

CITY OF SELBY
SELBY, SOUTH DAKOTA
FINANCIAL REPORT
FOR THE TWO YEARS ENDING DECEMBER 31, 2020
WITH INDEPENDENT AUDITOR'S REPORTS

INDEPENDENT AUDIT SERVICES, P.C.

Benjamin Elliott, CPA
P.O. Box 262
Madison, South Dakota 57042

CITY OF SELBY
SELBY, SOUTH DAKOTA

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FOR THE TWO YEARS ENDING DECEMBER 31, 2020

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

INDEPENDENT AUDIT SERVICES, PC

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Governing Board
City of Selby
Selby, South Dakota

INDEPENDENT AUDITOR'S REPORT

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

Management's Responsibility for the Financial Statements:

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

Auditor's Responsibility:

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standard applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements 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, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I obtained is sufficient and appropriate to provide a basis for my unmodified audit opinions on governmental activities, business-type activities and each major fund.

Unmodified Opinions:

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position on a modified cash basis of accounting, of the governmental activities, business-type activities, and each major fund of the City of Selby, Walworth County, South Dakota, as of December 31, 2020, and the respective changes in its financial position and, where applicable, cash flows thereof for each of the years in the biennial period then ended, in accordance with the modified cash basis of accounting described in Note 1c to the financial statements.

Other Matters - Basis of Accounting:

I draw attention to Note 1c 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. My opinion is not modified with respect to this matter.

Other Matters - Supplementary Information: (No Opinion)

My audit was conducted for the purpose of forming opinions on the modified cash basis of accounting financial statements that collectively comprise the City of Selby's financial statements.

The management's discussion and analysis (page 3 to 8), budgetary comparison schedules (page 29 to 31), and pension schedules (page 33 to 34), listed in the table of contents as supplementary information, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

I have applied certain limited procedures to this supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on this information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Matters - Supplementary Information: (Opinion)

My audit was conducted for the purpose of forming opinions on the modified cash basis of accounting financial statements that collectively comprise the City of Selby's financial statements.

The accompanying Schedule of Long-term Debt (page 32) listed in the table of contents as supplementary information, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

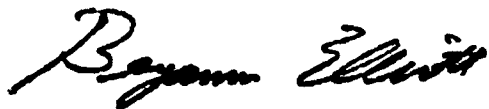
The Schedule of Long-term Debt is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the financial statements. This information has been subject to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the Schedule of Long-term Debt is 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*, I have also issued my report (page 35) dated May 31, 2022 on my test of the City's compliance with certain provisions of laws, regulations, contracts, and other matters and my consideration of its internal control over financial reporting. The purpose of that report is to describe the scope of my testing of compliance and internal control over financial reporting, and the results of that testing, and not to provide an opinion on compliance or internal control over financial reporting. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's compliance and internal control over financial reporting.

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

May 31, 2022



MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

This section of the City of Selby's (City) financial report presents our discussion and analysis of the City's financial performance during the two years ending December 31, 2020 within the limitations of the City's cash basis of accounting. Please read it in conjunction with the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS	2020	2019
Receipts:		
Charges for goods and services	454,334	397,215
Operating grants	6,381	1,261
Capital grants	0	0
Loan proceeds, net	660,159	309,280
General receipts	673,161	614,664
	-----	-----
Total	1,794,035	1,322,420
	-----	-----
Disbursements:		
Governmental	1,126,685	984,149
Business-type	366,143	338,255
	-----	-----
Total	1,492,828	1,322,404
	-----	-----
Increase in Net Position	301,207	16
Net Position:		
December 31, 2018		1,688,720

December 31, 2019	1,688,736	1,688,736
	-----	=====
December 31, 2020	1,989,943	
	=====	
Governmental Funds:		
General	1,564,884	1,288,291
Water	42,748	29,516
Sewer	382,311	370,929
	-----	-----
Total	1,989,943	1,688,736
	=====	=====

During 2020, the City:

- * Received property taxes of \$298,963 and sales taxes of \$291,630.
- * Received solid waste collection fees of \$48,536, which cost \$55,644.
- * Made street improvements of \$649,860.
- * Paid down two water revenue bonds by \$10,644.
- * Paid down one sewer revenue bond by \$53,777.
- * Received a Rural Development take-out loan of \$973,597 which was used to pay-off a bank construction loan of \$894,537 plus interest.

During 2019, the City:

- * Received property taxes of \$291,804 and sales taxes of \$253,712.
- * Received solid waste collection fees of \$42,835, which cost \$50,611.
- * Made street improvements of \$571,078.
- * Paid down two water revenue bonds by \$10,241.
- * Paid down one sewer revenue bond by \$52,450.
- * Received a bank construction loan of \$309,280.

BRIEF DISCUSSION OF THE BASIC FINANCIAL STATEMENTS

The financial report consists of three parts: (1) management's discussion and analysis (page 3 to 8), (2) the basic financial statements (page 9 to 28) and (3) other supplementary information (page 29 to 34). The basic financial statements include two types of statements that present the City from two different financial points of view.

Government-wide financial statements (View #1):

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

Fund financial statements (View #2):

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

The governmental financial statements tell how general governmental services were financed in the short-term, as well as what remains for future spending. The governmental fund operated by the City for the two years ending of December 31, 2020 is the general fund.

The enterprise fund financial statements offer short-term and long-term financial information about the activities of the City that operate like a business. Enterprise funds operated by the City for the two years ending December 31, 2020 are the water and sewer funds.

The fiduciary fund financial statements provide information about the financial status of activities in which the City acts solely as a trustee or agent for the benefit of those groups to whom these funds belong. In 2019 and 2020 the City had no fiduciary funds.

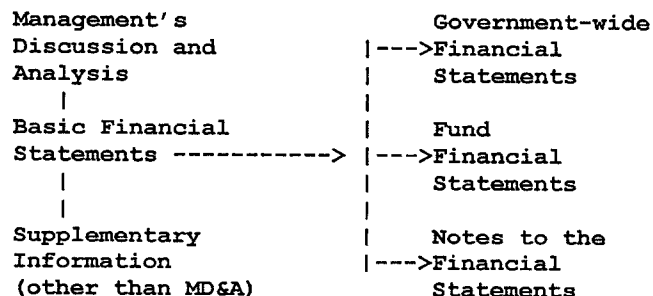
The financial statements include notes that explain in more detail some of the information found in the financial statements. The financial statements are also include supplementary information.

Supplementary Information:

The Management's Discussion and Analysis (page 3 to 8), budgetary comparison schedules (page 29 to 31), schedule of changes in debt (page 32), schedule of the pension schedules (page 33 and 34), all are supplementary information presented for purposes of additional analysis and are not a required part of the basic financial statements.

Such information provides readers of this report with additional data that supplements the government-wide statements and fund financial statements. The budgetary comparison schedule is presented on a budgetary basis of accounting, which reports capital expenditures within their respective expenditure function rather than as a separate capital outlay expenditure.

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



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

	Government-wide Statements	-----Fund Statements-----	
		Governmental Funds	Enterprise Funds
Scope	Entire City (including component units if any)	City activities except enterprise (water and sewer)	Activities operated like a private business (water and sewer)
Required Financial Statements	Statement of Net Position	Balance Sheet	Statement of Net Position
Required Financial Statements	Statement of Activities	Statement of Receipts Disbursements and Changes in Fund Balances	Statement of Cash Receipts, Disbursements and Changes in Net Position
Basis of Accounting	Modified Cash	Modified Cash	Modified Cash
Measurement Focus	Modified Cash	Modified Cash	Modified Cash
Types of assets & Liabilities	Only cash No liabilities	Only cash No liabilities	Only cash No liabilities
Types of Revenue and Expenditures or Expense	Cash receipts Cash disbursements	Cash receipts Cash disbursements	Cash receipts Cash disbursements

BASIS OF ACCOUNTING

The City has elected to present its financial statements on a modified cash basis of accounting. This modified cash basis of accounting is a basis of accounting other than generally accepted accounting principles. Basis of accounting is a reference to when financial events are recorded, such as the timing for recognizing revenues, expenses, and their related assets and liabilities. Under the City's modified cash basis of accounting, revenues and expenses and related assets are recorded when they result from cash transactions, except for the recording of investments.

