103

	General Fund	Capital Projects Fund	Other Governmental Fund	Total Governmental Funds
Other	25,868	--	--	25,868
Public Safety:				
Police	385,664	--	--	385,664
Fire	25,050	--	--	25,050
Protective inspection	2,853	--	--	2,853
Other protection	19,674	--	--	19,674
Public Works:				
Highways and streets	443,429	--	--	443,429
Airport	40,699	770,186	--	810,885
Health and Welfare:				
Other	4,843	--	--	4,843
Culture and Recreation:				
Recreation	106,452	--	2,999	109,451
Parks	42,745	--	--	42,745
Conservation and Development:				
Urban redevelopment and housing	69	--	--	69
Economic development and assistance	<u>81,243</u>	<u>--</u>	<u>35,592</u>	<u>116,835</u>
TOTAL EXPENDITURES	<u>1,282,524</u>	<u>770,186</u>	<u>38,591</u>	<u>2,091,301</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>367,567</u>	<u>(68,751)</u>	<u>8,572</u>	<u>307,388</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	--	77,000	--	77,000
Transfers out	(77,000)	--	--	(77,000)
Sale of municipal property	<u>13,301</u>	<u>--</u>	<u>--</u>	<u>13,301</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(63,699)</u>	<u>77,000</u>	<u>--</u>	<u>13,301</u>
NET CHANGE IN FUND BALANCE	303,868	8,249	8,572	320,689
FUND BALANCE - BEGINNING	<u>1,415,747</u>	<u>1,105</u>	<u>34,207</u>	<u>1,451,059</u>
FUND BALANCE - ENDING	<u>\$1,719,615</u>	<u>\$ 9,354</u>	<u>\$42,779</u>	<u>\$1,771,748</u>

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

CITY OF MILLER
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2020

	General Fund	Capital Project Fund	Other Governmental Fund	Total Governmental Funds
REVENUES:				
Taxes:				
General property taxes	\$ 426,366	\$ --	\$ --	\$ 426,366
General sales and use taxes	837,716	--	40,694	878,410
Amusement taxes	36	--	--	36
Penalties and interest on delinquent taxes	1,825	--	--	1,825
Licenses and Permits	9,930	--	--	9,930
Intergovernmental Revenue:				
Federal grants	497,782	80,778	--	578,560
State grants	7,650	4,487	--	12,137
State shared revenue:				
Bank franchise tax	5,290	--	--	5,290
Prorate license fees	7,852	--	--	7,852
Liquor tax reversion (25%)	10,306	--	--	10,306
Motor vehicle licenses	32,370	--	--	32,370
Local government highway and bridge fund	50,043	--	--	50,043
County shared revenue:				
County road tax (25%)	4,323	--	--	4,323
Other intergovernmental revenues	3,246	--	--	3,246
Charges for Goods and Services:				
General government	173	--	--	173
Public safety	1,198	--	--	1,198
Highways and streets	10,312	--	--	10,312
Sanitation	418	--	--	418
Culture and recreation	10,615	--	--	10,615
Other	7,614	--	--	7,614
Miscellaneous Revenue:				
Investment earnings	817	--	--	817
Rentals	22,294	--	--	22,294
Contributions and donations from private sources	10,352	--	--	10,352
Other	<u>18,872</u>	<u>--</u>	<u>--</u>	<u>18,872</u>
TOTAL REVENUES	<u>1,977,400</u>	<u>85,265</u>	<u>40,694</u>	<u>2,103,359</u>

EXPENDITURES:

 General Government:

Legislative	65,325	--	--	65,325
Elections	17	--	--	17
Financial administration	76,160	--	--	76,160
Other	23,523	--	--	23,523

	General Fund	Capital Project Fund	Other Governmental Fund	Total Governmental Funds
Public Safety:				
Police	400,599	--	--	400,599
Fire	24,415	--	--	24,415
Protective inspection	5,854	--	--	5,854
Other protection	494	--	--	494
Public Works:				
Highways and streets	358,273	--	--	358,273
Airport	34,784	92,627	--	127,411
Health and Welfare:				
Health	6,973	--	--	6,973
Other	8,512	--	--	8,512
Culture and Recreation:				
Recreation	69,760	--	--	69,760
Parks	383,552	--	--	383,552
Conservation and Development:				
Urban redevelopment and housing	43	--	--	43
Economic development and assistance	<u>76,337</u>	<u>--</u>	<u>35,137</u>	<u>111,474</u>
TOTAL EXPENDITURES	<u>1,534,621</u>	<u>92,627</u>	<u>35,137</u>	<u>1,662,385</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>442,779</u>	<u>(7,362)</u>	<u>5,557</u>	<u>440,974</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	--	11,250	--	11,250
Transfers out	(11,250)	--	--	(11,250)
Sale of municipal property	3,033	--	--	3,033
Compensation for loss or damage to capital assets	<u>4,663</u>	<u>--</u>	<u>--</u>	<u>4,663</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(3,554)</u>	<u>11,250</u>	<u>--</u>	<u>7,696</u>
NET CHANGE IN FUND BALANCE	439,225	3,888	5,557	448,670
FUND BALANCE - BEGINNING	<u>976,522</u>	<u>(2,783)</u>	<u>28,650</u>	<u>1,002,389</u>
FUND BALANCE - ENDING	<u>\$1,415,747</u>	<u>\$ 1,105</u>	<u>\$34,207</u>	<u>\$1,451,059</u>

