

Financial Statements  
December 31, 2021

**City of Dell Rapids, South Dakota**

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City of Dell Rapids, South Dakota  
Elected and Appointed Officials (unaudited)  
December 31, 2021

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<u>Elected</u>	<u>Term Position</u>	<u>Term Expires December 31,</u>
Bill Schmidt	President	2024
Barry Berg	Vice President	2024
Gary Haak	Council Member	2025
Wendy Nelson	Council Member	2023
Chad Ronshaugen	Council Member	2024
Chuck Jones	Council Member	2025
Marlana Wenzel	Council Member	2024
Bob Mier	Council Member	2025
<u>Appointed</u>		
Justin Weiland	City Administrator	
Claire Baartman	Finance Officer	



## Independent Auditor's Report

To the City Council  
City of Dell Rapids, South Dakota

### Report on the Audit of the Financial Statements

#### ***Opinions***

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Dell Rapids (the City) as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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

#### ***Basis for Opinions***

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

#### ***Emphasis of Matter***

As discussed in Note 1 and 10 to the financial statements, the City has adopted the provisions of GASB Statement No. 87, *Leases*. Our opinions are not modified with respect to this matter.

As discussed in Note 11 to the financial statements, the City determined that the General Fund inaccurately excluded retainage payable related to ongoing construction related to 2020 and prior. This has resulted in a restatement of the fund balance of the General Fund as of January 1, 2021. In addition, the Governmental Activities, Water, and Wastewater funds excluded retainage payable and related construction in progress related to 2020 and prior. This has resulted in a restatement of the beginning Construction in Progress and Retainage Payable of the related funds as of January 1, 2021. Our opinions are not modified with respect to this matter.

### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of 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 misstatement, whether due to fraud or error.

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

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

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

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

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

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

## **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Schedule of Employer's Share of Net Pension Liability (Asset), and Schedule of Employer's Contributions 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 Governmental 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. We 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 our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted budgetary comparison schedules for the Federal Grant special revenue fund that U.S. generally accepted accounting principles requires to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental 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. Our opinion on the basic financial statements are not affected by this missing information.

## **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2022, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Example's internal control over financial reporting and compliance.



Fargo, North Dakota  
September 28, 2022

This section of Municipality of Dell Rapids (Municipality) financial report presents our discussion and analysis of the Municipality's financial performance during the fiscal year ended on December 31, 2021. Please read it in conjunction with the Municipality's financial statements, which follow this section.

## **FINANCIAL HIGHLIGHTS**

- During the year, the Municipality's revenues generated from charges for services, taxes and other revenues of the governmental programs were \$4,719,470 and \$2,915,819 governmental expenditures. This is an increase from the prior year when revenue exceeded expenditures by \$1,803,651.
- In the Municipality's business-type activities, revenues were \$4,105,867 and \$3,182,454 business-type expenditures. This is a decrease from the prior year when revenue exceeded expenditures by \$887,407.

## **OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of three parts – management's discussion and analysis (this section), the basic financial statements, including related notes, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the Municipality:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the Municipality's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the Municipal government, reporting the Municipality's operations in more detail than the government-wide statements.
  - The governmental funds statements tell how general government services like public safety were financed in the short-term as well as what remains for future spending.
  - Proprietary fund statements offer short- and long-term financial information about the activities that the Municipality operates like businesses. The Municipality has three proprietary funds – the Water Fund, the Sewer Fund, and the Liquor Fund.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. In addition to the required elements, we have included a section with combining statements that provide details about our nonmajor governmental funds, each of which are added together and presented in a single column in the basic financial statements.

Figure A-2 summarizes the major features of the Municipality’s financial statements, including the portion of the Municipal government they cover and the types of information they contain. The remainder of the overview section of the management’s discussion and analysis explains the structure and contents of each of the statements.

**Figure A-2**

Major Features of Municipality of Dell Rapids's Government-wide and Fund Financial Statements			
	Government-wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire municipal government	The activities of the municipality that are not proprietary, such as finance office, street department and parks	Activities the Municipality operates similar to private businesses, the water and sewer systems and Liquor Fund
Required Financial Statements	*Statement of Net Position *Statement of Activities	*Balance Sheet *Statement of Revenues, Expenditures and Changes in Fund Balances	*Statement of Net Position *Statement of Revenues, Expenses and Changes in Net Position *Statement of Cash Flows
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of Asset/Liability Information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of Inflow/Outflow Information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid

**Government-wide Statements**

The government-wide statements report information about the Municipality as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government’s assets and liabilities. All of the current year’s revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the Municipality’s net position and how they have changed. Net position – the difference between the Municipality’s assets and liabilities – is one way to measure the Municipality’s financial health or position.

- Increases or decreases in the Municipality’s net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the Municipality you need to consider additional nonfinancial factors such as changes in the Municipality’s property tax base and changes in the sales tax revenue base.



The government-wide financial statements of the Municipality are reported in two categories:

- Governmental Activities -- This category includes the most of the Municipality's basic services, such as finance office, public works, parks department and general administration. Property taxes, sales taxes, charges for services, state and federal grants and interest earnings finance most of these activities.
- Business-type Activities -- The Municipality charges a fee to customers to help cover the costs of certain services it provides. The Municipality's water and sewer systems are included here as well as the Municipality's Liquor Fund.

## **FUND FINANCIAL STATEMENTS**

The fund financial statements provide more detailed information about the Municipality's most significant funds – not the Municipality as a whole. Funds are accounting devices that the Municipality uses to keep track of specific sources of funding and spending for particular purposes.

- State Law requires some of the funds.
- The Municipal Council establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The Municipality has two kinds of funds:

- Governmental Funds – Most of the Municipality's basic services are included in the governmental funds, which focus on (1) how cash and other financial assets that can readily converted to cash flow in and out and (2) the balances left at the year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Municipality's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information on the subsequent page, that explains the relationship (or differences) between them.
- Proprietary Funds – Services for which the Municipality charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both short- and long-term financial information. The Municipality's enterprise funds (one type of proprietary fund) are the same as its business-type activities, but provide more detail and additional information, such as cash flows.

## FINANCIAL ANALYSIS OF THE MUNICIPALITY AS A WHOLE

### NET POSITION

The Municipality's combined net position increased by 8.49% between fiscal year 2020 and 2021 – or an increase of \$2,538,828 (See Table A-1).

	Governmental Activities		Business-Type Activities		Total		Total % Changed
	2020 (as restated)	2021	2020 (as restated)	2021	2020 (as restated)	2021	
Current and Other Assets	\$ 4,709,277	5,839,216	\$ 4,028,479	\$ 4,734,900	\$ 8,737,756	\$ 10,574,116	21.02%
Capital Assets	13,051,289	13,743,565	20,922,950	23,388,418	33,974,239	37,131,983	9.29%
Total Assets	<u>\$ 17,760,566</u>	<u>19,582,781</u>	<u>\$ 24,951,429</u>	<u>\$ 28,123,318</u>	<u>\$ 42,711,995</u>	<u>\$ 47,706,099</u>	<u>11.69%</u>
Deferred Outflows of Resources	\$ 138,005	213,112	\$ 77,977	\$ 123,620	\$ 215,982	\$ 336,732	55.91%
AP and Other Current Liabilities	\$ 324,795	350,286	\$ 1,270,552	\$ 1,813,812	\$ 1,595,347	\$ 2,164,098	35.65%
Noncurrent Liabilities	390,804	367,152	10,055,462	11,476,984	10,446,266	11,844,136	13.38%
Total Liabilities	<u>\$ 715,599</u>	<u>717,438</u>	<u>\$ 11,326,014</u>	<u>\$ 13,290,796</u>	<u>\$ 12,041,613</u>	<u>\$ 14,008,234</u>	<u>16.33%</u>
Deferred Inflows of Resources	\$ 125,993	324,140	\$ 75,068	\$ 486,326	\$ 201,061	\$ 810,466	303.09%
Net Position							
Net Investment in Capital Assets	\$ 12,656,034	13,405,254	\$ 10,244,184	\$ 10,545,354	\$ 22,900,218	\$ 23,950,608	4.59%
Restricted	244,199	329,133	693,912	853,750	938,111	1,182,883	26.09%
Unrestricted	4,156,746	5,019,928	2,690,228	3,070,712	6,846,974	8,090,640	18.16%
Total Net Position	<u>\$ 17,056,979</u>	<u>18,754,315</u>	<u>\$ 13,628,324</u>	<u>\$ 14,469,816</u>	<u>\$ 30,685,303</u>	<u>\$ 33,224,131</u>	<u>8.27%</u>

The Statement of Net Position presents the assets and liabilities in order of relative liquidity. Liabilities with average maturities greater than one year are reported in two components – the amount due within one year and the amount due in more than one year. Long-term liabilities of the Municipality, consisting of compensated absences payable, sales tax revenue bonds payable and water revenue bonds payable, have been reported in this manner on the Statement of Net Position. The difference between the Municipality's assets and liabilities is its net position.

The Municipality's net position reflects its investment in capital assets (e.g., land, buildings, machinery and equipment); less any related debt used to acquire those assets that is still outstanding. The Municipality uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. The increase in net position invested in capital assets, net of related debt relates to the Municipality's purchase of multiple improvement projects, library furniture and equipment, library books, and new street department equipment for use by the appropriate Municipal Departments.

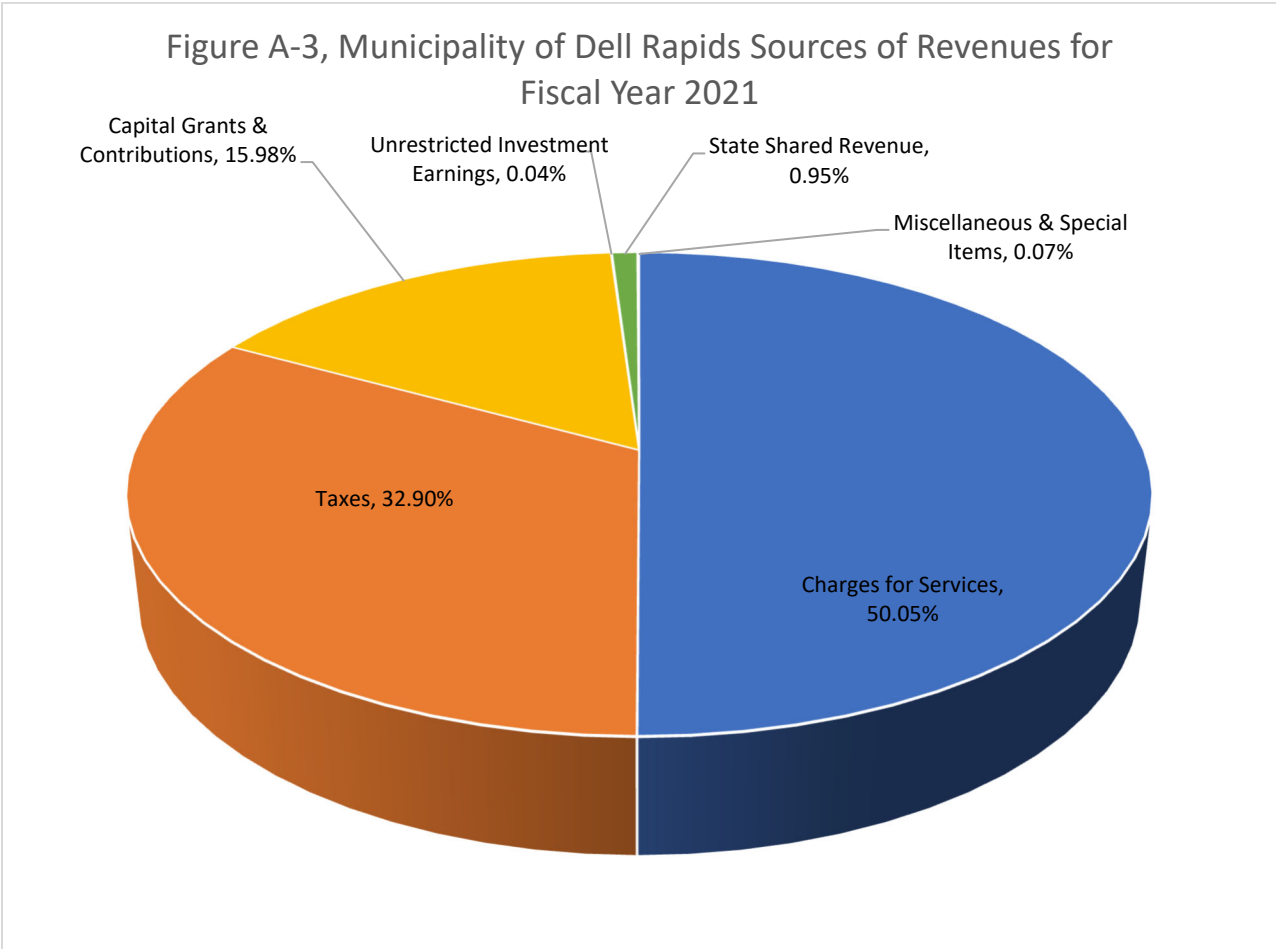
The Municipality's restricted net position represent resources that are subject to external restrictions on how they may be used. These restrictions are normally set by state statute, federal regulations or debt covenants. There was an increase in restricted net position due to additional debt service and new GASB 68 standards of reporting SDRS Pension on the face of the financial statements.

The remaining balance of net position are unrestricted and may be used to meet the Municipality's ongoing obligations to citizens and creditors.

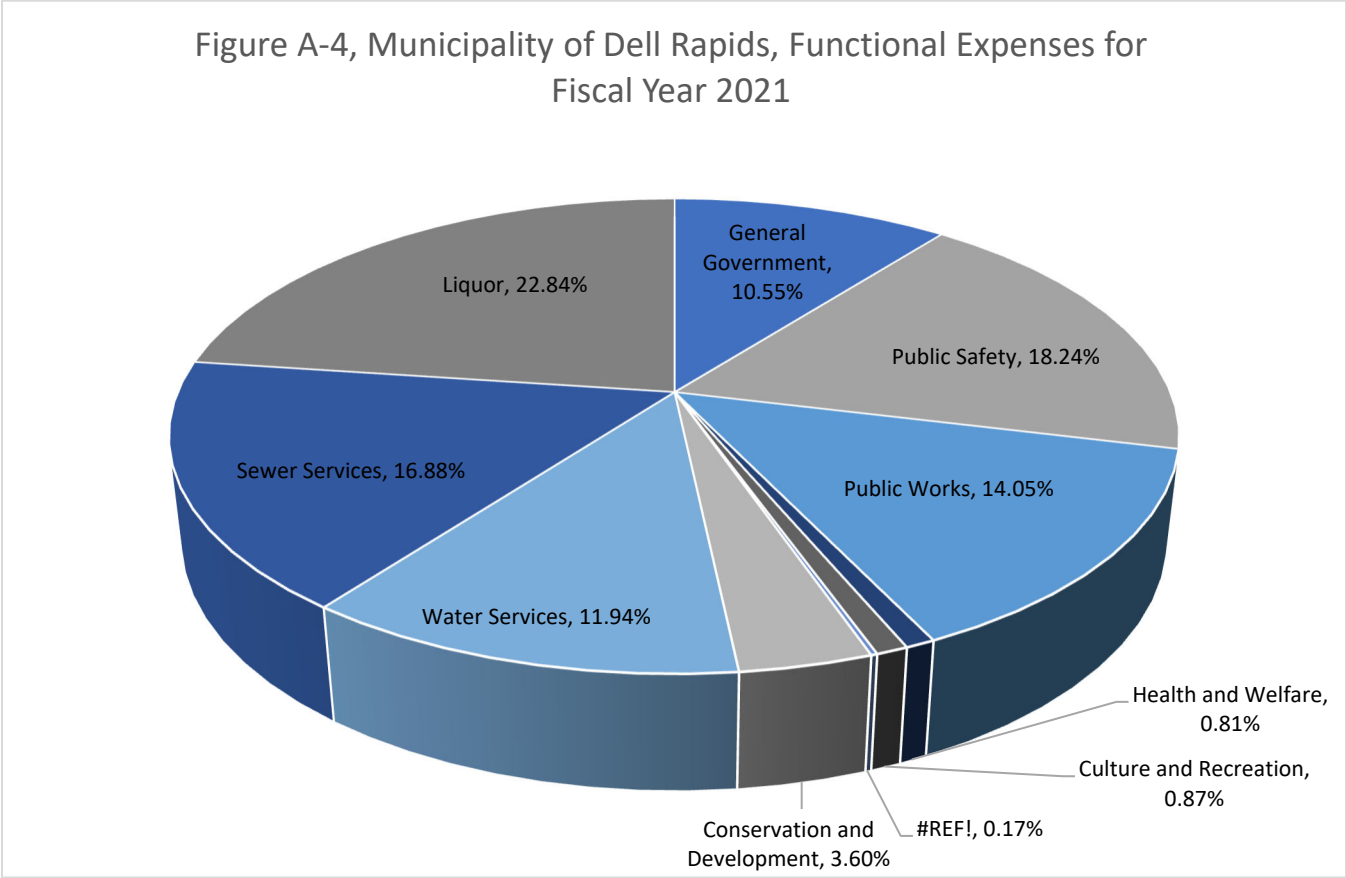
At the end of the current year, the Municipality is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior year.

