

CITY OF ONIDA
AUDITED FINANCIAL STATEMENTS
TWO YEARS ENDED DECEMBER 31, 2021

**CITY OF ONIDA
CITY OFFICIALS
DECEMBER 31, 2021**

Mayor:

LaJena Gruis

Governing Board:

Jessica Olivier
Marla Mosiman
Brooke Jacquot
Justin Mennenger
Caleb Shepherd
Jane Pitlick

Finance Officer:

Rondha Hiller

Attorney:

Emily Sovell

CITY OF ONIDA
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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 Onida
Onida, 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 Onida, 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 July 6, 2022.

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 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 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 instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying Schedule of Current Audit Findings and Questioned Costs as items #2021-001 and #2021-004.

City's Responses 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 Schedule of Current Audit Findings and Questioned Costs. The City's responses were not subjected to the other 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

July 6, 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 PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

City Council
City of Onida
Onida, South Dakota

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of Onida, South Dakota's (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 the City's major federal program for the two years ended December 31, 2021. The City's major federal program is 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 its major federal program for the two years ended December 31, 2021.

Basis of 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 judgement 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 judgement 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.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying Schedule of Current Audit Findings and Questioned Costs as item #2021-001. Our opinion on each major federal program is not modified with respect to this matter.

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

Report on Internal Control over Compliance

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses.

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

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

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

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

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, Bierbach & Anderson, LLP

July 6, 2022

CITY OF ONIDA

P. O. Box 72 Onida SD 57564

605-258-2441

SCHEDULE OF PRIOR AUDIT FINDINGS DECEMBER 31, 2021 AND 2020

PRIOR AUDIT FINDINGS:

#2019-001

A material weakness was reported for a lack of segregation of duties for cash, inventory, capital assets, equity, revenues, and budget, which could result in errors not being found in a timely manner. This condition is restated as current audit finding #2021-002. The reason for the recurrence is a lack of financial resources available to have the additional staff needed to adequately segregate duties.

#2019-002

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. This comment is restated as current audit finding #2021-003. The reason for the recurrence is the lack of financial resources to provide an internal control structure to record all necessary adjustments.

#2019-003

The City had a material budget overdraft and a few immaterial budget overdrafts in 2018 and 2019 in the General Fund. This comment is restated as current audit finding #2021-004. The reason for the recurrence is increased supply costs.

CITY OF ONIDA
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 unmodified opinion was issued on the financial statements of each opinion unit.
- 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 instances of noncompliance which were material to the financial statements. These are described in finding #2021-001 and #2021-004.

Federal Awards:

- d. A material weakness was disclosed for internal control over major federal programs for a lack of written policies regarding federal awards affecting the Cost Principles compliance requirement category as discussed in finding #2021-001.
- e. An unmodified opinion was issued on compliance with the requirements applicable to major programs.
- f. Our audit disclosed an audit finding that is required to be reported in accordance with 2 CFR 200.516(a). See finding #2021-001.
- g. The federal award tested as a major program was:
 1. Water and Waste Disposal Systems for Rural Communities - Federal Assistance Listing Number #10.760.
- h. The dollar threshold used to distinguish between Type A and Type B federal award programs was \$750,000.
- i. City of Onida did not qualify as a low-risk auditee.

Section 2 - Federal Award Findings and Questioned Costs

Internal Control-Related Findings - Material Weaknesses:

Finding #2021-001

Major Federal Program

The major federal program affected is:

Department of Agriculture
Federal Assistance Listing Number #10.760
Water and Waste Disposal Systems for Rural Communities

Criteria

2 CFR 200, Subparts D and E require written policies relative to federal awards to ensure compliance with federal statutes, regulations and terms and conditions of the federal awards.

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

Condition Found

The City has no written policies relative to federal awards.

Questioned Costs

None noted.

Cause

The City has not adopted any written policies relative to federal awards to be in compliance with 2 CFR 200, Subparts D and E.

Effect

By not having policies in place, the City has weaker controls to ensure that federal awards are being properly used, and they are not in compliance with 2 CFR 200, Subparts D and E.

Identification as a Repeat Finding

No

Recommendation

We recommend the City adopt a written policy relative to federal awards.

Views of Responsible Officials and Planned Corrective Actions

See the unaudited corrective action plan on pages 11 - 12.

Federal Compliance-Related Audit Findings and Questioned Costs:

Finding #2021-001

This comment has already been stated under the section entitled "Internal Control-Related Findings - Material Weaknesses." See that section for more detail on the comment.

Section 3 - Financial Statement Findings

Internal Control-Related Findings - Material Weaknesses:

Finding #2021-002

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 cash, inventory, capital assets, equity,

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

revenues, and budget, which could result in errors not being found in a timely manner.

Cause

The City only has one employee 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 Onida has determined it is not cost beneficial to employ additional personnel just to be able to adequately segregate duties for cash, inventory, capital assets, equity, revenues, and budget. 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 plan on pages 11 - 12.

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 the modified cash basis of accounting.

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 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 ONIDA
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 plan on pages 11 - 12.

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 in the General Fund. See the listing of overdrafts in Note 3.

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 plan on pages 11 - 12.

CITY OF ONIDA

P. O. Box 72 Onida SD 57564
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UNAUDITED CORRECTIVE ACTION PLANS DECEMBER 31, 2021 AND 2020

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

Corrective Action Plan #2021-001

Condition: The City has no written policies relative to federal awards.

Responsible official: LaJena Gruis, Mayor

Planned corrective actions: The City will adopt written policies to be in compliance with 2 CFR 200, Subparts D and E.

Anticipated completion date: December 31, 2022

Corrective Action Plan #2021-002

Condition: A material weakness was reported for a lack of segregation of duties for cash, inventory, capital assets, equity, revenues, and budget, which could result in errors not being found in a timely manner.

Responsible official: LaJena Gruis, Mayor

Planned corrective action: This comment is a result of the size of the City of Onida which precludes staffing at a level sufficient to provide an ideal environment for internal controls. The City of Onida has determined that it is not cost beneficial to employ additional personnel just to be able to adequately segregate duties for cash, inventory, capital assets, equity, revenues, and budget. The City of Onida is aware of this problem and is attempting to provide compensating controls by having the council look at the books by reviewing vouchers and using dual signature on checks. The City will put additional internal controls in place including having the Mayor/Council President review on a monthly basis the financials and bank statements and sign off on them. However, this lack of segregation of duties regarding cash, inventory, capital assets, equity, revenues, and budget continues to exist.

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: LaJena Gruis, Mayor

Planned corrective action: The City does not have enough staff to maintain this standard. Additional internal controls will be put in place.

CITY OF ONIDA

P. O. Box 72 Onida SD 57564
605-258-2441

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 in the General Fund. See the listing of overdrafts in Note 3.

Responsible official: LaJena Gruis, Mayor

Planned corrective action: The City will try to adhere to the budget and take into account any necessary emergency expenditures.