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

CITY OF MILLER
STATEMENT OF NET POSITION - MODIFIED CASH BASIS
PROPRIETARY FUNDS
DECEMBER 31, 2021

	Enterprise Funds			
	Water Fund	Sewer Fund	Electric Fund	Totals
ASSETS:				
Current Assets:				
Cash and cash equivalents	\$570,898	\$750,448	\$1,229,428	\$2,550,774
Investments	--	--	463,935	463,935
Total Current Assets	<u>570,898</u>	<u>750,448</u>	<u>1,693,363</u>	<u>3,014,709</u>
Noncurrent Assets:				
Restricted cash and cash equivalents	<u>68,938</u>	<u>121,851</u>	<u>68,749</u>	<u>259,538</u>
Total Noncurrent Assets	<u>68,938</u>	<u>121,851</u>	<u>68,749</u>	<u>259,538</u>
TOTAL ASSETS	<u>\$639,836</u>	<u>\$872,299</u>	<u>\$1,762,112</u>	<u>\$3,274,247</u>
NET POSITION:				
Restricted for:				
Revenue bond debt service	\$ 68,938	\$121,851	\$ 68,749	\$ 259,538
Unrestricted	<u>570,898</u>	<u>750,448</u>	<u>1,693,363</u>	<u>3,014,709</u>
TOTAL NET POSITION	<u>\$639,836</u>	<u>\$872,299</u>	<u>\$1,762,112</u>	<u>\$3,274,247</u>

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

CITY OF MILLER
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
NET POSITION - MODIFIED CASH BASIS
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2021

	Enterprise Funds			
	Water Fund	Sewer Fund	Electric Fund	Totals
OPERATING REVENUE:				
Surcharge as security for debt	\$ 199,116	\$ 375,288	\$ 905,734	\$ 1,480,138
Charges for goods and services	<u>431,537</u>	<u>211,502</u>	<u>1,122,267</u>	<u>1,765,306</u>
TOTAL OPERATING REVENUE	<u>630,653</u>	<u>586,790</u>	<u>2,028,001</u>	<u>3,245,444</u>
OPERATING EXPENSES:				
Personal services	159,358	156,807	223,913	540,078
Other current expense	78,233	65,415	203,224	346,872
Materials	<u>190,544</u>	<u>--</u>	<u>683,375</u>	<u>873,919</u>
TOTAL OPERATING EXPENSES	<u>428,135</u>	<u>222,222</u>	<u>1,110,512</u>	<u>1,760,869</u>
OPERATING INCOME	<u>202,518</u>	<u>364,568</u>	<u>917,489</u>	<u>1,484,575</u>
NONOPERATING REVENUE (EXPENSE):				
Capital grants	760,863	1,147,714	5,000	1,913,577
Investment earnings	111	126	2,302	2,539
Capital assets	(970,247)	(1,677,478)	(7,679)	(2,655,404)
Debt service (principal)	(69,612)	(124,781)	(492,670)	(687,063)
Debt service (interest)	(85,208)	(118,283)	(332,315)	(535,806)
Sale of municipal property	--	--	41,183	41,183
Long-term debt issued	219,964	644,640	--	864,604
Other	<u>--</u>	<u>--</u>	<u>20,602</u>	<u>20,602</u>
TOTAL NONOPERATING REVENUE (EXPENSE)	<u>(144,129)</u>	<u>(128,062)</u>	<u>(763,577)</u>	<u>(1,035,768)</u>
CHANGE IN NET POSITION	58,389	236,506	153,912	448,807
NET POSITION - BEGINNING	<u>581,447</u>	<u>635,793</u>	<u>1,608,200</u>	<u>2,825,440</u>
NET POSITION - ENDING	<u>\$ 639,836</u>	<u>\$ 872,299</u>	<u>\$ 1,762,112</u>	<u>\$ 3,274,247</u>

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

CITY OF MILLER
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
NET POSITION - MODIFIED CASH BASIS
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2020

	Enterprise Funds			
	Water Fund	Sewer Fund	Electric Fund	Totals
OPERATING REVENUE:				
Surcharge as security for debt	\$ 197,951	\$ 373,649	\$ 948,756	\$ 1,520,356
Charges for goods and services	<u>402,028</u>	<u>211,645</u>	<u>1,159,120</u>	<u>1,772,793</u>
TOTAL OPERATING REVENUE	<u>599,979</u>	<u>585,294</u>	<u>2,107,876</u>	<u>3,293,149</u>
OPERATING EXPENSES:				
Personal services	146,479	145,768	261,774	554,021
Other current expense	64,705	62,318	124,458	251,481
Materials	<u>211,775</u>	<u>--</u>	<u>777,098</u>	<u>988,873</u>
TOTAL OPERATING EXPENSES	<u>422,959</u>	<u>208,086</u>	<u>1,163,330</u>	<u>1,794,375</u>
OPERATING INCOME	<u>177,020</u>	<u>377,208</u>	<u>944,546</u>	<u>1,498,774</u>
NONOPERATING REVENUE (EXPENSE):				
Capital grants	873,415	1,051,766	--	1,925,181
Investment earnings	299	404	5,784	6,487
Capital assets	(1,220,277)	(2,128,500)	(575,371)	(3,924,148)
Debt service (principal)	(60,512)	(106,668)	(10,625,000)	(10,792,180)
Debt service (interest)	(81,803)	(107,905)	(649,471)	(839,179)
Sale of municipal property	--	--	1,288	1,288
Long-term debt issued	365,985	932,354	10,000,000	11,298,339
Other	<u>--</u>	<u>--</u>	<u>197,288</u>	<u>197,288</u>
TOTAL NONOPERATING REVENUE (EXPENSE)	<u>(122,893)</u>	<u>(358,549)</u>	<u>(1,645,482)</u>	<u>(2,126,924)</u>
CHANGE IN NET POSITION	54,127	18,659	(700,936)	(628,150)
NET POSITION - BEGINNING	<u>527,320</u>	<u>617,134</u>	<u>2,309,136</u>	<u>3,453,590</u>
NET POSITION - ENDING	<u>\$ 581,447</u>	<u>\$ 635,793</u>	<u>\$ 1,608,200</u>	<u>\$ 2,825,440</u>