**CHANGES IN NET POSITION**

The Municipality’s revenues totaled \$8,788,763. (See Table A-2.) Over three quarters of the Municipality’s revenue comes from charges for services and taxes, with 50.57 cents of every dollar raised coming from charges for services (primarily water, sewer, and liquor operations) and 33.36 cents of every dollar raised comes from some type of tax. (See Figure A-3). The remaining 16.07% comes from capital grants and contributions, state-shared revenues, interest earnings and miscellaneous and special items.



The Municipality's expenses cover a range of services, with just over half related to Business-type Activities (Water, Sewer, and Liquor Funds). (See Figure A-4)



City of Dell Rapids, South Dakota  
Management Discussion and Analysis  
December 31, 2021

Table A-2  
City of Dell Rapids  
Changes in Net Position

	Governmental Activities		Business-Type Activities		Total		Total % Change
	2020	2021	2020	2021	2020	2021	
<b>Revenues</b>							
Program Revenues							
Charges for Services	\$ 131,735	\$ 881,490	\$ 3,414,610	\$ 3,517,560	\$ 3,546,345	\$ 4,399,050	24.04%
Operating Grants	132,100	-	-	-	132,100	-	-100.00%
Capital Grants and Contributions	1,297,662	816,104	1,281,644	588,308	2,579,306	1,404,412	-45.55%
General Revenues							
Taxes	2,710,789	2,891,825	-	-	2,710,789	2,891,825	6.68%
Revenue State Sources	78,623	83,814	-	-	78,623	83,814	6.60%
Unrestricted Investment Earnings	2,191	1,842	1,843	1,336	4,034	3,178	-21.22%
Miscellaneous	29,208	3,834	3,050	2,650	32,258	6,484	-79.90%
Total Revenues	<u>\$ 4,382,308</u>	<u>4,678,909</u>	<u>\$ 4,701,147</u>	<u>\$ 4,109,854</u>	<u>\$ 9,083,455</u>	<u>\$ 8,788,763</u>	-3.24%
<b>Expenses</b>							
General Government	\$ 578,513	\$ 659,551	\$ -	\$ -	\$ 578,513	\$ 659,551	14.01%
Public Safety	551,630	1,139,699	-	-	551,630	1,139,699	106.61%
Public Works	895,581	877,963	-	-	895,581	877,963	-1.97%
Health and Welfare	106,705	50,489	-	-	106,705	50,489	-52.68%
Culture and Recreation	462,242	54,581	-	-	462,242	54,581	-88.19%
Conservation and Development	226,221	224,937	-	-	226,221	224,937	-0.57%
Miscellaneous	-	4,000	-	-	-	4,000	
Interest on Long-Term Debt	10,879	10,345	-	-	10,879	10,345	-4.91%
Water Services	-	-	668,883	746,281	668,883	746,281	11.57%
Wastewater Services	-	-	1,091,224	1,054,783	1,091,224	1,054,783	-3.34%
Liquor	-	-	1,446,699	1,427,306	1,446,699	1,427,306	-1.34%
Total Expenses	<u>\$ 2,831,771</u>	<u>\$ 3,021,565</u>	<u>\$ 3,206,806</u>	<u>\$ 3,228,370</u>	<u>\$ 6,038,577</u>	<u>\$ 6,249,935</u>	3.50%
Excess (Deficiency) Before Transfers	1,550,537	1,657,344	1,494,341	881,484	3,044,878	2,538,828	-16.62%
Transfers	(415,008)	39,992	415,008	(39,992)	-	-	
Increase (Decrease) in Net Position	1,135,529	1,697,336	1,909,349	841,492	3,044,878	2,538,828	
Beginning Net Position	15,921,450	17,056,979	11,718,975	13,628,324	27,640,425	30,685,303	11.02%
Ending Net Position	<u>\$ 17,056,979</u>	<u>\$ 18,754,315</u>	<u>\$ 13,628,324</u>	<u>\$ 14,469,816</u>	<u>\$ 30,685,303</u>	<u>\$ 33,224,131</u>	8.27%

### **Governmental Activities**

Table A-2 and the narrative that follows consider the operations of the governmental activities.

Governmental revenues for the Municipality increased 6.78% from prior year, while Governmental expenses increased by 2.96%. Although revenue appears to have remained static there was a significant increase in the Charges for Services account and a significant decrease in the Capital Grants and Contributions Account. The increase in Charges for Services is due to the SE Infrastructure Project Special Assessment coming due. There were a handful of property owners that chose to pay off the assessment in full during 2021 rather than pay installments over a 10-year span. The decrease in Capital Grants and Contributions is due one-time funding from the second flood disaster in the fall of 2019 and the 2020 corona virus pandemic. Both events resulted in substantial expenditures that were reimbursed via federal grants in 2020.

Governmental expenditures also appear to have remained relatively static as Governmental revenue. There are however, two accounts that noticed larger than normal increase/decreases. The first is Public Safety - The increase of \$588,069 is almost all due to the purchase of the houses and land that were deemed unsalvageable after the last flood. The large decrease in Culture and Recreation is also due to the purchase of the flood land. The negative that is shown is because of the way in which capital assets are reported on the fund financials versus here on the government wide statements. Capital assets purchased are reported as expenditures on the fund financial statements but rather increase assets on the government wide statements.

### **Business-type Activities**

Revenues of the Municipality's business-type activities decreased 12.58%. Expenses remained static with less than 1% increase. The reason for the decrease in revenues is due to the first phase of the SE Infrastructure Project coming to a close. The City did not receive as much loan and grant monies in the current year.

## **FINANCIAL ANALYSIS OF THE MUNICIPALITY'S FUNDS**

The financial analysis of the Municipality's funds mirror those highlighted in the analysis of governmental and business-type activities presented above. The Municipality maintains five governmental funds - General, Gross Receipts, Library Fines and Fees, Library Donations Funds and Federal Grant Fund and the only three business type funds – Water, Sewer and Liquor Funds.

### **General Fund Budgetary Highlights**

Over the course of the year, the Municipal Council revised the Municipal budget one time. These amendments fall into two categories:

- Supplemental appropriations and contingency transfers approved for unanticipated, yet necessary, expenses to provide for items necessary for health and welfare of its citizens.
- Increases in appropriation line items, primarily by contingency transfer, to prevent budget overruns.

Finance department was approved for an additional \$8,500 for the additional costs of a single audit as well as other application fee increases.

With the second flood disaster in the fall of 2019 and a dozen properties damaged the City with the help of the State and FEMA entered into agreements to buy out the properties impacted. The cost to the homeowners was 15% of the costs associated with the buyout and returning the land to its natural state. As such the Council approved an additional \$15,000 to Other Protection.

Recreation was approved for an additional 21,500. 2021 was the first year the addition to the Campground was open – utilities were not increased enough during budget preparations to account for the increase in usage – 6,000. The City determined it was necessary to add WIFI to the City Campground – 10,000. And engineering started on the Old 77 Trailway that was not budgeted for in the original budget – 5,500.

Finally, Community Support was increase by \$5,000. This was to correct the amount budgeted to what it should have been.

### CAPITAL ASSET ADMINISTRATION

By the end of 2021, the Municipality had invested in a broad range of capital assets, including, various projects, improvements, and machinery and equipment. (See Table A-3.) This amount represents a net increase (including additions and deductions) of \$3,157,745, or 9.29%, over the last year.

Table A-3  
City of Dell Rapids - Capital Assets  
(net of depreciation)

	Governmental Activities		Business-Type Activities		Total Dollar Change	Total % Change
	2020 (as restated)	2021	2020 (as restated)	2021		
Land	\$ 1,003,064	\$ 1,699,294	\$ 85,157	\$ 85,157	\$ 696,230	63.98%
Construction in Progress	821,164	1,173,318	6,648,180	9,663,367	3,367,341	45.08%
Buildings and structures	3,191,466	3,082,995	7,921,751	7,652,166	(378,056)	-3.40%
Improvements Other Than Buildings	7,284,294	7,078,074	5,946,882	5,672,377	(480,725)	-3.63%
Machinery and Equipment	751,300	709,884	320,978	315,351	(47,043)	-4.39%
Total Capital Assets (Net)	<u>\$ 13,051,288</u>	<u>\$ 13,743,565</u>	<u>\$ 20,922,948</u>	<u>\$ 23,388,418</u>	<u>\$ 3,157,747</u>	<u>9.29%</u>

This year's major capital asset additions included:

- Governmental fund additions was the purchase of FEMA floodplain homes/land - \$694,229.62. The continuation of the SE Infrastructure Project (Phase 1) and the start of Phase 2 – both in CIP at year end - \$1,020,828. Street maintenance - \$152,490. As well as other minor additions.
- Business-type major additions were the continuation of the SE Infrastructure Project (Phase 1) and start of Phase 2 – all in CIP - \$9,663,367, the GIS mapping system - \$27,114, and \$12,615 at Norby's.

**LONG-TERM DEBT**

At year-end the Municipality had \$12,424,908 in Sales Tax Revenue Bonds, Water and Wastewater SRF loans, and other long-term obligations. This is an increase of 14.67% as shown on Table A-4 below.

Table A-4  
City of Dell Rapids - Outstanding Debt and Obligations

	Governmental Activities		Business-Type Activities		Total Dollar Change	Total % Change
	2020	2021	2020	2021		
Compensated Absences	\$ 54,376	\$ 60,977	\$ 36,280	\$ 38,713	\$ 9,034	9.97%
Sales Tax Revenue Bond	356,767	338,311	-	-	(18,456)	-5.17%
Water SRF Loans	-	-	3,820,575	4,316,204	495,629	12.97%
Wastewater SRF Loans	-	-	6,567,161	7,670,702	1,103,541	16.80%
Total Outstanding Debt and Obligations	\$ 411,143	\$ 399,288	\$ 10,424,016	\$ 12,025,619	\$ 1,589,748	14.67%

The Municipality is liable for 25% of unused accrued sick leave hours to all full-time employees who have accumulated the maximum number of allowed sick leave hours. The increase in both Governmental and Business-type Activities is due to a higher balance of leave being carried by those eligible.

The Municipality has one Sales Tax Revenue Bond associated with the Quartzite Street Project. This bond is secured and paid for by sales tax revenue.

The Municipality has eight outstanding SRF Drinking Water Loans totaling \$4,316,204. The loans are secured and paid for from the Water Fund. These bonds were used for various projects and the last one will begin payment in 2022 and will be fully paid off in 2053.

The Municipality has eight outstanding SRF Clean Water Loans totaling \$7,670,703. The bonds are secured and paid for from the Wastewater Fund. These bonds were used for various projects and the last one will begin payment in 2022 be fully paid off in 2053.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

BUDGET SUMMARY

The 2022 proposed spending for all funds is \$10,500,916 as compared to \$12,188,462 in the 2021 adopted budget. (2020 Budget - \$11,850,760; 2019 Budget- \$11,506,439; 2018 Budget - \$8,831,780; 2017 Budget - \$12,041,909; 2016 Budget - \$5,639,244; 2015 Budget - \$7,801,881). These figures are all inclusive of personnel and operational expenditures as well as capital improvements, debt service, federal grant fund and the proprietary funds; liquor, water, sewer funds and the equipment replacement fund.



State law limits the increase a taxing district may levy to the combined total of the Consumer Price Index (CPI) and Growth. The 2022 Growth has been calculated at 2.022% (\$26,782) and the CPI is 1.2% (\$15,601). This is a total of \$42,383 additional general fund property tax dollars for the 2022 budget. The total general property tax base amount of 2022 is predicted at \$1,342,460. These numbers were provided to the City by the Minnehaha County Auditor's office. The City automatically receives the Growth projection of 2.022%, however the City has the option to either accept or deny the CPI increase. The City has taken the CPI for the past several years with the exception of 2014 and 2016. It is important to note that the City has continued to take the CPI increase but the Mill Levy has continued to decrease from where it was in 2015 (5.567) to today's 2021 levy level of 4.685. It is predicted that the mill levy will decrease again in 2022 because of the strong growth percentage of 3.22%. The estimate (emphasize estimate) based on current numbers would be a very slight decrease from the current levy rate of 4.685 to approximately 4.671. Finance Officer Baartman has prepared a very detailed Mill Levy explanation and spreadsheet of the statistics since 2012. The spreadsheet details the impact of the City not taking the CPI. Finance Officer Baartman will take the opportunity to verbally explain the documents at the August 3<sup>rd</sup> budget meeting.

The Sales Tax Revenue for 2022 has been budgeted at \$1,000,000. This amount was increased from the budgeted amount of \$900,000 in 2021 because of continued strong performance over the past several years. It is important to remain conservative on sales tax estimated revenue, but the City has shown a strong ability to continue outpacing previous years even in the aftermath of a global pandemic. The current projection for 2022 is that sales tax revenue should remain the same or in slight excess of 2021. 2021 was a record year due to an emphasis on shopping more local during the Covid-19 pandemic. Best practice for municipal budgeting, that is heavily based on sales tax revenue, is to budget conservatively to avoid forced budget cuts if revenue falls shorter than expected. Administration and the Finance Office is confident with the projected revenue of \$1,000,000 in sales tax.

The City will again budget A 2% Cost of Living Adjustment (COLA) and a 3% merit increase for employees (total 5%). The actual Merit increase provided to employees is generally less than the 3% budgeted based upon the performance of individual employees. However, as personnel costs are one of the greatest expenses within our organization it does allow for flexibility within the fiscal year to make adjustments. The City is fortunate to have very dedicated employees with a very low turnover rate. The team the City has built is considered one of the best in the State. Our employees continue to receive accolades for performance and are called upon by colleagues from other Cities for guidance. Dell Rapids employees continue to meet the needs of our growing City without requesting large increases to departmental budgets or requests for additional personnel when not justified.

#### GENERAL FUND

The General Fund accounts for 55% (\$5,791,964) of total proposed spending in 2022, which is attributed to the wide array of programs contained within the fund. The 2022 budget reflects another strong year of spending on City services and infrastructure. Several expenses that have become standard for the General Fund will continue in 2022. The budget reflects an increased commitment of \$325,000 towards the maintenance of street infrastructure in the form of crack sealing, slurry seal and asphalt overlaying. The City will not perform concrete spall repair in 2022. Instead these funds will be directed towards additional overlaying projects.

