

CITY OF COLMAN  
COLMAN, SOUTH DAKOTA  
FINANCIAL REPORT  
FOR THE ONE YEAR ENDING DECEMBER 31, 2021  
WITH INDEPENDENT AUDITOR'S REPORTS

**INDEPENDENT AUDIT SERVICES, P.C.**

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

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FOR THE ONE YEAR ENDING DECEMBER 31, 2021

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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

Benjamin Elliott, CPA  
P.O. Box 262  
Madison, South Dakota 57042  
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To the Honorable Mayor and  
Members of the Colman City Council  
Colman, South Dakota

## INDEPENDENT AUDITOR'S REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### Opinions:

I have audited the accompanying financial statements of governmental activities, business-type activities, and each major fund of the City of Colman (City), Moody County, South Dakota, as of December 31, 2021 and for the year then ended, and related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In my opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, and each major fund of the City of Colman, South Dakota, as of December 31, 2021, and the respective changes in its financial position and, where applicable, cash flows thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinions:

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

### Responsibilities of Management for the Financial Statements:

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, I:

- > exercise professional judgement and maintain professional skepticism throughout the audit.
- > identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- > obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- > evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- > conclude whether, in my opinion, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

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

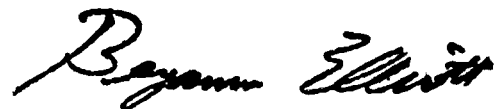
Required Supplementary Information (no opinion)

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (page 3 to 8), the budgetary comparison schedule (page 39 to 40), and pension schedules (page 41 to 42) be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Government Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required 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 the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards:

In accordance with *Government Auditing Standards*, I have also issued my report dated April 29, 2022 (page 43) on my consideration of the City of Colman's internal control over financial reporting and on my tests of compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of that report is solely to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

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



April 29, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

This section of the City of Colman's (City) annual financial report presents our discussion and analysis of the City's financial performance for the year ending December 31, 2021. Please read it in conjunction with the City's financial statements which follow this section.

FINANCIAL HIGHLIGHTS	2021
Revenue:	
Charges for goods and services	1,756,072
Operating grants	85,426
Capital grants, contributions	318,319
General revenue	501,918
	-----
Total	2,661,735
	-----
Expenses:	
Governmental	587,868
Business-type	1,963,582
	-----
Total	2,551,450
	-----
Increase in Net Position	110,285
Net Position:	
December 31, 2020, restated	5,764,337
	-----
December 31, 2021	5,874,622
	=====
Governmental Funds:	
General	86,860
TIF #1	7,008
Capital Assets	2,211,568
Long-term Debt	(798,785)
Business-Type Funds:	
Liquor	117,342
Water	1,752,725
Electric	541,894
Sewer	1,911,041
Solid waste	8,743
Recreation (golf)	36,226
	-----
Total	5,874,622
	=====

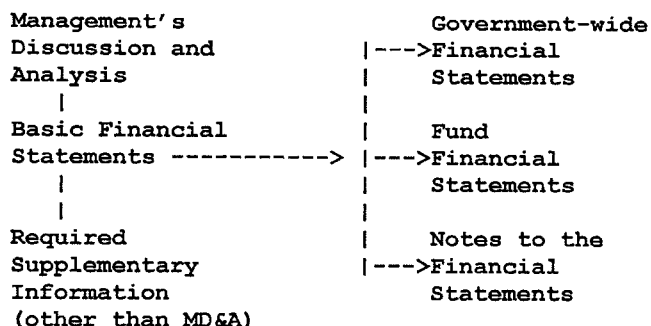
During the year ending December 31, 2021, the City:

- \* Received \$253,319 in grants to help with the cost of Hillcrest Phase I improvements.
- \* Was gifted the the Great Western bank building valued at \$65,000.
- \* Received a COVID grant of \$51,770.
- \* Paid \$97,284 to complete the Hillcrest Phase I improvements.
- \* Paid \$64,555 for street improvements.
- \* Paid \$16,531 for a Community Center furnace.
- \* Paid \$20,397 for burying electrical line engineering.
- \* Made principal payments of \$184,939 on various loans. See page 36 to 38 for more information.

## BRIEF DISCUSSION OF THE BASIC FINANCIAL STATEMENTS

This financial report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement-34.

Here is an overview of the City's 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 38) and (3) required supplementary information (page 39 to 42). 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, enterprise, and fiduciary (if any) activities of the City.

The governmental fund financial statements tell how general governmental services were financed in the short-term, as well as what remains for future spending. Governmental funds operated by the City are the general fund and TIF #1 debt service 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 are the liquor, water, electric, sewer, solid waste and recreation funds.

The fiduciary fund financial statements provide information about the financial status of activities (like a Sec. 125 Cafeteria Plan) in which the City acts solely as a trustee or custodian for the benefit of those groups to whom these funds belong. In 2021 the City did not have any 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 followed by a section of required supplementary information that presents a budgetary analysis for the general fund.

### Required Supplementary Information:

The Management's Discussion and Analysis (page 3 to 8), the budgetary schedules (page 39 to 40), and pension schedules (page 41 to 42) are financial information required to be presented by GASB. Such information provides readers of this report with additional data that supplements the government-wide statements and fund financial statements. The budgetary 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.

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

	Government-wide Statements	-----Fund Statements-----		
		Governmental Funds	Enterprise Funds	Fiduciary Funds (if any)
Scope	Entire City (except fiduciary funds)	City activities except Enterprise (ie: water) and Fiduciary	Activities operated like a private business (ie: water)	City's custody of money that belongs to others
Required Financial Statements	Statement of Net Position	Balance Sheet	Statement of Net Position	Statement of Fiduciary Net position
	Statement of Activities	Statement of Revenues, Expen- ditures and Changes in Fund Balances	Statement of Revenues, Expenses and Changes in Net Position  Statement of Cash Flows	
Basis of Accounting	Accrual	Modified accrual	Accrual	Accrual
Measurement Focus	Economic resources	Current financial resources	Economic resources	Economic resources
Types of Assets & Liabilities	All - financial and capital, short- and long-term	Only current financial assets and liabilities	All - financial and capital, short- and long-term	All - financial and capital (if any), short- and long-term
		No capital assets		
Types of Revenue and Expenditures or Expense	All - regardless of when cash is received	Revenues when cash is received during year or within 30 days of year-end	All - regardless of when cash is received	All - regardless of when cash is received
		Expenditures when goods or services are received and payment is due during year or soon after year-end		

#### GOVERNMENT-WIDE STATEMENTS

(Reporting the City as a whole)

The government-wide statements (page 9 and 10) report information about the City as a whole using accounting methods similar to those used for private companies. There are two government-wide statements: the Statement of Net Position and the Statement of Activities.

The Statement of Net Position includes all of the government's assets and liabilities. Net position is the difference between assets and liabilities. Changes 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 sales tax revenue, sales tax revenue and/or grant activity.

The Statement of Activities includes all of the year's revenues and expenses. You will notice that expenses are listed in the first column by program. Revenues related each program are reported to the right of the expense. The result is a net revenue/expense for each program. After listing program activity, general receipts of the City are listed, which include all taxes and interest earned.

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

The governmental activities include operation of the government such and City Council, public safety, streets and highway, snow removal, debt service, and recreational programs. Property taxes, sales taxes, revenue from the state, user fees and interest earnings finance most of these activities.

Business-type activities account for the City's liquor, water, electric, sewer, solid waste and recreation operations. These operations are financed by user fees and grants for certain capital projects.

#### FUND FINANCIAL STATEMENTS

(Reporting the City's most significant funds)

The fund financial statements (page 11 to 15) 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 receipt and disbursement of City's resources. 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 fund for infrastructure improvements.

The fund financial statements show information in three broad categories: governmental, enterprise (business-type), and fiduciary (if any).

**Governmental funds:** Most of the City's basic services are included in the governmental funds, which focus on (1) how cash, and other financial assets which can readily be converted into cash, flow in and out of that fund, and (2) the balances left at year-end that are available for spending in the next year. Consequently, governmental funds statements provide you a detailed short-term view to help you determine whether there are more or fewer financial resources available for spending in the near future to finance the City's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statements to reconcile the differences between the governmental fund statements and the government-wide statements.

**Enterprise fund:** Services for which the City charges the customer a fee are generally reported in enterprise funds. Enterprise funds, like the government-wide statements, provide both short-term and a long-term financial information. Liquor, water, electric, sewer, solid waste and recreation funds are the enterprise funds maintained by the City.

**Fiduciary funds:** The City can be the agent (or fiduciary) for various internal and external parties. As such, the City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the City's fiduciary activities are reported in a separate statement of fiduciary net position. Fiduciary funds are excluded from the City's government-wide financial statements because the City can not use these assets to finance City operations. In 2021 the City did not have any fiduciary funds.

#### MATERIAL CHANGES IN STATEMENT OF NET POSITION AND STATEMENT OF ACTIVITIES

##### Year Ending December 31, 2021

(Material changes for governmental activities = changes greater than \$ 50,000)  
(Material changes for business-type activities = changes greater than \$100,000)

	Increase (Decrease)	Principal Reason
<b>Governmental Activities:</b>		
Current assets	108,000	Grants received related to Hillcrest Indus Park.
Capital assets	113,000	Hillcrest Industrial Park dev and building gift.
Internal balances	(125,000)	Reclassified as transfers.
Long-term debt	(100,000)	Loan payments.
Capital grant	298,000	Hillcrest Industrial Park grant and bldg gift.
Transfers	141,000	Reclassified internal balances.
<b>Business-type Activities:</b>		
Capital assets	(326,000)	Depreciaton.
Internal balances	125,000	Reclassified as transfers.
Long-term debt	(112,000)	Debt reduction.
Transfers	141,000	Reclassified internal balances



## SIGNIFICANT VARIATIONS BETWEEN ORIGINAL AND FINAL GENERAL FUND BUDGET

The City's 2021 general fund budget of \$452,555 is an increase of \$29,780 or 7.04% from 2020. The increase was primarily in governmental buildings. There were no supplemental budgets. See page 39 for more information.

## SIGNIFICANT CAPITAL ASSET ACTIVITY

At December 31, 2021 the City had invested \$8,908,608 in a broad range of capital assets, including land, buildings, improvements, and equipment. This amount represents a net decrease (including additions and deductions) of \$212,867 or 2.33% from December 31, 2020.

Significant capital asset activity is reported above. See page 35 for more information.

## SIGNIFICANT LONG-TERM DEBT ACTIVITY

Significant long-term debt activity is reported above. The City is current on all long-term debt. See page 36 to 38 for more information.

## CURRENTLY KNOWN FACTS

In 2022 the City expects to receive a FEMA grant to help cover the \$260,000 estimated cost of burying electrical lines.

The City has applied to be on the State Water plan.