Anticipated completion date: December 31, 2022

KOHLMAN, BIRSCHBACH & ANDERSON, LLP
CERTIFIED PUBLIC ACCOUNTANTS

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WITH AN OFFICE IN
MOBRIDGE, SOUTH DAKOTA

INDEPENDENT AUDITORS' REPORT

City Council
City of Onida
Onida, South Dakota

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 Onida, South Dakota (City), as of and for each of the years in the biennial period ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the Table of Contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of December 31, 2021, and the respective changes in modified cash basis 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 Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the 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 audit opinions.

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 control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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 the 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 judgement 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 Schedule of Expenditures of Federal Awards, which as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), 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 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 July 6, 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, Bierschbach & Anderson, LLP

July 6, 2022

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

| | PRIMARY GOVERNMENT | | |
|--|-------------------------|---------------------------|---------------------------|
| | Governmental | Business-Type | |
| | Activities | Activities | Total |
| ASSETS: | | | |
| Cash and cash equivalents | \$665,252 | \$ 491,459 | \$1,156,711 |
| Investments | 144,183 | 1,530,159 | 1,674,342 |
| Restricted Assets: | | | |
| Cash and cash equivalents | <u>6,687</u> | <u>46,104</u> | <u>52,791</u> |
| TOTAL ASSETS | <u>\$816,122</u> | <u>\$2,067,722</u> | <u>\$2,883,844</u> |
| NET POSITION: | | | |
| Restricted for: | | | |
| Debt service purposes | \$ -- | \$ 33,604 | \$ 33,604 |
| Equipment repair and/or replacement purposes | -- | 12,500 | 12,500 |
| Pool and park renovations purposes | 6,687 | -- | 6,687 |
| Unrestricted | <u>809,435</u> | <u>2,021,618</u> | <u>2,831,053</u> |
| TOTAL NET POSITION | <u>\$816,122</u> | <u>\$2,067,722</u> | <u>\$2,883,844</u> |

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

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

| 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 | \$ 117,923 | \$ 4,053 | \$ -- | \$ -- | \$ (113,870) | | \$ (113,870) |
| Public safety | 130,280 | 11,928 | 8,504 | -- | (109,848) | | (109,848) |
| Public works | 140,949 | -- | 51,647 | -- | (89,302) | | (89,302) |
| Culture and recreation | 67,223 | 30,655 | -- | -- | (36,568) | | (36,568) |
| Miscellaneous | 450 | -- | -- | -- | (450) | | (450) |
| *Interest on long-term debt | 3,326 | -- | -- | -- | (3,326) | | (3,326) |
| Total Governmental Activities | <u>460,151</u> | <u>46,636</u> | <u>60,151</u> | <u>--</u> | <u>(353,364)</u> | | <u>(353,364)</u> |
| Business-Type Activities: | | | | | | | |
| Water | 1,363,815 | 266,884 | -- | 781,292 | | \$ (315,639) | (315,639) |
| Sewer | 2,953,091 | 276,856 | -- | 1,826,959 | | (849,276) | (849,276) |
| Electric | 749,816 | 833,296 | -- | -- | | 83,480 | 83,480 |
| Solid Waste | 149,992 | 136,976 | -- | -- | | (13,016) | (13,016) |
| Airport | 121,671 | -- | -- | 105,532 | | (16,139) | (16,139) |
| Total Business-Type Activities | <u>5,338,385</u> | <u>1,514,012</u> | <u>--</u> | <u>2,713,783</u> | | <u>(1,110,590)</u> | <u>(1,110,590)</u> |
| Total Primary Government | <u>\$5,798,536</u> | <u>\$1,560,648</u> | <u>\$60,151</u> | <u>\$2,713,783</u> | <u>(353,364)</u> | <u>(1,110,590)</u> | <u>(1,463,954)</u> |
| General Revenues: | | | | | | | |
| Taxes: | | | | | | | |
| Property taxes | | | | | 203,954 | -- | 203,954 |
| Sales taxes | | | | | 279,189 | -- | 279,189 |
| State shared revenues | | | | | 6,016 | -- | 6,016 |
| Unrestricted investment earnings | | | | | 563 | 214 | 777 |
| Debt issued | | | | | -- | 1,067,138 | 1,067,138 |
| Miscellaneous revenue | | | | | 4,321 | 35,153 | 39,474 |
| Transfers | | | | | <u>(408,281)</u> | <u>408,281</u> | <u>--</u> |
| Total General Revenues and Transfers | | | | | <u>85,762</u> | <u>1,510,786</u> | <u>1,596,548</u> |
| Change in Net Position | | | | | (267,602) | 400,196 | 132,594 |
| Net Position - Beginning | | | | | <u>1,083,724</u> | <u>1,667,526</u> | <u>2,751,250</u> |
| Net Position - Ending | | | | | <u>\$ 816,122</u> | <u>\$ 2,067,722</u> | <u>\$ 2,883,844</u> |

* The City does not have interest expense related to the functions presented above. This amount includes indirect interest expense on general long-term debt.

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

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

| | | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position | | |
|---|--------------------|--------------------|------------------|------------------|--|---------------------|---------------------|
| | | | Operating | Capital | Primary Government | | |
| Functions/Programs | Expenses | Charges for | Grants and | Grants and | Governmental | Business- Type | Total |
| | | Services | Contributions | Contributions | Activities | Activities | |
| Primary Government: | | | | | | | |
| Governmental Activities: | | | | | | | |
| General government | \$ 131,131 | \$ 3,824 | \$ -- | \$ -- | \$ (127,307) | | \$ (127,307) |
| Public safety | 83,241 | 145 | 48,376 | -- | (34,720) | | (34,720) |
| Public works | 124,476 | -- | 49,348 | 2,117 | (73,011) | | (73,011) |
| Health and welfare | -- | -- | 2,322 | -- | 2,322 | | 2,322 |
| Culture and recreation | 87,233 | 29,178 | -- | 6,167 | (51,888) | | (51,888) |
| Miscellaneous | 600 | -- | -- | -- | (600) | | (600) |
| *Interest on long-term debt | <u>4,104</u> | <u>--</u> | <u>--</u> | <u>--</u> | <u>(4,104)</u> | | <u>(4,104)</u> |
| Total Governmental Activities | <u>430,785</u> | <u>33,147</u> | <u>100,046</u> | <u>8,284</u> | <u>(289,308)</u> | | <u>(289,308)</u> |
| Business-Type Activities: | | | | | | | |
| Water | 726,651 | 255,826 | -- | 317,017 | | \$ (153,808) | (153,808) |
| Sewer | 1,257,170 | 283,091 | -- | 292,640 | | (681,439) | (681,439) |
| Electric | 835,037 | 921,051 | -- | -- | | 86,014 | 86,014 |
| Solid Waste | 107,240 | 135,953 | -- | -- | | 28,713 | 28,713 |
| Airport | <u>288,019</u> | <u>--</u> | <u>--</u> | <u>238,163</u> | | <u>(49,856)</u> | <u>(49,856)</u> |
| Total Business-Type Activities | <u>3,214,117</u> | <u>1,595,921</u> | <u>--</u> | <u>847,820</u> | | <u>(770,376)</u> | <u>(770,376)</u> |
| Total Primary Government | <u>\$3,644,902</u> | <u>\$1,629,068</u> | <u>\$100,046</u> | <u>\$856,104</u> | <u>(289,308)</u> | <u>(770,376)</u> | <u>(1,059,684)</u> |
| General Revenues: | | | | | | | |
| Taxes: | | | | | | | |
| Property taxes | | | | | 195,845 | -- | 195,845 |
| Sales taxes | | | | | 278,333 | -- | 278,333 |
| State shared revenues | | | | | 6,646 | -- | 6,646 |
| Unrestricted investment earnings | | | | | 9,380 | 87 | 9,467 |
| Debt issued | | | | | -- | 329,098 | 329,098 |
| Miscellaneous revenue | | | | | 3,691 | 26,004 | 29,695 |
| Transfers | | | | | <u>(1,010,000)</u> | <u>1,010,000</u> | <u>--</u> |
| Total General Revenues and Transfers | | | | | <u>(516,105)</u> | <u>1,365,189</u> | <u>849,084</u> |
| Change in Net Position | | | | | (805,413) | 594,813 | (210,600) |
| Net Position - Beginning | | | | | <u>1,889,137</u> | <u>1,072,713</u> | <u>2,961,850</u> |
| Net Position - Ending | | | | | <u>\$ 1,083,724</u> | <u>\$ 1,667,526</u> | <u>\$ 2,751,250</u> |
| *This City does not have interest expense related to the functions presented above. This amount includes indirect interest expense on general long-term debt. | | | | | | | |