The City will take a break from a major infrastructure replacement program in 2022 with plans to return in 2023 in the form of the major 3<sup>rd</sup> Street project. The main infrastructure project in 2021 will be the full depth mill and asphalt overlay of Old 77 from 4<sup>th</sup> Street to 15<sup>th</sup> Street. This project is estimated at \$900,000. The City attempted to find a grant for this project without success as the project is considered maintenance of existing infrastructure. Also the City has decided to dedicate our capital to obtain DOT related grants to the 3<sup>rd</sup> Street project. Therefore, the City will dedicate and commit General Fund reserve funds towards this important project. The overlay of Old 77 will provide for a safer driving surface on the City's main north south corridor. The overlay project will also provide the City with time to analyze the future use of this right of way as our community grows in direction north and west. The City budgeted for this project in 2021 but decided a better strategy was to coordinate the project with the Old 77 Recreational Trail occurring in 2022.

The 3<sup>rd</sup> Street Bridge replacement will continue planning progress in 2022. The City has engaged Banner Engineering to complete the bridge design. The budget reflects \$100,000 of expenses, \$80,000 of which the General Fund will cover and \$20,000 a past federal grant will cover. The City intends to complete engineering designs in 2022, submit to the State grant program. If successful receiving a State grant the City will proceed with construction in 2023.

This 2022 budget is highly focused on quality-of-life infrastructure projects. The majority of the funds in the general fund beyond the typical wages, benefits, supplies of departments and commitments of public safety, are geared toward quality of life projects. The City, along with community and State partners has established the Sioux River Red Rock Trail system. The City completed the link to the Old Mill/Dam Site area in 2020. The City applied for and received a \$400,000 DOT Transportation Alternative Grant in 2021. This grant funding will help the City to implement the first phase of the Old 77 Recreation Trail between 7<sup>th</sup> and 10<sup>th</sup> Street in 2022. This project includes the important improvement of the intersections at 7<sup>th</sup>, 8<sup>th</sup> and 10<sup>th</sup> Street. The City also successfully received a \$100,000 Land Water Conservation Fund Grant in 2021 to assist with the construction of a Splash Park. The City will complete this budgeted \$200,000 project in 2022. The City did not open the City Swimming Pool during the summer of 2020 due Covid-19 and plans to reinvest the funds not spent towards this splash park improvement. Not opening the facility saved the City approximately \$90,000 in general fund expenditures.

An additional "non-infrastructure" project has been included in the Parks and Recreation budget for 2022. Administration has received a quote of approximately \$75,000 to create a "Quality of Place" Plan to assist with prioritizing future quality of life projects in the City of Dell Rapids. This Quality of Place plan would seek to assist the Council analyze and prioritize the comprehensive list of quality-of-life projects that have been accruing over the past several years. The hiring of a professional consultant to gather the community, employ engagement tactics with the public to provide feedback on desires and needs that are not currently being met. The City has been approached by community groups requesting additional ballfields, a community center, improvements to main street, a dog park, etc. This engagement process would help to gain the feedback of the public and inform the Council's decisions for future improvements. Putting the public's taxpayer dollars in the places that they most prefer.

The General Government Fund reflects \$56,000 in professional services towards the studying of the eastern drainage area from 12<sup>th</sup> Street to the Big Sioux River. The City received a grant from the Department of Homeland Security in the amount of \$42,000 to cover a large portion of the studies costs. The City will be responsible for \$14,000 of the study. The purpose of the study is to determine a path forward for drainage improvements in this area as well as verify and refute the finding of the recent FEMA floodplain mapping for Dell Rapids.

The Buildings and Maintenance fund reflects few improvements in 2022. Administration is again attempting to twist the Council's arms into replacing their own chairs in Council Chambers with a budget amount of \$4,000. The final major expense within the Buildings and Maintenance Fund is for the construction of the Transit Facility. The current status of this project is discussed in further detail below as this is a carry over from the 2021 budget. The budget reflects \$325,000 building with the City responsibility of \$50,000 as a grant will cover the additional costs.

The Park and Recreation Funds reflects the major investment towards the addition of a Splash Park at the City Swimming Pool mentioned earlier. The Park and Recreation funds reflect \$6,000 dedicated towards purchase of additional aluminum picnic tables as well as various campground upgrades that may be needed. The budget also continues the commitment towards removing, replacing and treating trees associated with Emerald Ash Borer. The City will continue the Tree Rebate Program into 2022. A budget amount of \$400,000 has been included in the budget for the replacement of the sheep shed and comfort station in the main park with a new facility.

The City has made multiple improvements to create a better experience for customers accessing City services. The City has operationalized almost all City offered services on-line within the past 5 years. These technological improvements offer not only an easier more accessible way to access our services, but they also help the City to better document our transactions. Perfect examples of this are the implementation of the on-line campground reservation system or the swimming lessons sign up registration process. The City Council's live stream of Council meetings, the City website and agenda management system are also examples of technology methods we have implemented to bring better transparency to our residents. Administration has included in the 2022 budget, \$7,000 for the purchase of an on-line building permit, code enforcement and planning and zoning tool. The software available today will create a more streamlined building permit process that allows for submissions of plans and permits on-line. This tool would also assist our building inspector with the tools to communicate more easily with contractors after inspections. It would also help with the organization of Planning and Zoning documents for publishing notices and documenting conditional uses, variances, re-zones, etc....that are becoming more and more frequent as our community grows.

An additional expenditure of note is the transfer of \$80,000 to the Wastewater Fund to cover the SE Sewer Extension bond payment. This will continue to be an annual budget item until this loan dedicated to sales tax is paid off.

The Transit budget continues to include 5 days of public transit in the fall, winter and spring and moving to 4 days in the summer. The City transitioned to Brookings Area Transit as the managing authority of our Transit System in 2021. The transition has gone well with the exception of the challenges of hiring and keeping drivers. BATA has brought a renewed interest in expanding the services of the transit into untapped areas of our community. The budget reflects a City responsibility of \$50,000 to cover the costs of operation minus the federal funds and ride fares received. The City and BATA will continue to analyze expenditures and make further efforts to gain more Medicare rides and seek advertising partnerships. The City received a grant in 2019, however issues with the State and Federal process have slowed the ability to construct the facility. The construction of this facility at the City's pump station on South Garfield Avenue is again included in the 2022 budget.

The City has established a commitment towards assisting several local organizations with annual operational funding. The largest of which in the 2022 budget is a continued dedication to the Dell Rapids Economic Development Corporation by honoring their request of \$100,000. Administration is proposing that the City increase the commitment towards Economic Development by including funding for the SMGA Professional Services program that seeks to place a part time economic development person in Dell Rapids to assist with proactive Economic Development initiatives. The Economic Development total budget is \$118,500, \$38,500 of which is the SMGA position and \$80,000 that will be provided directly to the Development Corporation for their operating expenses. Economic Development is broken out between the General Fund and 3<sup>rd</sup> Penny Sales tax the same as previous years. A total \$81,600 is reflected in the General Fund and \$36,400 is reflected in the 3<sup>rd</sup> Penny Sales Tax Fund. The City has established a very positive relationship with the DREDC in the form of this budgetary support. This support will continue in 2022. Administration has emphasized the need for additional professional support with economic development in previous years and sees a positive relationship with the new SMGA program that can only help Dell Rapids. The other significant community group related request for funding is the Chamber of Commerce with a request of \$40,000. This is the same amount as 2020 and 2021. The Chamber hired a Full-Time Director Position in 2017 that has been a very positive service to the Chamber members and the community. They currently are searching for someone to fill this Director roll, however the Chambers positive activity over the past several years warrants this level of funding. The Fire Department is requesting an increase of 5% in 2022. The Fire Department did not receive an increase in 2020 but saw a 5% increase in 2020. The independent Dell Rapids Ambulance organization has requested a \$45,000 in 2022. This has remained the same request since 2018. The Dell Rapids Haven requested a decrease amount from \$8,500 to \$7,500 in 2021. They have requested a re-instatement of that \$8,500 request in 2022. The Dell Rapids Historic Society received a \$5,000 contribution in 2021 and has made a specific request of \$2,500 with an "appreciate more if possible" clause. Administration has plugged in \$4,000 for the Museum budget as their continued expenses with their historic structure are always a challenge. The Dell Rapids Senior Citizens Center did not make an official request for this year's budget. The Senior Citizens received \$5,000 in the 2021 budget. Administration again programmed this same amount in 2022 as the Senior Citizens are heavily dependent upon the City's contribution for their operations. The City will also continue to be a member of the Sioux Metro Growth Alliance as well as the South Eastern Council of Governments. These two organizations assist the City with economic development representation and assistance with state and federal grant and loan funding.

Within all funds the utilities have been analyzed and increased or lowered based on past usage. Throughout the budget, wages were shifted to reflect hours dedicated within each department by our City Staff. The City's Health Insurance consultant has told the City to prepare for a possible increase of between 5 and 8%. In previous years the insurance provider has instructed the City to plan for a 10% increase but have implemented small increases between 0% and 3%. This is understandable as the Health Pool of South Dakota can't analyze their increases until after having a fuller picture of the pools health insurance claims. The budget reflects a 5 % increase across all departments. The City won't know what the actual percentage increase is until after the adoption of this budget. The City utilizes the South Dakota Health Pool for employee health insurance since 2017.

The General Fund currently reflects a deficit of \$1,872,504. City Administration has reflected a transfer of General Fund reserves in that same amount to create a zero based/balanced budget. This General Fund Reserve transfer is on the high range compared to previous years; History - 2013 = \$475,801, 2014 = \$263,717, 2015 = \$153,534, 2016 = 151,318, 2017 = 478,705, 2018 = \$639,520, 2019 = \$382,157, 2020 = \$924,294, 2021= \$1,441,246,000. The City continues to reflect a very healthy reserve fund. In general the City's annual audits reflect the City taking in more than we spend every year, therefore the transfer from the General Fund reserves is never as severe as what is annually budgeted. The City's healthy reserves have withstood the necessary transfer to cover the deficit. Administration requests the Council discuss this deficit and consideration for the removal of any budgeted items. Please note this unregularly high deficit reflects a conscious commitment towards the Old 77 overlay project (\$900,000). The installation of a Splash Pad at the Swimming Pool (\$100,000) and the replacement of the Sheep Shed (\$400,000) are also projects that are contributing to the irregular General Fund deficit.

General Fund Discussion Items – The City has now established an early budget calendar in order to engage the Council and the public to have more in depth discussion on specific budget items. Administration is requesting a Council discussion on the budget as a whole with a focus on some of the larger capital projects. The majority of the quality of life projects (i.e. splash pad and Park Building) were programmed into the 2021 budget. Also the Old 77 project was included in the 2021 budget but not completed to coordinate better with the Old 77 recreation trail project. Therefore these items should not generate any real extensive discussion. Administration's proposal to fund the SMGA Economic Development position is an item that should be discussed. The other item deserving of further discussion is the proposition to hire a consultant to conduct a "Quality of Place" study to analyze the City's park system, Main Street plan and study any other quality of life needs such as the proposed community center.

#### WATER FUND

The City has taken the important first step towards replacing failing water infrastructure. The South East Infrastructure project was bid and began construction in 2019 and is scheduled for completion at the end of 2021. This large scale project was the first step in replacing the existing cast iron water main in our community. Through in depth Capital Improvement Plan discussions the City Council has determined the next phase of cast iron water main removal and replacement in Dell Rapids. The 3<sup>rd</sup> Street project has been identified as the next priority and is scheduled for construction in 2023. Projects at this scale take several years of engineering, planning and funding. The City plans to utilize 2022 as a planning year that will lay the groundwork for starting the project in 2023. The 2022 budget reflects \$200,000 in expenses directly related to finalizing engineering and plan documents. The City will apply for Department of Agriculture and Natural Resource (DANR) funding in January of 2022. Dependent upon the DANR funding package, the City will look to proceed the following year. Communication for these projects is also key to their success. The City will dedicate the end of 2021 and the beginning of 2022 to communicate with abutting property owners and get them on board with these important improvements to their neighborhood. The 3<sup>rd</sup> Street Project will be considered a special assessment project, handled similar to the previous first phases of the SE Infrastructure project. It will be necessary for the City to continually communicate with property owners their financial responsibility towards these improvement projects. This project will continue to emphasize the City's commitment towards replacing outdated infrastructure.

The City will unfortunately see the departure of long time Billing Clerk, Diane LeBrun, in 2022. The budget reflects an increase in water billing to accommodate the transition of a replacement for Diane LeBrun. City Administration is recommending a three month overlap of the Billing Clerk position in order to complete a thorough cross training. The additional personnel dollars to cover the employee overlap will be split equally between the water and wastewater fund.

The City made a significant investment in time and money towards the implementation of GIS Technology for the Water and Waste Water Departments in 2020. The City continues to bolster the ArcGIS program with more in depth and up to date data. The annual fee for the ArcGIS has been included in the budget. The City will continue to find creative ways to utilize GIS for not only creating a data base of accurate information but also helping us in decision making processes.

As the debt services of the Water Fund are effective until the mid-2020's and beyond, the City will need to continue to adjust the Water rates in order to sustain the current expenses and save for future critical infrastructure. The City increased rates in 2011 and 2012 and 2013 with the addition of a \$3.00 surcharge for 15<sup>th</sup> Street debt service. No increases were assessed in 2014. In 2015 the City increased rates by 3% in order to offset the increase of water purchased from our supplier, Minnehaha Community Water Corporation. The City increased rates in 2016 to cover the debt service associated with the 10<sup>th</sup> Street and Hwy 115 project. The City increased rates in 2018 by 3% to keep the fund in line with inflationary costs. In 2019 the City placed a \$7.70 surcharge on the water fund water to cover the costs of the SE Infrastructure project. The City also lowered the base water rate from \$12.00 to \$11.90 and the per 1,000 gallon rate from \$4.64 to \$3.92. The current total water bill for an average user of 5,000 gallons per month is \$42.10. The City did not raise rates in 2020. The 2021 budget reflected the implementation of a surcharge of \$2.70 per customer to cover the Second Phase SE Infrastructure Project (6<sup>th</sup> Street Project). This is to cover the 110% indebtedness required for the 6<sup>th</sup> Street project.

In 2022, City Administration and the Finance Office are highly recommending the Council approve a 3% increase to the current base/per 1,000 gallon rate. Please understand that this is not a 3% increase to the total water rate that includes the base rate, per 1,000 gallon rate and three surcharges. The effect to the total rate will be 2%. The DENR threshold to receive grant funding is \$45.00 per month. The City water rate, inclusive of the surcharge was \$44.90, still under the \$45.00 threshold. The City has not received grant funding for the water portion of projects in previous years because of not meeting this threshold. Before the City applies for project funding from the DANR, it is imperative for the City to increase rates above the \$45.00 grant threshold. The 2% increase would increase the by \$0.95 creating a \$45.85 per 5,000 gallons used billing. This small rate increase should also be viewed as best practices for a municipal utility. Yes, the City has increased rates in previous years, but those increases have been surcharges directed specifically to a project. Increased costs of operation, materials, labor, not to mention inflation and other economic forces are the reasons the City must make this small percentage increase in 2022.

Current debt services for past loans have been adjusted in the budget to reflect next year's payments. There is light at the end of the tunnel as a few loans are ending their life in the mid 2020's. The City sits at just over 50% of the allotted debt capacity. The City has avoided constituting debt with the implementation of surcharges as opposed to straight rate increases.