## 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 Colman's business office at 112 Main Street, Colman, SD 57017 or call 605.534.3611.

TABLE 1 - NET POSITION (condensed and in thousands)  
FULL ACCRUAL - BASED ON GOVERNMENT-WIDE FINANCIAL STATEMENTS  
AS OF DECEMBER 31, 2021 AND DECEMBER 31, 2020

	Governmental Activities		Business-Type Activities		Total Government	
	2021	2020	2021	2020	2021	2020
<b>Assets and deferred outflow:</b>						
Current assets	123	15	474	433	597	448
Capital assets	2,212	2,099	6,697	7,023	8,909	9,122
Other assets	15	48	36		51	48
Deferred outflow	20	16	48	28	68	44
Internal balances	0	(125)	0	125	0	0
<b>Total</b>	<b>2,370</b>	<b>2,053</b>	<b>7,255</b>	<b>7,609</b>	<b>9,625</b>	<b>9,662</b>
<b>Liabilities and deferred inflow:</b>						
Current liabilities	124	113	230	220	354	333
Long-term debt	710	810	2,587	2,699	3,297	3,509
Deferred inflow	29	14	70	24	99	38
<b>Total</b>	<b>863</b>	<b>937</b>	<b>2,887</b>	<b>2,943</b>	<b>3,750</b>	<b>3,880</b>
<b>Net position:</b>						
Net invested in capital assets	1,417	1,213	4,010	4,240	5,427	5,453
Restricted	13	51	119	136	132	187
Unrestricted	77	(148)	239	290	316	142
<b>Total</b>	<b>1,507</b>	<b>1,116</b>	<b>4,368</b>	<b>4,666</b>	<b>5,875</b>	<b>5,782</b>

TABLE 2 - CHANGES IN NET POSITION (condensed and in thousands)  
FULL ACCRUAL - BASED ON GOVERNMENT-WIDE FINANCIAL STATEMENTS  
FOR THE YEAR ENDING DECEMBER 31, 2021 AND DECEMBER 31, 2020

	Governmental Activities		Business-Type Activities		Total Government	
	2021	2020	2021	2020	2021	2020
<b>Revenues:</b>						
<b>Program revenues:</b>						
Charges for services	46	59	1,710	1,715	1,756	1,774
Operating grants and contributions	8	1	78		86	1
Capital grants and contributions	318	20			318	20
<b>General revenues:</b>						
Property taxes	138	108			138	108
Sales taxes	272	230			272	230
State shared revenue	43	38			43	38
County shared revenue	2	2			2	2
Interest earnings	0	0			0	0
Rents and franchise fees	27	29	4	7	31	36
Donations		1	15		15	1
Miscellaneous	3	2			3	2
<b>Total revenues</b>	<b>857</b>	<b>490</b>	<b>1,807</b>	<b>1,722</b>	<b>2,664</b>	<b>2,212</b>
<b>Expenses:</b>						
General government	146	110			146	110
Public safety	83	71			83	71
Public works	176	163			176	163
Health and welfare	17	14			17	14
Culture and recreation	136	125			136	125
Interest expense and fees	30	30			30	30
Liquor			21	24	21	24
Water			308	323	308	323
Electric			1,052	1,018	1,052	1,018
Sewer			294	275	294	275
Solid waste			54	54	54	54
Recreation (golf)			235	212	235	212
<b>Total expenses</b>	<b>588</b>	<b>513</b>	<b>1,964</b>	<b>1,906</b>	<b>2,552</b>	<b>2,419</b>
<b>Revenues over (under) expenses</b>	<b>269</b>	<b>(23)</b>	<b>(157)</b>	<b>(184)</b>	<b>112</b>	<b>(207)</b>
<b>Other changes: Transfers</b>	<b>141</b>	<b>0</b>	<b>(141)</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Change in net position</b>	<b>410</b>	<b>(23)</b>	<b>(298)</b>	<b>(184)</b>	<b>112</b>	<b>(207)</b>
<b>Net position:</b>						
December 31, 2019		1,139		4,850		5,989
December 31, 2020	1,116	1,116	4,666	4,666	5,782	5,782
Adjustments, net	(19)				(19)	
December 31, 2021	1,507		4,368		5,875	

## CITY OF COLMAN

GOVERNMENT-WIDE - STATEMENT OF NET POSITION  
AS OF DECEMBER 31, 2021

	Primary Government		
	Governmental	Business-	Total
	Activities	Type	
	Activities	Activities	
	-----	-----	-----
ASSETS:			
Current assets:			
Cash and cash equivalents	111,259	244,428	355,687
Taxes receivable - delinquent	974		974
Due from other governments	10,821		10,821
Accounts receivable	181	229,473	229,654
Capital assets:			
Land	292,386	10,770	303,156
Other capital assets, net of accumulated depreciation	1,919,182	6,683,770	8,602,952
Customer development costs		17,500	17,500
Less: accumulated amortization		(15,000)	(15,000)
Other assets:			
Net pension assets	15,106	36,205	51,311
Total assets	<u>2,349,909</u>	<u>7,207,146</u>	<u>9,557,055</u>
DEFERRED OUTFLOW OF RESOURCES:			
Pension related deferred outflows	19,995	47,923	67,918
Total deferred outflow of resources	<u>19,995</u>	<u>47,923</u>	<u>67,918</u>
LIABILITIES:			
Current liabilities:			
Accounts payable	10,313	104,581	114,894
Payroll deductions payable	19,971		19,971
Customer deposits	5,001	16,700	21,701
Noncurrent liabilities:			
Leave liability	3,898	9,096	12,994
Customer development costs payable		2,500	2,500
Due within one year	85,271	96,722	181,993
Due in more than one year	709,616	2,587,554	3,297,170
Total liabilities	<u>834,070</u>	<u>2,817,153</u>	<u>3,651,223</u>
DEFERRED INFLOWS OF RESOURCES			
Pension related deferred inflows	29,183	69,945	99,128
Total deferred inflows of resources	<u>29,183</u>	<u>69,945</u>	<u>99,128</u>
NET POSITION:			
Net invested in capital assets	1,416,681	4,010,264	5,426,945
Restricted for:			
Debt service	7,008	104,441	111,449
SDRS pension purposes	5,918	14,183	20,101
Unrestricted	77,044	239,083	316,127
Total net position	<u>1,506,651</u>	<u>4,367,971</u>	<u>5,874,622</u>

See accompanying notes.

## CITY OF COLMAN

GOVERNMENT-WIDE - STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDING DECEMBER 31, 2021

Functions/Programs:	Expenses	Program Revenues			Net (Expenses) Revenues 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	146,245	4,955	6,630	65,000	(69,660)		(69,660)
Public safety	83,256				(83,256)		(83,256)
Public works	176,156	1,600		253,319	78,763		78,763
Health and welfare	17,299	14,589	1,026		(1,684)		(1,684)
Culture and recreation	135,304	24,620			(110,684)		(110,684)
Interest and fees (all)	29,608				(29,608)		(29,608)
Total governmental activities	587,868	45,764	7,656	318,319	(216,129)	0	(216,129)
Business-type activities:							
Liquor	20,542	17,795				(2,747)	(2,747)
Water	308,454	204,414			(104,040)		(104,040)
Electric	1,051,582	1,022,138	51,770		22,326		22,326
Sewer	293,751	151,839	21,000		(120,912)		(120,912)
Solid waste	54,484	54,667			183		183
Recreation	234,769	259,455	5,000		29,686		29,686
Total business-type activities	1,963,582	1,710,308	77,770	0	0	(175,504)	(175,504)
Total primary government	2,551,450	1,756,072	85,426	318,319	(216,129)	(175,504)	(391,633)
General revenues:							
Taxes:							
Property taxes					137,614		137,614
Sales taxes					271,698		271,698
State shared revenue					42,420		42,420
County shared revenue					1,811		1,811
Interest earnings					39	8	47
Rents and franchise fees					27,078	3,600	30,678
Donations					300	14,900	15,200
Miscellaneous revenue					2,450		2,450
Transfers in (out)					141,221	(141,221)	0
Total general revenue and transfers					624,631	(122,713)	501,918
Change in net position					408,502	(298,217)	110,285
Net position, January 1, 2021					1,116,693	4,666,188	5,782,881
Additional cash					29,522		29,522
Change in accounting estimates (note 19)					(48,066)		(48,066)
January 1, 2021, restated					1,098,149	4,666,188	5,764,337
Net position, December 31, 2021					1,506,651	4,367,971	5,874,622

See accompanying notes.

## CITY OF COLMAN

BALANCE SHEET - GOVERNMENTAL FUNDS  
AS OF DECEMBER 31, 2021

	General Fund	TIF #1 Debt Service Fund	Total Governmental Funds
	-----	-----	-----
ASSETS:			
Cash and cash equivalents	104,251	7,008	111,259
Property taxes receivable	974		974
Due from other governments	10,821		10,821
Accounts receivable	181		181
	-----	-----	-----
Total assets	116,227	7,008	123,235
DEFERRED OUTFLOWS OF RESOURCES			
None	-----	-----	0
Total deferred outflows of resources	0	0	0
	-----	-----	-----
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	116,227	7,008	123,235
	=====	=====	=====
LIABILITIES:			
Accounts payable	10,313		10,313
Payroll deductions payable	19,971		19,971
Customer deposits	5,001		5,001
	-----	-----	-----
Total liabilities	35,285	0	35,285
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	974		974
	-----	-----	-----
Total deferred inflows of resources	974	0	974
FUND BALANCES (DEFICIT):			
Nonspendable			0
Restricted		7,008	7,008
Committed			0
Assigned	30,000		30,000
Unassigned	49,968		49,968
	-----	-----	-----
Total fund balance	79,968	7,008	86,976
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	116,227	7,008	123,235
	=====	=====	=====
Reconciliation of the above balance sheet - governmental funds to the government-wide statement of net position			
Total fund balance - governmental funds (above)			86,976
Amounts reported in the government-wide statement of net assets are different because:			
Capital assets and other assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.			
Capital assets are:			3,774,540
Less: accumulated depreciation			(1,562,972)
These pension related amounts are not an available financial resource and therefore are not reported in the funds.			
Net pension assets (liability)			15,106
Deferred outflow of resources			19,995
Deferred inflow of resources			(29,183)
Assets such as taxes receivable (delinquent) are not available to pay for current period expenditures and therefore are deferred in the funds.			974
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.			
Long term liabilities at year end consist of:			
2007 South Dakota Housing loan			(216,553)
2019 Sales Tax Revenue Bonds			(557,034)
2019 loader lease/purchase			(14,752)
2020 Bobcat lease/purchase			(6,548)
Accrued leave payable			(3,898)
			-----
Total net position on government-wide statement of net position			1,506,651
			=====

See accompanying notes.