*This City does not have interest expense related to the functions presented above. This amount includes indirect interest expense on general long-term debt.

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

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

| | <u>General Fund</u> |
|--------------------------------------|-------------------------|
| ASSETS: | |
| Cash and cash equivalents | \$665,252 |
| Investments | 144,183 |
| Restricted cash and cash equivalents | <u>6,687</u> |
| TOTAL ASSETS | <u>\$816,122</u> |
| FUND BALANCES: | |
| Restricted for: | |
| Pool and park renovations | \$ 6,687 |
| Unassigned | <u>809,435</u> |
| TOTAL FUND BALANCES | <u>\$816,122</u> |

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

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

| | <u>General Fund</u> |
|--|-------------------------|
| REVENUES: | |
| Taxes: | |
| General property taxes | \$ 203,651 |
| General sales and use taxes | 279,189 |
| Penalties and interest on delinquent taxes | 303 |
| Licenses and Permits | 4,053 |
| Intergovernmental Revenue: | |
| Federal grants | 8,504 |
| State shared revenue: | |
| Bank franchise tax | 1,179 |
| Liquor tax reversion (25%) | 4,837 |
| Motor vehicle licenses | 33,153 |
| Local government highway and bridge fund | 13,301 |
| County shared revenue: | |
| County road tax (25%) | 2,196 |
| County wheel tax | 2,997 |
| Charges for Goods and Services: | |
| Public safety | 260 |
| Culture and recreation | 30,655 |
| Fines and Forfeits: | |
| Court fines and costs | 11,668 |
| Miscellaneous Revenue: | |
| Investment earnings | 563 |
| Other | <u>4,321</u> |
| TOTAL REVENUES | <u>600,830</u> |
| EXPENDITURES: | |
| General Government: | |
| Legislative | 44,517 |
| Financial administration | 73,406 |
| Public Safety: | |
| Police | 65,280 |
| Fire | 65,000 |
| Public Works: | |
| Highways and streets | 116,581 |
| Culture and Recreation: | |
| Recreation | 58,905 |
| Parks | 8,318 |

| | |
|--------------------------------------|-------------------------|
| | <u>General Fund</u> |
| Debt Service | 27,694 |
| Miscellaneous: | |
| Liquor operating agreements | <u>450</u> |
| TOTAL EXPENDITURES | <u>460,151</u> |
| EXCESS OF REVENUES OVER EXPENDITURES | <u>140,679</u> |
| OTHER FINANCING USES: | |
| Transfers out | <u>(408,281)</u> |
| TOTAL OTHER FINANCING USES | <u>(408,281)</u> |
| NET CHANGE IN FUND BALANCE | (267,602) |
| FUND BALANCE - BEGINNING | <u>1,083,724</u> |
| FUND BALANCE - ENDING | <u>\$ 816,122</u> |

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

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

| | <u>General Fund</u> |
|--|-------------------------|
| REVENUES: | |
| Taxes: | |
| General property taxes | \$ 195,424 |
| General sales and use taxes | 278,333 |
| Penalties and interest on delinquent taxes | 421 |
| Licenses and Permits | 3,824 |
| Intergovernmental Revenue: | |
| Federal grants | 48,376 |
| State grants | 2,322 |
| State shared revenue: | |
| Bank franchise tax | 2,091 |
| Liquor tax reversion (25%) | 4,555 |
| Motor vehicle licenses | 31,434 |
| Local government highway and bridge fund | 12,765 |
| County shared revenue: | |
| County road tax (25%) | 2,196 |
| County wheel tax | 2,953 |
| Charges for Goods and Services: | |
| Public safety | 145 |
| Culture and recreation | 29,178 |
| Miscellaneous Revenue: | |
| Investment earnings | 9,380 |
| Special assessments | 2,117 |
| Contributions and donations from private sources | 6,167 |
| Other | <u>3,691</u> |
| TOTAL REVENUES | <u>635,372</u> |
| EXPENDITURES: | |
| General Government: | |
| Legislative | 57,010 |
| Elections | 16 |
| Financial administration | 83,570 |
| Public Safety: | |
| Police | 63,241 |
| Fire | 20,000 |
| Public Works: | |
| Highways and streets | 100,886 |
| Culture and Recreation: | |
| Recreation | 78,491 |

| | |
|---|-------------------------|
| | <u>General Fund</u> |
| Parks | 8,742 |
| Debt Service | 27,694 |
| Miscellaneous: | |
| Liquor operating agreements | <u>600</u> |
| TOTAL EXPENDITURES | <u>440,250</u> |
| EXCESS OF REVENUES OVER EXPENDITURES | <u>195,122</u> |
| OTHER FINANCING SOURCES (USES): | |
| Transfers out | (1,010,000) |
| Compensation for loss or damage to capital assets | <u>9,465</u> |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>(1,000,535)</u> |
| NET CHANGE IN FUND BALANCE | (805,413) |
| FUND BALANCE - BEGINNING | <u>1,889,137</u> |
| FUND BALANCE - ENDING | <u>\$ 1,083,724</u> |