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

CITY OF MILLER
NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a. **Financial Reporting Entity:**

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

Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The City is financially accountable if its Governing Board appoints a voting majority of another organization's governing body and it has the ability to impose its will on that organization, or there is a potential for that organization to provide specific financial benefits to, or impose specific financial burdens on, the City (primary government). The City may also be financially accountable for another organization if that organization is fiscally dependent on the City.

The Housing and Redevelopment Commission of the City of Miller, South Dakota (Commission) is a proprietary fund-type, discretely-presented component unit. The five members of the Commission are appointed by the Mayor, with the approval of the Governing Board, for five-year, staggered terms. The Commission elects its own chairperson and recruits and employs its own management personnel and other workers. The Governing Board, though, retains the statutory authority to approve or deny or otherwise modify the Commission's plans to construct low-income housing units, or to issue debt, which gives the Governing Board the ability to impose its will on the Commission. Separately issued financial statements of the Housing and Redevelopment Commission may be obtained from: Miller Housing and Redevelopment Commission, 105 N. Broadway, Miller, SD 57362.

b. **Basis of Presentation:**

Government-Wide Financial Statements:

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

CITY OF MILLER
NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 1 - (Continued)

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

Fund Financial Statements:

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

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

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

Governmental Funds:

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

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

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 the only nonmajor governmental fund.

CITY OF MILLER
NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 1 - (Continued)

Capital Projects Funds - Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds or trust funds for individuals, private organizations, or other governments).

Capital Projects Fund - To account for financial resources to be used for construction of airport improvements. 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 City 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 City sanitary sewer system and related facilities (SDCL 9-48-2). This is a major fund.

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

c. Measurement Focus and Basis of Accounting:

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

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

CITY OF MILLER
NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 1 - (Continued)

Measurement Focus:

Government-Wide Financial Statements:

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

Fund Financial Statements:

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

Basis of Accounting:

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

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

1. Recording long-term investments in marketable securities (those with maturities more than 90 days (three months) from the date of acquisition) acquired with cash assets at cost.

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

If the City 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

CITY OF MILLER
NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 1 - (Continued)

investment pools, are also considered to be cash equivalents.

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

e. Capital Assets:

Capital assets include land, buildings, improvements other than buildings, furnishings and equipment, construction/development in progress, infrastructure, intangible lease assets, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period. Infrastructure assets are long-lived capital assets that normally are stationary in nature and normally can be preserved for significantly greater number of years than most capital assets.

As discussed in Note 1.c. above, the government-wide Statement of Net Position and Statement of Activities and the fund financial statements, governmental and business-type activities, are presented using a modified cash basis of accounting. The City has not elected to modify their cash basis presentation by recording capital assets arising from cash transactions and depreciating/amortizing those assets where appropriate so any capital assets owned by the City and the related depreciation/amortization are not reported on the financial statements of the City.

f. Long-Term Liabilities:

Long-term liabilities include, but are not limited to, revenue bonds.

As discussed in Note 1.c. above, the government-wide Statement of Net Position and Statement of Activities and the fund financial statements, governmental and business-type activities, are presented using a modified cash basis of accounting. The City has not elected to modify their cash basis presentation by recording long-term debt or long-term liabilities arising from cash transactions, so any outstanding long-term debt or long-term liabilities are not reported on the financial statements of the City. The City does report the principal and interest payments on long-term debt as Debt Service expenditures on the Statement of Revenues, Expenditures and Changes in Fund Balances. On the Statement of Activities, the principal portion of these Debt Service payments are reported within the appropriate expense function while the interest portion is reported as Interest on Long-Term Debt.

The City 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.

g. Program Revenues:

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

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

CITY OF MILLER
NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 1 - (Continued)

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.

h. Proprietary Funds Revenue and Expense Classifications:

In the proprietary fund's Statement of Revenues, Expenses and Changes in Net Position, revenues and expenses are classified as operating or non-operating revenues and expenses. Operating revenues and expenses directly relate to the purpose of the fund.

i. Equity Classifications:

Government-Wide Financial Statements:

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

1. Restricted net position - Consists of net position with constraints placed on their use either by (a) external groups such as 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 net position.