GOVERNMENT-WIDE STATEMENTS

(Reporting the City as a whole)

The government-wide statements (page 9 to 11) report information about the City as a whole using cash accounting methods similar to those used by private-sector companies. The statement of net position includes all of the City's cash. The statement of activities includes all of a year's receipts and disbursements.

The two government-wide statements report the City's net position and how it has changed. Net position is the City's petty cash, checking, savings, money market accounts and certificates of deposit. The change in these accounts is one way to measure the City's financial health. Increases or decreases in net position measures improvements or declines in the City's financial health. To assess the City's overall financial health you also need to consider other factors such as changes in the property tax base, and/or sales tax receipts generated from local businesses.

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

The governmental activities include basic services such care of streets, police and fire protection, solid waste disposal, pool, and library. Property taxes, sales taxes, rents and interest earnings finance most of these activities. Bonds and federal and state grants help pay for capital improvements.

The business-type activities account for the City's water and sewer activities. These services are funded by user fees. Bonds and federal and state grants help pay for water and sewer capital improvements.

FUND FINANCIAL STATEMENTS

(Reporting the City's most significant funds)

The fund financial statements (page 12 to 16) provide more detailed information about the City's most significant funds - not the City as a whole. Funds are accounting tools used to keep track of the City's receipts and disbursements. State law requires the use of some funds and the City Council establishes other funds to manage money for a specific purpose, like a capital project.

The fund financial statements show information in two broad categories: governmental and enterprise (business-type).

Governmental funds: Most of the City's basic services are included in the governmental funds, which focus on (1) how cash flows in and out of that fund, and (2) cash balances left at year-end which are available for spending in the next year. The governmental funds financial statements provide detail that helps you determine whether there is more or fewer cash resources available for spending in the near future to finance the City's programs.

Enterprise fund: Services for which the City charges the customer a fee are generally reported in enterprise funds. These funds account for cash and the receipt and disbursement of cash, the same as the governmental funds. The water and sewer funds are the only enterprise funds maintained by the City.

MATERIAL CHANGES IN STATEMENT OF NET POSITION AND STATEMENT OF ACTIVITIES

(Material changes for governmental activities = changes greater than \$50,000)
(Material changes for business-type activities = changes greater than \$30,000)

	Increase (Decrease)	Reason
<u>For the Year Ending December 31, 2020</u>		
Governmental Activities:		
Cash	276,593	Excess cash receipts over cash disbursements
Public works	103,151	Street project
Loan proceeds, net	350,879	Additional advances for street project

Business-type Activities:		
Charges for services	49,955	Increased fees

For the Year Ending December 31, 2019

Governmental Activities:		
Public works	585,404	Street project
Loan proceeds	309,280	Advances for street project

Business-type Activities:		
None to report		

SIGNIFICANT VARIATIONS BETWEEN ORIGINAL AND FINAL GENERAL FUND BUDGET

In 2020 the City adopted a general fund budget of \$1,282,329 which is an increase of \$590,425 or 85.33% from 2019. The increase was mainly in streets. There was one supplemental appropriations to the general fund budget. See page 29 for more information.

In 2019 the City adopted a general fund budget of \$691,904 which is an increase of \$4,500 or 0.65% from 2018. The increase was across several items. There were no supplemental appropriations to the general fund budget. See page 30 for more information.

SIGNIFICANT CAPITAL ASSET ACTIVITY

Significant capital asset activity is reported above.

SIGNIFICANT LONG-TERM DEBT ACTIVITY

During 2020 the City made principal payments of \$10,644 on two water revenue bonds and \$53,777 on one sewer revenue bond. During 2019 the City made principal payments of \$10,241 on two water revenue bonds and \$52,450 on one sewer revenue bond. See page 32 for more information.

CURRENTLY KNOWN FACTS

The City is considering the replacement of the its water tower at a cost of \$550,000 to \$600,000.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional information, contact the City of Selby's business office at P.O. Box 346, Selby, SD 57472. Phone 605.649.7301.

CITY OF SELBY

TABLE 1 - NET POSITION

MODIFIED CASH BASIS - BASED ON GOVERNMENT-WIDE FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2020, DECEMBER 31, 2019, AND DECEMBER 31, 2018

	Governmental Activities			Business-Type Activities			Total Government		
	2020	2019	2018	2020	2019	2018	2020	2019	2018
Assets:									
Petty cash	57	58	58	25	25	25	82	83	83
Checking	1,507,648	1,232,267	838,711	55,110	32,478	31,913	1,562,758	1,264,745	870,624
Savings, Money Mkt	(10,312)	(10,532)	386,548	229,830	229,830	229,830	219,518	219,298	616,378
Cert of deposit	67,491	66,498	65,505	140,094	138,112	136,130	207,585	204,610	201,635
Total assets	1,564,884	1,288,291	1,290,822	425,059	400,445	397,898	1,989,943	1,688,736	1,688,720
Net position:									
Restricted:									
Debt service	76,560			103,728	103,728	103,728	180,288	103,728	103,728
Repair				5,016	5,016	5,016	5,016	5,016	5,016
Customer deposits				5,906	7,180	8,901	5,906	7,180	8,901
Unrestricted	1,488,324	1,288,291	1,290,822	310,409	284,521	280,253	1,798,733	1,572,812	1,571,075
Total net position	1,564,884	1,288,291	1,290,822	425,059	400,445	397,898	1,989,943	1,688,736	1,688,720

TABLE 2 - CHANGES IN NET CASH ASSETS

MODIFIED CASH BASIS - BASED ON GOVERNMENT-WIDE FINANCIAL STATEMENTS
FOR THE THREE YEARS ENDING DECEMBER 31, 2020

	Governmental Activities			Business-Type Activities			Total Government		
	2020	2019	2018	2020	2019	2018	2020	2019	2018
Receipts:									
Program receipts:									
Charges for service	65,559	58,395	54,879	388,775	338,820	343,367	454,334	397,215	398,246
Operating grants	6,381	1,261	1,426				6,381	1,261	1,426
Capital grants									0
General receipts:									
Property taxes	298,963	291,804	275,023				298,963	291,804	275,023
Sales taxes	291,630	253,712	231,897				291,630	253,712	231,897
State receipts	38,425	36,334	35,899				38,425	36,334	35,899
County receipts	5,380	2,936	4,674				5,380	2,936	4,674
Interest received	5,958	4,052	3,971	1,982	1,982	1,110	7,940	6,034	5,081
Rents and franchise	27,874	23,760	31,087				27,874	23,760	31,087
Donations	2,500		28,000				2,500	0	28,000
Other receipts	449	84	11,243				449	84	11,243
Total receipts	743,119	672,338	678,099	390,757	340,802	344,477	1,133,876	1,013,140	1,022,576
Disbursements:									
General government	124,288	99,788	112,411				124,288	99,788	112,411
Public safety	22,304	27,589	18,951				22,304	27,589	18,951
Public works	884,086	780,935	195,531				884,086	780,935	195,531
Health and welfare	2,951	2,974	3,418				2,951	2,974	3,418
Culture and recreat	68,553	71,603	107,056				68,553	71,603	107,056
Economic developmer	1,260	1,260	27,713				1,260	1,260	27,713
Debt service	23,243						23,243	0	0
Water				212,647	189,275	197,816	212,647	189,275	197,816
Sewer				153,496	148,980	139,632	153,496	148,980	139,632
Total disbursements	1,126,685	984,149	465,080	366,143	338,255	337,448	1,492,828	1,322,404	802,528
Excess of receipts over (under) disbursemer	(383,566)	(311,811)	213,019	24,614	2,547	7,029	(358,952)	(309,264)	220,048
Loan proceeds, net	660,159	309,280					660,159	309,280	0
Change in net positio	276,593	(2,531)	213,019	24,614	2,547	7,029	301,207	16	220,048
Net position:									
January 1, 2018			1,077,803			390,869			1,468,672
December 31, 2018		1,290,822	1,290,822		397,898	397,898		1,688,720	1,688,720
December 31, 2019	1,288,291	1,288,291		400,445	400,445		1,688,736	1,688,736	
December 31, 2020	1,564,884			425,059			1,989,943		