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

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

| | Business-Type Activities | | | | | |
|---|--------------------------|-------------------------|-------------------------|------------------------|-----------------------|---------------------------|
| | Enterprise Funds | | | | | |
| | Water Fund | Sewer Fund | Electric Fund | Solid Waste Fund | Airport Fund | Totals |
| ASSETS: | | | | | | |
| Current Assets: | | | | | | |
| Cash and cash equivalents | \$238,913 | \$ 39,553 | \$196,105 | \$17,248 | \$(360) | \$ 491,459 |
| Investments | <u>339,495</u> | <u>545,458</u> | <u>645,206</u> | <u>--</u> | <u>--</u> | <u>1,530,159</u> |
| Total Current Assets | <u>578,408</u> | <u>585,011</u> | <u>841,311</u> | <u>17,248</u> | <u>(360)</u> | <u>2,021,618</u> |
| Noncurrent Assets: | | | | | | |
| Restricted cash and cash equivalents | <u>20,861</u> | <u>25,243</u> | <u>--</u> | <u>--</u> | <u>--</u> | <u>46,104</u> |
| Total Noncurrent Assets | <u>20,861</u> | <u>25,243</u> | <u>--</u> | <u>--</u> | <u>--</u> | <u>46,104</u> |
| TOTAL ASSETS | <u>\$599,269</u> | <u>\$610,254</u> | <u>\$841,311</u> | <u>\$17,248</u> | <u>\$(360)</u> | <u>\$2,067,722</u> |
| NET POSITION: | | | | | | |
| Restricted for: | | | | | | |
| Revenue bond debt service | \$ 14,611 | \$ 18,993 | \$ -- | \$ -- | \$ -- | \$ 33,604 |
| Equipment repair and/or replacement | 6,250 | 6,250 | -- | -- | -- | 12,500 |
| Unrestricted (Deficit) | <u>578,408</u> | <u>585,011</u> | <u>841,311</u> | <u>17,248</u> | <u>(360)</u> | <u>2,021,618</u> |
| TOTAL NET POSITION | <u>\$599,269</u> | <u>\$610,254</u> | <u>\$841,311</u> | <u>\$17,248</u> | <u>\$(360)</u> | <u>\$2,067,722</u> |

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

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

| | Business-Type Activities Enterprise Funds | | | | | Totals |
|--------------------------------------|--|-------------------|-------------------|------------------------|-----------------|---------------------|
| | Water Fund | Sewer Fund | Electric Fund | Solid Waste Fund | Airport Fund | |
| OPERATING REVENUE: | | | | | | |
| Surcharge as security for debt | \$ 116,801 | \$ 199,972 | \$ -- | \$ -- | \$ -- | \$ 316,773 |
| Charges for goods and services | 150,083 | 76,884 | 833,296 | 136,976 | -- | 1,197,239 |
| Miscellaneous | -- | -- | 273 | -- | -- | 273 |
| TOTAL OPERATING REVENUE | <u>266,884</u> | <u>276,856</u> | <u>833,569</u> | <u>136,976</u> | <u>--</u> | <u>1,514,285</u> |
| OPERATING EXPENSES: | | | | | | |
| Personal services | 38,252 | 16,876 | 32,156 | 62,436 | -- | 149,720 |
| Other current expense | 13,862 | 5,803 | 39,890 | 7,455 | 9,191 | 76,201 |
| Materials | <u>120,405</u> | <u>--</u> | <u>677,770</u> | <u>76,122</u> | <u>--</u> | <u>874,297</u> |
| TOTAL OPERATING EXPENSES | <u>172,519</u> | <u>22,679</u> | <u>749,816</u> | <u>146,013</u> | <u>9,191</u> | <u>1,100,218</u> |
| OPERATING INCOME (LOSS) | <u>94,365</u> | <u>254,177</u> | <u>83,753</u> | <u>(9,037)</u> | <u>(9,191)</u> | <u>414,067</u> |
| NONOPERATING REVENUE (EXPENSE): | | | | | | |
| Capital grants | 781,292 | 1,826,959 | -- | -- | 105,532 | 2,713,783 |
| Investment earnings | 57 | 53 | -- | -- | 104 | 214 |
| Rental revenue | -- | -- | -- | -- | 34,880 | 34,880 |
| Capital assets | (938,347) | (2,816,458) | -- | (3,979) | (112,480) | (3,871,264) |
| Debt service (principal) | (221,898) | (56,536) | -- | -- | -- | (278,434) |
| Debt service (interest) | (31,051) | (57,418) | -- | -- | -- | (88,469) |
| Long-term debt issued | <u>359,322</u> | <u>707,816</u> | <u>--</u> | <u>--</u> | <u>--</u> | <u>1,067,138</u> |
| TOTAL NONOPERATING REVENUE (EXPENSE) | <u>(50,625)</u> | <u>(395,584)</u> | <u>--</u> | <u>(3,979)</u> | <u>28,036</u> | <u>(422,152)</u> |
| INCOME (LOSS) BEFORE TRANSFERS | 43,740 | (141,407) | 83,753 | (13,016) | 18,845 | (8,085) |
| TRANSFERS IN | <u>--</u> | <u>391,277</u> | <u>--</u> | <u>--</u> | <u>17,004</u> | <u>408,281</u> |
| CHANGE IN NET POSITION | 43,740 | 249,870 | 83,753 | (13,016) | 35,849 | 400,196 |
| NET POSITION - BEGINNING | <u>555,529</u> | <u>360,384</u> | <u>757,558</u> | <u>30,264</u> | <u>(36,209)</u> | <u>1,667,526</u> |
| NET POSITION - ENDING | <u>\$ 599,269</u> | <u>\$ 610,254</u> | <u>\$ 841,311</u> | <u>\$ 17,248</u> | <u>\$ (360)</u> | <u>\$ 2,067,722</u> |

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

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

| | Business-Type Activities Enterprise Funds | | | | | Totals |
|---|--|-------------------|-------------------|------------------------|--------------------|---------------------|
| | Water Fund | Sewer Fund | Electric Fund | Solid Waste Fund | Airport Fund | |
| OPERATING REVENUE: | | | | | | |
| Surcharge as security for debt | \$ 119,450 | \$ 204,651 | \$ -- | \$ -- | \$ -- | \$ 324,101 |
| Charges for goods and services | 136,376 | 78,440 | 921,051 | 135,953 | -- | 1,271,820 |
| Miscellaneous | -- | 256 | 292 | -- | -- | 548 |
| TOTAL OPERATING REVENUE | <u>255,826</u> | <u>283,347</u> | <u>921,343</u> | <u>135,953</u> | <u>--</u> | <u>1,596,469</u> |
| OPERATING EXPENSES: | | | | | | |
| Personal services | 30,411 | 15,283 | 28,857 | 68,988 | -- | 143,539 |
| Other current expense | 16,777 | 7,196 | 70,037 | 9,700 | 16,536 | 120,246 |
| Materials | 116,710 | -- | 736,143 | 27,320 | -- | 880,173 |
| TOTAL OPERATING EXPENSES | <u>163,898</u> | <u>22,479</u> | <u>835,037</u> | <u>106,008</u> | <u>16,536</u> | <u>1,143,958</u> |
| OPERATING INCOME (LOSS) | <u>91,928</u> | <u>260,868</u> | <u>86,306</u> | <u>29,945</u> | <u>(16,536)</u> | <u>452,511</u> |
| NONOPERATING REVENUE (EXPENSE): | | | | | | |
| Capital grants | 317,017 | 292,640 | -- | -- | 238,163 | 847,820 |
| Investment earnings | 64 | 23 | -- | -- | -- | 87 |
| Rental revenue | -- | -- | -- | -- | 25,456 | 25,456 |
| Capital assets | (406,522) | (1,120,737) | -- | (1,232) | (271,483) | (1,799,974) |
| Debt service (principal) | (123,725) | (55,145) | -- | -- | -- | (178,870) |
| Debt service (interest) | (32,506) | (58,809) | -- | -- | -- | (91,315) |
| Long-term debt issued | 149,067 | 180,031 | -- | -- | -- | 329,098 |
| TOTAL NONOPERATING REVENUE (EXPENSE) | <u>(96,605)</u> | <u>(761,997)</u> | <u>--</u> | <u>(1,232)</u> | <u>(7,864)</u> | <u>(867,698)</u> |
| INCOME (LOSS) BEFORE TRANSFERS | (4,677) | (501,129) | 86,306 | 28,713 | (24,400) | (415,187) |
| TRANSFERS IN | <u>500,000</u> | <u>500,000</u> | <u>--</u> | <u>10,000</u> | <u>--</u> | <u>1,010,000</u> |
| CHANGE IN NET POSITION | 495,323 | (1,129) | 86,306 | 38,713 | (24,400) | 594,813 |
| NET POSITION - BEGINNING | <u>60,206</u> | <u>361,513</u> | <u>671,252</u> | <u>(8,449)</u> | <u>(11,809)</u> | <u>1,072,713</u> |
| NET POSITION - ENDING | <u>\$ 555,529</u> | <u>\$ 360,384</u> | <u>\$ 757,558</u> | <u>\$ 30,264</u> | <u>\$ (36,209)</u> | <u>\$ 1,667,526</u> |