The water fund is a proprietary fund; therefore, it is not necessary to create a zero budgeted balance. However, the current budget balance is approximately \$642,588.00 the red. Therefore, the budget reflects a transfer of that same amount from the water reserves into the water revenue in order to zero balance the fund. The current balance of the water fund reserves can withstand this level of transfer at the end of 2022.

#### WASTEWATER FUND

The waste water fund has been very focused on the most important critical infrastructure improvements that will secure the future of Dell Rapids. The new main lift station in 2008, the WWTF SBR facility in 2018. The South East Infrastructure project was a large scale three year commitment towards the replacement of the worst sanitary sewer mains in the south east section of our community. The 2022 budget reflects \$200,000 in expenses directly related to finalizing engineering and plan documents to proceed with the 3<sup>rd</sup> Street project. The 3<sup>rd</sup> Street project has been identified as the next large scale infrastructure project in the community. The City will apply for Department of Agriculture and Natural Resource funding in January of 2022, with hopes of receiving a beneficial funding package. Based on the funding package the City will project proceed the following year in 2023. As mentioned in the Water Fund description, communication with property owners will be key to the success of the project. The City will begin communication with property owners in 2021 with continued conversations and public meetings in 2022. This project will continue to emphasize the City's commitment towards replacing outdated infrastructure. No other major waste water infrastructure projects are planned within the 2022 budget.

The City has continually raised rates to fund waste water related capital improvements. The City raised rates in 2018 by 9% to begin covering operation and maintenance costs of the new WWTF. In 2017 the City increased sewer rates by 14% to cover the cover principal and interest on the WWTF loan. This increase was in coordination with 2016 rate increases of 20% to begin preparing for the WWTF project. The City raised waste water rates in 2019 in the form of a surcharge to cover the DENR SRF loans for the SE Infrastructure project. The total surcharge was \$7.20 per customer. The City did not raise rates in 2020 in anticipation of a rate raise in 2021. In order to finance the Phase 2 SE 6<sup>th</sup> Street Project, the City adopted a Surcharge of \$5.85 per user. However the City also made the decision to pay off two loans, allowing room to lower the per 1,000 gallon rate and lessen the impact of the new surcharge. The current base rate remains at \$16.00 per customer, the per 1,000 gallon rate was lowered to \$4.82. Therefore, the average 5,000 gallon customers total monthly waste water bill is \$62.95.

In 2022, City Administration and the Finance Office are highly recommending the Council approve a 3% increase to the current base/per 1,000 gallon rate. The recommendation reasoning is same as made in the water rate description. This is not a 3% rate increase on the entire rate per 5,000 gallons. The effect to the total rate on the wastewater will be 1.9%. The 2% increase would increase the by \$1.20 creating a \$64.15 per 5,000 gallons used billing. The City has only increased surcharge rates in the past several years. These surcharges are not covering the increased costs of operation, materials, labor, or inflationary costs. The City staff has analyzed the revenue and expenditures of the waste water fund, inclusive of the operation of the WWTF. The WWTF has provided the City with a major asset for the future of the community. However, the expenses associated with operating and maintaining a facility to meet EPA and DENR standards is more complex than operating a lagoon system. The staff has calculated the costs of testing, chemicals, supplies, utilities and staffing. The staff has also attempted to consider the need for future purchases associated with equipment or parts on equipment breaking or wearing down in the future. This proposed \$1.20 (2% increase) is very necessary to maintain the services of this enterprise account.

The 2022 Waste Water Fund budget reflects increases to the Principal and Interest payments for debt services. The waste water fund began payments on the Sequence Batch Reactor Waste Water Treatment facility in 2018. The City also closed on the Hwy 115/10<sup>th</sup> Street loan in 2019. The first and second SE Infrastructure loans will begin to see payments in 2022. These changes have been made to the P&I payments.

The wastewater fund is a proprietary fund; therefore it is not necessary to create a zero budgeted balance. However, the current budget balance is approximately \$823,456 in the red. A transfer from wastewater reserves has been included to zero balance the wastewater fund.

#### LIQUOR FUND

The Liquor Fund remains on solid footing, providing the City General Fund with supplemental income. Administration is proposing to again plan for transfer of \$120,000 from the Liquor Fund to the General Fund in 2020. The current balances in the Liquor Fund allows for this level of transfer. The performance of the liquor fund has increased over the past several years due to the City allowing for more Off-Sale licenses. The City currently does not have an available liquor license. The budget also includes \$5,000 towards any improvements that may need to be done to the City owned bar facility.



### 3<sup>RD</sup> PENNY SALES TAX

The 3<sup>rd</sup> Penny Sales Tax fund currently generates approximately \$40,000 in revenue annually. The Dell Rapids Economic Development Corporation has requested funding from the City in 2020 in the amount of \$100,000. The 3<sup>rd</sup> Penny Sales Tax budget for 2021 reflects setting aside \$35,400 to be dedicated to the DREDC. The other portion of the DREDC's budget request is included in the General Fund. However, in 2022 Administration is recommending funding the DREDC with \$80,000 in direct payment plus an additional \$38,500 dedicated to part-time staff support through the Sioux Metro Growth Alliance. The Chamber of Commerce will also receive \$10,000 from this fund as a supplement to the additional \$30,000 they will receive from the General Fund.

### EQUIPMENT REPLACEMENT FUND

The Equipment Replacement Fund has been established as means for the City to plan for the purchase of future high dollar equipment items. This fund has been utilized to purchase major machinery for the Public Works Department in the form of motor graders, dump trucks, pickup trucks, mowers, vehicles, etc. The 2020 budget saw the purchase of a new mower and Vactor Jetter for the Public Works Department. The 2021 budget included the purchase of a mower, field grooming machine a side by side ATV, a sewer camera and public works trailer. The 2022 budget does not include any large scale purchases in the Equipment Replacement Fund. The budget includes Mower (\$20,000), A new ¾ Ton Pickup (\$32,000) and new Copier for City Hall (\$10,000).

The total expenditures in the Equipment Replacement fund in 2021 is budgeted at \$62,00,000. The General Fund will contribute \$85,000, the water fund will contribute \$15,000 and Wastewater Fund will contribute \$0. The combined total from all three funds is \$100,000. This fund generally carried around \$500,000 on an annual basis.

The City needs to continue for high dollar expenses in future years. The Public Works Department opted not to request the purchase of a Street Sweeper as was requested in 2021. Other high priced pieces of equipment include a Front End Loader, a Motor Grader (If the City doesn't lease) and replacement of dump trucks. These are major expenses that should be programmed for purchase in the next five years. The Council has yet to determine how this Equipment Replacement Fund will be funded for the future for the replacement of this very expensive equipment. Previously the City was contributing upward to \$175,000 a year prior to the 2015 budgets. The City did bump the General Fund contribution to \$100,000 in 2021 and this same level of funding will continue for 2022. This was a good first step towards re-establishing the equipment replacement fund. However, the funding of major equipment purchases should remain at the forefront of future budget discussions. a 3/5 Ton Pickup (\$30,000), a Sewer Camera (\$6,000) and a replacement Public Works Trailer (\$10,000).

To continue to plan for future purchases, the City will either have to increase annual funding of the fund or scale back future scheduled purchases. This should continue to be a discussion item of the Council as the current pattern funding is unsustainable.

#### CONTACTING THE MUNICIPALITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors/creditors with a general overview of the Municipality's finances and to demonstrate the Municipality's accountability for the money it receives. If you have questions about this report or need additional information, contact the Dell Rapids Finance Office, 302 E. 4<sup>th</sup> Street, Po Box 10, Dell Rapids, SD 57022. 605-428-3595.

City of Dell Rapids, South Dakota  
Statement of Net Position  
December 31, 2021

	Primary Government		
	Governmental	Business-Type	Total
	Activities	Activities	
<b>ASSETS:</b>			
Cash and Cash Equivalents	\$ 5,109,953	\$ 3,855,794	\$ 8,965,747
Taxes Receivable--Delinquent	18,329	-	18,329
Accounts Receivable, Net	21,235	298,894	320,129
Unbilled Revenue	-	49,483	49,483
Special Assessments Receivable--Current	26,161	-	26,161
Special Assessments Receivable--Noncurrent	348,971	-	348,971
Interest Receivable	14,091	660	14,751
Leases Receivable - Current	200	90,304	90,504
Leases Receivable - Noncurrent	-	200,660	200,660
Due from State Governments	38,536	55,132	93,668
Due for County	17,810	-	17,810
Inventory of Supplies	37,922	67,212	105,134
Prepaid Expenses	40,115	16,295	56,410
Intangible Lease Asset	562	-	562
Net Pension Asset	165,331	100,466	265,797
Capital Assets:			
Land, Improvements and Construction/Development in Progress	2,872,612	9,748,524	12,621,136
Other Capital Assets, Net of Depreciation/Amortization	10,870,953	13,639,894	24,510,847
<b>TOTAL ASSETS</b>	<b>19,582,781</b>	<b>28,123,318</b>	<b>47,706,099</b>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>			
Pension Related Deferred Outflows	213,112	123,620	336,732
<b>LIABILITIES:</b>			
Accounts Payable	172,263	849,069	1,021,332
Lease Liability - Current	562	-	562
Accrued Interest Payable	823	67,179	68,002
Accrued Wages Payable	23,200	14,367	37,567
Unearned Revenue	121,302	324,392	445,694
Customer deposits	-	10,170	10,170
Noncurrent Liabilities:			
Due Within One Year - bonds and compensated absences	32,136	548,635	580,771
Due in More than One Year - bonds and compensated absences	367,152	11,476,984	11,844,136
<b>TOTAL LIABILITIES</b>	<b>717,438</b>	<b>13,290,796</b>	<b>14,008,234</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>			
Pension Related Deferred Inflows	323,940	195,362	519,302
Other Deferred Inflows of Resources	200	290,964	291,164
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>324,140</b>	<b>486,326</b>	<b>810,466</b>
<b>NET POSITION:</b>			
Net Investment in Capital Assets	13,405,254	10,545,354	23,950,608
Restricted For:			
Library	5,614	-	5,614
City Promotion	147,432	-	147,432
Revenue Bond Debt Service	-	825,026	825,026
SDRS Pension Purposes	54,503	28,724	83,227
FEMA Buyout	121,584	-	121,584
Unrestricted	5,019,928	3,070,712	8,090,640
<b>TOTAL NET POSITION</b>	<b>\$ 18,754,315</b>	<b>\$ 14,469,816</b>	<b>\$ 33,224,131</b>

City of Dell Rapids, South Dakota  
Statement of Activities  
Year Ended December 31, 2021

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-Type Activities	
<b>Primary Government:</b>							
Governmental Activities:							
General Government	\$ 659,551	\$ 480	\$ -	\$ -	\$ (659,071)	\$ -	\$ (659,071)
Public Safety	1,139,699	54,722	-	-	(1,084,977)	-	(1,084,977)
Public Works	877,963	736,153	-	-	(141,810)	-	(141,810)
Health and Welfare	50,489	-	-	-	(50,489)	-	(50,489)
Culture and Recreation	54,581	90,135	-	815,779	851,333	-	851,333
Conservation and Development	224,937	-	-	-	(224,937)	-	(224,937)
Miscellaneous	4,000	-	-	-	(4,000)	-	(4,000)
Interest on Long-term Debt	10,345	-	-	-	(10,345)	-	(10,345)
<b>Total Governmental Activities</b>	<b>3,021,565</b>	<b>881,490</b>	<b>-</b>	<b>815,779</b>	<b>(1,324,296)</b>	<b>-</b>	<b>(1,324,296)</b>
Business-type Activities:							
Water	746,281	916,703	-	-	-	170,422	170,422
Wastewater	1,054,783	1,015,228	-	588,308	-	548,753	548,753
Liquor	1,427,306	1,585,629	-	-	-	158,323	158,323
<b>Total Business-Type Activities</b>	<b>3,228,370</b>	<b>3,517,560</b>	<b>-</b>	<b>588,308</b>	<b>-</b>	<b>877,498</b>	<b>877,498</b>
<b>Total Primary Government</b>	<b>\$ 6,249,935</b>	<b>\$ 4,399,050</b>	<b>\$ -</b>	<b>\$ 1,404,087</b>	<b>(1,324,296)</b>	<b>877,498</b>	<b>(446,798)</b>
<b>General Revenues:</b>							
Taxes:							
Property Taxes					1,413,497	-	1,413,497
Sales Taxes					1,478,328	-	1,478,328
State Shared Revenues					83,814	-	83,814
Grants and Contributions not Restricted to Specific Programs					325	-	325
Unrestricted Investment Earnings					1,842	1,336	3,178
Miscellaneous Revenue					3,834	2,650	6,484
Transfers					39,992	(39,992)	-
<b>Total General Revenues and Transfers</b>					<b>3,021,632</b>	<b>(36,006)</b>	<b>2,985,626</b>
Change in Net Position					1,697,336	841,492	2,538,828
Net Position - Beginning					17,056,979	13,628,324	30,685,303
<b>NET POSITION - ENDING</b>					<b>\$ 18,754,315</b>	<b>\$ 14,469,816</b>	<b>\$ 33,224,131</b>

The accompanying Notes to Financial Statements are an integral part of these statements.

City of Dell Rapids, South Dakota  
Governmental Funds  
Balance Sheet  
December 31, 2021

	General Fund	Federal Grant Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Assets:				
Cash and Cash Equivalents	\$ 4,389,423	\$ 121,584	\$ 149,661	\$ 4,660,668
Taxes Receivable--Delinquent	18,329	-	-	18,329
Accounts Receivable, Net	21,235	-	-	21,235
Special Assessments Receivable--Current	26,161	-	-	26,161
Special Assessments Receivable--Noncurrent	348,971	-	-	348,971
Interest Receivable--Special Assessments	14,091	-	-	14,091
Leases Receivable	200	-	-	200
Due from State Governments	37,195	-	1,341	38,536
Due for County	17,810	-	-	17,810
Inventory of Supplies	37,747	-	175	37,922
Prepaid Expenses	38,246	-	1,869	40,115
Intangible Lease Asset	562	-	-	562
<b>TOTAL ASSETS</b>	<b>4,949,970</b>	<b>121,584</b>	<b>153,046</b>	<b>5,224,600</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:</b>				
Liabilities:				
Accounts Payable	172,263	-	-	172,263
Lease Liability - Current	562	-	-	562
Accrued Interest Payable	823	-	-	823
Accrued Wages Payable	23,200	-	-	23,200
Unearned Revenue	288	121,014	-	121,302
<b>Total Liabilities</b>	<b>197,136</b>	<b>121,014</b>	<b>-</b>	<b>318,150</b>
Deferred Inflows of Resources:				
Unavailable Revenue--Property Taxes	18,329	-	-	18,329
Unavailable Revenue--Special Assessments	389,223	-	-	389,223
Other Deferred Inflows of Resources	200	-	-	200
<b>Total Deferred Inflows of Resources</b>	<b>407,752</b>	<b>-</b>	<b>-</b>	<b>407,752</b>
Fund Balances:				
Nonspendable	75,993	-	2,044	78,037
Restricted	31,730	570	151,002	183,302
Unassigned	4,237,359	-	-	4,237,359
<b>Total Fund Balances</b>	<b>4,345,082</b>	<b>570</b>	<b>153,046</b>	<b>4,498,698</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 4,949,970</b>	<b>\$ 121,584</b>	<b>\$ 153,046</b>	<b>\$ 5,224,600</b>

City of Dell Rapids, South Dakota  
 Reconciliation of the Governmental Funds  
 Balance Sheet to the Statement of Net Position  
 December 31, 2021