CITY OF COLMAN  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES -- GOVERNMENTAL FUNDS  
FOR THE YEAR ENDING DECEMBER 31, 2021

	General Fund	TIF #1 Debt Service Fund	Total Governmental Funds
Revenue:			
Revenue from local sources:			
Taxes: Ad valorem taxes	86,971	50,643	137,614
General sales and use taxes	271,698		271,698
Licenses and permits:	4,955		4,955
Intergovernmental revenue:			
Federal grant - LIEAP	6,630		6,630
State shared revenue:			
Grant - LIIP	253,319		253,319
Grant - mosquito	1,026		1,026
Bank franchise tax	493		493
Commercial prorate	584		584
Liquor tax reversion	5,589		5,589
Motor vehicle licenses (5%)	14,442		14,442
Highway and bridge	21,312		21,312
County shared revenue:	1,811		1,811
Charges for goods and services:			
Mowing	1,600		1,600
West Nile, animal control	14,589		14,589
Swimming pool and concessions	15,512		15,512
Camping and events	9,108		9,108
Fines and forfeits:			0
Miscellaneous revenue:			
Interest earned	39		39
Rental and franchise	27,078		27,078
Donations	65,300		65,300
Other	2,450		2,450
Total revenues	804,506	50,643	855,149
Expenditures:			
General government:			
Mayor and Council	25,030		25,030
Elections			0
Financial administration	26,584		26,584
Other	86,233		86,233
Public safety:			
Police	37,396		37,396
Fire	39,091		39,091
Public works:			
Highways and streets	96,613		96,613
Health and welfare:			
West Nile	17,299		17,299
Culture and recreation:			
Swimming pool	40,722		40,722
Parks and recreation	52,935		52,935
Debt service:			
Principal	52,713	38,446	91,159
Interest and fees	24,608	5,798	30,406
Capital outlay	187,370		187,370
Total expenditures	686,594	44,244	730,838
Excess of revenues over (under) expenditures	117,912	6,399	124,311
Other financing sources (uses):			
Transfer in	141,221		141,221
Transfer (out) - to general capital assets	(65,000)		(65,000)
Net change in fund balance	194,133	6,399	200,532
Fund balance (deficit):			
January 1, 2021	(95,621)	609	(95,012)
Additional cash	29,522		29,522
Change in accounting estimates (note 19)	(48,066)		(48,066)
January 1, 2021, restated	(114,165)	609	(113,556)
December 31, 2021	79,968	7,008	86,976
Reconciliation of the above statement of revenues, expenditures, and changes in fund balances to the government-wide statement of activities.			
Amounts reported in the government-wide statement of net position are different because:			
Net change in fund balances - total governmental funds (above)			200,532
Governmental funds report capitalized cost as expenditures.			
However, in the statement of activities the cost of these assets is allocated over their estimated useful lives and reported as depreciation. 2021 capitalized cost are			252,370
2021 depreciation is			(139,667)
Long-term debt proceeds are reported as other financing sources in governmental funds statement. However, in the statement of net position, issuing debt increases long-term liabilities and does not effect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds, but reduces the liability in the statement of net position.			
Therefore: Add: TIF loan principal payments			38,446
Add: 2019 sales tax revenue bond principal payments			36,071
Add: 2019 loader lease/purchase payments			14,050
Add: 2020 Bobcat lease/purchase principal payments			2,592
Governmental funds do not reflect the change in "accrued leave", but the statement of activities reflects the change through expenditures			798
Governmental funds do not reflect the change in "delinquent property taxes", but the statement of activities reflects the change through expenditures			0
(Expenses) and reductions of expenses related to pensions do not provide current financial resources and, therefore, are not reported in funds			3,310
Change in net position on government-wide statement of activities			408,502
See accompanying notes.			

## CITY OF COLMAN

STATEMENT OF NET POSITION - ENTERPRISE FUNDS  
AS OF DECEMBER 31, 2021

	Liquor Fund	Water Fund	Electric Fund	Sewer Fund	Solid Waste Fund	Recreation Fund	Total Enterprise Funds
ASSETS:							
Current assets:							
Cash and cash equivalents	62,155	57,820	80,751	30,200	7,592	5,910	244,428
Accounts receivable		19,556	187,483	16,537	5,853	44	229,473
Total current assets	62,155	77,376	268,234	46,737	13,445	5,954	473,901
Noncurrent assets:							
Capital assets:							
Land				10,770			10,770
Buildings	140,005	10,353		6,746			157,104
Improvements		4,460,473	732,504	4,399,975			9,592,952
Equipment	8,540		26,700	63,270		101,201	199,711
Accumulated depreciation	(91,534)	(1,428,921)	(335,534)	(1,334,296)		(75,712)	(3,265,997)
Customer development costs		17,500					17,500
Accumulated amortization		(15,000)					(15,000)
Total noncurrent assets	57,011	3,044,405	423,670	3,146,465	0	25,489	6,697,040
Other assets:							
Net pension assets	826	5,059	6,968	3,828		19,524	36,205
Total assets	119,992	3,126,840	698,872	3,197,030	13,445	50,967	7,207,146
DEFERRED OUTFLOW OF RESOURCES							
Pension related deferred ou	1,093	6,697	9,223	5,067		25,843	47,923
Total outflow of resources	1,093	6,697	9,223	5,067	0	25,843	47,923
LIABILITIES:							
Current liabilities:							
Accounts payable	2,147	6,000	88,742	124	4,702	2,866	104,581
Customer deposits		8,350	8,350				16,700
Current portion of:							
Long-term debt		37,408	21,736	37,578			96,722
Total current liabilities	2,147	51,758	118,828	37,702	4,702	2,866	218,003
Noncurrent liabilities:							
Leave liability		2,599	3,898	2,599			9,096
Customer dev costs payable		2,500					2,500
Noncurrent portion of long-term debt		1,314,181	30,013	1,243,360			2,587,554
Total noncurrent liabilities	0	1,319,280	33,911	1,245,959	0	0	2,599,150
Total liabilities	2,147	1,371,038	152,739	1,283,661	4,702	2,866	2,817,153
DEFERRED INFLOW OF RESOURCES							
Pension related deferred in	1,596	9,774	13,462	7,395		37,718	69,945
Total inflow of resources	1,596	9,774	13,462	7,395	0	37,718	69,945
NET POSITION (DEFICIT)							
Net invested in capital asset	57,011	1,690,316	371,921	1,865,527		25,489	4,010,264
Restricted:							
Debt service		60,427		44,014			104,441
SDRS pension purposes	323	1,982	2,729	1,500		7,649	14,183
Unrestricted	60,008	0	167,244	0	8,743	3,088	239,083
Total net position	117,342	1,752,725	541,894	1,911,041	8,743	36,226	4,367,971

See accompanying notes.

## CITY OF COLMAN

STATEMENT OF REVENUES, EXPENSES, AND CHANGES  
IN NET POSITION - ENTERPRISE FUNDS  
FOR THE YEAR ENDING DECEMBER 31, 2021

	Liquor Fund	Water Fund	Electric Fund	Sewer Fund	Solid Waste Fund	Recreation Fund	Total Enterprise Funds
	-----	-----	-----	-----	-----	-----	-----
Operating revenue:							
Charges for goods and services	1,621	85,018	1,022,138	41,537	54,667	259,455	1,464,436
Sucharge revenue		119,396		110,302			229,698
Lottery sales	16,174						16,174
	-----	-----	-----	-----	-----	-----	-----
Total operating revenue	17,795	204,414	1,022,138	151,839	54,667	259,455	1,710,308
	-----	-----	-----	-----	-----	-----	-----
Operating expenses:							
Personal services	3,242	20,404	28,465	17,007		100,469	169,587
Other current services	3,220	27,417	118,581	73,064		67,513	289,795
Cost of goods sold	36	46,860	885,451		54,484	66,313	1,053,144
Lottery operations	11,311						11,311
Amortization		2,500					2,500
Depreciation	2,939	171,412	19,090	162,312		5,744	361,497
Pension related	(206)	(1,370)	(1,901)	(1,005)		(5,270)	(9,752)
	-----	-----	-----	-----	-----	-----	-----
Total operating expenses	20,542	267,223	1,049,686	251,378	54,484	234,769	1,878,082
	-----	-----	-----	-----	-----	-----	-----
Total operating income (loss)	(2,747)	(62,809)	(27,548)	(99,539)	183	24,686	(167,774)
Nonoperating revenue (expense):							
Interest earnings			7			1	8
Operating grants			51,770	21,000		5,000	77,770
Rents	3,600						3,600
Donation			14,900				14,900
Interest expense and fees		(41,231)	(1,897)	(42,372)			(85,500)
	-----	-----	-----	-----	-----	-----	-----
Total nonoperating revenue (expense)	3,600	(41,231)	64,780	(21,372)	0	5,001	10,778
Income (loss) before transfer and capital contributions	853	(104,040)	37,232	(120,911)	183	29,687	(156,996)
Transfers in			83,518		1,573	37,768	122,859
Transfers (out)		(248,215)				(15,865)	(264,080)
	-----	-----	-----	-----	-----	-----	-----
Change in net position	853	(352,255)	120,750	(120,911)	1,756	51,590	(298,217)
Net position:							
January 1, 2021	116,489	2,104,980	421,144	2,031,952	6,987	(15,364)	4,666,188
	-----	-----	-----	-----	-----	-----	-----
December 31, 2021	117,342	1,752,725	541,894	1,911,041	8,743	36,226	4,367,971
	=====	=====	=====	=====	=====	=====	=====

See accompanying notes.