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

CITY OF ONIDA
STATEMENT OF NET POSITION - MODIFIED CASH BASIS
FIDUCIARY FUNDS
DECEMBER 31, 2021

| | |
|---------------------------|----------------------------|
| | <u>Custodial Funds</u> |
| ASSETS: | |
| Cash and cash equivalents | \$4,339 |
| TOTAL ASSETS | <u>\$4,339</u> |
| NET POSITION: | |
| Restricted for: | |
| Phoenix Center | \$4,339 |
| TOTAL NET POSITION | <u>\$4,339</u> |

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

CITY OF ONIDA
STATEMENT OF CHANGES IN NET POSITION - MODIFIED CASH BASIS
FIDUCIARY FUNDS
YEAR ENDED DECEMBER 31, 2021

| | <u>Custodial Funds</u> |
|--------------------------|----------------------------|
| ADDITIONS: | |
| Other additions | <u>\$4,617</u> |
| TOTAL ADDITIONS | <u>4,617</u> |
| DEDUCTIONS: | |
| Other deductions | <u>3,697</u> |
| TOTAL DEDUCTIONS | <u>3,697</u> |
| CHANGE IN NET POSITION | 920 |
| NET POSITION - BEGINNING | <u>3,419</u> |
| NET POSITION - ENDING | <u>\$4,339</u> |

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

CITY OF ONIDA
STATEMENT OF CHANGES IN NET POSITION - MODIFIED CASH BASIS
FIDUCIARY FUNDS
YEAR ENDED DECEMBER 31, 2020

| | <u>Custodial Funds</u> |
|--|----------------------------|
| ADDITIONS: | |
| Contributions and donations | \$ 20 |
| Other additions | <u>2,953</u> |
| TOTAL ADDITIONS | 2,973 |
| DEDUCTIONS: | |
| Other deductions | <u>5,457</u> |
| TOTAL DEDUCTIONS | <u>5,457</u> |
| CHANGE IN NET POSITION | <u>(2,484)</u> |
| NET POSITION - BEGINNING | -- |
| RESTATEMENT - IMPLEMENTATION OF GASB 84 (SEE NOTE 2) | <u>5,903</u> |
| NET POSITION - BEGINNING, AS RESTATED | <u>5,903</u> |
| NET POSITION - ENDING | <u>\$ 3,419</u> |

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

CITY OF ONIDA
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 Onida (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.

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.

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 three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the 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 10 percent of the corresponding total for all funds of that category or type, and

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

NOTE 1 - (Continued)

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

The funds of the 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.

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

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

NOTE 1 - (Continued)

operation of the City electrical system and related facilities. (SDCL 9-39-1 and 9-39-26) This is a major fund.

Solid Waste Fund - To account for the collection and disposal of solid waste from the City. (SDCL 9-32-11 and 34A-6) This is a major fund.

Airport Fund - To account for the acquisition, construction and operation of the City airport. (SDCL 50-7-2) This is a major fund.

Fiduciary Funds:

Fiduciary funds consist of the following sub-category and is never considered to be a major fund:

Custodial Funds - Custodial funds are used to report fiduciary activities that are not required to be reported in pension (and other employee benefit) trust funds, investment trust funds, or private-purpose trust funds. The City maintains a Custodial fund to account for the income and expenses associated with the Phoenix Center.

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.

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

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

NOTE 1 - (Continued)

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 and fiduciary fund types would use the accrual basis of accounting. All government-wide financial statements would be presented on the accrual basis of accounting.

d. Deposits and Investments:

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

Investments classified in the financial statements consist entirely of certificates of deposit whose term to maturity at date of acquisition exceeds three months, and/or those types of 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.

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

NOTE 1 - (Continued)

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 and Other Long-Term Liabilities.

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.
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.

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

NOTE 1 - (Continued)

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 does 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. Fiduciary fund equity is reported as restricted net position.

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.
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.

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

NOTE 1 - (Continued)

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.

NOTE 2 - IMPLEMENTATION OF NEW ACCOUNTING STANDARD

In 2020, the City implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 84, Fiduciary Activities accounting standard. This statement improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The implementation of this standard required that the City present a Statement of Changes in Net Position for Custodial Funds for 2020. The implementation of this standard required the City to reclassify previously reported agency funds as custodial funds. The implementation relates only to 2020.

NOTE 3 - 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:

| | <u>Year Ended</u> <u>12/31/2021</u> | <u>Year Ended</u> <u>12/31/2020</u> |
|---|--|--|
| General Fund: | | |
| <u>Activity:</u> | | |
| General Government - Legislative | \$ 6,357 | \$20,532 |
| General Government - Financial Administration | \$ 5,971 | \$17,848 |
| Public Safety - Police | \$ 121 | \$ -- |
| Culture and Recreation - Recreation | \$ -- | \$ 7,754 |
| Debt Service | \$27,694 | \$27,694 |

The City plans to take the following actions to address these violations: Supplement the budget and make contingency transfers.

NOTE 4 - 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:

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

NOTE 4 - (Continued)

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.

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.

Fair Value Measurement - The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

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.

As of December 31, 2021, the City had the following investments:

| <u>Investment</u> | <u>Credit Rating</u> | <u>Maturities</u> | <u>Fair Value</u> |
|----------------------------|----------------------|-------------------|-------------------|
| External Investment Pools: | | | |
| SDFIT | Unrated | \$1,674,342 | \$1,674,342 |

The South Dakota Public Fund Investment Trust (SDFIT) is an external investment pool created for South Dakota local government investing. It is regulated by a nine member board with representation from cities, school districts, and counties. The net asset value of the SDFIT money market account (GCR) is kept at one dollar per share by adjusting the rate of return on a daily basis. Earnings are credited to each account on a monthly basis.