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Total Fund Balances - Governmental Funds	\$	4,498,698
<p>Amounts reported for governmental activities in the statement  of net position are different because:</p>		
Net pension asset reported in governmental activities is not an available financial resource and therefore is not reported in the funds.		165,331
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		13,354,619
Pension related deferred outflows are components of pension liability (asset) and therefore are not reported in the funds.		213,112
Long-term liabilities, including bonds payable and compensated absences payable are not due and payables in the current period and therefore are not reported in the funds.		(399,288)
Assets such as taxes receivable (delinquent) and special assessment receivables (delinquent and noncurrent) are not available to pay for current period expenditures and therefore are deferred in the funds.		407,752
Pension and lease related deferred inflows are components of pension liability (asset) and therefore are not reported in the funds.		(324,140)
Internal service funds are used by management to charge the costs of activities, such as insurance, to individual funds. The assets and liabilities of internal service funds are included in governmental activities in the statement of net assets.		838,231
Net Position - Governmental Activities	\$	18,754,315

City of Dell Rapids, South Dakota  
Governmental Funds  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Year Ended December 31, 2021

	General Fund	Federal Grant Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
Taxes:				
General Property Taxes	\$ 1,410,013	\$ -	\$ -	\$ 1,410,013
General Sales and Use Taxes	1,410,033	-	68,295	1,478,328
Penalties and Interest on Delinquent Taxes	2,497	-	-	2,497
Licenses and Permits	36,121	-	-	36,121
Intergovernmental Revenue:				
Federal Grants	107,394	598,831	-	706,225
State Grants	13,585	95,969	-	109,554
State Shared Revenue:				
Bank Franchise Tax	56,660	-	-	56,660
Prorate License Fees	3,525	-	-	3,525
Liquor Tax Reversion (25%)	27,154	-	-	27,154
Motor Vehicle Licenses	34,721	-	-	34,721
Local Government Highway and Bridge Fund	52,515	-	-	52,515
County Shared Revenue:				
County Wheel Tax	6,335	-	-	6,335
Charges for Goods and Services:				
General Government	400	-	-	400
Public Safety	17,028	-	-	17,028
Sanitation	8,003	-	-	8,003
Culture and Recreation	86,982	-	-	86,982
Fines and Forfeits:				
Parking Meter Fines	1,573	-	-	1,573
Library	-	-	3,153	3,153
Other	80	-	-	80
Miscellaneous Revenue:				
Investment Earnings	1,601	-	59	1,660
Special Assessments	217,617	-	-	217,617
Contributions and Donations from Private Sources	-	-	325	325
Other	42,136	-	-	42,136
<b>Total Revenue</b>	<b>3,535,973</b>	<b>694,800</b>	<b>71,832</b>	<b>4,302,605</b>
<b>Expenditures:</b>				
General Government:				
Legislative	57,020	-	-	57,020
Executive	203,529	-	-	203,529
Elections	3,054	-	-	3,054
Financial Administration	211,165	-	-	211,165
Other	130,387	-	-	130,387
<b>Total General Government</b>	<b>605,155</b>	<b>-</b>	<b>-</b>	<b>605,155</b>
Public Safety:				
Police	281,892	-	-	281,892
Fire	71,801	-	-	71,801
Protective Inspection	65,261	-	-	65,261
Other Protection	119,272	573,481	-	692,753
<b>Total Public Safety</b>	<b>538,226</b>	<b>573,481</b>	<b>-</b>	<b>1,111,707</b>

City of Dell Rapids, South Dakota  
Governmental Funds  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Year Ended December 31, 2021

	General Fund	Federal Grant Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
<b>Public Works:</b>				
Highways and Streets	972,388	-	-	972,388
Sanitation	14,026	-	-	14,026
Transit	15,265	-	-	15,265
<b>Total Public Works</b>	<b>1,001,679</b>	<b>-</b>	<b>-</b>	<b>1,001,679</b>
<b>Health and Welfare:</b>				
Health	2,886	-	-	2,886
Humane Society	2,603	-	-	2,603
Ambulance	45,000	-	-	45,000
<b>Total Health and Welfare</b>	<b>50,489</b>	<b>-</b>	<b>-</b>	<b>50,489</b>
<b>Culture and Recreation:</b>				
Recreation	283,727	-	-	283,727
Parks	173,188	-	-	173,188
Libraries	247,537	-	3,131	250,668
<b>Total Culture and Recreation</b>	<b>704,452</b>	<b>-</b>	<b>3,131</b>	<b>707,583</b>
<b>Conservation and Development:</b>				
Economic Development and Assistance	177,016	-	47,921	224,937
Debt Service	28,801	-	-	28,801
<b>Total Expenditures</b>	<b>3,105,818</b>	<b>573,481</b>	<b>51,052</b>	<b>3,730,351</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>430,155</b>	<b>121,319</b>	<b>20,780</b>	<b>572,254</b>
<b>Other Financing Sources (Uses):</b>				
Transfers In	240,749	-	-	240,749
Lease Proceeds	3,000	-	-	3,000
Sale of Municipal Property	3,275	-	-	3,275
Transfers Out	(80,008)	(120,749)	-	(200,757)
<b>Total Other Financing Sources (Uses)</b>	<b>167,016</b>	<b>(120,749)</b>	<b>-</b>	<b>46,267</b>
<b>Net Change in Fund Balances</b>	<b>597,171</b>	<b>570</b>	<b>20,780</b>	<b>618,521</b>
<b>Fund Balance - Beginning, as restated</b>	<b>3,747,911</b>	<b>-</b>	<b>132,266</b>	<b>3,880,177</b>
<b>FUND BALANCE- ENDING</b>	<b>\$ 4,345,082</b>	<b>\$ 570</b>	<b>\$ 153,046</b>	<b>\$ 4,498,698</b>

The accompanying Notes to Financial Statements are an integral part of these statements.



City of Dell Rapids, South Dakota  
 Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of  
 Governmental Funds to the Statement of Activities  
 Year Ended December 31, 2021

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Net Change in Fund Balances - Total Governmental Funds	\$	618,521
Amounts reported for governmental activities in the Statement of Activities are different because:		
This amount represents capital asset purchases which are reported as expenditures on the fund financial statements but increase assets on the government wide statements.		1,273,591
This amount represents the current year depreciation/amortization expense reported in the statement of activities which is not reported on the fund financial statements because it does not require the use of current financial resources.		(567,531)
Payment of principal on long-term debt is an expenditure in the governmental funds but the payment reduces long-term liabilities in the statement of net assets.		18,456
The fund financial statement governmental fund property tax accruals differ from the government wide statement property tax accruals in that the fund financial statements require the amounts to be "available".		986
Governmental funds report special assessments and lease receivables as revenue when "available", but the statement of activities includes the full amount of special assessments as revenue upon completion of the project at the point when an enforceable legal claim arises.		352,636
Governmental funds recognize expenditures for amounts of compensated absences actually paid to employees with current financial resources during the fiscal year. Amounts of compensated absences earned by employees are not recognized in the funds. In the statement of activities, expenses for these benefits are recognized when the employees earn leave credits.		(6,601)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. (e.g., accrued interest expense, pension expense)		41,421
Internal service funds are used by management to charge the costs of certain activities, such as insurance to individual funds. The net expense of the internal service funds is reported with governmental activities.		(34,143)
Change in Net Position of Governmental Activities	<u>\$</u>	<u>1,697,336</u>

City of Dell Rapids, South Dakota

General Fund

Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget to Actual  
Year Ended December 31, 2021

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Taxes:				
General Property Taxes	\$ 1,387,955	\$ 1,387,955	\$ 1,410,013	\$ 22,058
General Sales and Use Taxes	900,000	900,000	1,410,033	510,033
Amusement Taxes	350	350	-	(350)
Penalties and Interest on Delinquent Taxes	1,000	1,000	2,497	1,497
Licenses and Permits	18,550	18,550	36,121	17,571
Intergovernmental Revenue:				
Federal Grants	93,131	93,131	107,394	14,263
State Grants	698,500	698,500	13,585	(684,915)
Bank Franchise Tax	25,000	25,000	56,660	31,660
Prorate License Fees	2,000	2,000	3,525	1,525
Liquor Tax Reversion (25%)	20,000	20,000	27,154	7,154
Motor Vehicle Licenses	25,000	25,000	34,721	9,721
Local Government Highway and Bridge Fund	40,000	40,000	52,515	12,515
County Wheel Tax	4,500	4,500	6,335	1,835
Charges for Goods and Services:				
General Government	1,300	1,300	400	(900)
Public Safety			17,028	17,028
Highways and Streets	8,000	8,000		(8,000)
Sanitation			8,003	8,003
Culture and Recreation	36,000	36,000	86,982	50,982
Other	5,000	5,000	-	(5,000)
Fines and Forfeits:				
Court Fines and Costs	100	100	-	(100)
Parking Meter Fines	1,500	1,500	1,573	73
Other	300	300	80	(220)
Miscellaneous Revenue:				
Investment Earnings	2,500	2,500	1,601	(899)
Rentals	2,000	2,000		(2,000)
Special Assessments	5,000	5,000	217,617	212,617
Other	19,400	19,400	42,136	22,736
<b>Total Revenue</b>	<b>3,297,086</b>	<b>3,297,086</b>	<b>3,535,973</b>	<b>238,887</b>

City of Dell Rapids, South Dakota

General Fund

Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget to Actual  
Year Ended December 31, 2021

<b>Expenditures:</b>				
General Government:				
Legislative	58,350	58,350	57,020	1,330
Contingency	50,000	-	-	
Executive	262,025	262,025	203,529	58,496
Elections	1,500	1,500	3,054	(1,554)
Financial Administration	140,475	148,975	211,165	(62,190)
Other	449,680	449,680	130,387	319,293
<b>Total General Government</b>	<b>962,030</b>	<b>920,530</b>	<b>605,155</b>	<b>315,375</b>
Public Safety:				
Police	291,892	291,892	281,892	10,000
Fire	73,672	73,672	71,801	1,871
Protective Inspection	63,920	63,920	65,261	(1,341)
Other Protection	-	120,193	119,272	921
<b>Total Public Safety</b>	<b>429,484</b>	<b>549,677</b>	<b>538,226</b>	<b>11,451</b>
Public Works:				
Highways and Streets	2,059,010	2,059,010	972,388	1,086,622
Sanitation	17,110	17,110	14,026	3,084
Transit	82,200	82,200	15,265	66,935
<b>Total Public Works</b>	<b>2,158,320</b>	<b>2,158,320</b>	<b>1,001,679</b>	<b>1,156,641</b>
Health and Welfare:				
Health	8,760	8,760	2,886	5,874
Humane Society	3,650	3,650	2,603	1,047
Ambulance	45,000	45,000	45,000	-
<b>Total Health and Welfare</b>	<b>57,410</b>	<b>57,410</b>	<b>50,489</b>	<b>6,921</b>
Culture and Recreation:				
Recreation	335,260	356,760	283,727	73,033
Parks	387,320	387,320	173,188	214,132
Libraries	249,500	249,500	247,537	1,963
<b>Total Culture and Recreation</b>	<b>972,080</b>	<b>993,580</b>	<b>704,452</b>	<b>289,128</b>
Conservation and Development:				
Economic Development and Assistance	194,500	199,500	177,016	22,484
<b>Total Conservation and Development</b>	<b>194,500</b>	<b>199,500</b>	<b>177,016</b>	<b>22,484</b>
Debt Service	30,000	30,000	28,801	1,199
<b>Total Expenditures</b>	<b>4,803,824</b>	<b>4,909,017</b>	<b>3,105,818</b>	<b>1,803,199</b>
Excess of Revenues Over (Under) Expenditures	(1,506,738)	(1,611,931)	430,155	2,042,086
<b>Other Financing Sources (Uses):</b>				
Transfers In	120,000	225,193	240,749	15,556
Lease Proceeds	-	-	3,000	3,000
Sale of Municipal Property	-	-	3,275	3,275
Transfers Out	(80,008)	(80,008)	(80,008)	-
<b>Total Other Financing Sources (Uses)</b>	<b>39,992</b>	<b>145,185</b>	<b>167,016</b>	<b>21,831</b>
Net Change in Fund Balances	(1,466,746)	(1,466,746)	597,171	2,063,917
Fund Balance - Beginning, as restated	3,786,399	3,786,399	3,747,911	(38,488)
<b>FUND BALANCE - ENDING</b>	<b>\$ 2,319,653</b>	<b>\$ 2,319,653</b>	<b>\$ 4,345,082</b>	<b>\$ 2,025,429</b>

City of Dell Rapids, South Dakota  
Proprietary Funds  
Statement of Net Position  
December 31, 2021

	Enterprise Funds				Internal Service Funds
	Water Fund	Wastewater Fund	Liquor Fund	Totals	
<b>ASSETS:</b>					
Current Assets:					
Cash and Cash Equivalents	\$ 1,465,496	\$ 2,090,398	\$ 299,900	\$ 3,855,794	\$ 449,285
Accounts Receivable, Net	65,533	83,663	149,698	298,894	-
Unbilled Revenue	20,933	28,550	-	49,483	-
Leases Receivable	75,304	-	15,000	90,304	-
Due from Other Government	-	55,132	-	55,132	-
Interest Receivable	388	272	-	660	-
Inventory of Supplies	52,384	14,828	-	67,212	-
Prepaid Expenses	8,202	7,303	790	16,295	-
<b>Total Current Assets</b>	<b>1,688,240</b>	<b>2,280,146</b>	<b>465,388</b>	<b>4,433,774</b>	<b>449,285</b>
Noncurrent Assets:					
Lease Receivable - Non Current	193,160	-	7,500	200,660	-
Net Pension Asset	50,233	50,233	-	100,466	-
Capital Assets:					
Land	45,128	37,029	3,000	85,157	-
Buildings	2,625,464	8,636,423	157,610	11,419,497	-
Improvements Other Than Buildings	2,876,175	4,466,122	-	7,342,297	-
Furnishings and Equipment	508,655	106,960	69,042	684,657	1,292,756
Construction/Development in Progress	3,135,884	6,527,483	-	9,663,367	-
Less: Accumulated Depreciation	(2,369,122)	(3,299,391)	(127,473)	(5,795,986)	-
Intangible Assets	300,000	-	-	300,000	-
Less: Accumulated Amortization	(252,000)	-	(58,571)	(310,571)	(903,810)
<b>Total Noncurrent Assets</b>	<b>7,113,577</b>	<b>16,524,859</b>	<b>51,108</b>	<b>23,689,544</b>	<b>388,946</b>
<b>TOTAL ASSETS</b>	<b>8,801,817</b>	<b>18,805,005</b>	<b>516,496</b>	<b>28,123,318</b>	<b>838,231</b>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>					
Pension Related Deferred Outflows	61,810	61,810	-	123,620	-
<b>LIABILITIES:</b>					
Current Liabilities:					
Accounts Payable	238,453	490,825	119,791	849,069	-
Accrued Interest Payable	28,022	39,157	-	67,179	-
Accrued Wages Payable	5,860	8,507	-	14,367	-
Deferred Revenue	-	324,392	-	324,392	-
Customer Deposits	10,170	-	-	10,170	-
Bonds Payable Current:					
Revenue	205,745	333,316	-	539,061	-
Compensated Absences Payable -- Current	4,787	4,787	-	9,574	-
<b>Total Current Liabilities</b>	<b>493,037</b>	<b>1,200,984</b>	<b>119,791</b>	<b>1,813,812</b>	<b>-</b>
Noncurrent Liabilities:					
Bonds Payable:					
Revenue	4,110,459	7,337,386	-	11,447,845	-
Accrued Leave Payable	13,446	15,693	-	29,139	-
<b>Total Noncurrent Liabilities</b>	<b>4,123,905</b>	<b>7,353,079</b>	<b>-</b>	<b>11,476,984</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>	<b>4,616,942</b>	<b>8,554,063</b>	<b>119,791</b>	<b>13,290,796</b>	<b>-</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>					
Other Deferred Inflows of Resources	268,464	-	22,500	290,964	-
Pension Related Deferred Inflows	97,681	97,681	-	195,362	-
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>366,145</b>	<b>97,681</b>	<b>22,500</b>	<b>486,326</b>	<b>-</b>
<b>NET POSITION:</b>					
Net Investment in Capital Assets	2,276,444	8,225,303	43,607	10,545,354	388,946
Restricted For:					
Revenue Bond Debt Service	321,299	503,727	-	825,026	-
SDRS Pension Purposes	14,362	14,362	-	28,724	-
Unrestricted	1,268,435	1,471,679	330,598	3,070,712	449,285
<b>TOTAL NET POSITION</b>	<b>\$ 3,880,540</b>	<b>\$ 10,215,071</b>	<b>\$ 374,205</b>	<b>\$ 14,469,816</b>	<b>\$ 838,231</b>