## CITY OF COLMAN

STATEMENT OF CASH FLOWS - ENTERPRISE FUNDS  
FOR THE YEAR ENDING DECEMBER 31, 2021

	Liquor Fund	Water Fund	Electric Fund	Sewer Fund	Solid Waste Fund	Recreation Fund	Total Enterprise Funds
	-----	-----	-----	-----	-----	-----	-----
Cash flows from:							
Operating activities:							
Receipts from customers	17,795	207,209	1,018,110	162,483	61,780	259,455	1,726,832
Receipts from other funds (est)		7,900	37,000	8,000			52,900
Payments to employees	(3,574)	(21,322)	(29,594)	(17,595)		(100,469)	(172,554)
Payments to suppliers	(14,170)	(71,416)	(995,357)	(71,627)	(54,188)	(127,383)	(1,334,141)
Payments to other funds (est)		(3,000)		(1,500)		(6,000)	(10,500)
Net cash provided (used) by operating activities	----- 51	----- 119,371	----- 30,159	----- 79,761	----- 7,592	----- 25,603	----- 262,537
Noncapital financing activities:							
Due (from) to		248,215	(83,517)		(1,573)	(37,768)	125,357
Transfers in			83,518		1,573	37,768	122,859
Transfers (out)		(248,215)				(15,865)	(264,080)
Operating grants			51,770	21,000		5,000	77,770
Donation			14,900				14,900
Capital financing activities:							
Cash paid for improvement			(20,397)				(20,397)
Cash paid for equipment			(9,200)			(8,829)	(18,029)
Principal paid on debt		(36,305)	(21,094)	(36,381)			(93,780)
Interest paid on debt		(41,230)	(1,897)	(42,372)			(85,499)
Investing activities:							
Interest received			7			1	8
Rents	3,600						3,600
Net increase (decrease) in cash	----- 3,651	----- 41,836	----- 44,249	----- 22,008	----- 7,592	----- 5,910	----- 125,246
Cash:							
January 1, 2021	58,504	15,984	36,502	8,192	0	0	119,182
December 31, 2021	62,155	57,820	80,751	30,200	7,592	5,910	244,428
	=====	=====	=====	=====	=====	=====	=====
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:							
Operating income (loss)	(2,747)	(62,809)	(27,548)	(99,539)	183	24,686	(167,774)
Amortization		2,500					2,500
Depreciation	2,939	171,412	19,090	162,312		5,744	361,497
Pension related	(206)	(1,370)	(1,901)	(1,005)		(5,270)	(9,752)
(Increase) decrease in:							
Receivables		18,108	40,385	18,644	7,113		84,250
Increase (decrease) in:							
Accounts payable	397	(139)	8,675	(63)	296	443	9,609
Customer deposits		(7,413)	(7,413)				(14,826)
Leave liability	(332)	(918)	(1,129)	(588)			(2,967)
Net cash provided (used) by operating activities	----- 51	----- 119,371	----- 30,159	----- 79,761	----- 7,592	----- 25,603	----- 262,537
	=====	=====	=====	=====	=====	=====	=====
Noncash investing, capital and financing activities:							
None							

See accompanying notes.

CITY OF COLMAN  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of Colman conform to generally accepted accounting principles applicable to government entities in the United States of America.

a. Reporting Entity:

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

The City's officials at December 31, 2021 are:

Mayor:  
Gloria Van Duyn

Finance Officer:  
Maria Groos

Governing Board:  
Mitch Clark, President  
Roger Broghammer  
Travis Heiter  
Mike Preheim  
Troy Smallfield  
Mike Uhing

Attorney:  
Lammers, Kleibacker & Dawson

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

Financial Reporting Entity:  
Primary Government: - The City of Colman  
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 Colman 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 Colman has no 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 Activities. These statements display information about the reporting entity as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for good and services.

The Statement of Net Position reports all financial and capital resources, in a net position form (assets minus liabilities equal net position). Net position is displayed in three components, as applicable: net invested in capital assets, restricted (distinguishing between major categories of restrictions), and unrestricted.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the City's governmental activities and for each segment of City's business-type activities. Direct expenses are associated with a specific program or function and are clearly identifiable to a particular function. Program revenues 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. Revenues that are not classified as program revenues, including all taxes and interest, are presented as general revenues.

*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 assets, liabilities, net position, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, enterprise, and fiduciary. 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 assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 10 percent of the corresponding element total (assets, liabilities, revenues, or expenditures/expenses) 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.

*Debt Service Fund Type - debt service funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs. The City has the following debt service funds:*

Tax Increment Financing (TIF) District funds - Funds allowed by SDCL 11-9-24 to account for the proceeds of incremental property taxes, restricted to the payment of principal and interest on debt issued to finance a public improvement. The City accounts for 1 legally separate TIF debt fund. This TIF debt service fund is 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:

Liquor fund - A fund established by SDCL 35-3-21 to provide liquor services to customers in the City of Colman. The liquor fund is a major fund.

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

Electric fund - A fund established by SDCL 9-39-1 and 9-39-26 to provide electrical service to customers within the City of Colman. The electric fund is a major fund.

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

Solid Waste fund - A fund established by SDCL 9-32-11 and 34A-6 to provide collection and disposal of solid waste from the City of Colman. The solid waste fund is a major fund.

Recreation fund - A fund established by SDCL 35-3-21, 9-38-60 and 9-38-69 to provide clubhouse (liquor), golf and swimming pool activities from the City of Colman. The recreation fund is a major fund.

#### *Fiduciary Funds*

Fiduciary are never considered to be major funds.

In 2021 the City did not have any fiduciary funds.

#### c. Measurement Focus and Basis of Accounting:

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

#### *Measurement Focus*

##### *Government-wide Financial Statements:*

Both governmental and business-type activities are presented using the "economic resources" measurement focus, applied on the accrual basis of accounting.

The "economic resources" measurement focus includes all assets and liabilities (whether current or noncurrent, financial, or nonfinancial) on the balance sheet. Operating statements use the flow of all economic resources to present operating income, changes in net position, and cash flows during the accounting period. This measurement focus uses the term "net position" to describe its equity at the end of the accounting period.

#### *Fund Financial Statements:*

All governmental funds are presented using the "current financial resources" measurement focus and the modified accrual basis of accounting.

The "current financial resources" measurement focus includes only current financial assets and liabilities on the balance sheet. Operating statements present sources and uses of available spendable financial resources during the accounting period. This measurement focus uses the term "fund balance" to describe its equity at the end of the accounting period. It is a measure of available spendable financial resources.

Enterprise and fiduciary funds are presented using the "economic resources" measurement focus (described above) and the accrual basis of accounting.

#### *Basis of Accounting*

##### *Government-wide Financial Statements:*

In the government-wide financial statements, the accrual basis of accounting is used for both governmental and business-type activities in the Statement of Net Position and Statement of Activities. Under the accrual basis of accounting, revenues and related assets generally are recorded when earned (usually when the right to receive cash vests); and, expenses and related liabilities are recorded when an obligation is incurred (usually when the obligation to pay cash in the future vests).

##### *Fund Financial Statements:*

In the fund financial statements, all governmental funds are accounted for using the modified accrual basis of accounting. Their revenues, including property taxes, generally are recognized when they become measurable and available. "Available" means resources are collected or to be collected soon enough after the end of the fiscal year that they can be used to pay the bills of the current period. The accrual period does not exceed one bill-paying cycle, which for the City is 30 days. Revenue which is accrued at December 31, 2021 are amounts due from other governments and other accounts receivable.

Under the modified accrual basis of accounting, receivables may be measurable but not available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Unavailable revenues, where asset recognition criteria have been met, but for which revenue recognition criteria have not been met, are reported as a deferred inflow of resources.

Expenditures generally are recognized when the related fund liability is incurred. Exceptions to this general rule include principal and interest on general long-term debt which are recognized when due. However, the City of Colman budgets for, and makes payment of, debt obligations due on January 1st as of December 31st, the end of the City's fiscal year.

All enterprise funds and fiduciary funds (if any) are accounted for using the accrual basis of accounting, the same as in the government-wide financial statements. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

#### *d. Interfund Eliminations and Reclassifications:*

##### *Government-wide Financial Statements:*

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

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

*Fund Financial Statements:*

In the fund financial statements, noncurrent portions of long-term interfund receivables (reported in "Advance to" asset accounts) are equally offset by a nonspendable fund balance which indicates that they do not constitute "available spendable resources" since they are not a component of net position. Current portions of interfund receivables (reported in "Due from" asset accounts) are considered "available spendable resources."

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. Cash and Cash Equivalents:

In the enterprise funds' statement of cash flows, 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. Those portions of the enterprise funds' cash resources that are included in the City's internal cash management pool are considered to be cash and cash equivalents, regardless of the form in which they are held, because use of the pool provides each enterprise fund with access to its cash resources essentially on demand.

g. Capital Assets and Infrastructure assets:

Capital assets include land, buildings, improvements, and equipment, and all other tangible or intangible assets that are used in operations, which have initial useful lives extending beyond a single reporting period. Infrastructure assets are long-lived capital assets that normally are stationary in nature and normally can be preserved for significantly greater number of years than most capital assets. Infrastructure assets, if any, are classified as "Improvements Other than Buildings."

*Government-wide Financial Statements:*

In the government-wide financial statements, capital assets are accounted for on the accrual basis of accounting. Capital asset purchases are capitalized and not expensed. Instead, capital purchases are expensed over the life of the asset as depreciation or amortization.

Capital assets are valued at historical cost, or estimated historical cost, if actual historical cost is not available. Donated capital assets are valued at their estimated fair value on the date donated. Reported cost values include ancillary charges necessary to place the asset into its intended location and condition for use. After an item has been capitalized, subsequent improvements or betterments that are significant, and which extend the useful life of the item, are also capitalized.

The total December 31, 2021 balance of capital assets for governmental activities include approximately 5% for which the costs were determined by estimates of the original costs. The total December 31, 2021 balance of capital assets for business-type activities includes approximately 5% for which the costs were determined by estimates of the original costs. Estimated original costs were established by basing the estimates on a comparison to historical costs of similar items.

Interest cost incurred during construction of general capital assets are not capitalized with other capital asset cost. Interest cost incurred during construction of enterprise capital assets are not capitalized with other capital asset cost.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the government-wide statement of activities and the enterprise fund statement of revenue, expenses and changes in fund net position. Accumulated depreciation is reported on the government-wide statement of net position and on the enterprise fund's statement of net position. See also page 35.

Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts), depreciation method, and estimated useful lives of capital assets reported in the government-wide statements and enterprise funds are as follows:

	Capitalization Threshold -----	Depreciation Method -----	Estimated Life in Years -----
Land	All		NA
Buildings and structures	All	Straight-line	33-50
Improvements	10,000	Straight-line	20-25
Equipment	10,000	Straight-line	5-10

Land is an inexhaustible capital asset and is not depreciated.

There is construction-in-progress at December 31, 2021. See page 35 for more information.

#### *Fund Financial Statements:*

Capital assets and related depreciation expenses are not recorded in governmental funds of the fund financial statements because these funds have a "current financial resources" measurement focus. Instead, these funds report capital asset acquisitions as capital outlay expenditures.

Capital assets and related depreciation expenses are recorded on the accrual basis of accounting in the enterprise funds of the fund financial statements, the same as in the government-wide statements.

#### h. Long-term Liabilities:

##### *Government-wide Financial Statements:*

In the government-wide financial statement, all long-term liabilities to be repaid from governmental or business-type resources are reported as liabilities. Long-term liabilities primarily consist of revenue bonds and accrued leave payable.

##### *Fund Financial Statements:*

In the fund financial statements, governmental debt proceeds are reported as revenues (other financing sources), while payments of principal and interest are reported as expenditures when they become due. Enterprise fund long-term debt is reported as a liability, the same as in the government-wide statements.

#### i. Program Revenues and General Revenues and Deferred Inflows and Deferred Outflows of Resources:

##### *Program Revenue*

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

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

2. Program-specific operating grants and 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 governments, organizations, or individuals that are restricted for the acquisition of capital assets for use in a particular program.