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 SDFIT (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 deposits and investments to the General Fund, except interest earned on the surcharge account stays with the respective fund and the Airport interest stays in the Airport Fund. USGAAP, on the other hand, requires income from deposits and investments to be reported in the fund whose assets generated that income except where legal or

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

NOTE 4 - (Continued)

contractual requirements require investment income to be credited to a fund other than the one associated with the assets. Where the governing board has discretion to credit investment income to a fund other than the fund that provided the resources for investment, a transfer to the designated fund is reported. Accordingly, in the fund financial statements, interfund transfers of investment earnings are reported, while in the government-wide financial statements, they have been eliminated, except for the net amounts transferred between governmental activities and business-type activities.

NOTE 5 - 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> |
|----------------|--|
| \$ 3,020 | For swimming pool in the General Fund |
| \$ 3,667 | For park renovations in the General Fund |
| \$14,611 | For debt service by covenants in the Water Fund |
| \$ 6,250 | For equipment repairs and/or replacement in the Water Fund |
| \$18,993 | For debt service by covenants in the Sewer Fund |
| \$ 6,250 | For equipment repairs and/or replacement in the Sewer Fund |

NOTE 6 - 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.

NOTE 7 - CONDUIT DEBT

In the past, the City has issued revenue bonds to provide financial assistance to certain private-sector entities for the acquisition and/or construction of facilities deemed to be in the public interest. These bonds are secured by the property being financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities is retained by the private-sector entity served by the bond issuance. Neither the City, the State of South Dakota, nor any other political subdivision of the State is obligated in any manner for the repayment of these conduit debt issues. Accordingly, these bonds are not reported as liabilities in the accompanying financial statements. As of December 31, 2021, there was one series of conduit bonds outstanding, with an aggregate unpaid principal amount of \$2,916,053.

NOTE 8 - RESTRICTED NET POSITION

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

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

NOTE 8 - (Continued)

Major Purposes:

| | |
|---|----------|
| Swimming Pool & Park Renovation Purposes - General Fund | \$ 6,687 |
| Debt Service Purposes - Water Fund | \$14,611 |
| Debt Service Purposes - Sewer Fund | \$18,993 |
| Equipment Repair and/or Replacement Purposes - Water Fund | \$ 6,250 |
| Equipment Repair and/or Replacement Purposes - Sewer Fund | \$ 6,250 |

These balances are restricted by the terms of the donors, federal grants, and debt covenants.

NOTE 9 - INTERFUND TRANSFERS

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

| <u>Transfers From:</u> | <u>Transfer To:</u> | | |
|------------------------|---------------------|---------------------|--------------|
| Major Funds: | <u>Sewer Fund</u> | <u>Airport Fund</u> | <u>Total</u> |
| General Fund | \$391,277 | 17,004 | \$408,281 |

Interfund transfers for the year ended December 31, 2020, were as follows:

| <u>Transfers From:</u> | <u>Transfer To:</u> | | | |
|------------------------|---------------------|-------------------|-------------------------|--------------|
| Major Funds: | <u>Water Fund</u> | <u>Sewer Fund</u> | <u>Solid Waste Fund</u> | <u>Total</u> |
| General Fund | \$ 500,000 | 500,000 | 10,000 | \$1,010,000 |

The transfers to the Solid Waste Fund, Airport Fund and the 2021 transfer to the Sewer Fund were to help the City conduct the indispensable functions of the City. The transfers in 2020 to the Water and Sewer Funds from the General Fund were part of a pledge to help finance the water/sewer project.

NOTE 10 - PENSION PLAN

Plan Information:

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

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

NOTE 10 - (Continued)

Members that were hired before July 1, 2017, are Foundation members. Class A Foundation members and Class B Foundation members who retire after age 65 with three years of contributory service are entitled to an unreduced annual retirement benefit. An unreduced annual retirement benefit is also available after age 55 for Class A Foundation members where the sum of age and credited service is equal to or greater than 85 or after age 55 for Class B Foundation judicial members where the sum of age and credited service is equal to or greater than 80. Class B Foundation public safety members can retire with an unreduced annual retirement benefit after age 55 with three years of contributory service. An unreduced annual retirement benefit is also available after age 45 for Class B Foundation 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.

Legalization 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:
 - 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 | \$ 9,320 |
| 2020 | \$10,066 |
| 2019 | \$ 9,573 |

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

NOTE 10 - (Continued)

Pension Asset and Pension Expense:

At June 30, 2021, SDRS is 105.52% 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 | \$915,319 |
| Less proportionate share of net position restricted for pension benefits | <u>965,871</u> |
| Proportionate share of net pension liability (asset) | <u>\$ (50,552)</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 0.006601%, which is a decrease of .0009778% 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 percent |
| Salary Increases | Graded by years of service, from 6.50% at entry to 3.00% after 25 years of service |
| Discount Rate | 6.50% net of plan investment expense. This is composed of an average inflation rate of 2.25% and real returns of 4.25%. |
| Future COLAs | 2.25% |

Mortality rates were based on 97% of the RP-2014 Mortality Table, 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:

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

NOTE 10 - (Continued)

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|--------------------|--------------------------|---|
| Global Equity | 58.0% | 4.3% |
| Fixed Income | 30.0% | 1.6% |
| Real Estate | 10.0% | 4.6% |
| Cash | <u>2.0%</u> | 0.9% |
| Total | <u>100.0%</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:

| | <u>1% Decrease</u> | <u>Current Discount Rate</u> | <u>1% Increase</u> |
|---|--------------------|------------------------------|--------------------|
| City's proportionate share of the net pension liability (asset) | \$81,857 | \$(50,552) | \$(158,038) |

Pension Plan Fiduciary Net Position:

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

NOTE 11 - SIGNIFICANT CONTINGENCIES - LITIGATION

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

NOTE 12 - SUBSEQUENT EVENTS

Management has evaluated whether any subsequent events have occurred through, July 6, 2022, the date on which the financial statements were available to be issued. Management has determined there are none.