Fund Financial Statements:

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

j. Application of Net Position:

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

k. Fund Balance Classification Policies and Procedures:

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

1. Nonspendable - includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.

CITY OF MILLER
NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 1 - (Continued)

2. 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.
3. 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.
4. 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 City Council.
5. 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 City uses restricted/committed amounts first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the Government would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

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

A schedule of fund balances is provided as follows:

CITY OF MILLER
DISCLOSURE OF FUND BALANCES REPORTED ON BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2021

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Other Governmental Fund</u>	<u>Total Governmental Funds</u>
Fund Balances:				
Restricted for:				
Capital Projects	\$ --	\$9,354	\$ --	\$ 9,354
Liquor, Lodging and Dining Gross				
Receipts Tax	--	--	42,779	42,779
Bike Path	5,000	--	--	5,000
Assigned to:				
Applied to next year's budget	125,000	--	--	125,000
Capital outlay accumulations	42,500	--	--	42,500
Unassigned	<u>1,547,115</u>	<u>--</u>	<u>--</u>	<u>1,547,115</u>
Total Fund Balances	<u>\$ 1,719,615</u>	<u>\$9,354</u>	<u>\$42,779</u>	<u>\$1,771,748</u>

CITY OF MILLER
NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 2 - VIOLATIONS OF FINANCE-RELATED LEGAL AND CONTRACTUAL PROVISIONS

The City 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
12/31/2021

General Fund:

Activity

General government - legislative

\$ 61

Public safety - other protection

\$18,674

Capital Project Fund:

Activity

Public works - airport

\$ 186

Year Ended
12/31/2020

General Fund:

Activity

Culture and recreation-parks

\$ 2

Liquor, Lodging and Dining Gross Receipts Tax Fund:

Activity

Conservation and development - economic development and assistance

\$ 7,137

The City Plans to take the following actions to address these violations: The City will be more aware of the budget and will supplement prior to year-end.

NOTE 3 - DEPOSITS AND INVESTMENTS CREDIT RISK, CONCENTRATIONS OF CREDIT RISK AND INTEREST RATE RISK

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

Deposits - The City'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.

CITY OF MILLER
NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 3 - (Continued)

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

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

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

Concentration of Credit Risk - The City places no limit on the amount that may be invested in any one issuer. More than 5 percent of the City's investments are in certificates of deposit - 100%.

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

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

NOTE 4 - RESTRICTED CASH AND INVESTMENTS

Assets restricted to use for a specific purpose through segregation of balances in separate accounts are as follows:

<u>Amount:</u>	<u>Purpose:</u>
\$ 5,000	For a bike path to be built in the General Fund
\$ 68,938	For debt service in the Water Fund
\$121,851	For debt service in the Sewer Fund
\$ 68,749	For debt service in the Electric Fund

NOTE 5 - PROPERTY TAXES

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

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

CITY OF MILLER
NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 6 - OPERATING LEASES

The City has an operating lease for a Toshiba copier which is being paid out of the General Fund, Water Fund, Sewer Fund and Electric Fund.

The City paid a total of \$1,810 for the year ended December 31, 2020, and \$1,884 for the year ended December 31, 2021.

The following are the minimum payments on existing operating leases:

<u>Year</u>	<u>General Fund</u>	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Electric Fund</u>
2022	\$ <u>311</u>	\$ <u>311</u>	\$ <u>310</u>	\$ <u>310</u>
Total	\$ <u>311</u>	\$ <u>311</u>	\$ <u>310</u>	\$ <u>310</u>

NOTE 7 - RESTRICTED NET POSITION

Restricted net position for the year ended December 31, 2021, was as follows:

Major Purposes:

Capital Projects Purposes - Capital Projects Fund	\$ 9,354
Debt Service Purposes - Water Fund	68,938
Debt Service Purposes - Sewer Fund	121,851
Debt Service Purposes - Electric Fund	68,749

Other Purposes:

Liquor, Lodging and Dining Gross Receipts Tax Purposes	42,779
Bike Path Purposes	<u>5,000</u>

Total Restricted Net Position	<u>\$316,671</u>
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These balances are restricted by the terms of bond agreements, statutory requirements and donor requirements.

NOTE 8 - INTERFUND TRANSFERS

Interfund transfer for the year ended December 31, 2021, was as follows:

<u>Transfer From:</u>	<u>Transfer To:</u>
Major Fund:	
General Fund	Capital Projects Fund
	<u>\$77,000</u>

Interfund transfer for the year ended December 31, 2020, was as follows:

<u>Transfer From:</u>	<u>Transfer To:</u>
Major Fund:	
General Fund	Capital Projects Fund
	<u>\$11,250</u>

CITY OF MILLER
NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 8 - (Continued)

The City transferred money from the General Fund to the Capital Projects Fund to fund the City's portion of the project.

NOTE 9 - PENSION PLAN

Plan Information:

All employees, working more than 25 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://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 the age of 55 for Class A Foundation members where the sum of age and credited service is equal to or greater than 85 or after age 55 for Class B Foundation judicial members where the sum of age and credited service is equal to or greater than 80. Class B Foundation public safety members can retire with an unreduced annual retirement benefit after age 55 with three years of contributory service. An unreduced annual retirement benefit is also available after age 45 for Class B Foundation public safety members where the sum of age and credited service is equal to or greater than 75. All Foundation retirements that do not meet the above criteria may be payable at a reduced level.