#### *General Revenue*

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

#### *Deferred Outflows and Deferred Inflows of Resources*

In addition to assets, the statement of financial position and balance sheet reports a separate section for deferred outflows of resources (if any). Deferred outflows of resources represent consumption of net position that applies to a future period or periods. These items will not be recognized as an outflow of resources until the applicable future period.

In addition to liabilities, the statement of financial position and balance sheet reports a separate section for deferred inflows of resources (if any). Deferred inflows of resources represent acquisitions of net position that applies to a future period or periods. These items will not be recognized as an inflow of resources until the applicable future period.

#### j. Enterprise Fund Revenue and Expense Classifications:

In the government-wide and fund financial statements, enterprise revenues and expenses are classified in a manner consistent with how they are classified in the statement of cash flows. That is, transactions for which related cash flows are reported as capital and related financing activities, noncapital financing activities, or investing activities are not reported as components of operating revenues or expenses.

#### k. Equity Classifications:

##### *Government-wide Financial Statements:*

Equity is classified as "Net Position" and is displayed in three components:

1. Net Invested in Capital Assets - Consists of capital assets, including restricted capital assets, net of accumulated depreciation (if applicable) and reduced by the outstanding balances of any bonds payable, capitalized leases payable, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
2. Restricted Net Position - Consists of net position with constraints placed on its 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.
3. Unrestricted Net Position - Other net position that does not meet the criteria of 1 or 2 above.

##### *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 (except for agency funds, which have no fund equity) is reported as "Net Position" held in trust for a purpose.



# 1. Fund Balance Classification Policies and Procedures:

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

- \* Nonspendable - includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
- \* Restricted - includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors, or amounts constrained due to constitutional provisions or enabling legislation.
- \* Committed - includes fund balance amounts that are constrained for specific purposes that are internally imposed (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 balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund balance may be assigned by the Council or Finance Officer.
- \* Unassigned - includes positive fund balance within the general fund which has not been classified within the above categories and negative fund balances in other governmental funds.

The City of Colman fund balance classifications are made up of:

<u>Fund Balance Classifications</u>	<u>Account or Fund</u>	<u>Authority or Action</u>	<u>Amount</u>
Nonspendable	None		0
Restricted	TIF #1	Contract	7,008
Committed	None		0
Assigned	General - equipment	Finance officer	20,000
Assigned	General - streets	Finance officer	10,000
Unassigned	General		49,968
			-----
			86,976

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.

## m. 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.

## n. Allowance for Doubtful Accounts:

Because write-off of uncollected taxes and/or utility billings is minimal, is it not considered necessary to establish an estimated allowance for doubtful accounts.

o. Accounting Estimates:

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual amounts could differ from these estimates. Following are the estimates made by management during the year:

- \* Allowance for doubtful accounts - estimated uncollectables
- \* Inventory - estimated fair market value
- \* Depreciation - estimated service lives
- \* Cash Flows - interfund utility usage
- \* SDRS Pension - actuarial assumptions

2. VIOLATIONS OF FINANCE-RELATED LEGAL AND CONTRACTUAL PROVISIONS

Budget:

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

2021: General fund/general government/Mayor and Council	\$ 2,830
/general government/financial administration	8,254
/general government/other	43,464
/public safety/fire	9,991
/public works/highways and streets	133,702
/culture and recreation/pool	3,872
/culture and recreation/parks and recreation	27,835
/debt service	17,096

In the future, the City expects to make contingency transfers or adopt supplemental appropriations to cover expenditures that will exceed their original appropriation.

Water and Sewer Surcharge Receipts:

Water and sewer surcharges are billed and reported separately, but the receipts are commingled with other cash receipts and not segregated as required by bond covenants.

3. DEPOSITS AND RELATED RISKS

The City follows the practice of aggregating deposits of its various funds for cash management efficiency and returns, except for restricted cash held by 3rd parties and certificates of deposits purchased for an individual fund.

The City's 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, 2021 were as follows: Insured \$317,867, Collateralized \*\* \$19,304 for a total of \$337,171.

\*\* 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, including cash on hand of \$7,793, at December 31, 2021 was \$305,680.

Reconciliation of deposits to government-wide statement of net position is:

Statement of Net Position:

Bank Cash	\$ 297,887
Cash on hand	7,793
	-----
	\$ 305,680

Certificates of deposit, with a term to maturity of greater than 90 days when purchased, are insured or collateralized and are considered deposits.

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

Deposit Custodial Risk - The risk that, in the event of a depository failure, the City's deposits may not be returned to it. At December 31, 2021, the City's deposits in financial institutions were not exposed to custodial deposit risk.

Concentration of Credit Risk - The City places no limit on the amount that may be deposited in any one institution. All of the City's deposits are with Great Western Bank.

#### 4. INVESTMENTS AND RELATED RISKS

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 investments to be in the physical custody of the political subdivision or may be deposited in a safekeeping account with any bank or trust company designated by the political subdivision as its fiscal agent.

At December 31, 2021, the City had the following investment:

	Credit Rating	Maturities	Fair Value	Interest Rate Risk
South Dakota FIT: (100%)				
Govt. Cash Reserve Money Market	Unrated	NA	\$50,007	note 1 note 2
			-----	
		Total investments	\$50,007	

#### notes

- 1 Fixed principal. Interest rate varies. Not subject to interest rate risk.
- 2 South Dakota FIT is an external investment pool created for South Dakota local government investing. It is regulated by a nine member board with representation from municipalities, school districts, and counties. The net asset value of the SD.FIT money market account (GCR) is kept at one dollar per share by adjusting the rate of return on a daily basis. Earnings are credited to each account on a monthly basis.

Investment Custodial Risk - 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.

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

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 with the investment.

## 5. RECEIVABLES AND PAYABLES:

Receivables and payables are not aggregated in the financial statements. The City expects all receivables to be collected within one year. Allowances for estimated uncollectible accounts are not material to these financial statements.

## 6. DUE FROM OTHER GOVERNMENTS

At December 31, 2021, amounts due from other governments were:

	Governmental	Enterprise
Sales tax	\$ 3,312	
Alcohol	1,160	
Motor vehicle	1,939	
Highway and bridge receipts	4,410	
	-----	-----
	\$ 10,821	\$ 0

## 7. INVENTORY OF SUPPLIES AND SMALL TOOLS

*Government-wide Statements: (consumption method)*

In the government-wide financial statements inventories of supplies and small tools are recorded as assets when purchased and charged to expense when they are consumed. Inventories of supplies and small tools are recorded at cost. Donated items are valued at estimated market value at the date of receipt. The cost valuation method is first-in first-out.

*Fund Financial Statements: (consumption method)*

In the fund financial statements inventories of supplies and small tools are recorded as assets when purchased and charged to expenditure/expense when they are consumed. Reported governmental inventories are equally offset by nonspendable fund balance which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets.

Inventory of supplies and small tools is recorded at cost. Donated items are valued at estimated market value at the date of receipt. The cost valuation method is first-in first-out.

There are no material amounts of governmental inventory items to report at December 31, 2021.

Inventory of enterprise funds consist of liquor and food held for resale and expendable supplies at the Clubhouse and golf course. These inventory items are initially recorded as assets and charged to cost of goods sold when they are sold or used. Inventory is stated at the lower of cost or market and the cost valuation method used is first-in first-out.

Because Clubhouse and golf course activities stop in October, inventory is immaterial at year end and is not taken. No amounts are reported in these financial statements for Clubhouse and golf course inventory.

## 8. INTERFUND "DUE FROM" "DUE TO" BALANCES

At December 31, 2021 there are no interfund balances.

## 9. INTERFUND TRANSFERS

In 2021 the following interfund transfers were made.

	Transfer In	Transfer Out	
General	141,221		To off-set "Due to" and operations
General		65,000	To general capital assets
Gen cap assets	65,000		
Water		248,215	To off-set several "Due to"
Electric	83,518		To off-set "Due to"
Solid waste	1,573		To off-set "Due to"
Recreation	21,903		To off-set "Due to" and operations
	-----	-----	
	313,215	313,215	

#### 10. CUSTOMER DEVELOPMENT COST

The City entered into a contract with Big Sioux Community Water Systems to purchase 3 of their water customers for \$17,500 payable at \$2,500 a year for seven years without interest with the first payment in 2016. At December 31, 2021 a balance of \$2,500 remains to be paid on this contract.

#### 11. CAPITAL ASSETS AND DEPRECIATION

A summary of the changes in capital assets is presented in schedule one at the end of these notes. There is construction-in-progress at December 31, 2021. See page 35 for more information.

#### 12. LONG-TERM DEBT

A summary of changes in long-term liabilities is presented in schedule two at the end of these notes on page 36. For the year ending December 31, 2021, the City has no: (a) unused lines-of-credit, (b) short-term debt, (c) debt extinguishments, defeasances, refundings or troubled debt restructuring, (d) special assessment debt, (e) conduit debt, (f) derivatives or hedging of variable rate debt, (g) debt related to claims and judgments, or (h) other than the collateral specified, terms in debt agreements related to significant (1) events of default with finance-related consequences, (2) termination events with finance-related consequences or (3) subjective acceleration clauses.

#### 13. WATER, ELECTRIC AND SEWER FUNDS ASSIGNED BALANCE IN UNRESTRICTED NET POSITION

City Resolution 356-18 established assigned balances of \$8,000 in the water fund for water tower painting, \$50,000 in the electric fund for repairs, and \$10,000 in the sewer fund for pipe lining. These assigned balances are included in each fund's unrestricted net position.

#### 14. FUTURE REVENUES PLEDGED TO SECURE DEBT

All water fund net revenue (after normal operating, repair and maintenance expenses) is pledged to secure three drinking water borrower bonds which have a remaining balance of \$1,351,589. The bonds were incurred to cover the cost of water improvements as described on page 37. The bonds will mature in 2045, 2046 and 2048. In 2021 the bonds had pledged revenue of \$109,733 before depreciation, amortization, and pension activity. The water had total payments on these bonds of \$77,535.

All sewer fund net revenue (after normal operating, repair and maintenance expenses) is pledged to secure two revenue bonds loan which have a remaining balance of \$1,280,938. The bonds were incurred to cover the cost of sewer improvements as described on page 37. The bonds will mature in 2045 and 2046. In 2021 the bonds had pledged revenue of \$61,768 before depreciation and pension activity and payments of \$78,753.