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

NOTE 13 - 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 purchases health insurance for its employees from a commercial insurance carrier. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

Liability Insurance:

The City purchases liability insurance for risks related to torts; theft or damage to property; and errors and omissions of public officials from a commercial insurance carrier. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

Worker's Compensation:

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

SUPPLEMENTARY INFORMATION

CITY OF ONIDA
BUDGETARY COMPARISON SCHEDULE - BUDGETARY 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 | \$ 189,050 | \$ 189,050 | \$ 203,651 | \$ 14,601 |
| General sales and use taxes | 265,000 | 265,000 | 279,189 | 14,189 |
| Amusement taxes | 180 | 180 | -- | (180) |
| Penalties and interest on | | | | |
| delinquent taxes | 400 | 400 | 303 | (97) |
| Licenses and Permits | 4,100 | 4,100 | 4,053 | (47) |
| Intergovernmental Revenue: | | | | |
| Federal grants | -- | -- | 8,504 | 8,504 |
| State shared revenue: | | | | |
| Bank franchise tax | 1,200 | 1,200 | 1,179 | (21) |
| Liquor tax reversion (25%) | 4,000 | 4,000 | 4,837 | 837 |
| Motor vehicle licenses | 30,000 | 30,000 | 33,153 | 3,153 |
| Local government highway | | | | |
| and bridge fund | 12,500 | 12,500 | 13,301 | 801 |
| County shared revenue: | | | | |
| County road tax (25%) | 2,196 | 2,196 | 2,196 | -- |
| County wheel tax | 2,800 | 2,800 | 2,997 | 197 |
| Charges for Goods and Services: | | | | |
| Public safety | -- | -- | 260 | 260 |
| Culture and recreation | 28,150 | 28,150 | 30,655 | 2,505 |
| Fines and Forfeits: | | | | |
| Court fines and costs | -- | -- | 11,668 | 11,668 |
| Miscellaneous Revenue: | | | | |
| Investment earnings | 10,000 | 10,000 | 563 | (9,437) |
| Other | <u>1,000</u> | <u>1,000</u> | <u>4,321</u> | <u>3,321</u> |
| TOTAL REVENUES | <u>550,576</u> | <u>550,576</u> | <u>600,830</u> | <u>50,254</u> |
| EXPENDITURES: | | | | |
| General Government: | | | | |
| Legislative | 38,160 | 38,160 | 44,517 | (6,357) |
| Elections | 750 | 750 | -- | 750 |
| Financial administration | 67,435 | 67,435 | 73,406 | (5,971) |
| Public Safety: | | | | |
| Police | 65,159 | 65,159 | 65,280 | (121) |
| Fire | 65,000 | 65,000 | 65,000 | -- |
| Public Works: | | | | |
| Highways and streets | 202,219 | 202,219 | 116,581 | 85,638 |

| | <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> |
| Culture and Recreation: | | | | |
| Recreation | 87,683 | 87,683 | 58,905 | 28,778 |
| Parks | 22,070 | 22,070 | 8,318 | 13,752 |
| Conservation and Development: | | | | |
| Economic development and assistance | 1,500 | 1,500 | -- | 1,500 |
| Debt Service | -- | -- | 27,694 | (27,694) |
| Miscellaneous: | | | | |
| Liquor operating agreements | <u>600</u> | <u>600</u> | <u>450</u> | <u>150</u> |
| TOTAL EXPENDITURES | <u>550,576</u> | <u>550,576</u> | <u>460,151</u> | <u>90,425</u> |
| EXCESS OF REVENUES OVER EXPENDITURES | <u>--</u> | <u>--</u> | <u>140,679</u> | <u>140,679</u> |
| OTHER FINANCING USES: | | | | |
| Transfers out | <u>--</u> | <u>--</u> | <u>(408,281)</u> | <u>(408,281)</u> |
| TOTAL OTHER FINANCING USES: | <u>--</u> | <u>--</u> | <u>(408,281)</u> | <u>(408,281)</u> |
| NET CHANGE IN FUND BALANCES | <u>--</u> | <u>--</u> | <u>(267,602)</u> | <u>(267,602)</u> |
| FUND BALANCE - BEGINNING | <u>1,083,724</u> | <u>1,083,724</u> | <u>1,083,724</u> | <u>--</u> |
| FUND BALANCE - ENDING | <u>\$1,083,724</u> | <u>\$1,083,724</u> | <u>\$ 816,122</u> | <u>\$(267,602)</u> |

CITY OF ONIDA
BUDGETARY COMPARISON SCHEDULE - BUDGETARY 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 | \$ 155,550 | \$ 155,550 | \$ 195,424 | \$ 39,874 |
| General sales and use taxes | 240,000 | 240,000 | 278,333 | 38,333 |
| Amusement taxes | 180 | 180 | -- | (180) |
| Penalties and interest on | | | | |
| delinquent taxes | 400 | 400 | 421 | 21 |
| Licenses and Permits | 3,500 | 3,500 | 3,824 | 324 |
| Intergovernmental Revenue: | | | | |
| Federal grants | -- | -- | 48,376 | 48,376 |
| State grants | -- | -- | 2,322 | 2,322 |
| State shared revenue: | | | | |
| Bank franchise tax | 1,200 | 1,200 | 2,091 | 891 |
| Liquor tax reversion (25%) | 4,000 | 4,000 | 4,555 | 555 |
| Motor vehicle licenses | 28,000 | 28,000 | 31,434 | 3,434 |
| Local government highway | | | | |
| and bridge fund | 12,000 | 12,000 | 12,765 | 765 |
| County shared revenue: | | | | |
| County road tax (25%) | 2,196 | 2,196 | 2,196 | -- |
| County wheel tax | 2,800 | 2,800 | 2,953 | 153 |
| Charges for Goods and Services: | | | | |
| Public safety | -- | -- | 145 | 145 |
| Culture and recreation | 21,850 | 21,850 | 29,178 | 7,328 |
| Miscellaneous Revenue: | | | | |
| Investment earnings | 5,000 | 5,000 | 9,380 | 4,380 |
| Special assessments | 2,000 | 2,000 | 2,117 | 117 |
| Contributions and donations from | | | | |
| private sources | -- | -- | 6,167 | 6,167 |
| Other | 800 | 800 | 3,691 | 2,891 |
| TOTAL REVENUES | <u>479,476</u> | <u>479,476</u> | <u>635,372</u> | <u>155,896</u> |
| EXPENDITURES: | | | | |
| General Government: | | | | |
| Legislative | 36,478 | 36,478 | 57,010 | (20,532) |
| Elections | 750 | 750 | 16 | 734 |
| Financial administration | 65,722 | 65,722 | 83,570 | (17,848) |
| Public Safety: | | | | |
| Police | 63,267 | 63,267 | 63,241 | 26 |
| Fire | 20,000 | 20,000 | 20,000 | -- |
| Public Works: | | | | |

| | <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> |
| Highways and streets | 205,431 | 205,431 | 100,886 | 104,545 |
| Culture and Recreation: | | | | |
| Recreation | 70,737 | 70,737 | 78,491 | (7,754) |
| Parks | 21,646 | 21,646 | 8,742 | 12,904 |
| Conservation and Development: | | | | |
| Economic development and assistance | 1,500 | 1,500 | -- | 1,500 |
| Debt Service | -- | -- | 27,694 | (27,694) |
| Miscellaneous: | | | | |
| Liquor operating agreements | <u>600</u> | <u>600</u> | <u>600</u> | <u>--</u> |
| TOTAL EXPENDITURES | <u>486,131</u> | <u>486,131</u> | <u>440,250</u> | <u>45,881</u> |
| EXCESS OF REVENUE OVER (UNDER) EXPENDITURES | <u>(6,655)</u> | <u>(6,655)</u> | <u>195,122</u> | <u>201,777</u> |
| OTHER FINANCING SOURCES (USES): | | | | |
| Transfers in | 6,655 | 6,655 | -- | (6,655) |
| Transfers out | -- | -- | (1,010,000) | (1,010,000) |
| Compensation for loss or damage to capital assets | <u>--</u> | <u>--</u> | <u>9,465</u> | <u>9,465</u> |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>6,655</u> | <u>6,655</u> | <u>(1,000,535)</u> | <u>(1,007,190)</u> |
| NET CHANGE IN FUND BALANCES | -- | -- | (805,413) | (805,413) |
| FUND BALANCE - BEGINNING | <u>1,889,137</u> | <u>1,889,137</u> | <u>1,889,137</u> | <u>--</u> |
| FUND BALANCE - ENDING | <u>\$1,889,137</u> | <u>\$1,889,137</u> | <u>\$ 1,083,724</u> | <u>\$ (805,413)</u> |