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

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

- Baseline actuarial accrued liabilities will be calculated assuming the COLA is equal to long-term inflation assumption of 2.25%.
- If the fair value of assets is 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:

CITY OF MILLER
NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 9 - (Continued)

- The increase in the 3rd quarter CPI-W, no less than 0.5% and no greater than a restricted maximum such 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. State statute also requires the employer to contribute an amount equal to the employee's contribution. The City's share of contributions to the SDRS for the calendar years ended December 31, 2021, 2020, and 2019, equal to the required contributions each year, were as follows:

<u>Year</u>	<u>Amount</u>
2021	\$52,273
2020	51,546
2019	56,595

Pension Asset and Pension Expense:

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

Proportionate share of total pension liability	\$ 5,196,006
Less proportionate share of net position restricted for pension benefits	<u>(5,482,978)</u>
Proportionate share of net pension asset	\$ <u>(286,972)</u>

The net pension asset was measured as of June 30, 2021, and the total pension liability used to calculate the net pension asset was based on a projection of the City's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2021, the City's proportion was .037472%, which is a decrease of .0039222% from its proportion measured as of June 30, 2020.

Actuarial Assumptions:

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

Inflation	2.25%
Salary Increases	Graded by years of service, from 6.5% at entry to 3.00% after 25 years of service
Discount Rate	6.5% 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%

CITY OF MILLER
NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 9 - (Continued)

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

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

Investment portfolio management is the statutory responsibility of the South Dakota Investment Council (SDIC), which may utilize the services of external money managers for management of a portion of the portfolio. SDIC is governed by the Prudent Man Rule (i.e., the council should use the same degree of care as a prudent man). Current SDIC investment policies dictate limits on the percentage of assets invested in various types of vehicles (equities, fixed income securities, real estate, cash, private equity, etc.). The long-term expected rate of return on pension plan investments was determined using a method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2021 (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

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

Discount Rate:

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

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

The following presents the City's proportionate share of net pension (asset) calculated using the discount rate of 6.50%, as well as what the City'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:

CITY OF MILLER
NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 9 - (Continued)

	1% <u>Decrease</u>	Current Discount <u>Rate</u>	1% <u>Increase</u>
City's proportionate share of the net pension liability (asset)	\$464,678	\$(286,972)	\$(897,136)

Pension Plan Fiduciary Net Position:

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

NOTE 10 - SIGNIFICANT CONTINGENCIES - LITIGATION

At December 31, 2021, the City was not involved in any litigation.

NOTE 11 - SUBSEQUENT EVENTS

Management has evaluated whether any subsequent events have occurred through August 23, 2022, the date on which the financial statements were available to be issued. Management has determined there are none.

NOTE 12 - RISK MANAGEMENT

The City 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 City managed its risks as follows:

Employee Health Insurance:

The City joined the South Dakota Municipal League Health Pool of South Dakota. This is a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The City pays a monthly premium to the pool to provide health insurance coverage for its employees. The pool purchases reinsurance coverage with the premiums it receives from the members. The coverage does not include a lifetime maximum payment per person.

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

Liability Insurance:

The City joined the South Dakota Public Assurance Alliance (SDPAA), a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The objective of the SDPAA is to administer and provide risk management services and risk sharing facilities to the members and to defend and protect the members against liability, to advise members on loss control guidelines

CITY OF MILLER
NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 12 - (Continued)

and procedures, and provide them with risk management services, loss control and risk reduction information and to obtain lower costs for that coverage. The City's responsibility is to promptly report to and cooperate with the SDPAA to resolve any incident which could result in a claim being made by or against the City. The City pays a Members' Annual Operating Contribution, to provide liability coverage detailed below, under an occurrence-made policy and the premiums are accrued based on the ultimate cost of the experience to date of the SDPAA member, based on their exposure or type of coverage. The City pays an annual premium to the pool to provide coverage for general liability, automobile liability, legal liability, and property coverage.

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

The City carries a \$0 deductible for the general liability, and fire damage legal liability coverage, a \$2,000 deductible for the law enforcement operations coverage, a \$5,000 deductible for injunctive relief and employment related claims, and a \$50,000 deductible for cyber liability.

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

Worker's Compensation:

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

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

Unemployment Benefits:

The City has elected to be self-insured and retain all risk for liabilities resulting from claims for unemployment benefits.

During the year ended December 31, 2020, one claim was filed for unemployment benefits. This claim resulted in the payment of benefits in the amount of \$26.

CITY OF MILLER
NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 12 - (Continued)

During the year ended December 31, 2021, no claims for unemployment benefits were paid. At December 31, 2021, no claims had been filed for unemployment benefits and none are anticipated in the next fiscal year.