CITY OF SELBY

STATEMENT OF NET POSITION
MODIFIED CASH BASIS OF ACCOUNTING
AS OF DECEMBER 31, 2020

	Primary Government		
	Governmental	Business-	
	Activities	Type	Total
	Activities	Activities	
ASSETS:			
Petty cash	57	25	82
Checking	1,402,034	55,110	1,457,144
Checking - construction	29,054		29,054
Money market	(10,312)	121,086	110,774
Certificates of deposit	67,491	140,094	207,585
Checking - restricted	76,560	0	76,560
Money market - restricted	0	108,744	108,744
Total assets	<u>1,564,884</u>	<u>425,059</u>	<u>1,989,943</u>
NET POSITION:			
Restricted for:			
Debt service	76,560	103,728	180,288
Repair and replacement		5,016	5,016
Customer deposits		5,906	5,906
Unrestricted	1,488,324	310,409	1,798,733
Total net position	<u>1,564,884</u>	<u>425,059</u>	<u>1,989,943</u>

See accompanying notes.

CITY OF SELBY

STATEMENT OF ACTIVITIES
MODIFIED CASH BASIS OF ACCOUNTING
FOR THE YEAR ENDING DECEMBER 31, 2020

Functions/Programs:	Disbursements	Program Receipts			Net Receipts (Disbursements) and Changes in Net Position		
		Charges for Services and Reimbursements	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Totals
Primary government:							
Governmental activities:							
General government	124,288	12,349	4,145		(107,794)		(107,794)
Public safety	22,304				(22,304)		(22,304)
Public works	884,086	49,338	1,036		(833,712)		(833,712)
Health and welfare	2,951		1,200		(1,751)		(1,751)
Culture and recreation	68,553	3,872			(64,681)		(64,681)
Economic development	1,260				(1,260)		(1,260)
Debt service - interest	23,243				(23,243)		(23,243)
Total governmental activities	1,126,685	65,559	6,381	0	(1,054,745)	0	(1,054,745)
Business-type activities:							
Water	212,647	225,280				12,633	12,633
Sewer	153,496	163,495				9,999	9,999
Total business-type activities	366,143	388,775	0	0	0	22,632	22,632
Total primary government	1,492,828	454,334	6,381	0	(1,054,745)	22,632	(1,032,113)
General receipts:							
Taxes:							
Property taxes					298,963		298,963
Sales taxes					291,630		291,630
State shared receipts					38,425		38,425
County shared receipts					5,380		5,380
Interest received					5,958	1,982	7,940
Rentals and cable franchise					27,874		27,874
Donations					2,500		2,500
Miscellaneous					449		449
Bank construction loan proceeds					585,257		585,257
Bank construction loan repayment					(894,537)		(894,537)
Rural Development take-out loan proceed:					973,597		973,597
Rural Development take-out loan repayment					(4,158)		(4,158)
Total general receipts and loans					1,331,338	1,982	1,333,320
Change in net position					276,593	24,614	301,207
Net position:							
January 1, 2020					1,288,291	400,445	1,688,736
December 31, 2020					1,564,884	425,059	1,989,943

See accompanying notes.

CITY OF SELBY

STATEMENT OF ACTIVITIES
MODIFIED CASH BASIS OF ACCOUNTING
FOR THE YEAR ENDING DECEMBER 31, 2019

Functions/Programs:	Program Receipts				Net Receipts (Disbursements) and Changes in Net Position		
	Disbursements	Charges for Services and Reimbursements	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Totals
Primary government:							
Governmental activities:							
General government	99,788	6,179			(93,609)		(93,609)
Public safety	27,589				(27,589)		(27,589)
Public works	780,935	43,035			(737,900)		(737,900)
Health and welfare	2,974		1,261		(1,713)		(1,713)
Culture and recreation	71,603	9,181			(62,422)		(62,422)
Economic development	1,260				(1,260)		(1,260)
Total governmental activities	984,149	58,395	1,261	0	(924,493)	0	(924,493)
Business-type activities:							
Water	189,275	174,443				(14,832)	(14,832)
Sewer	148,980	164,377				15,397	15,397
Total business-type activities	338,255	338,820	0	0	0	565	565
Total primary government	1,322,404	397,215	1,261	0	(924,493)	565	(923,928)
General receipts:							
Taxes:							
Property taxes					291,804		291,804
Sales taxes					253,712		253,712
Amusement taxes					84		84
State shared receipts					36,334		36,334
County shared receipts					2,936		2,936
Interest received					4,052	1,982	6,034
Rentals and cable franchise					23,760		23,760
Bank construction loan proceeds					309,280		309,280
Total general receipts and loans					921,962	1,982	923,944
Change in net position					(2,531)	2,547	16
Net position:							
January 1, 2019					1,290,822	397,898	1,688,720
December 31, 2019					1,288,291	400,445	1,688,736

See accompanying notes.

CITY OF SELBY

BALANCE SHEET -- GOVERNMENTAL FUNDS
 MODIFIED CASH BASIS OF ACCOUNTING
 AS OF DECEMBER 31, 2020

	General Fund -----
ASSETS	
Petty cash	57
Checking	1,402,034
Checking - construction	29,054
Money market	(10,312)
Certificates of deposit	67,491
Checking - restricted	76,560

Total assets	1,564,884 =====
FUND BALANCES:	
Nonspendable	0
Restricted	76,560
Committed	0
Assigned	0
Unassigned	1,488,324

Total fund balance	1,564,884 * =====

* Also equals net position on
 statement of net position

See accompanying notes.

CITY OF SELBY

STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES
-- MODIFIED CASH BASIS OF ACCOUNTING -- GOVERNMENTAL FUNDS
FOR THE TWO YEARS ENDING DECEMBER 31, 2020

	General Fund 2020	General Fund 2019
Receipts:		
Receipts from local sources:		
Taxes:		
Ad valorem taxes	298,963	291,804
General sales and use taxes	291,630	253,712
Amusement taxes		84
Licenses and permits:	12,349	6,179
Intergovernmental receipts:		
Federal shared receipts - COVID	5,181	
State shared receipts:		
Grant - mosquito	1,200	1,261
Commercial prorate	1,314	1,291
Bank franchise tax	7,394	5,979
Liquor tax reversion	4,444	4,184
Motor vehicle license	8,121	7,909
Highway and bridge	17,152	16,971
County shared receipts:		
Road taxes	5,380	2,936
Charges for goods and services:		
Refuse collection	48,536	42,835
Cemetery	802	200
Swimming pool	3,872	9,181
Fines and forfeits:		
Miscellaneous receipts:		
Interest and dividends received	5,958	4,052
Rents and franchise fees	27,874	23,760
Donations	2,500	
Other	449	
Total receipts	743,119	672,338
Disbursements:		
General government:		
Mayor and Council	23,664	29,421
Elections	877	443
Financial administration	72,015	55,730
Other	27,732	14,194
Public safety:		
Police	0	0
Fire	22,304	27,589
Public works:		
Streets	168,422	149,846
Solid waste disposal	55,643	50,611
Cemetery	10,161	9,400
Health and welfare:		
Health	2,084	988
Ambulance	867	1,986
Culture and recreation:		
Swimming pool	34,774	41,795
Parks	20,366	16,426
Library	13,413	13,382
Economic development	1,260	1,260
Debt service - interest	23,243	
Capital outlay	649,860	571,078
Total disbursements	1,126,685	984,149
Excess of receipts over (under) disbursements	(383,566)	(311,811)
Other financing sources (uses):		
Bank construction loan proceeds	585,257	309,280
Bank construction loan repayment	(894,537)	
Rural Development take-out loan proceeds	973,597	
Rural Development take-out loan repayment	(4,158)	
Net change in fund balances	276,593 *	(2,531) *
Fund balances:		
January 1, 2019		1,290,822
December 31, 2019	1,288,291	1,288,291
December 31, 2020	1,564,884	

* Equals change in net position on statement of activities

See accompanying notes.