City of Dell Rapids, South Dakota  
Proprietary Funds  
Statement of Revenues, Expenses, and Changes in Net Position  
Year Ended December 31, 2021

	Enterprise Funds				Internal Service Funds
	Water Fund	Wastewater Fund	Liquor Fund	Totals	
<b>Operating Revenue:</b>					
Surcharge as Security for Debt	\$ 220,513	\$ 341,522	\$ -	\$ 562,035	\$ -
Charges for Goods and Services	623,221	666,744	1,503,980	2,793,945	61,000
Lottery Sales	-	-	66,648	66,648	-
Miscellaneous	2,650	-	-	2,650	-
<b>Total Operating Revenue</b>	<b>846,384</b>	<b>1,008,266</b>	<b>1,570,628</b>	<b>3,425,278</b>	<b>61,000</b>
<b>Operating Expenses:</b>					
Personal Services	142,350	217,323	-	359,673	-
Other Current Expense	109,652	265,619	5,059	380,330	-
Materials (Cost of Goods Sold)	206,583	-	1,411,292	1,617,875	-
Depreciation	177,160	401,332	10,955	589,447	91,325
<b>Total Operating Expenses</b>	<b>635,745</b>	<b>884,274</b>	<b>1,427,306</b>	<b>2,947,325</b>	<b>91,325</b>
<b>Operating Income (Loss)</b>	<b>210,639</b>	<b>123,992</b>	<b>143,322</b>	<b>477,953</b>	<b>(30,325)</b>
<b>Nonoperating Revenue (Expense):</b>					
Operating Grants	-	588,308	-	588,308	-
Investment Earnings	559	640	137	1,336	182
Rental Revenue	72,969	-	15,000	87,969	-
Interest Expense	(110,536)	(170,509)	-	(281,045)	-
Gain (Loss) on Disposition of Assets	-	-	-	-	(4,000)
Other	-	6,963	-	6,963	-
<b>Total Nonoperating Revenue (Expense)</b>	<b>(37,008)</b>	<b>425,402</b>	<b>15,137</b>	<b>403,531</b>	<b>(3,818)</b>
<b>Income (Loss) Before Transfers</b>	<b>173,631</b>	<b>549,394</b>	<b>158,459</b>	<b>881,484</b>	<b>(34,143)</b>
Transfers In	-	80,008	-	80,008	-
Transfers Out	-	-	(120,000)	(120,000)	-
<b>Change in Net Position</b>	<b>173,631</b>	<b>629,402</b>	<b>38,459</b>	<b>841,492</b>	<b>(34,143)</b>
<b>Net Position - Beginning</b>	<b>3,706,909</b>	<b>9,585,669</b>	<b>335,746</b>	<b>13,628,324</b>	<b>872,374</b>
<b>NET POSITION - ENDING</b>	<b>\$ 3,880,540</b>	<b>\$ 10,215,071</b>	<b>\$ 374,205</b>	<b>\$ 14,469,816</b>	<b>\$ 838,231</b>

City of Dell Rapids, South Dakota  
Proprietary Funds  
Statement of Cash Flows  
Year Ended December 31, 2021

	<u>Water</u>	<u>Wastewater</u>	<u>Liquor</u>	<u>Total</u>	<u>Internal Service</u>
<b>Operating Activities</b>					
Receipts from customers and users	\$ 1,009,537	\$ 1,878,567	\$ 1,601,264	\$ 4,489,368	\$ -
Receipts for interfund services provided	-	-	-	-	61,000
Payments to employees and other vendors	<u>(479,828)</u>	<u>(130,015)</u>	<u>(1,422,628)</u>	<u>(2,032,471)</u>	<u>-</u>
Net cash from operating activities	<u>529,709</u>	<u>1,748,552</u>	<u>178,636</u>	<u>2,456,897</u>	<u>61,000</u>
<b>Non-Capital Financing Activities</b>					
Transfer to/from other funds	<u>-</u>	<u>80,008</u>	<u>(120,000)</u>	<u>(39,992)</u>	<u>-</u>
<b>Capital and Related Financing Activities</b>					
Purchase of capital assets	(767,456)	(2,274,846)	(12,614)	(3,054,916)	(81,478)
Proceeds from long-term debt	646,543	1,347,704	-	1,994,247	-
Payments on long-term debt					
Principal	(150,914)	(244,162)	-	(395,076)	-
Interest	<u>(110,537)</u>	<u>(170,509)</u>	<u>-</u>	<u>(281,046)</u>	<u>-</u>
Net cash used for capital and related financing activities	<u>(382,364)</u>	<u>(1,341,813)</u>	<u>(12,614)</u>	<u>(1,736,791)</u>	<u>(81,478)</u>
<b>Investing Activity</b>					
Interest earnings	<u>559</u>	<u>640</u>	<u>137</u>	<u>1,336</u>	<u>182</u>
Change in Cash and Cash Equivalents	147,904	487,387	46,159	681,450	(20,296)
Cash and Cash Equivalents - Beginning of Year (including restricted cash)	<u>1,317,592</u>	<u>1,603,011</u>	<u>253,741</u>	<u>3,174,344</u>	<u>469,581</u>
Cash and Cash Equivalents - End of Year (including restricted cash)	<u>\$ 1,465,496</u>	<u>\$ 2,090,398</u>	<u>\$ 299,900</u>	<u>\$ 3,855,794</u>	<u>\$ 449,285</u>

City of Dell Rapids, South Dakota  
Proprietary Funds  
Statement of Cash Flows  
Year Ended December 31, 2021

	<u>Water</u>	<u>Wastewater</u>	<u>Liquor</u>	<u>Total</u>	<u>Internal Service</u>
Reconciliation of Operating Income to Net Cash from Operating Activities					
Operating income	\$ 210,639	\$ 123,992	\$ 143,322	\$ 477,953	\$ (30,325)
Adjustments to reconcile operating income to net cash from operating activities					
Depreciation expense	177,160	401,332	10,955	589,447	91,325
Other income (expense)	72,969	595,271	15,000	683,240	-
Changes in assets and liabilities					
Accounts receivable	111,505	120,837	15,636	247,978	-
Unbilled revenue	(20,933)	(28,550)	-	(49,483)	-
Interest receivable	(388)	(272)	-	(660)	-
Due from other governmental units	-	183,015	-	183,015	-
Inventory of supplies	(10,233)	(2,735)	-	(12,968)	-
Prepaid expenses	(882)	(899)	(202)	(1,983)	-
Net pension asset	(49,953)	(49,953)	-	(99,906)	-
Pension related deferred outflow of resources	(22,821)	(22,822)	-	(45,643)	-
Claims payable	(25,171)	30,808	(6,075)	(438)	-
Accrued interest payable	15,879	10,807	-	26,686	-
Accrued wages payable	962	1,408	-	2,370	-
Deferred revenue	-	324,392	-	324,392	-
Customer deposits	10,170	-	-	10,170	-
Pension related deferred inflow of resources	60,147	60,147	-	120,294	-
Compensated absences payable	659	1,774	-	2,433	-
Net cash from operating activities	<u>\$ 529,709</u>	<u>\$ 1,748,552</u>	<u>\$ 178,636</u>	<u>\$ 2,456,897</u>	<u>\$ 61,000</u>

## **Note 1 - Summary of Significant Accounting Procedures**

### **Reporting Entity**

The reporting entity of the Municipality of Dell Rapids, South Dakota (“the City”) consists of the primary government (which includes all of the funds, organizations, institutions, agencies, departments, and offices that make up the legal entity, plus those funds for which the primary government has a fiduciary responsibility); those organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the financial reporting entity’s financial statements to be misleading or incomplete.

The City's financial statements include all funds for which the City is financially accountable.

Component units are legally separate organizations for which elected officials of the primary government are financially accountable. The City is financially accountable if it appoints a voting majority of the organization’s governing body and is either:

1. able to impose its will on that organization or
2. there is potential for the organization to provide specific financial benefits to, or impose financial burdens on the City. The City may be financially accountable if an organization is fiscally dependent on the City.

Based on this criteria, there are no component units of the City requiring either a blended or discrete presentation.

### **Government-Wide and Fund Financial Statements**

The goal of government-wide financial statements is to present a broad overview of government’s finances. The basic statements that form the government-wide financial statements are the statement of net position and the statement of activities. These two statements report information on all of the non-fiduciary activities of the government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which are normally financed through taxes and intergovernmental revenues, are reported separately from business-type activities, which are normally financed through user fees and charges for goods or services.

The statement of activities reports gross direct expenses by function reduced by program revenues. This results in a measurement of net revenue or expense for each of the government’s activities. Direct expenses are those that are clearly identifiable with a specific function. Program revenues are directly associated with the function or business-type activity and include 1) charges for services and 2) operating or capital grants and contributions that are restricted to a particular function. Tax and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are prepared for governmental funds and proprietary funds. Major individual governmental funds are reported as separate columns in the fund financial statements.



**Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Taxes, special assessments, intergovernmental revenue, permits, charges for services and investment income associated with the current fiscal period are the major revenues that are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period to the extent they are collected in 60 days. All other revenue items are considered to be measurable and available only when the City receives cash.

The City reports the following major governmental funds:

*General Fund* – The general fund is the general operating fund of the City. All financial resources of the general government that are not required to be reported in another fund are accounted for in the general fund.

*Federal Grant Special Revenue Fund* – This fund was established to account for the expenditures of revenues from federal sources.

The City reports the following major proprietary funds:

*Water Fund* – This fund is used to account for the provision of water services to the City's residents and businesses.

*Wastewater Fund* – This fund is used to account for the provision of sewer services to the City's residents and businesses.

*Liquor Fund* – This fund is used to account for the sales and expenses of operating an on and off-sale liquor store. The City has entered into an operating lease agreement allowing the operator to operate an on-sale bar and an off-sale liquor store on the real property owned by the City. The City owns lottery machines maintained in the establishment. The lessee purchases all liquor from the City at cost plus ten percent. The operator pays the City \$15,000 per year for the rent of the building and 65% of the video lottery profits.

The City reports the following other fund:

Internal Service Fund – This fund is used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the primary governments, or to other governments, on a cost-reimbursement basis. The particular types of goods or services provided to other funds consist of equipment purchases. Internal service funds are never considered to be major funds. The Equipment Replacement Fund is the only internal Service fund maintained by the City.

Amounts reported as program revenues include the following: amounts received from those who purchase, use, or directly benefit from a program; amounts received from parties outside the City that are restricted to one or more specific programs; and earnings on investments that are legally restricted for a specific program. Revenues that do not meet the previous criteria are reported as general revenues, including all taxes.

Proprietary funds report operating revenues and expenses separately from nonoperating items. Operating revenues and expenses generally result from providing services or producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the costs of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, and then use unrestricted resources as they are needed.

### **Other Significant Accounting Policies**

#### **Budgets and Budgetary Accounting**

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

1. At the first regular board meeting in September of each year or within ten days thereafter, the Governing Board/Municipal Commission introduces the annual appropriation ordinance for the ensuing fiscal year.
2. After adoption by the Governing Board/Municipal Commission, the operating budget is legally binding and actual expenditures for each purpose cannot exceed the amounts budgeted, except as indicated in number 4.
3. A line item for contingencies may be included in the annual budget. Such a line item may not exceed 5 percent of the total municipal budget and may be transferred by resolution of the Governing Board to any other budget category that is deemed insufficient during the year.
4. If it is determined during the year that sufficient amounts have not been budgeted, state statute allows the adoption of supplemental budgets.
5. Unexpended appropriations lapse at year end unless encumbered by resolution of the Governing Board.
6. Formal budgetary integration is employed as a management control device during the year for the General Fund and special revenue funds.
7. Budgets for the General Fund and special revenue funds are adopted on a basis consistent with accounting principles generally accepted in the United States (U.S. GAAP)

**Cash and Cash Equivalents**

The City pools the cash resources of its funds for cash management purposes. The proprietary funds essentially have access to the entire amount of their cash resources on demand. Accordingly, each proprietary fund's equity in the cash management pool is considered to be cash and cash equivalents for the purpose of the Statement of Cash Flows.

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

**Receivables and Payables**

Receivables are carried at invoice amount less an estimate made for uncollectible accounts. Management determines the allowance for uncollectible accounts by using historical experience and review of individual customer accounts. Receivable are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded when received. Accounts receivables of the City are considered to be fully collectible and, therefore, an allowance for uncollectible accounts is not provided.

All outstanding balances between funds are reported as "due to/from other funds" (current portion) or "advances to/from other funds" (non-current portion). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

**Inventories**

The costs of inventory items are recognized as expenditures in governmental funds when purchased and as expenses in the proprietary funds when used. Inventories in the liquor fund are presented at lower of cost or net realizable value, using first in/first out (FIFO) method.

**Prepaid Items**

Payments made to vendors for services that will benefit periods beyond December 31, 2021, are recorded as prepaid items in both government-wide and fund financial statements. Prepaid items are reported using the consumption method and are recorded as an expense or expenditure at the time of consumption.

**Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with initial useful lives extending beyond a single reporting period and costs exceeding the thresholds detailed in the table below. Such assets are recorded at historical cost, or estimated cost, where actual cost could not be determined. Donated capital assets are recorded at their estimated fair value at the date of donation. Reported cost values include ancillary charges necessary to place the asset into its intended location and condition for use. Subsequent to initial capitalization, improvements or betterments that are significant, and which extend the useful life of a capital asset are also capitalized.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend lives are not capitalized.

Capitalization thresholds, depreciation methods, and estimated useful lives of capital assets reported in the financial statements are as follows:

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Land and land rights	All	N/A	N/A
Improvements other than buildings	\$ 15,000	Straight-line	20 years
Water/sewer lines	\$ 25,000	Straight-line	50 years
Roads	\$ 50,000	Straight-line	15-75 years
Other improvements	\$ 10,000	Straight-line	15-50 years
Buildings	\$ 50,000	Straight-line	50 years
Machinery and equipment	\$ 5,000	Straight-line	5-20 years

**Pensions**

For purposes of measuring the net pension liability (asset), deferred outflows/inflows of resources, and pension revenue/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. Municipal contributions and net pension assets are recognized on an accrual basis of accounting.

### Deferred Inflows and Outflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The City has two items that qualify for reporting in this category. They are the contributions made to pension plans after the measurement date and prior to the fiscal year-end along with changes in the net pension liability not included in pension expense reported in the government-wide statement of net position.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The City has three types of items that qualify for reporting in this category. The City reports unavailable revenues from special assessments on the governmental funds balance sheet. These amounts are deferred and recognized as an outflow of resources in the period that the amounts became available. In addition, amounts due for lease receivables that are unavailable are reported as deferred inflows on the government-wide statement of net position. The other item is changes in the net position liability not included in pension expense reported in the government-wide statement of net position.