SUPPLEMENTARY INFORMATION

CITY OF MILLER
BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS
GENERAL FUND
YEAR ENDED DECEMBER 31, 2021

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget -</u> <u>Positive</u> <u>(Negative)</u>
REVENUES:				
Taxes:				
General property taxes	\$ 422,000	\$ 422,000	\$ 428,091	\$ 6,091
General sales and use taxes	760,000	760,000	906,751	146,751
Tax deed revenue	--	--	2,198	2,198
Penalties and interest on				
delinquent taxes	500	500	897	397
Licenses and Permits	10,200	10,200	9,905	(295)
Intergovernmental Revenue:				
Federal grants	--	12,151	81,279	69,128
State grants	--	--	7,795	7,795
State shared revenue:				
Bank franchise tax	5,000	5,000	5,120	120
Prorate license fees	7,500	7,500	8,609	1,109
Liquor tax reversion (25%)	9,500	9,500	10,642	1,142
Motor vehicle licenses	30,000	30,000	33,214	3,214
Local government highway				
and bridge fund	45,000	45,000	52,142	7,142
County shared revenue:				
County road tax (25%)	4,000	4,000	4,323	323
Other intergovernmental revenues	2,500	2,500	3,416	916
Charges for Goods and Services:				
General government	--	--	69	69
Public safety	1,000	1,000	805	(195)
Highways and streets	7,500	7,500	19,900	12,400
Sanitation	--	--	283	283
Culture and recreation	12,500	12,500	19,059	6,559
Other	1,500	1,500	7,767	6,267
Fines and Forfeits:				
Court fines and costs	--	--	80	80
Miscellaneous Revenue:				
Investment earnings	500	500	1,297	797
Rentals	17,500	17,500	23,829	6,329
Contributions and donations from				
private sources	2,500	2,500	4,470	1,970
Other	<u>13,000</u>	<u>13,000</u>	<u>18,150</u>	<u>5,150</u>
TOTAL REVENUES	<u>1,352,200</u>	<u>1,364,351</u>	<u>1,650,091</u>	<u>285,740</u>

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
EXPENDITURES:				
General Government:				
Legislative	34,675	35,775	35,836	(61)
Contingency	25,000	25,000		
Amount transferred		(24,685)		315
Elections	2,200	2,200	996	1,204
Financial administration	73,801	78,501	67,103	11,398
Other	28,150	30,150	25,868	4,282
Public Safety:				
Police	384,225	392,825	385,664	7,161
Fire	27,350	27,550	25,050	2,500
Protective inspection	6,000	6,000	2,853	3,147
Other protection	1,000	1,000	19,674	(18,674)
Public Works:				
Highways and streets	606,450	619,750	443,429	176,321
Airport	28,900	41,051	40,699	352
Health and Welfare:				
Other	6,750	6,750	4,843	1,907
Culture and Recreation:				
Recreation	81,225	106,635	106,452	183
Parks	41,050	42,750	42,745	5
Conservation and Development:				
Urban redevelopment and housing	200	200	69	131
Economic development and assistance	78,250	82,625	81,243	1,382
TOTAL EXPENDITURES	<u>1,425,226</u>	<u>1,474,077</u>	<u>1,282,524</u>	<u>191,553</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(73,026)</u>	<u>(109,726)</u>	<u>367,567</u>	<u>477,293</u>
OTHER FINANCING SOURCES (USES):				
Transfers out	(45,500)	(45,500)	(77,000)	(31,500)
Sale of municipal property	<u>--</u>	<u>13,300</u>	<u>13,301</u>	<u>1</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(45,500)</u>	<u>(32,200)</u>	<u>(63,699)</u>	<u>(31,499)</u>

CITY OF MILLER
BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS
GENERAL FUND
YEAR ENDED DECEMBER 31, 2021
(Continued)

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
NET CHANGE IN FUND BALANCES	(118,526)	(141,926)	303,868	445,794
FUND BALANCE - BEGINNING	<u>1,415,747</u>	<u>1,415,747</u>	<u>1,415,747</u>	<u>--</u>
FUND BALANCE - ENDING	<u>\$1,297,221</u>	<u>\$1,273,821</u>	<u>\$1,719,615</u>	<u>\$445,794</u>

CITY OF MILLER
BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS
GENERAL FUND
YEAR ENDED DECEMBER 31, 2020

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget -</u> <u>Positive</u> <u>(Negative)</u>
REVENUES:				
Taxes:				
General property taxes	\$ 411,000	\$ 411,000	\$ 426,366	\$ 15,366
General sales and use taxes	730,000	730,000	837,716	107,716
Amusement taxes	--	--	36	36
Penalties and interest on				
delinquent taxes	500	500	1,825	1,325
Licenses and Permits	8,100	8,100	9,930	1,830
Intergovernmental Revenue:				
Federal grants	240,000	342,414	497,782	155,368
State grants	--	7,650	7,650	--
State shared revenue:				
Bank franchise tax	3,000	3,000	5,290	2,290
Prorate license fees	7,000	7,000	7,852	852
Liquor tax reversion (25%)	9,000	9,000	10,306	1,306
Motor vehicle licenses	30,000	30,000	32,370	2,370
Local government highway				
and bridge fund	45,000	45,000	50,043	5,043
County shared revenue:				
County road tax (25%)	4,000	4,000	4,323	323
Other intergovernmental revenues	2,500	2,500	3,246	746
Charges for Goods and Services:				
General government	--	--	173	173
Public safety	1,000	1,000	1,198	198
Highways and streets	7,500	7,500	10,312	2,812
Sanitation	--	--	418	418
Culture and recreation	15,000	15,000	10,615	(4,385)
Other	2,500	2,500	7,614	5,114
Miscellaneous Revenue:				
Investment earnings	750	750	817	67
Rentals	18,000	18,000	22,294	4,294
Contributions and donations from				
private sources	2,500	2,500	10,352	7,852
Other	<u>13,000</u>	<u>13,000</u>	<u>18,872</u>	<u>5,872</u>
TOTAL REVENUES	<u>1,550,350</u>	<u>1,660,414</u>	<u>1,977,400</u>	<u>316,986</u>