CITY OF SELBY

STATEMENT OF NET POSITION -- ENTERPRISE FUNDS
 MODIFIED CASH BASIS OF ACCOUNTING
 AS OF DECEMBER 31, 2020

	Water Fund	Sewer Fund	Total Enterprise Funds
	-----	-----	-----
Assets:			
Petty cash	25		25
Checking	(55,043)	110,153	55,110
Money market	18,131	102,955	121,086
Certificates of deposit	44,787	95,307	140,094
Money market - restricted	34,848	73,896	108,744
	-----	-----	-----
Total assets	42,748	382,311	425,059
	=====	=====	=====
Net Position:			
Restricted for:			
Debt service	31,848	71,880	103,728
Repairs	3,000	2,016	5,016
Customer deposits	5,906		5,906
Unrestricted	1,994	308,415	310,409
	-----	-----	-----
Total net position	42,748	382,311	425,059
	=====	=====	=====

See accompanying notes.

CITY OF SELBY

STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
 IN NET POSITION -- ENTERPRISE FUNDS
 MODIFIED CASH BASIS OF ACCOUNTING
 FOR THE TWO YEARS ENDING DECEMBER 31, 2020

	2020			2019		
	Water Fund	Sewer Fund	Total Enterprise Funds	Water Fund	Sewer Fund	Total Enterprise Funds
Operating receipts:						
Charges for goods and services	225,280	163,495	388,775	174,443	164,377	338,820
Total operating receipts	225,280	163,495	388,775	174,443	164,377	338,820
Operating disbursements:						
Personal services	16,620	57,979	74,599	17,802	58,031	75,833
Other current services	37,750	23,637	61,387	31,035	19,069	50,104
Cost of goods sold	126,429		126,429	108,590		108,590
Total operating disbursements	180,799	81,616	262,415	157,427	77,100	234,527
Excess of operating receipts over operating disbursements	44,481	81,879	126,360	17,016	87,277	104,293
Nonoperating receipts (disbursements):						
Interest earnings	599	1,383	1,982	599	1,383	1,982
Debt service: Principal	(10,644)	(53,777)	(64,421)	(10,241)	(52,450)	(62,691)
Interest	(21,204)	(18,103)	(39,307)	(21,607)	(19,430)	(41,037)
Total nonoperating receipts (disbursements)	(31,249)	(70,497)	(101,746)	(31,249)	(70,497)	(101,746)
Total receipts (disbursements) before other receipts	13,232	11,382	24,614	(14,233)	16,780	2,547
None			0			0
Change in net position	13,232	11,382	24,614	(14,233)	16,780	2,547
Net position:						
January 1, 2019				43,749	354,149	397,898
December 31, 2019	29,516	370,929	400,445	29,516	370,929	400,445
December 31, 2020	42,748	382,311	425,059			

See accompanying notes.

CITY OF SELBY

STATEMENT OF CASH FLOWS - ENTERPRISE FUNDS
MODIFIED CASH BASIS OF ACCOUNTING
FOR THE TWO YEARS ENDING DECEMBER 31, 2020

	2020			2019		
	Water Fund	Sewer Fund	Total Enterprise Funds	Water Fund	Sewer Fund	Total Enterprise Funds
Cash flows from:						
Operating activities:						
Receipts from customers	224,280	162,995	387,275	173,443	163,877	337,320
Interfund services provided (estimate)	1,000	500	1,500	1,000	500	1,500
Cash paid to employees	(16,620)	(57,979)	(74,599)	(17,802)	(58,031)	(75,833)
Cash paid to suppliers	(164,179)	(23,637)	(187,816)	(139,625)	(19,069)	(158,694)
Net cash provided (used) by operating activities	44,481	81,879	126,360	17,016	87,277	104,293
Noncapital financing activities:						
None			0			0
Capital financing activities:						
Debt service payments - principal	(10,644)	(53,777)	(64,421)	(10,240)	(52,450)	(62,690)
- interest	(21,204)	(18,103)	(39,307)	(21,608)	(19,430)	(41,038)
Investing activities:						
Interest received	599	1,383	1,982	599	1,383	1,982
CD interest added back to CDs	(599)	(1,383)	(1,982)	(599)	(1,383)	(1,982)
Net increase (decrease) in cash and cash equivalents	12,633	9,999	22,632	(14,832)	15,397	565
Cash and cash equivalents:						
January 1, 2019				160	261,608	261,768
December 31, 2019	(14,672)	277,005	262,333	(14,672)	277,005	262,333
December 31, 2020	(2,039)	287,004	284,965			
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:						
Operating income (loss)	44,481	81,879	126,360	17,016	87,277	104,293
Add back capital outlay			0			0
Net cash provided (used) by operating activities	44,481	81,879	126,360	17,016	87,277	104,293
Noncash investing, capital and financing activities: None						
See accompanying notes.						

CITY OF SELBY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

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. Reporting Entity:

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

The City's officials at December 31, 2020 are:

Mayor:	Finance Officer:
Vivian Witlock	Vickie Schulkoski
Council Members:	Attorney:
Don Knecht, President	John Von Wald
Doug Frank	
William Keeler	
Clint Perman	
Crystal Rueb	
Josh Wudel	

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

Financial Reporting Entity:
Primary Government: - The City of Selby
Component Units: - None

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

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

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

Based upon the application of these criteria, the City of Selby does not have any component units.

b. Basis of Presentation:

Government-wide Financial Statements:

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

The Statement of Net Position reports all cash assets. Net position is displayed in two components: restricted (distinguishing between major categories of restrictions) and unrestricted.

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

Fund Financial Statements:

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

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

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

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

Governmental Funds

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

Enterprise Funds
(Business-Type)

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

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

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

Fiduciary Funds

Fiduciary funds are never considered to be major funds.

The City of Selby has no fiduciary funds.

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 (disbursements) 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 of accounting, which is a basis of accounting other than US-GAAP. Under US-GAAP, transactions are recorded in the accounts when revenues are earned and liabilities are incurred. Under the modified cash basis of accounting, 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 described below.

Fund Financial Statements:

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

Basis of Accounting:

In the government-wide Statement of Net Position and Statement of Activities and the fund financial statements, governmental, business-type, and major fund 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 receipts and disbursement transactions. Under the modified cash basis of accounting, the statement of net position reports only cash and cash equivalents. 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 cash has been received or disbursed. Acceptable modifications to the cash basis of accounting implemented by the City in these financial statements are certificates of deposit (if any) whose maturity when purchased is more than 90 days.

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 and services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

If the City applied US-GAAP, the fund financial statements for governmental funds would use the modified accrual basis of accounting and the fund financial statements for enterprise funds and fiduciary funds (if any) would use the accrual basis of accounting. All government-wide financial statements would be presented on the accrual basis of accounting.

d. Cash and Cash Equivalents:

The City considers all highly liquid investments and deposits (including restricted assets) with a term to maturity of three months or less when purchased to be cash equivalents.