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

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 ONIDA
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> |
|------------------------------|---|-------------------------|------------------------------|---|
| GOVERNMENTAL LONG-TERM DEBT: | | | | |
| Other long-term liabilities | \$ 125,891 | \$ -- | \$ 47,932 | \$ 77,959 |
| ENTERPRISE LONG-TERM DEBT: | | | | |
| Revenue bonds | <u>3,644,150</u> | <u>1,396,236</u> | <u>457,304</u> | <u>4,583,082</u> |
| Total | <u>\$3,770,041</u> | <u>\$1,396,236</u> | <u>\$505,236</u> | <u>\$4,661,041</u> |

Note 1 - Long-Term Debt

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

Revenue Bonds:

Drinking Water SRF loan #1, due in quarterly installments of \$11,025, including 3.0% interest, maturing February 15, 2037. A total of \$905,000 was borrowed with a total of \$250,000 being forgiven. This debt is serviced by the Water Fund. \$ 538,112

Drinking Water SRF loan #2, due in quarterly installments of \$10,890, including 2.25% interest, maturing February 13, 2039. A total of \$950,000 was borrowed with a total of \$250,000 being forgiven. This debt is serviced by the Water Fund. \$ 621,334

Drinking Water SRF loan #3, a total of \$750,000 is eligible to be borrowed with \$508,389 being borrowed as of 12/31/21. \$233,858 has been forgiven. The City is not done borrowing on this loan yet so a repayment plan has not been set up yet. The loan has a interest rate of 2.75% and will have a maturity date of May 15, 2052. This debt will be serviced by the Water Fund. \$ 274,531

Clean Water SRF loan #1, due in quarterly installments of \$28,488, including 2.5% interest, maturing May 15, 2049. This debt is serviced by the Sewer Fund. \$2,261,258

Clean Water SRF loan #2, a total of \$1,426,000 is eligible to be borrowed with \$887,847 being borrowed as of 12/31/21. The City is not done borrowing on this loan yet so a repayment plan has not been set up yet. The loan has an interest rate of 2.75% and will have a maturity date of May 15, 2052. This debt is serviced by the Sewer Fund. \$ 887,847

Other Long-Term Liabilities:

Case Loader loan, due in annual installments of \$27,694, including 3.25% interest, maturing January 2, 2025. This debt is serviced by the General Fund. \$ 77,959

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

SOUTH DAKOTA RETIREMENT SYSTEM

| | Last 7 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) | 0.0066010% | 0.0075788% | 0.0073712% | 0.0080026% | 0.0079880% | 0.0076501% | 0.0081702% |
| City's proportionate share of net pension liability (asset) | \$ (50,552) | \$ (329) | \$ (781) | \$ (187) | \$ (725) | \$ 25,841 | \$ (30,146) |
| City's covered payroll | \$149,806 | \$166,329 | \$156,722 | \$166,473 | \$162,266 | \$145,456 | \$129,777 |
| City's proportionate share of the net pension liability (asset) as a percentage of its covered payroll | 33.74% | 0.20% | 0.50% | 0.11% | 0.45% | 17.77% | 23.23% |
| Plan fiduciary net position as a percentage of the total pension liability (asset) | 105.52% | 100.04% | 100.09% | 100.02% | 100.10% | 96.89% | 104.10% |

*The amounts presented 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 ONIDA
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 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 of 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.

CITY OF ONIDA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
TWO YEARS ENDED DECEMBER 31, 2021

| <u>Federal Grantor/Pass-Through Grantor Program or Cluster Title</u> | <u>Federal Assistance Listing 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 (Note 3) | 10.760 | N/A | \$ <u>639,836</u> | \$ <u> --</u> |
| TOTAL U.S. DEPARTMENT OF AGRICULTURE | | | <u>639,836</u> | <u> --</u> |
| U.S. DEPARTMENT OF TRANSPORTATION: | | | | |
| Direct Programs: | | | | |
| Airport Improvement Program | 20.106 | N/A | 102,966 | 218,819 |
| Airport Improvement Program - COVID - 19 | 20.106 | N/A | <u>20,008</u> | <u>12,515</u> |
| TOTAL U.S. DEPARTMENT OF TRANSPORTATION | | | <u>122,974</u> | <u>231,334</u> |
| U.S. DEPARTMENT OF TREASURY: | | | | |
| Pass-Through Programs: | | | | |
| S.D. Bureau of Finance and Management, Coronavirus Relief Fund | 21.019 | N/A | -- | 56,880 |
| Direct Programs: | | | | |
| Coronavirus State and Local Fiscal Recovery Funds | 21.027 | N/A | <u>69,539</u> | <u> --</u> |
| TOTAL U.S. DEPARTMENT OF TREASURY | | | <u>69,539</u> | <u>56,880</u> |
| U.S. GENERAL SERVICES ADMINISTRATION: | | | | |
| Pass-Through Programs: | | | | |
| S.D. Federal Property Agency: Donation of Federal Surplus Personal Property (Note 5) | 39.003 | N/A | <u>904</u> | <u> --</u> |
| TOTAL U.S. GENERAL SERVICES ADMINISTRATION | | | <u>904</u> | <u> --</u> |
| U.S. ENVIRONMENTAL PROTECTION AGENCY: | | | | |
| Pass-Through Programs: | | | | |
| S.D. Department of Environment and Natural Resources: Capitalization Grants for Clean Water State Revolving Funds (Note 4) | 66.458 | N/A | <u>195,000</u> | <u> --</u> |

| <u>Federal Grantor/Pass-Through Grantor Program or Cluster Title</u> | <u>Federal Assistance Listing Number</u> | <u>Pass-Through Entity Identifying Number</u> | <u>Total Federal Expenditures 2021</u> | <u>Total Federal Expenditures 2020</u> |
|--|--|---|--|--|
| TOTAL U.S. ENVIRONMENTAL PROTECTION AGENCY | | | 195,000 | -- |
| GRAND TOTAL | | | \$1,028,253 | \$288,214 |

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 Financial Assistance Program.

NOTE 4: Federal Loan Program

The City had the following loan balances outstanding at December 31, 2021. These loan balances outstanding which have continuing compliance requirements are also included in the federal expenditures presented in the Schedule.

| <u>Cluster/Program Title</u> | <u>Federal Assistance Listing Number</u> | <u>Amount Outstanding</u> |
|---|--|-------------------------------|
| Capitalization Grants for Clean Water State Revolving Funds | 66.458 | \$195,000 |

NOTE 5: Federal Surplus Property

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