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget -</u>
				<u>Positive</u>
				<u>(Negative)</u>
EXPENDITURES:				
General Government:				
Legislative	32,450	67,250	65,325	1,925
Contingency	25,000	25,000		
Amount transferred		(21,646)		3,354
Elections	2,200	2,200	17	2,183
Financial administration	94,686	94,686	76,160	18,526
Other	27,080	27,080	23,523	3,557
Public Safety:				
Police	367,025	418,439	400,599	17,840
Fire	45,900	45,900	24,415	21,485
Protective inspection	6,000	6,000	5,854	146
Other protection	--	500	494	6
Public Works:				
Highways and streets	390,150	397,800	358,273	39,527
Airport	29,150	59,150	34,784	24,366
Health and Welfare:				
Health	--	150,000	6,973	143,027
Other	8,500	10,196	8,512	1,684
Culture and Recreation:				
Recreation	80,525	80,675	69,760	10,915
Parks	348,400	383,550	383,552	(2)
Conservation and Development:				
Urban redevelopment and housing	5,200	5,200	43	5,157
Economic development and assistance	<u>76,000</u>	<u>76,350</u>	<u>76,337</u>	<u>13</u>
TOTAL EXPENDITURES	<u>1,538,266</u>	<u>1,828,330</u>	<u>1,534,621</u>	<u>293,709</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>12,084</u>	<u>(167,916)</u>	<u>442,779</u>	<u>610,695</u>
OTHER FINANCING SOURCES (USES):				
Transfers out	(11,250)	(11,250)	(11,250)	--
Sale of municipal property	--	--	3,033	3,033
Compensation for loss or damage to capital assets	<u>--</u>	<u>--</u>	<u>4,663</u>	<u>4,663</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(11,250)</u>	<u>(11,250)</u>	<u>(3,554)</u>	<u>7,696</u>
NET CHANGE IN FUND BALANCES	834	(179,166)	439,225	618,391

CITY OF MILLER
BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS
GENERAL FUND
YEAR ENDED DECEMBER 31, 2020
(Continued)

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	Final Budget - Positive (Negative)
FUND BALANCE - BEGINNING	<u>976,522</u>	<u>976,522</u>	<u>976,522</u>	--
FUND BALANCE - ENDING	<u>\$ 977,356</u>	<u>\$ 797,356</u>	<u>\$1,415,747</u>	<u>\$618,391</u>

CITY OF MILLER
NOTES TO THE SUPPLEMENTARY INFORMATION
SCHEDULES OF BUDGETARY COMPARISONS FOR THE GENERAL FUND
DECEMBER 31, 2020 AND 2021

NOTE 1 - Budgets and Budgetary Accounting

The City follows these procedures in establishing the budgetary data reflected in the schedules:

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 City 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. Unexpended appropriations lapse at year end unless encumbered by resolution of the Governing Board.

The City did not encumber any amounts at either December 31, 2020, or December 31, 2021.

6. Formal budgetary integration is employed as a management control device during the year for the General Fund.

CITY OF MILLER
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
TWO YEARS ENDED DECEMBER 31, 2021 AND 2020

<u>Federal Grantor/Pass-Through Grantor Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Total Federal Expenditures 2021</u>	<u>Total Federal Expenditures 2020</u>
U.S. DEPARTMENT OF AGRICULTURE:				
Direct Programs:				
Water and Waste Disposal Systems for Rural Communities	10.760	N/A	\$ <u>254,120</u>	\$ <u>--</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE			<u>254,120</u>	<u>--</u>
U.S. DEPARTMENT OF JUSTICE:				
Direct Programs:				
Edward Byrne Memorial Justice Assistance Grant Program	16.738	N/A	<u>749</u>	<u>793</u>
TOTAL U.S. DEPARTMENT OF JUSTICE			<u>749</u>	<u>793</u>
U.S. DEPARTMENT OF TRANSPORTATION:				
Direct Programs:				
Airport Improvement Program (Note 3)	20.106	N/A	689,897	83,365
Airport Improvement Program - COVID 19 (Note 3)	20.106	N/A	72,727	--
Highway Safety Cluster:				
Pass-Through Programs:				
S.D. Department of Public Safety:				
State and Community Highway Safety	20.600	None Available	<u>897</u>	<u>1,414</u>
TOTAL U.S. DEPARTMENT OF TRANSPORTATION			<u>763,521</u>	<u>84,779</u>
U.S. DEPARTMENT OF TREASURY:				
Pass-Through Programs:				
S.D. Bureau of Finance and Management, Coronavirus Relief Fund	21.019	3-46-0035- 011-2020	<u>79,633</u>	<u>262,205</u>
TOTAL U.S. DEPARTMENT OF TREASURY			<u>79,633</u>	<u>262,205</u>
U.S. GENERAL SERVICES ADMINISTRATION:				
Pass-Through Programs:				
S.D. Federal Property Agency:				
Donation of Federal Surplus Personal Property (Note 4)	39.003	None	<u>23,775</u>	<u>73</u>

<u>Federal Grantor/Pass-Through Grantor Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Total Federal Expenditures 2021</u>	<u>Total Federal Expenditures 2020</u>
TOTAL U.S. GENERAL SERVICES ADMINISTRATION			<u>23,775</u>	<u>73</u>
U.S. DEPARTMENT OF HOMELAND SECURITY:				
Pass-Through Programs:		FM-5229- HMGP-10R		
S.D. Department of Public Safety:				
Office of Emergency Management:		DR-4463-		
Hazard Mitigation Grant	97.039	08R-SD	<u>14,250</u>	<u>248,192</u>
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY			<u>14,250</u>	<u>248,192</u>
GRAND TOTAL			<u>\$1,136,048</u>	<u>\$596,042</u>

NOTE 1: Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of the City under programs of the federal government for the two years ended December 31, 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 City, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City.