### Long-Term Liabilities

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed in the period incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

### Fund Balance

The following classifications describe the relative strength of spending constraints:

*Nonspendable Fund Balance* – amounts that are not in spendable form (such as inventory) or are required to be maintained intact such as the South Dakota Public Assurance Alliance Cumulative Reserve Fund.

*Restricted Fund Balance* – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

*Committed Fund Balance* – amounts constrained to specific purposes by the City itself, using its highest level of decision-making authority (i.e., City Council). To be reported as committed, amounts cannot be used for any other purpose unless the City takes the same highest-level action to remove or change the constraint.

*Assigned Fund Balance* – amounts the City intends to use for a specific purpose. Intent can be expressed by the City Council or Finance Officer.

*Unassigned Fund Balance* – amounts that are available for any purpose. Positive amounts are reported only in the general fund.

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

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

### **Net Position**

Net position represents the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows in the City's financial statements. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any long-term debt used to build or acquire the capital assets. Restricted net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Unrestricted net position is the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

### **Property Taxes**

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

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

### **Unearned revenue**

The City receives grant funding from the federal and state government in advance of incurring expenditures. The amount that is not spent in the fiscal year is reported as unearned revenue. The grant funding will be spent in the subsequent fiscal year for various projects throughout the City.

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Implementation of GASB Statement No. 87**

As of December 31, 2021, the City early adopted GASB Statement No. 87, Leases. The implementation of this standard establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The standard requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The additional disclosures required by this standard is included in Note 10. There was no impact to previously reported net position or fund balance as a result of adoption of this standard.

The City is a lessor for two noncancelable leases on buildings, and a noncancelable lease on a water filtration bay. The City recognizes a lease receivable and a deferred inflow of resources in the government-wide and governmental fund financial statements.

At the commencement of a lease, the City initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term. Key estimates and judgements include how the City determines 1) the discount rate it uses to discount the expected lease receipts to present value, 2) lease term, and 3) lease receipts.

- If specified, the City uses the interest rate identified in the contract as the discount rate. If no interest rate is specified, the City uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancelable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

The City monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the least receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

**Subsequent Events**

The City has evaluated subsequent events through September 28, 2022, the date which the financial statements were available to be issued.

**Note 2 - Deposits and Investments**

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

**Deposits**

The City's cash deposits are made in qualified public depositories as defined by SDCL 4-6A-1, 9-22-6, 9-22-6.1 and 9-22-6.2, and may be in the form of demand or time deposits. Qualified depositories are required by SDDCL 4-6A-3 to maintain at all times, segregated from their other assets, eligible collateral having a value equal to at least 100 percent of the public deposit accounts which exceed deposit insurance such as the FDIC or NCUA. In lieu of pledging eligible securities, a qualified public depository may furnish irrevocable standby letters of credit issued by federal home loan banks accompanied by written evidence of that bank's public debt rating which may not be less than "AA" or a qualified public depository may furnish a corporate surety bond of a corporation authorized to do business in South Dakota.

Deposits are reported at cost, plus interest, if the account is of the add-on type. It is the City's policy to deposit all interest revenue to the fund making the investment.

The actual bank balances at December 31, 2021, were as follows:

	Bank Balance
Insured (FDIC/NCUA)	\$ 500,000
Uninsured, collateral jointly held by state/Municipality's agent in the name of the state and institution	<u>8,459,663</u>
Total Deposits	<u><u>\$ 8,959,663</u></u>

The carrying amount of deposits on the December 31, 2021, government-wide statement of net position was \$8,959,748. The reconciliation of deposits to government-wide statement of net position is as follows:

Cash and cash equivalents, carrying amount	\$ 8,965,747
Less petty cash	(150)
Less lottery cash	(10,000)
Add outstanding transactions (net)	<u>4,066</u>
	<u><u>\$ 8,959,663</u></u>

**Investments**



In general, SDCL 4-5-6 permits City funds to be invested only in (a) securities of the United States and securities guaranteed by the United States Government either directly or indirectly; or (b) repurchase agreements fully collateralized by securities described in (a) above; or in shares of an open-end, no-load fund administered by an investment company whose investments are in securities described in (a) above and repurchase agreements described in (b) above. Also, SCDL 4-5-9 requires investments to be in the physical custody of the political subdivision or may be deposited into a safekeeping account with any bank or trust company designated by the political subdivision as its fiscal agent. There were no investments as of December 31, 2021.

### **Credit Risk**

State law limits eligible investments for the City, as discussed above. The City has an investment policy that would further limit its investment choices.

### **Custodial Credit Risk - Deposits**

The risk that, in the event of a depository failure, the City's deposits may not be returned to it. The City will minimize credit risk by limiting the portfolio to the types of investments that are authorized and suitable to diminish the impact of potential losses from any one type of investment or from any one issuer. As of December 31, 2021, the City's deposits in financial institutions were fully insured or collateralized and were not exposed to custodial credit risk.

### **Custodial Credit Risk – Investments**

The risk that, in the event of the counterparty to a transaction, the City will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. As of December 31, 2021, the City does not have any investments.

### **Concentration of Credit Risk**

The City requires Qualified Public Depositories to furnish collateral in the sum equal to one hundred percent (100%) of the public deposit accounts that exceed deposit insurance. The financial institution shall submit a copy of their collateralization report to the Finance Officer.

### **Interest Rate Risk**

The City strives to maintain a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and liquidity needs. Return on investment is secondary compared to the safety and liquidity objectives.

### **Assignment of Investment Income**

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

**Note 3 - Capital Assets**

Capital asset activity for the year ended December 31, 2021 was as follows:

	Beginning Balance (as restated)	Increases	Decreases	Ending Balance
<b>Governmental activities</b>				
Capital assets not being depreciated				
Land	\$ 1,003,064	\$ 696,230	\$ -	\$ 1,699,294
Construction in progress	821,164	356,090	3,936	1,173,318
Total capital assets not being depreciated	<u>1,824,228</u>	<u>1,052,320</u>	<u>3,936</u>	<u>2,872,612</u>
Capital assets, being depreciated				
Buildings and structures	4,911,473	-	-	4,911,473
Improvements other than buildings	9,730,585	204,453	-	9,935,038
Machinery and equipment	2,361,979	142,361	117,296	2,387,044
Total capital assets being depreciated	<u>17,004,037</u>	<u>346,814</u>	<u>117,296</u>	<u>17,233,555</u>
Less accumulated depreciation for				
Buildings and structures	1,720,007	108,471	-	1,828,478
Improvements other than buildings	2,446,291	410,673	-	2,856,964
Machinery and equipment	1,610,679	139,712	73,231	1,677,160
Total accumulated depreciation	<u>5,776,977</u>	<u>658,856</u>	<u>73,231</u>	<u>6,362,602</u>
Governmental activities capital assets, net	<u>\$ 13,051,288</u>	<u>\$ 740,278</u>	<u>\$ 48,001</u>	<u>\$ 13,743,565</u>
<b>Business-type activities</b>				
Capital assets not being depreciated				
Land	\$ 85,157	\$ -	\$ -	\$ 85,157
Construction in progress	6,648,180	3,042,305	27,118	9,663,367
Total capital assets not being depreciated	<u>6,733,337</u>	<u>3,042,305</u>	<u>27,118</u>	<u>9,748,524</u>
Capital assets, being depreciated				
Buildings and structures	11,436,525	12,615	29,644	11,419,496
Improvements other than buildings	7,642,298	-	-	7,642,298
Machinery and equipment	658,901	27,114	1,357	684,658
Total capital assets being depreciated	<u>19,737,724</u>	<u>39,729</u>	<u>31,001</u>	<u>19,746,452</u>
Less accumulated depreciation for				
Buildings and structures	3,514,774	282,200	29,644	3,767,330
Improvements other than buildings	1,695,416	274,505	-	1,969,921
Machinery and equipment	337,923	32,744	1,360	369,307
Total accumulated depreciation	<u>5,548,113</u>	<u>589,449</u>	<u>31,004</u>	<u>6,106,558</u>
Business-type activities capital assets, net	<u>\$ 20,922,948</u>	<u>\$ 2,492,585</u>	<u>\$ 27,115</u>	<u>\$ 23,388,418</u>

Depreciation expense was charged to functions/programs of the government as follows:

Governmental activities	
General government	\$ 63,088
Public safety	34,716
Public works	427,670
Culture and recreation	<u>133,382</u>
Total depreciation expense - governmental activities	<u>\$ 658,856</u>
Business-type activities	
Water	\$ 177,160
Sewer	401,332
Liquor	<u>10,955</u>
Total depreciation expense - business-type activities	<u>\$ 589,447</u>

Construction work in progress at December 31, 2021, is comprised of the following:

<u>Project name</u>	<u>Project Authorization</u>	<u>Expended through December 31, 2021</u>
3rd Street Bridge	\$ 91,000	\$ 6,402
3rd Street Improvements	10,290,000	82,995
Old Hwy 77 Improvements	900,000	32,476
SE Infrastructure Project Phase 1	7,600,000	7,653,142
Se Infrastructure Project Phase 2	3,900,000	3,031,056
Sioux River Red Rock Trail Phase 1	930,000	25,806
Sioux River Red Rock Trail Phase 2	<u>996,000</u>	<u>4,810</u>
	<u>\$ 24,707,000</u>	<u>\$ 10,836,687</u>

**Note 4 - Long-Term Debt**

The following is a summary of changes in long-term debt of the City for the year ended December 31, 2021:

Indebtedness	Beginning Balance	Add New Additions	Less Debt Deletions	Debt Ending Balance	Due Within One Year
<b>Governmental Activities:</b>					
Sales Tax Revenue Bond	\$ 356,767	\$ -	\$ 18,456	\$ 338,311	\$ 19,005
Accrued Compensated Absences-Governmental Funds	54,376	60,977	54,376	60,977	13,131
<b>Total Governmental Activity</b>	<b>411,143</b>	<b>60,977</b>	<b>72,832</b>	<b>399,288</b>	<b>32,136</b>
<b>Business-Type Activities:</b>					
SRF 2003 Drinking Water	169,569	-	37,669	131,900	39,005
SRF 2006 Drinking Water	62,359	-	9,149	53,210	9,450
SRF 2007 Clean Water	522,238	-	56,129	466,109	57,975
SRF 2009 Clean Water	527,681	-	48,218	479,463	49,805
SRF 2011 Drinking Water	287,146	-	20,194	266,952	20,807
SRF 2012 Drinking Water	58,952	-	29,145	29,807	29,807
SRF 2013 Drinking Water	481,786	-	27,529	454,257	28,364
SRF 2013 Clean Water	471,721	-	26,954	444,767	27,771
SRF 2014 Clean Water	825,176	-	55,873	769,303	57,568
SRF 2016 Drinking Water	680,110	-	15,375	664,735	15,881
SRF 2017 Clear Water	1,915,654	-	41,579	1,874,075	42,946
SRF 2019 Drinking Water	2,080,653	47,752	11,853	2,116,552	48,156
SRF 2019 Clear Water Series A	2,162,444	40,358	14,469	2,188,333	58,420
SRF 2019 Clear Water Series NPS	142,247	-	941	141,306	3,799
SRF 2021 Drinking Water	-	598,791	-	598,791	14,275
SRF 2021 Clear Water Series A	-	1,307,346	-	1,307,346	35,032
<b>Total Debt</b>	<b>10,387,736</b>	<b>1,994,247</b>	<b>395,077</b>	<b>11,986,906</b>	<b>539,061</b>
Accrued Compensated Absences-Business-Type Funds	36,280	38,713	36,280	38,713	9,574
<b>Total Business-Type Activities</b>	<b>10,424,016</b>	<b>2,032,960</b>	<b>431,357</b>	<b>12,025,619</b>	<b>548,635</b>
<b>Total Primary Government</b>	<b>\$ 10,835,159</b>	<b>\$ 2,093,937</b>	<b>\$ 504,189</b>	<b>\$ 12,424,907</b>	<b>\$ 580,771</b>

Long-term obligations currently outstanding are as follows:

State Revolving Fund (SRF) Loan 2003 Drinking Water:

Note dated April 30, 2003 including an interest rate of 3.5% per annum and a maturity date of January 15, 2025. Principal payments to be made by Water Fund. \$ 131,900

State Revolving Fund (SRF) Loan 2006 Drinking Water:

Note dated March 31, 2006 including an interest rate of 3.25% per annum and a maturity date of January 15, 2027. Principal payments to be made by Water Fund. 53,210

State Revolving Fund (SRF) Loan 2007 Clean Water:

Note dated December 2, 2008 including an interest rate of 3.25% per annum and a maturity date of January 15, 2029. Principal payments to be made by Wastewater Fund. 466,109

State Revolving Fund (SRF) Loan 2009 Clean Water

Note dated January 15, 2010 with a maturity date of January 15, 2030 and an interest rate of 3.25% per annum. Principal payments to be made by the Wastewater Fund. 479,463

State Revolving Fund (SRF) Loan 2011 Drinking Water

Note dated April 15, 2011 with a maturity date of January 15, 2031 and an interest rate of 3.00% per annum. Principal payments to be made by the Water Fund. 266,952

State Revolving Fund (SRF) Loan 2012 Drinking Water

Note dated June 27, 2012 with a maturity date of October 15, 2022 and an interest rate of 2.25% per annum. Principal payments to be made by the Water Fund. 29,807

State Revolving Fund (SRF) Loan 2013 Drinking Water

Note dated October 18, 2013 with a maturity date of January 15, 2035 and an interest rate of 3.00% per annum. Principal payments to be made by the Water Fund. 454,257

State Revolving Fund (SRF) Loan 2013 Clean Water

Note dated October 18, 2013 with a maturity date of January 15, 2035 and an interest rate of 3.00% per annum. Principal payments to be made by the Wastewater Fund. 444,767

State Revolving Fund (SRF) Loan 2014 Clean Water

Note dated April 7, 2014 with payments starting on January 15, 2016, a maturity date of April 15, 2033, and an interest rate of 3.00% per annum. Principal payments to be made by the Wastewater Fund. 769,303

State Revolving Fund (SRF) Loan 2016 Drinking Water

Note dated August 10, 2016 with payments starting on July 15, 2018, a maturity date of July 15, 2048, and an interest rate of 3.25% per annum. Principal payments to be made by the Water Fund. 664,735

State Revolving Fund (SRF) Loan 2017 Clean Water

Note dated February 1, 2017 with payments starting on April 15, 2019, a maturity date of January 15, 2049, and an interest rate of 3.25% per annum. Principal payments to be made by the Wastewater Fund. 1,874,075

State Revolving Fund (SRF) Loan 2019 Drinking Water

Note dated May 15, 2019 with payments starting on July 15, 2021, a maturity date of July 15, 2051, and an interest rate of 2.50% per annum. Principal payments to be made by the Water Fund. 2,116,552

State Revolving Fund (SRF) Loan 2019 Clean Water - Series A

Note dated May 15, 2019 with payments starting on July 15, 2021, a maturity date of July 15, 2051, and an interest rate of 1.50% per annum. Principal payments to be made by the Wastewater Fund. 2,188,333

State Revolving Fund (SRF) Loan 2019 Clean Water

Note dated May 15, 2019 with payments starting on July 15, 2021, a maturity date of July 15, 2051, and an interest rate of 1.50% per annum. Principal payments to be made by the Wastewater Fund. 141,306

State Revolving Fund (SRF) Loan 2021 Drinking Water

Note dated April 16, 2021 with payments starting on July 15, 2023, a maturity date of July 15, 2053, and an interest rate of 2.125% per annum. Principal payments to be made by the Water Fund. 598,791

State Revolving Fund (SRF) Loan 2021 Clean Water - Series A

Note dated April 16, 2021 with payments starting on July 15, 2023, a maturity date of July 15, 2053, and an interest rate of 1.375% per annum. Principal payments to be made by the Wastewater Fund. 1,307,346

Sales Tax Revenue Bond 2016 General Fund

Note dated July 6, 2016 with payments starting on June 1, 2018, a maturity date of June 1, 2036, and an interest rate of 2.95% per annum. Principal payments to be made by the General Fund. 338,311

Compensated Absences:

Accrued vacation and sick leave payable from the General Fund and Enterprise Funds 99,690

The annual requirements to amortize all bonded debt and capital lease outstanding as of December 31, 2021, are as follows:

Years Ending December 31,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2022	\$ 19,005	\$ 9,841	\$ 539,061	\$ 279,682
2023	19,569	9,277	527,682	267,081
2024	20,151	8,695	541,997	252,767
2025	20,750	8,096	524,337	238,092
2026	21,366	7,480	527,410	224,240
2027 - 2031	116,742	27,488	2,494,589	914,766
2032 - 2036	120,728	9,078	1,829,673	639,819
2037 - 2041	-	-	1,604,685	456,867
2042 - 2046	-	-	1,793,301	268,251
2047 - 2051	-	-	1,597,931	69,500
2052	-	-	6,240	6
Total	\$ 338,311	\$ 79,955	\$ 11,986,906	\$ 3,611,071

**Note 5 - Interfund Transfers**

**Transfers**

The City had the following transfers during the year ended December 31, 2021.