The City's certificates of deposit have a maturity of more than three months when purchased and are not considered a cash equivalent for the statement of cash flows.

e. Interfund Transactions:

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

f. Program Receipts and General Receipts:

Program Receipts:

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

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

General Receipts:

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

g. Enterprise Fund Receipt Classifications:

In both the government-wide statements and fund financial statements, enterprise fund operating receipts, such as charges for water and sewer services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, if any, such as grants, operating subsidies, interest received, and transfers in, result from nonexchange transactions.

h. 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 creditor, grantor, 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 may distinguish between "Nonspendable", "Restricted", "Committed", "Assigned", and "Unassigned" components. Enterprise fund equity is classified as "Net Position", the same as in the government-wide financial statements. Fiduciary fund equity (if any) is reported as restricted net position.

i. Application of Net Position:

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

j. Fund Cash Balance Classification Policies and Procedures:

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

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

The City of Selby fund cash balance classifications are made up of:

<u>Fund Balance</u> <u>Classifications</u>	<u>Account</u> <u>or Fund</u>	<u>Authority</u> <u>or Action</u>	<u>Amount</u>
Nonspendable	None		0
Restricted	None		76,560
Committed	None		0
Assigned	None		0
Unassigned	General		1,488,324

			1,564,884

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

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

The City does not have any special revenue funds.

2. VIOLATIONS OF FINANCE-RELATED LEGAL AND CONTRACTUAL PROVISIONS

The City is prohibited by statute from spending in excess of appropriated amounts by department within a fund. The following represents overdrafts of departmental expenditures compared to appropriations:

2020: None to report

2019: General fund - General Government/Mayor and Council	3,303
General fund - General Government/Elections	243
General fund - Public Works/Streets	383,598
General fund - Public Works/Sanitation	611
General fund - Public Works/Cemetery	1,000
General fund - Culture and Recreation/Parks	156
General fund - Culture and Recreation/Library	612
General fund - Economic development	183

In the future, the City expects to make contingency transfers or adopt supplemental appropriations to cover expenditures that will exceed their original appropriation. These budget overdrafts are not considered a material with respect to these financial statements except for streets, which was corrected in 2020.

3. DEPOSITS, INVESTMENTS AND RELATED RISKS

Except for restricted cash held by 3rd parties and bank certificates of deposit purchased for an individual fund, the City follows the practice of aggregating deposits of its various funds to maximize cash management efficiency and returns. Various restrictions on deposits and investments are imposed by statutes. These restrictions are summarized below:

Deposits - The City 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. Qualified depositories are required by SDCL 4-6A-3 to maintain, at all times, segregated from their other assets, eligible collateral having a value equal to at least 100 percent of the public deposit accounts which exceed deposit insurance such as FDIC and NCUA. In lieu of pledging eligible securities, a qualified public depository may furnish irrevocable standby letters of credit issued by federal home loan banks accompanied by written evidence of that bank's public debt rating which may not be less than "AA" or a qualified public depository may furnish a corporate surety bond of a corporation authorized to do business in South Dakota.

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

Actual bank balances at December 31, 2020 were as follows: Insured \$500,000, Collateralized ** \$1,535,723 total of \$2,035,723.

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

The carrying amount of these deposits at December 31, 2020 was \$1,989,943 held as follows.

Bank West:	
Checking	1,562,758
Money market	219,518
Certificates of deposit	207,584

	1,989,860
Petty cash	83

	1,989,943
	=====

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

Certificates of deposit (if any), with a term to maturity of greater than 3 months when purchased, were insured or collateralized and are considered deposits.

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

Custodial Risk (Deposits) - The risk that, in the event of a depository failure, the City's deposits may not be returned to it. At December 31, 2020, the City's deposits in Bank West were not exposed to custodial risk.

Custodial Risk (Investments) - The risk that, in the event of a default by the counterparty to a transaction, the City will not be able to recover the value of an investment or collateral securities held by the counterparty. The City had no investments during the two years ending December 31, 2020 and was not exposed to custodial risk for investments.

Concentration of Credit Risk - the City places no limit on the amount that may be deposited or invested in any one institution.

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 fund making the investment.

4. INTERFUND TRANSFERS

There were no interfund transfers in 2019 or 2020.

5. RESTRICTED NET POSITION

Restricted net position at December 31, 2020 is:

Purpose:	Restricted By:	Governmental	Business-Type
Debt service	Covenants	76,560	103,728
Repair and replacement	Covenants		5,016
Customer deposits	Contract		5,906
		-----	-----
Total Restricted Net Position		76,560	114,650

6. FUTURE REVENUES PLEDGED TO SECURE DEBT

All water fund net revenue (after normal operating, repair and maintenance expenses) is pledged to secure the 2008 Water Revenue Bond and the 2009 Water Revenue Bond, which have a combined remaining balance of \$539,922. The bonds were incurred to cover the cost of water improvements as described on page 32. The bonds will mature in 2048 and 2049. In 2020 the bonds had pledged revenue of \$44,481 and total bond payments of \$31,848.

All sewer fund net revenue (after normal operating, repair and maintenance expenses) is pledged to secure the 2011 Sewer Project Revenue Bond, which has a remaining balance of \$694,931. The bonds were incurred to cover the cost of sewer improvements as described on page 32. The bonds will mature in 2032. In 2020 the bonds had pledged revenue of \$81,879 and total bond payments of \$71,880.

7. EQUIPMENT LEASE

On December 9, 2020 the City leased a John Deere skid steer at \$289.14 per month for 5 years with a trade-in and an option to purchase.

8. PENSION PLAN

Summary of Significant Accounting Policies:

As mentioned in note 1c above, these financial statements, both government-wide and fund financial statements, are presented on a modified cash basis of accounting rather than an accrual/modified accrual basis of accounting. Consequently, these financial statements do not measure the net pension (asset) liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense (revenue), and information about the fiduciary net position of the South Dakota Retirement System (SDRS).

Plan Description:

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

Benefits Provided:

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

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

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

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

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

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

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

Contributions:

Per SDCL 3-12, contributions requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A Members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. The City's share of contributions to the SDRS for the calendar years ending December 31, 2020, 2019, and 2018 were \$7,766, \$7,456 and \$7,345 respectively (employer's share) equal to the required contribution each year.

Pension (Assets)/Liabilities:

At June 30, 2020 SDRS is 100.04% funded and accordingly has net pension (asset). The proportionate shares of the components of the net pension (asset) of South Dakota Retirement System, for the City as of this measurement period ending June 30, 2020 are as follows:

Proportionate share of total pension liability	\$ 743,247
Less: Proportionate share of net position restricted for pension benefits	(743,509)

Proportionate share of net pension (asset)/liability	\$ (262)
	=====

The net pension (asset)/liability was measured as of June 30, 2020 and the total pension (asset)/liability used to calculate the net pension (asset)/liability was based on a projection of the City's share of contribution to the pension plan relative to the contributions of all participating entities. At June 30, 2020, the City's proportion was .000060461 which is an increase of .000006128 over its proportion measured as of June 30, 2019.

Actuarial Assumptions:

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

Inflation	2.25%
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
Future COLAs	1.41%

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.

Actuarial assumptions used in the June 30, 2020 valuation were based on results of an actuarial experience study for the period of July 1, 2011 to June 30, 2016.

Discount Rate:

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

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

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

	1% Decrease 5.50%	Current Discount Rate 6.50%	1% Increase 7.50%
City's proportionate share of the net pension (asset)/liability	\$101,864	\$(262)	\$(83,800)

Investments

Investment portfolio management is the statutory responsibility of the South Dakota Investment Council (SDIC), which may utilize the services of external money managers for management of a portion of the portfolio. SDIC is governed by the Prudent Man Rule (ie: the Council should use the same degree of care as a prudent man.)