#### 15. RESTRICTED NET POSITION

The following table shows the net position restricted for specific purposes as shown on the statement of net position:

Purpose:	Restricted By:	Governmental Activities	Business-Type Activities
Debt service	Covenants	\$ 7,008	\$ 104,441
SDRS pension purposes	GASB-68	5,918	14,183
		-----	-----
		\$ 12,926	\$ 118,624

## 16. PENSION PLAN

### Summary of Significant Accounting Policies:

For purpose of measuring the net pension (assets), liabilities, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the South Dakota Retirement System (SDRS) and additions to/deductions from SDRS's fiduciary net position have been determined on the same basis as they are reported by SDRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. City contributions and net position (asset)/liability are recognized on an accrual basis of accounting.

### Plan Information:

All employees, working more than 20 hours per week during the year, participate in the South Dakota Retirement System (SDRS), a cost-sharing, multiple employer hybrid defined benefit pension plan administered by SDRS to provide retirement benefits for employees of the State of South 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 greater or equal to 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 years ending December 31, 2021, 2020 and 2019 were \$14,139, \$14,823 and \$8,698, respectively (employer's share) equal to the required contribution each year.

Pension (Assets)/Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflow of Resources to Pensions:

At June 30, 2021 SDRS is 105.52% 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, 2021 and reported by the City as of December 31, 2021 are as follows:

Proportionate share of total pension liability	\$ 929,046
Less: Proportionate share of net position restricted for pension benefits	(980,357)
	-----
Proportionate share of net pension (asset)/liability	\$ (51,311)
	=====

At December 31, 2021 the City reported a (asset)/liability of \$(51,311) for its proportionate share of the net pension (asset)/liability. The net pension (asset) was measured as of June 30, 2021 and the total pension liability used to calculate the net pension (asset) was based on a projection of the City's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2021, the City's proportion was .000067000 which is an increase of .000000588 over its proportion measured as of June 30, 2020.

For the year ended December 31, 2021, the City recognized net pension (expense reduction) of \$13,062.

At December 31, 2021 the City reported deferred outflows of resources and deferred inflows of resources related to the pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 1,842	\$ 134
Change in assumptions	59,007	25,696
Net difference between projected and actual earnings on pension plan investments	0	73,298
Changes in proportion and difference between client contribution and proportionate share of contributions	1	
City contributions subsequent to the measurement date	7,069	
	-----	-----
Totals	67,919	99,128
	(7,069)	=====
	(99,128)	
	-----	
To be amortized over 4 years	(38,278)	
	=====	

The \$7,069 reported as deferred outflow of resources related to the pension, results from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2022.

The other amounts reported as deferred outflows of resources and deferred inflow of resources related to the pension will be recognized in pension expense (reduction of expense) as follows:

Year Ending December 31, 2022	\$ (9,428)
December 31, 2023	(6,431)
December 31, 2024	(1,799)
December 31, 2025	(20,620)
	-----
	(38,278)

#### Actuarial Assumptions:

The total pension 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	6.50% at entry to 3.00% after 25 years of service
Discount Rate	6.50% net of plan investment expense. This is composed of an average inflation rate of 2.25% and real returns of 4.25%.
Future COLAs	2.25%

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

Mortality rates for disabled members were based on the RP-2014 Disabled Retiree Mortality Table, adjusted to 2006 and projected generationally with Scale MP-2016.

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



#### 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.

#### 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 the 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	\$83,085	\$(51,311)	\$(160,408)

#### Investments

Investment portfolio management is the statutory responsibility of the South Dakota Investment Council (SDIC), which my 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, 2021 (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%	4.3%
Fixed Income	30.0%	1.6%
Real Estate	10.0%	4.6%
Cash	2.0%	0.9%
	-----	
	100.0%	
	=====	

#### Pension Plan Fiduciary Net Position:

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

#### 17. 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.

Property taxes are recognized to the extent they are used to finance each year's appropriations. Revenue related to current year property taxes receivable which is intended to be used to finance the current year's appropriations, but which will not be collected during the current fiscal year or within the "availability period" of 30 days has been deferred in the fund financial statements. Property tax revenues intended to finance the current year's appropriations, and therefore susceptible to accrual, has been reported as revenue in the government-wide financial statements, even though collection will occur in a future year.

Delinquent property taxes, from prior year tax levies, are included in "net position" in the government-wide statement of activities but are deferred in the fund financial statements. See reconciliations on page 11 and 12.

#### 18. RISK MANAGEMENT

The City is exposed to various risks of loss related to injuries to employees; torts; theft of or damage to property; errors and omissions of public officials; and natural disasters. During the year ending December 31, 2021, the City managed its risks as follows:

##### Employee Health Insurance:

None. Two employees get \$550 a month as a premium reimbursement for their private plans.

##### Liability Insurance:

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

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

The City reflected the effects of the new SDPAA policy in the financial statements as a Change in Accounting Estimates in the Statement of Activities and the Fund Operating Statements and also eliminated the reporting of the Deposit on the Statement of Net Position and Fund Balance Sheet.

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 has elected to reimburse the state of South Dakota for unemployment payments made on its behalf. No unemployment benefits were paid or incurred during 2021 and none are expected to be paid in 2022.

#### 19. PRIOR PERIOD RESTATEMENT

Additional cash of \$29,522 from reconciliation. Also, effective October 5, 2021, the SDPAA adopted a new policy on member departures as described above. To appropriately reflect these changes, the City of Colman restated its January 1, 2021 net position and fund balance as follows:

	Governmental Activities
Net Position January 1, 2021 (previously reported)	1,116,693
Restatement: Additional cash	29,522
SDPAA change in member departure policy	(48,066)
	-----
Net Position January 1, 2021 (restated)	1,098,149
	=====
	General Fund
Fund Balance (deficit) January 1, 2021 (previously reported)	(95,621)
Restatement: Additional cash	29,522
SDPAA change in member departure policy	(48,066)
	-----
Fund Balance (deficit) January 1, 2021 (restated)	(114,165)
	=====

#### 20. TAX INCREMENT FINANCING DISTRICT

The City established Tax Increment Financing (TIF) District #1 for \$390,000 of water and sewer infrastructure improvements to a new subdivision. The City received a loan of \$390,000 from South Dakota Housing Development Authority (SDHDA) to help pay for these improvements. At December 31, 2021 the City owed \$216,553 to South Dakota Housing on this loan. Loan payments are accounted for in TIF #1 debt service fund. See also page 36.

#### 21. SEWER FUND LOAN AGREEMENT WITH THE SOUTH DAKOTA DEPT OF ENVIRONMENT AND NATURAL RESOURCES

Because of statutory debt limitations, the City entered into the following agreements with the South Dakota Department of Environment and Natural Resources by Resolution 327-14.

The City of Colman designates \$26.17 of the established monthly sewer rates collected in accordance with City Ordinance #313-12 as captured and committed. Said Commitment is subject to adjustment from time to time by ordinance as necessary to repay two (2) Clean Water State Revolving Fund loans (SRF) over a period of no more than thirty (30) years at an interest rate of three and one-quarter percent (3.25%), in accordance with the loan agreement to be entered into by the City of Colman and the SD Department of Environment and Natural Resources, the proceeds of which loan are to be used for the Phase 1 sewer line replacement/repair project and Phase 2 sewer line replacement/repair projects.

C462144-01 Clean Water original loan:

\$1,217,748 at 3.25% for 30 years with a surcharge of \$21.00

C462144-02 Clean Water original loan:

\$300,000 at 3.25% for 30 years with a surcharge \$ 5.17

Such surcharge shall be segregated from all other funds of the City of Colman, shall be and hereby pledged to secure such loan, and shall be used for no purposes other than for repayment thereof. Said surcharge will be implemented and reflected with first utility billing on February 2014.

## 22. WATER FUND LOAN AGREEMENT WITH THE SOUTH DAKOTA DEPT OF ENVIRONMENT AND NATURAL RESOURCES

Because of statutory debt limitations, the City entered into the following agreements with the South Dakota Department of Environment and Natural Resources by Resolution 328-14.

The City of Colman designates \$24.56 of the established monthly water rates collected in accordance with City Ordinance #313-12 as captured and committed. Said Commitment is subject to adjustment from time to time by ordinance as necessary to repay three (3) Drinking Water State Revolving Fund loans (SRF) over a period of no more than thirty (30) years at an interest rate of three percent (3.00%), in accordance with the loan agreements to be entered into by the City of Colman and the SD Department of Environment and Natural Resources, the proceeds of which loans are to be used for the Phases 1, 2, and 3 drinking water system repair and replacements projects.

C462144-02 Drinking Water original loan:

\$434,528 at 3.00% for 30 years with a surcharge \$6.89

C462144-03 Drinking Water original loan:

\$632,008 at 3.00% for 30 years with a surcharge \$9.92

C462144-04 Drinking Water original loan:

\$462,362 at 3.00% for 30 years with a surcharge \$7.75

Such surcharges shall be segregated from all other funds of the City of Colman, shall be and hereby pledged to secure such loan, and shall be used for no purposes other than for repayment thereof. Said surcharges will be implemented and reflected with first utility billing on February 2014.

## 23. TAX ABATEMENTS

As of December 31, 2021 the City did not provide any tax abatement incentives through its Tax Increment Financing District Project or through other agreements that are considered tax abatements in accordance with the provisions of GASB #77.

## 24. LITIGATION

The City can be a party to litigation. No determination can be made at this time regarding the potential outcome of possible matters. However, as discussed in the risk management note above, the City has liability coverage for itself and its employees. Therefore, any litigation is not expected to have a potential material effect on the City's financial statements.

## 25. OTHER DISCLOSURES AND SUBSEQUENT EVENTS

The City does not operate a landfill.

The City does not offer any Other Post Employment Benefits.

The City does not have any material related party transactions.

In 2022 the City expects to receive a FEMA grant to help cover the \$260,000 estimated cost of burying electrical lines.

The City has applied to be on the State Water Plan.