Transfer In	Transfer Out			Totals
	General Fund	Federal Grant Special Revenue Fund	Liquor Fund	
General Fund	\$ -	\$ 120,749	\$ 120,000	\$ 240,749
Wastewater Fund	80,008	-	-	80,008
Total	\$ 80,008	\$ 120,749	\$ 120,000	\$ 320,757

The \$80,008 transfer from the general fund to the sewer fund is for sales tax revenue used to pay off clean water drinking bonds. The \$120,000 transfer from the liquor fund to the general fund is for lottery income proceeds. The \$120,749 transfer from the FEMA fund to the general fund was to reimburse the general fund for the portion of FEMA property buyouts coded to general fund expenditures.

**Note 6 - Multiple Employer Defined Benefit Plan – Public Employees Retirement Association****A. Plan Description**

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

**B. 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 retirement benefits that do not meet the above criteria may be payable at a reduced level.

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



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

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

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

**C. Contributions**

Per SDCL 3-12, contribution requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A Members 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee’s contribution. The City’s share of contributions to the SDRS for the fiscal years ended December 31, 2021, 2020, and 2019, equal to required contributions each year, were \$47,257, \$46,297, and \$44,386, respectively.

**D. Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At June 30, 2021, SDRS is 105.53% funded and accordingly has a net pension asset. The proportionate share of the components of the net pension asset of the South Dakota Retirement System, for the City of Dell Rapids as of the 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	4,812,601
Less proportionate share of net position restricted for pension benefits	<u>5,078,397</u>
Proportionate share of net pension asset	<u><u>\$ (265,796)</u></u>

At December 31, 2021, the City Dell Rapids reported an asset of \$265,796 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30,2021, and the total pension asset used to calculate the net pension asset was based on a projection of the City’s share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2021, the City’s proportion was 0.03470700%, which is an increase of 0.03440120% from its proportion measured as of June 30, 2020.

For the year ended December 31, 2021, the City recognized a reduction of pension expense of \$66,812. At December 31, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows Of Resources</u>	<u>Deferred Inflows Of Resources</u>
Difference between expected and actual experience.	\$ 9,543	\$ 697
Changes in assumption.	299,975	138,910
Net difference between projected and actual earnings on pension plan investments.	-	379,695
Changes in proportion and difference between City contributions and proportionate share of contributions.	2,785	-
City contributions subsequent to the measurement date.	<u>24,429</u>	<u>-</u>
TOTAL	<u>\$ 336,732</u>	<u>\$ 519,302</u>

At December 31, 2021, \$24,429 reported as deferred outflow of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension asset in the year ending December 31, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (reduction of pension expense) as follows:

<u>Year Ended December 31</u>	
2022	\$ (47,262)
2023	(32,402)
2024	(9,028)
2025	<u>(118,307)</u>
	<u>\$ (206,999)</u>

**E. Actuarial Assumptions**

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

Inflation	2.25%
Salary Increases	Graded by years of service, from 6.50% at entry to 3.00% after 25 years of service
Discount Rate	6.50% net of plan investment expense.
Future COLAs	2.25%

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

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	58.0%	4.30%
Fixed Income	30.0%	1.60%
Real Estate	10.0%	4.60%
Cash	2.0%	0.90%
Total	<u>100%</u>	

**F. Discount Rate**

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

**H. Pension Liability Sensitivity**

The following presents the City’s proportionate share of the net pension liability for all plans it participates in, calculated using the discount rate disclosed in the preceding paragraph, as well as what the City’s proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate one percentage point lower or one percentage point higher than the current discount rate:

	1% Decrease	Current Discount Rate	1% Increase
City's proportionate share of the net pension liability (asset)	\$ 430,390	\$ (265,796)	\$ (830,938)

**I. Pension Plan Fiduciary Net Position**

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

**Note 7 - Litigation, Claims, and Disputes**

The City generally follows the practice of recording liabilities resulting from claims and legal actions only when they become fixed or determinable in amount. There were no significant legal actions outstanding as of December 31, 2021.

**Note 8 - Tax Abatements**

The City of Dell Rapids has created tax increment districts under the authority granted by South Dakota Codified Law section 11-9. The tax increment districts were created to stimulate and develop the general economic welfare and prosperity of the City through the promotion and advancement of industrial, commercial, manufacturing, agricultural, or natural resources; and the improvement of the area will likely enhance significantly the value of substantially all the other real property in the tax increment district.

The county, city, and other local general property taxes levied on all taxable property within a tax increment district on the increase in assessed value of the taxable property is allocated to pay for the cost of improvements in the tax increment district. The tax increments are allocated until all cost of the tax increment district project has been repaid; however, it cannot exceed 20 years.

The City of Dell Rapids has one active tax increment district. Because the general property taxes on tax increment districts are allocated to the districts, the taxes are not available to the City of Dell Rapids during the life of the tax increment district.

The amount of property taxes collected from the tax increment that were not available to the City of Dell Rapids during the calendar year ended December 31, 2021, was \$885.

### **Note 9 - Risk Management**

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

#### **Employee Health Insurance**

The City joined the South Dakota Municipal League Health Pool of South Dakota. This is a public entity risk pool currently operation as a common risk management and insurance program for South Dakota local government entities. The City pays a monthly premium to the pool to provide health insurance coverage for its employees. The pool purchases reinsurance coverage with the premiums it receives from the members. The coverage includes an unlimited lifetime maximum payment per person.

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

#### **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 from 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 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 Member's Annual Operating Contribution, to provide liability coverage detailed below, under a claims-paid 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, property damage, and wrongful acts.

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

The City carries a \$500 deductible for wrongful acts coverage and \$500 deductible on a per item basis for building, contents, and equipment coverage.

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.

### **Workers Compensation**

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

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

### **Unemployment Benefits**

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

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

**Note 10 - Leases**

In prior years, the City entered into a building rental agreement and various tower lease agreements as the lessor. As of December 31, 2021, the value of the lease receivable was \$268,464. The City receives varying monthly and annual principal and interest payments ranging from \$2,650 to \$25,200. The leases have an interest rate of 1.75% - 2.00%. The future lease revenue and interest lease revenue as of December 31, 2021, were as follows:

Years Ending December 31,

	<u>Lease Revenue</u>	<u>Interest Revenue</u>
2022	\$ 81,761	\$ 2,239
2023	67,830	1,169
2024	43,278	522
2025	43,576	225
2026	31,707	93
2027 - 2029	<u>312</u>	<u>76</u>
Total	<u>\$ 268,464</u>	<u>\$ 4,324</u>

The City recognized \$87,969 in lease revenue and \$559 in interest revenue during the year ended December 31, 2021. The City has a deferred inflow of resources associated with these leases that will be recognized over the lease term. As of December 31, 2021, the balance of the deferred inflow of resources related to leases is \$290,964.

**Note 11 - Restatement**

As of January 1, 2021, the City determined that the General Fund inaccurately excluded retainage payable related to ongoing construction totaling \$38,488 related to 2020 and prior. This has resulted in a restatement of the fund balance of the General Fund as of January 1, 2021. The restatement resulted in a change in fund balance to \$640,797 for the year ended December 31, 2020, compared to \$679,285 previously reported. The following table describes the effects of the restatement on beginning fund balance.

	<u>General Fund</u>
Fund Balance - December 31, 2020, as previously stated	\$ 3,786,399
Restatement due to retainage payable	<u>(38,488)</u>
Fund Balance - January 1, 2021, as restated	<u>\$ 3,747,911</u>

In addition, the Governmental Activities, Water, and Wastewater Funds also understated Construction in Progress as a result of the excluded retainage payable. The following table describes the effects of the restatement on beginning Construction in Progress.

	<u>Governmental Activities</u>	<u>Business-Type Activites</u>
Construction in Progress - December 31, 2020, as previously stated	\$ 782,677	\$ 6,357,150
Restatement due to retainage payable	<u>38,488</u>	<u>291,030</u>
Construction in Progress - January 1, 2021, as restated	<u>\$ 821,165</u>	<u>\$ 6,648,180</u>

**Note 12 - Subsequent Events**

During 2022, the City received American Rescue Plan Act federal grant funding totaling \$328,055.



Required Supplementary Information  
December 31, 2021

**City of Dell Rapids, South Dakota**

City of Dell Rapids, South Dakota  
Schedule of Employer's Proportionate Share of Net Pension Liability (Asset)  
December 31, 2021

**Schedule of Employer's Proportionate Share of Net Pension Liability  
Last 10 Fiscal Years \***

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
City's proportion of the net pension liability/asset	0.0347070%	0.03440120%	0.0326047%	0.0324610%	0.0312770%	0.0312043%	0.0304757%
City's proportionate share of net pension liability (asset)	\$ (265,796)	\$ (1,494)	\$ (3,455)	\$ (757)	\$ (2,838)	\$ 105,405	\$ (129,256)
City's covered payroll	\$ 787,619	\$ 755,005	\$ 694,856	\$ 673,848	\$ 629,129	\$ 593,344	\$ 560,950
City's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	33.75%	0.20%	0.50%	0.11%	0.45%	17.76%	23.04%
Plan fiduciary net position as a percentage of the total pension liability (asset)	105.52%	100.04%	100.09%	100.02%	100.1%	96.89%	104.10%

\*

GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available.

City of Dell Rapids, South Dakota  
 Schedule of Employer's Contributions  
 December 31, 2021

**Schedule of Employer's Contributions  
 Last 10 Fiscal Years \***

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 47,257	\$ 46,297	\$ 44,386	\$ 40,224	\$ 37,867	\$ 36,358	\$ 36,251
Contributions in relation to the contractually required contribution	<u>47,257</u>	<u>46,297</u>	<u>44,386</u>	<u>40,224</u>	<u>37,867</u>	<u>36,358</u>	<u>36,251</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
City's covered payroll	\$ 806,788	\$ 771,625	\$ 739,760	\$ 672,122	\$ 630,035	\$ 606,897	\$ 604,182
Contributions as a percentage of covered payroll	6.00%	6.00%	6.00%	5.98%	6.01%	5.99%	6.00%

\* GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available.

**Changes from Prior Valuation**

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

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

**Benefit Provision Changes**

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

**Actuarial Assumption Changes**

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

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

**Actuarial Method Changes**

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

Additional Reports  
December 31, 2021

**City of Dell Rapids, South Dakota**



**Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

To the City Council  
City of Dell Rapids  
Dell Rapids, South Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Dell Rapids, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise City of Dell Rapids' basic financial statements and have issued our report thereon dated September 28, 2022.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered City of Dell Rapids' internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Dell Rapids' internal control. Accordingly, we do not express an opinion on the effectiveness of City of Dell Rapids' internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings as items 2021-001, 2021-002, and 2021-003 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings as item 2021-004 to be a significant deficiency.

### **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether City of Dell Rapids' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **City of Dell Rapids' Response to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on City of Dell Rapids' response to the findings identified in our audit and described in the accompanying Schedule of Findings. City of Dell Rapids' response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

### **Purpose of this Report**

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

The image shows a handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Fargo, North Dakota  
September 28, 2022

**2021-001      Segregation of Duties  
Material Weakness**

*Criteria* – A good system of internal control requires an adequate segregation of duties so that no one individual has incompatible responsibilities. No one person should have more than one duty relating to the authorization (approval), custody of assets (check signers), record keeping, and reconciliation functions.

*Condition* – The City has a lack of segregation of duties surrounding review of bank reconciliations, year-end account reconciliations for all financial statement areas, and review and approval of manual journal entries due to a limited staff.

*Cause* – There is a limited amount of office employees.

*Effect* – Inadequate segregation of duties could adversely affect the City's ability to detect misstatements in amounts that would-be material in relation to the financial statements in a timely period by employees in the normal course of performing their assigned functions.

*Recommendation* – While we recognize that your staff may not be large enough to permit complete segregation of duties in all material respects for an effective system of internal control, the functions should be reviewed to determine if additional segregation of duties is feasible and to improve the efficiency and effectiveness of financial management and financial statement accuracy for the City. Segregation of authorization, custody of assets, record keeping, and reconciliation functions would assist in mitigating the risk of fraud or misstatements to the financial statements.

*Views of Responsible Officials* – There is no disagreement with the audit finding.



**2021-002      Material Journal Entries including Restatement  
Material Weakness**

*Criteria* – A good system of internal accounting control contemplates an adequate system for recording and processing material entries including a restatement to the financial statements.

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

*Cause* – The City does not have an internal control system designed to identify all necessary adjustments.

*Effect* – This control deficiency could result in a material misstatement to the financial statements that would not be prevented or detected.

*Recommendation* – A thorough review and reconciliation of accounts in each fund should take place prior to the beginning of the audit. This review should be done at both the accounting staff and accounting supervisor levels.

*Views of Responsible Officials* – There is no disagreement with the audit finding.

**2021-003      Preparation of Financial Statements  
Material Weakness**

*Criteria* – A good system of internal accounting control contemplates an adequate system for internally preparing the City’s financial statements, including material journal entries and restatement.

*Condition* – The City does not have an internal control system designed to provide for the preparation of the financial statements being audited based on material journal entries proposed and restatement. The auditors were requested to, and did, draft the financial statements and accompanying notes to the financial statements for the material journal entries identified and restatement.

*Cause* – The City does not have an internal control system designed to provide for the preparation of the financial statements being audited.

*Effect* – The amounts in the financial statements could be incomplete.

*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.

*Views of Responsible Officials* – There is no disagreement with the audit finding.

**2021-004      Failure to Report and Transmit Outstanding Checks to the State of South Dakota  
Significant Deficiency**

*Criteria* – A good system of internal accounting control contemplates an adequate system for complying with state compliance.

*Condition* – During the course of our engagement, we identified that old, outstanding checks were not reported and transmitted to the state.

*Cause* – The City does not have an internal control system designed to properly identify the missed reporting in line with state requirements.

*Effect* – The deficiency could result in noncompliance with state requirements.

*Recommendation* – Management should make an effort to ensure all state compliance requirements are met.

*Views of Responsible Officials* – There is no disagreement with the audit finding.