Current SDIC investment policies dictate limits on the percentage of assets invested in various types of vehicles (equities, fixed income securities, real estate, cash, private equity etc.). The long-term expected rate of return on pension plan investments was determined using a method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2020 (see the discussion of the pension plan's investment policy) are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	58.0%	5.1%
Fixed Income	30.0%	1.5%
Real Estate	10.0%	6.2%
Cash	2.0%	1.0%

	100.0%	

Pension Plan Fiduciary Net Position:

Detailed information about the plan's fiduciary net position is available in the separately issued South Dakota Retirement System financial report.

9. PROPERTY TAX

Taxes are levied on or before October 1, attach as an enforceable lien on property, become due and payable on the following January 1, and are payable in two installment on or before the following April 30 and October 31. The county bills and collects the City's taxes and remits them to the City. Because the City is on the cash basis of accounting, all property taxes received in cash are considered a receipt for the period in which it was collected.

10. INSURANCE

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 two years ending December 31, 2020 the City managed its risks as follows:

Employee Health Insurance:

The City carries property insurance from a commercial carrier. 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 health coverage during the past three years.

Property Insurance:

The City carries property insurance from a commercial carrier. 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 property coverage during the past three years.

Liability Insurance:

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

Worker's Compensation:

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

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

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

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

Unemployment benefits:

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

10. TAX ABATEMENTS

As of December 31, 2020 the City did not provide any tax abatement incentives through a Tax Increment Financing District Project (which it does not have) or through other agreements that are considered tax abatements in accordance with the provisions of GASB Statement No. 77.

11. LITIGATION

At December 31, 2020 and to the date of this report, the City was a party to litigation or pending legal action. However, as discussed in the risk management note above, the City has liability coverage for itself and its employees through a commercial carrier or the ability to cover any settled claim. Therefore, legal action is not expected to have a material effect on the City's financial statements.

12. OTHER DISCLOSURES AND SUBSEQUENT EVENTS

The City of Selby and the Selby School District share the cost of a library. Each government pays for its costs through its own budget. There is no separate accounting. The school is responsible for library fines.

The City has no material unallowed related party activity.

The City does not offer any Other Post Employment Benefits.

The City is considering the replacement of the its water tower at a cost of \$550,000 to \$600,000.

CITY OF SELBY

SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
 FOR THE YEAR ENDING DECEMBER 31, 2020

GENERAL FUND	Budgeted Amounts				Actual	Variance Positive (Negative)
	Original	Contingency Transfers	Supplemental	Final		
Receipts:						
Receipts from local sources:						
Taxes:						
Ad valorem taxes	287,380			287,380	298,963	11,583
General sales and use taxes	255,000			255,000	291,630	36,630
Licenses and permits:				0	12,349	12,349
Intergovernmental receipts:						
Federal grant - COVID				0	5,181	5,181
State shared receipts:						
Grants				0	1,200	1,200
Commercial prorata				0	1,314	1,314
Bank franchise tax				0	7,394	7,394
Liquor tax reversion				0	4,444	4,444
Motor vehicle licenses (5%)				0	8,121	8,121
Highway and bridge				0	17,152	17,152
County shared receipts:						
Road taxes				0	5,380	5,380
Charges for goods and services:	145,954			145,954		(145,954)
Refuse collection				0	48,536	48,536
Cemetery				0	802	802
Animal Control				0		0
Swimming pool				0	3,872	3,872
Fines and forfeits:				0		0
Miscellaneous receipts:						
Interest and dividends received				0	5,958	5,958
Rents and franchise fees				0	27,874	27,874
Donations				0	2,500	2,500
Other				0	449	449
Total receipts	688,334	0	0	688,334	743,119	54,785
Disbursements:						
General government:						
Mayor and Council	28,321	62		28,383	23,664	4,719
Contingency	35,000			35,000		35,000
Amount transferred		(6,662)		(6,662)		(6,662)
Elections	300	600		900	877	23
Financial administration	70,615		1,718	72,333	72,015	318
Other	15,600		55,169	70,769	27,732	43,037
Public safety:						
Fire	32,000			32,000	22,304	9,696
Public works:						
Streets	854,204		10,000	864,204	818,282	45,922
Sanitation	50,000	6,000		56,000	55,643	357
Cemetery	10,400			10,400	10,161	239
Health and welfare:						
Health	4,250			4,250	2,084	2,166
Ambulance	2,000			2,000	867	1,133
Culture and recreation:						
Swimming pool	46,625			46,625	34,774	11,851
Parks	18,715		6,000	24,715	20,366	4,349
Library	14,372			14,372	13,413	959
Economic development:	540		1,500	2,040	1,260	780
Debt service - interest	25,000			25,000	23,243	1,757
Total disbursements	1,207,942	0	74,387	1,282,329	1,126,685	155,644
Excess of receipts over (under) disbursements	(519,608)	0	(74,387)	(593,995)	(383,566)	210,429
Other financing sources (uses):						
Loan principal payments	(892,392)			(892,392)	(898,695)	(6,303)
Loan proceeds	1,400,000			1,400,000	1,558,854	158,854
Net change in fund balance	(12,000)	0	(74,387)	(86,387)	276,593	362,980
Fund balance:						
January 1, 2020	1,288,291			1,288,291	1,288,291	0
December 31, 2020	1,276,291	0	(74,387)	1,201,904	1,564,884	362,980

CITY OF SELBY

SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
 FOR THE YEAR ENDING DECEMBER 31, 2019

GENERAL FUND	Budgeted Amounts				Actual	Variance Positive (Negative)
	Original	Contingency Transfers	Supplemental:	Final		
Receipts:						
Receipts from local sources:						
Taxes:						
Ad valorem taxes	279,800			279,800	291,804	12,004
General sales and use taxes	260,000			260,000	253,712	(6,288)
Amusement taxes				0	84	84
Licenses and permits:				0	6,179	6,179
Intergovernmental receipts:						
State shared receipts:						
Grants				0	1,261	1,261
Commercial prorate				0	1,291	1,291
Bank franchise tax				0	5,979	5,979
Liquor tax reversion				0	4,184	4,184
Motor vehicle licenses (5%)				0	7,909	7,909
Highway and bridge				0	16,971	16,971
County shared receipts:						
Road taxes				0	2,936	2,936
Charges for goods and services:	347,100			347,100		(347,100)
Refuse collection				0	42,835	42,835
Cemetery				0	200	200
Swimming pool				0	9,181	9,181
Fines and forfeits:				0		0
Miscellaneous receipts:						
Interest and dividends received				0	4,052	4,052
Rents and franchise fees				0	23,760	23,760
Total receipts	886,900	0	0	886,900	672,338	(214,562)
Disbursements:						
General government:						
Mayor and Council	26,118			26,118	29,421	(3,303)
Contingency	60,000			60,000		60,000
Amount transferred				0		0
Elections	200			200	443	(243)
Financial administration	74,868			74,868	55,730	19,138
Other	15,600			15,600	14,194	1,406
Public safety:						
Fire	32,000			32,000	27,589	4,411
Public works:						
Streets	337,326			337,326	720,924	(383,598)
Sanitation	50,000			50,000	50,611	(611)
Cemetery	8,400			8,400	9,400	(1,000)
Health and welfare:						
Health	5,500			5,500	988	4,512
Ambulance	2,000			2,000	1,986	14
Culture and recreation:						
Swimming pool	49,775			49,775	41,795	7,980
Parks	16,270			16,270	16,426	(156)
Library	12,770			12,770	13,382	(612)
Economic development:	1,077			1,077	1,260	(183)
Total disbursements	691,904	0	0	691,904	984,149	(292,245)
Excess of receipts over (under) disbursements	194,996	0	0	194,996	(311,811)	(506,807)
Other financing sources (uses):						
Bank construction loan proceeds				0	309,280	309,280
Net change in fund balance	194,996	0	0	194,996	(2,531)	(197,527)
Fund balance:						
January 1, 2019	1,290,822			1,290,822	1,290,822	0
December 31, 2019	1,485,818	0	0	1,485,818	1,288,291	(197,527)