NOTES TO THE FINANCIAL STATEMENTS -- SCHEDULE ONE  
CHANGES IN CAPITAL ASSETS  
FOR THE YEAR ENDING DECEMBER 31, 2021

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CITY OF COLMAN  
NOTES TO THE FINANCIAL STATEMENTS -- SCHEDULE TWO  
CHANGES IN LONG-TERM DEBT  
FOR THE ONE YEAR ENDING DECEMBER 31, 2021

	Beginning 12-31-20	2021 Additions	2021 (Deletions)	Governmental Ending 12-31-21	Business-Type Ending 12-31-21	Principal Due in 2022
<b>GOVERNMENTAL - DIRECT BORROWING</b>						
2007 South Dakota Housing Loan:						
Actual draws to total \$390,000						
First payment due 6-1-2009						
Financing for Tax Increment Financing District #1						
Maturing on 6-1-2022						
Interest at 4.67%						
Interest forgiven after 10-25-2021						
Repayment as tax incremental revenues						
are received over a period of 15 years						
Paid by TIF #1 debt service fund	254,999		(38,446)	216,553		39,271
2019 Sales Tax Revenue Bonds, Series 2019:						
Original bond amount: \$647,011						
Maturing on 12-1-2034						
Interest at 3.95% first 11 years						
Interest at 4.50% next 5 years						
Semi-annual payment of principal and interest						
Secured by "...so much of the [Sales Tax]						
as may be necessary..." to make bond payments						
Callable at option of City on or after 5-15-2020						
with a decreasing call penalty						
Paid by general fund	593,105		(36,071)	557,034		38,639
2019 loader lease/purchase:						
Original amount of \$68,100						
Maturing in January 2021						
Interest at 0.00%						
Lease/purchase of a Gehl AL750 loader						
Secured by equipment						
Paid by the General Fund	28,802		(14,050)	14,752		14,752
2020 Bobcat lease/purchase:						
Original amount of \$10,813						
Maturing in April 2024						
Imputed interest at 5.00%						
Lease/purchase of a Bob-Cat mower						
Secured by equipment						
Paid by the General Fund	9,140		(2,592)	6,548		2,722
<b>GOVERNMENTAL - OTHER DEBT</b>						
Accrued leave payable: general fu	4,696	3,898	(4,696)	3,898		3,898
<b>Totals</b>	<b>890,742</b>	<b>3,898</b>	<b>(95,855)</b>	<b>798,785</b>		<b>99,282</b>

SCHEDULE OF PAYMENTS FOR LONG-TERM DEBT  
AT DECEMBER 31, 2021

	Total Payment	Principal	Interest	Balance
<b>2007 South Dakota Housing Loan:</b>				
2022	39,271	39,271	0	177,282
2023	39,271	39,271	0	138,011
2024	39,271	39,271	0	98,740
2025	39,271	39,271	0	59,469
2026	39,271	39,271	0	20,198
2027	20,198	20,198	0	0
<b>Totals</b>	<b>216,553</b>	<b>216,553</b>	<b>0</b>	
<b>2019 Sales Tax Revenue Bonds, Series 2019:</b>				
2022	60,222	38,639	21,583	518,395
2023	60,221	40,181	20,040	478,214
2024	60,222	41,784	18,438	436,430
2025	60,221	43,450	16,771	392,980
2026	60,222	45,184	15,038	347,796
2027-2031	270,920	221,381	49,539	126,415
2032-2034	135,382	126,415	8,967	0
<b>Totals</b>	<b>707,410</b>	<b>557,034</b>	<b>150,376</b>	
<b>2019 loader lease/purchase:</b>				
2022	14,752	14,752	0	0
<b>2020 Bob-Cat lease/purchase:</b>				
2022	3,049	2,722	327	3,826
2023	3,049	2,858	191	968
2024	1,016	968	48	0
<b>Totals</b>	<b>7,114</b>	<b>6,548</b>	<b>566</b>	

CITY OF COLMAN  
NOTES TO THE FINANCIAL STATEMENTS -- SCHEDULE TWO (continued)  
CHANGES IN LONG-TERM DEBT  
FOR THE ONE YEAR ENDING DECEMBER 31, 2021

	Beginning 12-31-20 -----	2021 Additions -----	2021 (Deletions) -----	Governmental Ending 12-31-21 -----	Business-Type Ending 12-31-21 -----	Principal Due in 2022 -----
<b>BUSINESS-TYPE - DIRECT BORROWING</b>						
2013 Drinking Water Borrower Bond (DW-2):						
Original amount of \$434,528						
Interest at 3.0%						
Quarterly payments of \$5,504.43						
First payment February 15, 2015						
Last payment February 15, 2045						
Water line replacement						
Payable exclusively out of pledged revenue from segregated customer surcharge receipts of the water fund.						
Paid by water fund	378,389		(10,786)		367,603	11,114
2014 Drinking Water Borrower Bond (DW-3):						
Original amount of \$1,600,000						
Forgiven at closing: \$968,000						
Interest at 3.0%						
Quarterly payments of \$8,022.77						
First payment May 15, 2016						
Last payment February 15, 2046						
Water line and water tower replacement						
Payable exclusively out of pledged revenue from segregated customer surcharge receipts of the water fund.						
Paid by water fund	566,767		(15,259)		551,508	15,722
2013 Clean Water Borrower Bond (CW-1):						
Original amount of \$1,574,248						
Forgiven at closing: \$356,500						
Interest at 3.25%						
Quarterly payments of \$15,924.53						
First payment February 15, 2015						
Last payment February 15, 2045						
Sewer line replacement						
Payable exclusively out of pledged revenue from segregated customer surcharge receipts of the sewer fund.						
Paid by sewer fund	1,058,656		(29,651)		1,029,005	30,626
2014 Clean Water Borrower Bond (CW-2):						
Original amount of \$800,000						
Forgiven at closing: \$500,000						
Interest at 3.25%						
Quarterly payments of \$3,763.81						
First payment February 15, 2016						
Last payment February 15, 2046						
Sewer line replacement						
Payable exclusively out of pledged revenue from segregated customer surcharge receipts of the sewer fund.						
Paid by sewer fund	258,663		(6,730)		251,933	6,952
2017 Drinking Water Borrower Bond (DW-4):						
Original amount of \$462,362						
Interest at 3.00%						
Quarterly payments of \$5,857.01						
First payment due in 2019						
Last payment November 15, 2048						
Water line and water tower replacement						
Payable exclusively out of pledged revenue from segregated customer surcharge receipts of the water fund.						
Paid by water fund	442,738		(10,260)		432,478	10,572
2017 Underground Electric Project Loan:						
Original amount of \$145,000						
Maturing on 5-1-2024						
Interest at 3.0%						
Monthly payments of \$1,915.93						
Callable at option of City						
Unsecured						
Paid by electric fund	72,843		(21,094)		51,749	21,736
<b>BUSINESS-TYPE - OTHER DEBT</b>						
Accrued leave payable:						
Paid by the enterprise funds	12,061	9,095	(12,061)		9,095	9,095
Totals	2,790,117	9,095	(105,841)		2,693,371	105,817

CITY OF COLMAN  
NOTES TO THE FINANCIAL STATEMENTS -- SCHEDULE TWO (continued)  
CHANGES IN LONG-TERM DEBT  
FOR THE ONE YEAR ENDING DECEMBER 31, 2021

SCHEDULE OF PAYMENTS FOR LONG-TERM DEBT  
AT DECEMBER 31, 2021

	Total Payment	Principal	Interest	Balance
	-----	-----	-----	-----
2013 Drinking Water Borrower Bond (DW-2):				
2022	22,018	11,114	10,904	356,489
2023	22,018	11,451	10,567	345,038
2024	22,018	11,799	10,219	333,239
2025	22,018	12,157	9,861	321,082
2026	22,017	12,525	9,492	308,557
2027-2031	110,089	68,562	41,527	239,995
2032-2036	110,088	79,613	30,475	160,382
2037-2041	110,089	92,446	17,643	67,936
2042-2045	71,556	67,936	3,620	0
	-----	-----	-----	-----
Totals	511,911	367,603	144,308	
	=====	=====	=====	
2014 Drinking Water Borrower Bond (DW-3):				
2022	32,091	15,722	16,369	535,786
2023	32,091	16,199	15,892	519,587
2024	32,091	16,690	15,401	502,897
2025	32,091	17,196	14,895	485,701
2026	32,091	17,718	14,373	467,983
2027-2031	160,455	96,988	63,467	370,995
2032-2036	160,456	112,620	47,836	258,375
2037-2041	160,455	130,773	29,682	127,602
2042-2046	136,387	127,602	8,785	0
	-----	-----	-----	-----
Totals	778,208	551,508	226,700	
	=====	=====	=====	
2013 Clean Water Borrower Bond (CW-1):				
2022	63,698	30,626	33,072	998,379
2023	63,698	31,634	32,064	966,745
2024	63,698	32,674	31,024	934,071
2025	63,698	33,749	29,949	900,322
2026	63,698	34,860	28,838	865,462
2027-2031	318,491	192,274	126,217	673,188
2032-2036	318,490	226,052	92,438	447,136
2037-2041	318,491	265,764	52,727	181,372
2042-2045	207,018	181,372	25,646	0
	-----	-----	-----	-----
Totals	1,480,980	1,029,005	451,975	
	=====	=====	=====	
2014 Clean Water Borrower Bond (CW-2):				
2022	15,055	6,952	8,103	244,981
2023	15,055	7,180	7,875	237,801
2024	15,055	7,416	7,639	230,385
2025	15,055	7,660	7,395	222,725
2026	15,055	7,913	7,142	214,812
2027-2031	75,276	43,643	31,633	171,169
2032-2036	75,277	51,310	23,967	119,859
2037-2041	75,276	60,323	14,953	59,536
2042-2046	63,984	59,536	4,448	0
	-----	-----	-----	-----
Totals	365,088	251,933	113,155	
	=====	=====	=====	
2017 Drinking Water Borrower Bond (DW-4):				
2022	23,428	10,572	12,856	421,906
2023	23,428	10,892	12,536	411,014
2024	23,428	11,223	12,205	399,791
2025	23,428	11,564	11,864	388,227
2026	23,428	11,914	11,514	376,313
2027-2031	117,140	65,219	51,921	311,094
2032-2036	117,140	75,731	41,409	235,363
2037-2041	117,140	87,938	29,202	147,425
2042-2046	117,141	102,112	15,029	45,313
2047-2048	46,856	45,313	1,543	0
	-----	-----	-----	-----
Totals	632,557	432,478	200,079	
	=====	=====	=====	
2017 Underground Electric Project Loan:				
2022	22,991	21,736	1,255	30,013
2023	22,991	22,397	594	7,616
2024	7,664	7,616	48	0
	-----	-----	-----	-----
Totals	53,646	51,749	1,897	
	=====	=====	=====	