NOTE 2: Summary of Significant Accounting Policies

Expenditures reported on 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 City has not elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE 3: Major Federal Financial Assistance Program

This represents a Major Federal Finance Assistance Program.

NOTE 4: Federal Surplus Property

The amount reported represents 23.3% of the original acquisition cost of the federal surplus property received by the City.

CITY OF MILLER
SCHEDULE OF CHANGES IN LONG-TERM DEBT
TWO YEARS ENDED DECEMBER 31, 2021

<u>Indebtedness</u>	<u>Long-Term Debt January 1, 2020</u>	<u>Add New Debt</u>	<u>Less Debt Retired</u>	<u>Long-Term Debt December 31, 2021</u>
ENTERPRISE LONG-TERM DEBT:				
Revenue bonds	\$18,727,873	\$12,162,943	\$11,479,243	\$19,411,573
Total	\$18,727,873	\$12,162,943	\$11,479,243	\$19,411,573

NOTE 1: LONG-TERM DEBT

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

Revenue Bonds:

Series 2009 Rural Development Water Project Revenue Bond, due in monthly installments of \$3,038, including 3.5% interest, maturing November 24, 2049. This debt is serviced by the Water Fund. \$ 648,060

Drinking Water Revenue Borrower Bond Series 2016, due in quarterly installments of \$18,165, including 3.0% interest, maturing January 15, 2048. This debt is serviced by the Water Fund. \$1,316,822

Drinking Water Project Borrower Bond Series 2017, due in quarterly installments of \$12,775, including 2.25% interest, maturing November 15, 2049. This debt is serviced by the Water Fund. \$1,059,422

Drinking Water Project Revenue Borrower Bond Series 2020, the City is still borrowing on this debt. They are able to borrow up to \$400,000. First loan payment began May 15, 2022, due in quarterly installments of \$2,658, including 2.25% interest, maturing February 15, 2052. This debt is serviced by the Water Fund. \$ 231,502

Electric Revenue Refunding Bonds, Series 2020 due in semi-annual installments ranging from \$412,493 to \$420,872, including interest ranging from 2.75% to 3.5%, maturing December 1, 2035. This debt is serviced by the Electric Fund. \$9,507,330

Sewer Project Revenue Bond Series 2016, due in monthly installments of \$13,365, including 1.875% interest, maturing on October 27, 2056. This debt is serviced by the Sewer Fund. \$3,968,653

Sewer Revenue Borrower Bond Series 2017, due in quarterly installments of \$22,547, including 2.50% interest, maturing November 15, 2049. This debt is serviced by the Sewer Fund. \$1,812,177

CITY OF MILLER
SCHEDULE OF CHANGES IN LONG-TERM DEBT
TWO YEARS ENDED DECEMBER 31, 2021
(Continued)

Clean Water Project Revenue Borrower Bond, Series 2020, the City is still borrowing on this debt. They are able to borrow up to \$1,900,000. First loan payment began May 15, 2022, due in quarterly installments of \$10,299, including 2.50% interest, maturing February 15, 2052. This debt is serviced by the Sewer Fund.

\$ 867,607

**SCHEDULE OF SUPPLEMENTARY INFORMATION
CITY OF MILLER
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)**

SOUTH DAKOTA RETIREMENT SYSTEM

	Last 7 Fiscal Years*						
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
City's proportion of the net pension liability (asset)	0.0374720%	0.0413942%	0.0420719%	0.0407955%	0.0379779%	0.0377189%	0.0426344%
City's proportionate share of net pension liability (asset)	\$(286,972)	\$ (1,798)	\$ (4,459)	\$ (951)	\$ (3,446)	\$127,411	\$(180,825)
City's covered payroll	\$768,088	\$831,655	\$817,660	\$771,301	\$702,052	\$657,876	\$ 715,316
City's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	(37.36%)	(0.22%)	(0.55%)	(0.12%)	(0.49%)	19.37%	(25.28%)
Plan fiduciary net position as a percentage of the total pension liability (asset)	105.53%	100.04%	100.09%	100.02%	100.10%	96.89%	104%

*The amounts presented for each fiscal year were determined as of the measurement date of the collective net pension liability (asset) which is 6/30. Until a full 10-year trend is compiled, the City will present information for those years for which information is available.

CITY OF MILLER
NOTES TO THE SUPPLEMENTARY INFORMATION
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)
DECEMBER 31, 2021 AND 2020

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 one plan provision change are reflected and described below.

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

Benefit Provision Changes:

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

Actuarial Assumption Changes:

The SDRS COLA equals the percentage increase in the most recent third calendar quarter CPI-W over the prior year, no less than 0% (0.5% 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.