CITY OF SELBY

NOTES TO SUPPLEMENTARY INFORMATION - BUDGETS

NOTES TO THE BUDGETARY COMPARISON SCHEDULES FOR THE GENERAL FUND AND SPECIAL REVENUE FUNDS FOR THE TWO YEARS ENDING DECEMBER 31, 2020

1. BUDGETS AND BUDGETARY ACCOUNTING

The City of Selby (City) follows these procedures in establishing the budgetary data reflected in the budgetary supplementary information:

- a. At the first regular board meeting in September of each year or within ten days thereafter, the governing board introduces the annual appropriation ordinance for the ensuing fiscal year.
- b. After adoption by the governing board, the operating budget is legally binding and actual expenditures for each purpose cannot exceed the amounts budgeted, except as indicated in d.
- c. A line item for contingencies may be included in the annual budget. Such a line item may not exceed 5 percent of the total municipal budget and may be transferred by resolution of the governing board to any other budget category that is deemed insufficient during the year.
- d. If it is determined during the year that sufficient amounts have not been budgeted, state statute allows the adoption of supplemental budgets. During 2019 there were no supplemental budgets to the general fund. During 2020 there was one supplemental budget to the general fund. See page 29 and 30.
- e. Formal budgetary integration is employed as a management control device for the general fund.
- f. The budget for the general fund is not adopted on a basis consistent with generally accepted accounting principles (GAAP) because all accounting, and the adoption of the all budgets, is on a modified cash basis of accounting.

2. GAAP AND BUDGETARY ACCOUNTING BASIS DIFFERENCE:

The financial statements prepared in conformity with US-GAAP (within the context of the modified cash basis of accounting) present capital outlay disbursement information as a separate category of disbursements. Under the budgetary basis of accounting, capital outlay disbursements are reported within the function to which they relate. For example, the purchase of a road grader would be reported as a capital outlay disbursement in the governmental funds statement of receipts, disbursements and changes in fund cash balance. However, in the budgetary supplemental information schedule, the purchase of a road grader would be reported as a disbursement in the public works function of general fund, along with all other current public works disbursements.

CITY OF SELBY
SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN DEBT
FOR THE TWO YEARS ENDING DECEMBER 31, 2020

	Beginning 12-31-18	Additions (Deletions) 2019	Additions (Deletions) 2020	Governmental Activities Ending 12-31-20	Activities Ending 12-31-20	Principal Due in 2021
GOVERNMENTAL - DIRECT BORROWING						
2020 Sales Tax Revenue Bond:						
Original issue of \$973,597						
Maturing in 2038						
Interest at 2.125%						
Prepayments in whole or part are allowed						
Purpose: street improvement project						
Collateral: Sales tax			(4,158)			
Paid by the general fund	0		973,597	969,439		46,983
	<u>0</u>	<u>0</u>	<u>969,439</u>	<u>969,439</u>		<u>46,983</u>
BUSINESS-TYPE - DIRECT BORROWING						
2008 Rural Development Water Utility Revenue Bond:						
Original issue of \$364,000						
Maturing in 2048						
Interest at 4.375%						
Purpose: water development						
Collateral: water receipts						
Paid by the water fund	316,591	(5,569)	(5,817)		305,205	5,955
2009 Rural Development Water Project Revenue Bond:						
Original issue of \$280,000						
Maturing in 2049						
Interest at 3.250%						
Purpose: water development						
Collateral: water receipts						
Paid by the water fund	244,216	(4,672)	(4,827)		234,717	4,912
2011 Rural Development Sewer Project Revenue Bond:						
Authorized loan amount: \$1,815,000						
Amount not used and returned: \$705,819						
Maturing in 2032						
Interest at 2.50%						
Purpose: sewer development						
Collateral: sewer receipts						
Paid by the sewer fund	801,158	(52,450)	(53,777)		694,931	54,507
Totals	<u>1,361,965</u>	<u>(62,691)</u>	<u>(64,421)</u>		<u>1,234,853</u>	<u>65,374</u>
Payment Schedules:	Total Payment	Principal	Interest	Balance		
2020 Sales Tax Revenue Bond:						
2021	67,584	46,983	20,601	922,456		
2022	67,584	47,982	19,602	874,474		
2023	67,584	49,001	18,583	825,473		
2024	67,584	50,043	17,541	775,430		
2025	67,584	51,106	16,478	724,324		
2026-2030	337,920	272,290	65,630	452,034		
2031-2035	337,920	302,476	35,444	149,558		
2036-2038	154,957	149,558	5,399	0		
Totals	<u>1,168,717</u>	<u>969,439</u>	<u>199,278</u>			
2008 Rural Development Water Revenue Bond:						
2021	19,308	5,955	13,353	299,250		
2022	19,308	6,216	13,092	293,034		
2023	19,308	6,488	12,820	286,546		
2024	19,308	6,771	12,537	279,775		
2025	19,308	7,068	12,240	272,707		
2026-2030	96,540	40,257	56,283	232,450		
2031-2035	96,540	49,868	46,672	182,582		
2036-2040	96,540	61,774	34,766	120,808		
2041-2045	96,540	76,523	20,017	44,285		
2046-2048	47,784	44,285	3,499	0		
Totals	<u>530,484</u>	<u>305,205</u>	<u>225,279</u>			
2009 Rural Development Water Project Revenue Bond:						
2021	12,540	4,912	7,628	229,805		
2022	12,540	5,071	7,469	224,734		
2023	12,540	5,236	7,304	219,498		
2024	12,540	5,406	7,134	214,092		
2025	12,540	5,582	6,958	208,510		
2026-2030	62,700	30,752	31,948	177,758		
2031-2035	62,700	36,085	26,615	141,673		
2036-2040	62,700	42,342	20,358	99,331		
2041-2045	62,700	49,685	13,015	49,646		
2046-2050	54,044	49,646	4,398	0		
Totals	<u>367,544</u>	<u>234,717</u>	<u>132,827</u>			
2013 Sewer Utility Revenue Bond:						
2021	71,880	54,507	17,373	640,424		
2022	71,880	55,869	16,011	584,555		
2023	71,880	57,266	14,614	527,289		
2024	71,880	58,698	13,182	468,591		
2025	71,880	60,165	11,715	408,426		
2026-2030	359,400	324,155	35,245	84,271		
2031-2032	86,740	84,271	2,469	0		
Totals	<u>805,540</u>	<u>694,931</u>	<u>110,609</u>			

CITY OF SELBY
FOR THE SEVEN YEARS ENDING DECEMBER 31, 2020

SUPPLEMENTARY INFORMATION

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

SDRS Measurement Date Year Ended (1)	City's Percentage of the Net Pension Asset	City's Proportionate Share of Net Pension (Asset) Liability	City's Covered Employee Payroll for its 6-30 Year End	City's Proportionate Share of the Net Pension (Asset) Liability as a Percentage of its Covered Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
June 30, 2020	0.0060461%	(263)	132,700	(00.20%)	100.04%
June 30, 2019	0.0054333%	(576)	115,517	(00.50%)	100.09%
June 30, 2018	0.0064417%	(150)	133,917	(00.11%)	100.02%
June 30, 2017	0.0055673%	(505)	113,117	(00.45%)	100.10%
June 30, 2016	0.0070564%	23,836	130,800	18.22%	96.89%
June 30, 2015	0.0083292%	(35,327)	139,415	(25.34%)	104.10%
June 30, 2014	0.0083439%	(60,114)	135,617	(44.33%)	107.30%