## CITY OF COLMAN

## REQUIRED SUPPLEMENTARY INFORMATION

## BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS

FOR THE YEAR ENDING DECEMBER 31, 2021

GENERAL FUND	Budgeted Amounts				Actual	Variance Positive (Negative)
	Original	Contingency Transfers	Supplemental	Final		
Revenue:						
Revenue from local sources:						
Taxes:	282,430			282,430		(282,430)
Ad valorem taxes				0	86,971	86,971
Sales and use tax				0	271,698	271,698
Licenses and permits:	1,070			1,070	4,955	3,885
Intergovernmental revenue:	44,485			44,485		(44,485)
Federal grants:				0	6,630	6,630
State shared revenue:						
Grants					254,345	254,345
Bank franchise tax					493	493
Motor vehicle - commercial					584	584
Liquor tax reversion					5,589	5,589
Motor vehicle licenses (5%)					14,442	14,442
Highway and bridge					21,312	21,312
County shared revenue:					1,811	1,811
Charges for goods and services	68,600			68,600		(68,600)
Public works					1,600	1,600
Health and welfare (West Nile)					14,589	14,589
Swimming pool					15,512	15,512
Camping					9,108	9,108
Fines and forfeits:					0	0
Miscellaneous revenue:	25,970			25,970		(25,970)
Interest earned					39	39
Rentals and franchise fees					27,078	27,078
Donations					65,300	65,300
Other					2,450	2,450
Total revenues	422,555	0	0	422,555	804,506	381,951
Expenditures:						
General government:						
Mayor and Council	22,200			22,200	25,030	(2,830)
Contingency	10,000			10,000		10,000
Amount transferred				0		0
Elections				0		0
Financial administration	18,330			18,330	26,584	(8,254)
Other	59,300			59,300	102,764	(43,464)
Public safety:						
Police	38,900			38,900	37,396	1,504
Fire	29,100			29,100	39,091	(9,991)
Public works:						
Highways and streets	133,750			133,750	267,452	(133,702)
Health and welfare:						
West Nile	18,800			18,800	17,299	1,501
Culture and recreation:						
Swimming pool	36,850			36,850	40,722	(3,872)
Parks and recreation	25,100			25,100	52,935	(27,835)
Debt service	60,225			60,225	77,321	(17,096)
Total expenditures	452,555	0	0	452,555	686,594	(234,039)
Excess of revenues over (under) expenditures	(30,000)	0	0	(30,000)	117,912	147,912
Other financing sources (uses):						
Transfer in	30,000			30,000	141,221	111,221
Transfer (out) - cap assets				0	(65,000)	(65,000)
Net change in fund balance	0	0	0	0	194,133	194,133
Fund balance (deficit):						
January 1, 2021, restated	(114,165)			(114,165)	(114,165)	0
December 31, 2021	(114,165)	0	0	(114,165)	79,968	194,133

CITY OF COLMAN

NOTES TO SUPPLEMENTARY INFORMATION - BUDGETS

SCHEDULE OF BUDGETARY COMPARISON FOR THE  
GENERAL FUND FOR THE ONE YEAR ENDING DECEMBER 31, 2021

1. BUDGETS AND BUDGETARY ACCOUNTING

The City follows these procedures in establishing the budgetary data reflected in the required 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 appropriations. During 2021 there were no supplemental appropriations to increase the general fund's budget. See page 39.
- e. Unexpended appropriations lapse at year end unless encumbered by resolution of the governing board. There were no appropriations encumbered at December 31, 2021.  
  
Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the general fund.
- f. Formal budgetary integration is employed as a management control device for the general fund.
- g. The budget for the general fund is adopted on a basis consistent with generally accepted accounting principles (GAAP).

2. GAAP and Budgetary Accounting Basis Difference:

The financial statements prepared in conformity with U.S.GAAP present capital outlay expenditure information in a separate category of expenditures. Under the budgetary basis of accounting, capital outlay expenditures are reported within the function to which they relate. For example, the purchase of a road grader would be reported as a capital expenditure on the governmental funds statement of revenues, expenditures and changes in fund balances. However, in the budgetary RSI schedule, the purchase of a road grader would be reported as an expenditure in the public works function of general fund, along with all other current public works expenditures.

CITY OF COLMAN  
FOR THE EIGHT YEARS ENDING DECEMBER 31, 2021

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 Pension Allocation Percentage	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, 2021	0.0067000%	(51,310)	152,050	(33.75%)	105.52%
June 30, 2020	0.0066412%	(288)	145,750	(00.20%)	100.04%
June 30, 2019	0.0065328%	(692)	138,900	(00.50%)	100.09%
June 30, 2018	0.0062717%	(146)	130,383	(00.11%)	100.02%
June 30, 2017	0.0062293%	(565)	126,567	(00.45%)	100.10%
June 30, 2016	0.0065275%	22,049	124,117	17.76%	96.89%
June 30, 2015	0.0062250%	(26,402)	113,650	(23.23%)	104.10%
June 30, 2014	0.0063964%	(46,083)	111,850	(41.20%)	107.30%

(1) The amounts presented for each fiscal year were determined as of the collective net pension (asset)/liability 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 COLMAN  
FOR THE EIGHT YEARS ENDING DECEMBER 31, 2021

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, 2021	14,139	14,139	0	235,650	6.00%
December 31, 2020	14,823	14,823	0	247,050	6.00%
December 31, 2019	8,698	8,698	0	144,967	6.00%
December 31, 2018	7,980	7,980	0	133,000	6.00%
December 31, 2017	7,741	7,741	0	129,017	6.00%
December 31, 2016	7,304	7,304	0	121,733	6.00%
December 31, 2015	6,656	6,656	0	110,933	6.00%
December 31, 2014	6,342	6,342	0	105,700	6.00%

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

CITY OF COLMAN

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, 2021

Changes of Prior Valuation:

The June 30, 2021 Actuarial Valuation reflects no changes in actuarial methods from the June 30, 2020 Actuarial Valuation. One change in actuarial assumptions and one plan provision change are reflected and described below.

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

Benefit Provision Changes:

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

Actuarial Assumption Changes:

The SDRS COLA equals the percentage increase in the most recent third calendar quarter CPI-W over the prior year, no less than 0.0% (0.5% prior to 2021) and no greater than 3.5%. However, if the FVFR assuming the long-term COLA is equal to the baseline COLA assumption (currently 2.25%) is less than 100%, the maximum COLA payable will be limited to the increase that if assumed on a long-term basis, results in a FVFR equal to or exceeding 100%. The condition existed as of June 30, 2020 and the July 2021 SDRS COLA was limited to a restricted maximum of 1.41%. As of June 30, 2021, the FVFR assuming the COLA is equal to the baseline COLA assumption is greater than 100%. The July 2022 SDRS COLA will equal inflation, between 0% and 3.5%. For the June 30, 2020 actuarial valuation, future COLAs were assumed to equal the restricted maximum of 1.41%. For this June 30, 2021 actuarial valuation, future COLAs are assumed to equal the baseline COLA assumption of 2.25%.

The change in the COLA assumption increased the actuarial accrued liability by \$1,135 million, or 8.9% of the actuarial accrued liability based on the 1.41% restricted maximum COLA.

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

Actuarial Method Changes:

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

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

To the Honorable Mayor and  
Members of the Colman City Council  
Colman, 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 financial statements of governmental activities, business-type activities, and each major fund, of the City of Colman (City), Moody County, South Dakota, as of December 31, 2021 and for year 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 April 29, 2022 which was unmodified.

Report on Internal Control Over Financial Reporting:

In planning and performing my audit of the financial statements, I considered City of Colman's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, 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 City of Colman'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 Colman'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 have not been identified. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses.

I did identify certain deficiencies in internal control, described in the accompanying schedule of current audit findings as items 2021-01, 2021-02, and 2021-03 that I consider 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 Colman in a separate Letter of Comments dated April 29, 2022.

Compliance and Other Matters:

As part of obtaining reasonable assurance about whether City of Colman'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 financial statements. 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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of current audit finding as item 2021-01.

I did note other minor matters involving compliance that I reported to the governing body and management of the City of Colman in a separate Letter of Comments dated April 29, 2022.

City's Response to Findings:

Government Auditing Standards require the auditor to perform limited procedures on the City's response to the findings identified in my audit. The City's response to the findings identified in my audit are described in the accompanying schedule of current audit findings. The City's responses were not subject to the other auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on the responses.

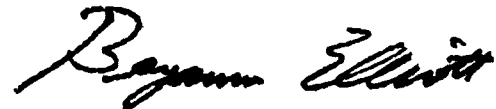
Purpose of this Report

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

As required by South Dakota Codified Law 4-11-11, this report is a matter of public record and its distribution is not limited.

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

April 29, 2022

A handwritten signature in black ink that reads "Benjamin Elliott". The signature is written in a cursive, flowing style.

SCHEDULE OF PRIOR AUDIT FINDINGS

Prior Other Audit Findings:

From:

2006-01: Budget Overdrafts -- Repeated below as 2021-01  
2018-02: Lack of Segregation of Duties -- Repeated below as 2021-02  
2008-04: Preparation of Financial Statements - Repeated below as 2021-03  
2019-04: Segregation of Surcharge Cash -- Resolved

SCHEDULE OF CURRENT AUDIT FINDINGS

Summary of the Independent Auditor's Results:

*Financial Statements*

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

Material noncompliance noted:	Findings: 2021-01
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Internal control over financial reporting:

* Material weakness(es) identified?	None Reported
* Significant deficiency(ies) identified that are not considered to be material weaknesses?	Findings: 2021-01 thru 2021-03

Finding 2021-01: General Fund Budget Overdraft  
(compliance and internal control)

*Criteria:*

SDCL 9-21 requires governmental expenditures to be authorized in an annual appropriation ordinance, or by a supplemental appropriation ordinance, by the governing body before the end of year. The City is prohibited from spending in excess of appropriated amounts at the sub-function level.

*Condition:*

City expenditures exceeded their appropriation in the following areas:

2021: General fund/general government/Mayor and Council	\$ 2,830
/general government/financial administration	8,254
/general government/other	43,464
/public safety/fire	9,991
/public works/highways and streets	133,702
/culture and recreation/pool	3,872
/culture and recreation/parks and recreation	27,835
/debt service	17,096

*Possible Effect:*

Expenditures in excess of a budget can lead to unnecessary expenditures and unnecessary taxation. Also, joint and several liability may attach to any official who approves an expenditure in excess of the amount budgeted for any purpose or department. SDCL 9-21-9 and 9-21-10

*Recommendation:*

I recommend the City stay within its budget, using contingency transfers and supplemental appropriations to adjust budget line items when necessary.

*Management Response:*

In the future, the City expects to make contingency transfers or adopt sufficient supplemental appropriations to cover expenditures that will exceed their original appropriation.

CITY OF COLMAN  
DECEMBER 31, 2021  
SCHEDULE OF CURRENT AUDIT FINDINGS AND RESPONSES (continued)

Finding 2021-02: Lack of Proper Segregation of Duties  
(internal control)

**Criteria:**

Management of a municipality is responsible for establishing and maintaining an internal control structure to provide management and the 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.

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 processes most revenue transactions from beginning to end. The finance officer receives money, issues receipts, records receipts, post receipts in the accounting records, and prepares bank deposits. As a result, an inadequate segregation of duties existed for the revenue function.

A third party does review bank reconciliations.

**Effect:**

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

**Recommendation:**

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

**Response:**

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 adequately segregate duties. The City of Colman is aware of this problem and is attempting to provide compensating controls whenever and wherever possible and practical. For example, a third party does review bank reconciliations. However, this lack of segregation of duties in the revenue function is expected to continue to exist.

Finding 2021-03: 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. Also, South Dakota Codified Law (SDCL) 9-14-17 and 9-14-18 requires the finance officer to keep regular books of account.

**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:**

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.