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

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

CITY OF SELBY
FOR THE SEVEN YEARS ENDING DECEMBER 31, 2020

SUPPLEMENTARY INFORMATION

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

City's Year Ended	Contractually Required Contribution	Contributions Related to the Contractually Required Contribution	Contribution Deficiency (Excess)	City's Covered Employee Payroll for its Calendar Year End	Contributions as a Percentage of Covered Employee Payroll
December 31, 2020	7,766	7,766	0	129,433	6.0000%
December 31, 2019	7,456	7,456	0	124,267	6.0000%
December 31, 2018	7,345	7,345	0	122,417	6.0000%
December 31, 2017	7,106	7,106	0	118,433	6.0000%
December 31, 2016	6,488	6,488	0	105,407	6.1552%
December 31, 2015	7,680	7,680	0	117,350	6.5445%
December 31, 2014	9,468	9,468	0	146,661	6.4557%

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

NOTES TO SUPPLEMENTARY INFORMATION - PENSION

SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION (ASSET)/LIABILITY
AND SCHEDULE OF PENSION CONTRIBUTIONS FOR THE TWO YEARS ENDING DECEMBER 31, 2020

Changes of Prior Valuation:

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

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

Benefit Provision Changes:

Legislation enacted in 2020 established a Qualified Benefit Preservation Arrangement (QBPA) under Section 415(m) of the Internal Revenue Code (IRC). The QBPA is effective July 1, 2020 and pays a portion of SDRS benefits that are restricted by IRC Section 415(b). The total benefits paid from SDRS and the QBPA will be limited to the applicable 415(b) annual limit, reduced for early commencement if Members retire prior to age 62 and actuarially increased for late retirement up to age 70 if Members retire after age 65. The Actuarial Valuation considers benefits payable from both SDRS and the QBPA.

Legislation enacted in 2020 also brought the assets and the liabilities of the South Dakota Department of Labor and Regulation Plan into SDRS effective July 1, 2020. With the exception of the accounting results presented in Section 6 of this report, all exhibits include the assets, liabilities, and member counts of the former Department of Labor and Regulation Plan Members.

Actuarial Assumption Changes:

The SDRS COLA equals the percentage increase in the most recent third calendar quarter CPI-W over the prior year, no less than 0.5% and no greater than 3.5%. However, if the FVFR assuming the long-term COLA is equal to the baseline COLA assumption (currently 2.25%) is less than 100%, the maximum COLA payable will be limited to the increase that if assumed on a long-term basis, results in a FCFR equal to or exceeding 100%. The condition existed as of June 30, 2019 and exists again this year as of June 30, 2020. Future COLAs are assumed to equal the current restricted maximum COLA which was 1.88% as of June 30, 2019 and is 1.41% as of June 30, 2020.

The changes in actuarial assumptions due to the 1.41% restricted maximum COLA decreased the Actuarial Accrued Liability by \$595 million, or 4.6% of the Actuarial Accrued Liability based on the 1.88% restricted maximum COLA.

Actuarial assumptions are reviewed in depth periodically, with the next experience analysis anticipated before the June 30, 2022 Actuarial Valuation and any recommended changes anticipated to be first implemented in the June 30, 2022 Actuarial Valuation.

Actuarial Method Changes:

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

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

Governing Board
City of Selby
Selby, South Dakota

INDEPENDENT AUDITOR'S REPORT

I have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the modified cash basis of accounting financial statements of governmental activities, business-type activities, and each major fund of the City of Selby (City), Walworth County, South Dakota, as of December 31, 2020 and for each of the years in the biennial period then ended, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued my report thereon dated May 31, 2022 with an unmodified opinion.

Compliance and Other Matters

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

The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

I did note minor matters involving compliance that I reported to the governing body and management of the City of Selby in a separate Letter of Comments dated May 31, 2022.

Internal Control Over Financial Reporting

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

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

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

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

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

I did identify certain deficiencies in internal control, described in the accompanying schedule of current audit findings and responses that I consider to be significant deficiencies. I consider the deficiencies described in the accompanying schedule of current audit findings and responses as items 2020-01, and 2020-02 to be significant deficiencies.

I did note other matters involving internal control that I reported to the governing body and management of the City of Selby in a separate Letter of Comments dated May 31, 2022.

Management's Response to Findings

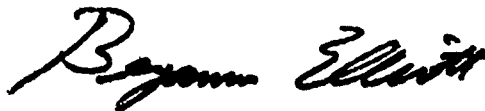
Management's responses to the findings identified in my audit are described in the accompanying schedule of current audit findings and responses. Management's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on them.

Purpose of this Report

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

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



May 31, 2022

CITY OF SELBY
SCHEDULES OF AUDIT FINDINGS
DECEMBER 31, 2020

SCHEDULE OF PRIOR AUDIT FINDINGS

Prior Federal Compliance Audit finding:
Not applicable with respect to this audit.

Prior Other Audit Findings:
2008-02 [Segregation of Duties] - Repeated below as 2020-01
2008-03 [Preparation of Financial Statements] - Repeated below as 2020-02

SCHEDULE OF CURRENT AUDIT FINDINGS AND RESPONSES

Part I - Summary of the Independent Auditor's Results:

Financial Statements

Type of auditor's report issued:	Unmodified on: Governmental Activities Business-Type Activities Major Funds
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Noncompliance:

* Material to financial statements noted?	NONE REPORTED
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Internal control over financial reporting:

* Material weakness(es) identified?	NONE REPORTED
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* Significant deficiency(ies) identified
that are not considered to be material
weaknesses?

Finding 2020-01, 2020-02

Part II - Findings Relating to the Financial Statements

Finding 2020-01: Segregation of Duties
(internal control)

Criteria:

The management of the City is responsible for establishing and maintaining an internal control structure to provide management and taxpayers with reasonable assurance: 1) that assets are safeguarded against loss from unauthorized use or disposition, 2) that transactions are executed in accordance with management's authorization, and 3) that transactions are recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles or other comprehensive basis of accounting.

A key element of an effective internal control structure is the separation of duties so one person isn't responsible of all aspects of a transaction.

Condition:

The finance officer processed most revenue transactions from beginning to end. The finance officer received money, issued receipts, recorded receipts, posted receipts in the accounting records, and prepared bank deposits. As a result, an inadequate segregation of duties existed for revenue transactions for the City of Selby.

Questioned Cost:

None could be identified regarding this finding.

Effect:

Inadequate segregation of duties can lead to the misappropriation of funds.

CITY OF SELBY
SCHEDULE OF CURRENT AUDIT FINDINGS AND RESPONSES (continued)
DECEMBER 31, 2020

Recommendation:

I recommend the City of Selby's management be cognizant of this lack of segregation of duties for revenue transactions and attempt to provide compensating internal controls whenever and wherever possible and practical.

Response:

The City of Selby's finance officer, is the contact person responsible for the corrective action plan for this comment. This comment is a result of the size of the City, which precludes staffing at a level sufficient to provide an ideal environment for internal controls. The City has determined it is not cost beneficial to employ additional personnel just to be able to adequately segregate duties. The City of Selby is aware of this problem and is attempting to provide compensating controls whenever and wherever possible and practical. However, this lack of segregation of duties in for revenue transactions is expected to continue to exist.

Finding 2020-02: Preparation of Financial Statements
(internal control)

Criteria:

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

Condition:

The City has elected not to have an internal control system designed to provide for the preparation of the financial statement being audited. As the auditor, I was requested to draft these financial statements and accompanying notes to the financial statements.

Effect:

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

Recommendation:

This situation is not unusual for a City 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.

Management Response:

Due to cost constraints, the City will continue to have the auditor draft the financial statements and accompanying notes to the financial statements.