

City of Eagle Butte

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

AND

YEAR ENDED DECEMBER 31, 2021

(With Independent Auditor's Report Thereon)

City of Eagle Butte

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**City of Eagle Butte
CITY OFFICIALS
AT DECEMBER 31, 2020 AND 2021**

MAYOR:

James Traversie

GOVERNING BOARD:

Rolland Ducheneaux

Dale McCrea

John Bachman

Harley Morgan

Dale Lesmeister

Tiny Martin – 2020

R.J. Joens – 2021

FINANCE OFFICER:

Sheila J. Ganje



INDEPENDENT AUDITOR'S REPORT

To the Mayor and City Council
City of Eagle Butte
Eagle Butte, South Dakota

Report on the Audit of the Financial Statements

Disclaimer of Opinion

We were engaged to audit the accompanying modified cash basis of accounting financial statements of the governmental activities, the business-type activities, and each major fund of the City of Eagle Butte, South Dakota (City), as of December 31, 2021 and December 31, 2020 and for the two years then ended, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

We do not express an opinion on the financial statements as referred to above. Because of the significance of the matters described in the Basis of Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an opinion on these financial statements.

Basis for Disclaimer of Opinion

Subsequent to the years covered by these financial statements, the previous finance officer for the City left the position with little to no notice. Prior to leaving, this officer emptied file cabinets and destroyed documents including meeting minutes, reports, and associated documents as well as documentation of the software program that was in use at that time. As a result of these matters, sufficient adequate documentation did not exist to facilitate an audit of the years covered in these financial statements.

Emphasis of Matter

As discussed in Note 2 of the financial statements, which describes the basis of accounting, the financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the modified cash basis of accounting described in Note 2; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the

The notes are an integral part of the financial statements.

circumstances. Management is responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our responsibility is to conduct an audit of the City's financial statements in accordance with auditing standards generally accepted in the United States of America and to issue an auditor's report. However, because of the matters described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We are required to be independent of the City and to meet other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the modified cash basis of accounting financial statements that collectively comprise the City's basic financial statements. The Budgetary Comparison Schedules, the Schedule of the City's OPEB Liability and Related Ratios, the Schedule of the City's Proportionate Share of the Net Pension Liability (Asset), the schedule of Pension Contributions, and Notes to the Supplementary Information are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. We do not express an opinion or provide any assurance on this information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2025, 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, and contracts 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's internal control over financial reporting and compliance.

Terra Business Solutions

Terra Business Solutions

Covina, CA

January 31, 2025

The notes are an integral part of the financial statements.

CITY OF EAGLE BUTTE
BASIC FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2020

The notes are an integral part of the financial statements.

CITY OF EAGLE BUTTE
STATEMENT OF NET POSITION - MODIFIED CASH BASIS
AT DECEMBER 31, 2020

	Governmental Activities	Business-type Activities	Total
ASSETS			
Assets			
Cash	\$ 447,918	\$ 40,710	\$ 488,628
Investments	-	63,899	63,899
Restricted Cash and Investments	-	28,440	28,440
Total Assets	<u>\$ 447,918</u>	<u>\$ 133,049</u>	<u>\$ 580,967</u>
NET POSITION			
Net Position			
Restricted for Debt Service	\$ -	\$ 28,440	\$ 28,440
Unrestricted	447,918	104,609	552,527
Total Net Position	<u>\$ 447,918</u>	<u>\$ 133,049</u>	<u>\$ 580,967</u>

The notes are an integral part of the financial statements.

CITY OF EAGLE BUTTE
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2020

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities
Primary Government						
Government Activities						
General Government	\$ 294,252	\$ 14,818	\$ -	\$ -	\$ (279,434)	\$ -
Public Safety	150,561	-	319,505	-	168,944	-
Public Works	230,644	1,570	-	-	(229,074)	-
Health and Welfare	11,511	-	-	-	(11,511)	-
Culture and Recreation	52,067	6,538	-	-	(45,529)	-
Conservation and Development	14,180	-	-	-	(14,180)	-
Debt Service	9,561	-	-	-	(9,561)	-
Total Government Activities	\$ 762,776	\$ 22,926	\$ 319,505	\$ -	\$ (420,345)	\$ -
Business-type Activities						
Water	831,069	766,016	-	-	-	(65,053)
Sewer	514,589	417,861	-	-	-	(96,728)
Restaurant	6,899	-	-	-	-	(6,899)
Total Business-type Activities	\$ 1,352,557	\$ 1,183,877	\$ -	\$ -	\$ (168,680)	\$ -
Total Primary Government	\$ 2,115,333	\$ 1,206,803	\$ 319,505	\$ -	\$ (420,345)	\$ (589,025)
General Revenues						
Taxes						
Property Taxes					\$ 71,400	\$ 71,400
Gross Receipts Tax					38,703	38,703
Sales Tax					614,176	614,176
State Shared Revenues					46,344	46,344
Unrestricted Investment Earnings					3,571	433
Long Term Debt Issued					-	132,328
Miscellaneous Revenue					101,065	14,507
Transfers					(6,996)	6,996
Total Expenses					\$ 868,263	\$ 154,264
Change in Net Position						
Net Position Beginning - December 31, 2019					447,918	(14,416)
Net Position, Ending - December 31, 2020					-	147,465
					\$ 447,918	\$ 133,049

The notes are an integral part of the financial statements.

CITY OF EAGLE BUTTE
BALANCE SHEET - GOVERNMENTAL FUNDS
MODIFIED CASH BASIS
AT DECEMBER 31, 2020

	General Fund	Total
	<hr/>	<hr/>
ASSETS		
Assets		
101 Cash	\$ 447,918	\$ 447,918
Total Assets	<u><u>\$ 447,918</u></u>	<u><u>\$ 447,918</u></u>
FUND BALANCE		
Fund Balance		
262 Fund Balance - Unassigned	\$ 447,918	\$ 447,918
Total Fund Balance	<u><u>\$ 447,918</u></u>	<u><u>\$ 447,918</u></u>

The notes are an integral part of the financial statements.

CITY OF EAGLE BUTTE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2020

	General Fund	Total
Revenue		
Taxes		
311 Property Taxes	\$ 70,060	\$ 70,060
313 Sales Taxes	614,176	614,176
314 Gross Receipts	38,703	38,703
315 Amusement Taxes	108	108
319 Penalties and Interest on Delinquent Taxes	1,232	1,232
320 Licenses and Permits	125	125
Intergovernmental Revenue		
331 Federal Grants	242,410	242,410
334 State Grants	77,095	77,095
335.01 Bank Franchise Tax	2,849	2,849
335.02 Motor Vehicle Commercial Prorate	3,781	3,781
335.03 Liquor Tax Reversion	9,123	9,123
335.04 Motor Vehicle License (5%)	14,526	14,526
335.08 Local Government Highway and Bridge	16,065	16,065
338.02 County Highway and Bridge Reserve Tax (2	1,570	1,570
Charges for Goods and Services		
341 General Government	7,493	7,493
346 Culture and Recreation	6,538	6,538
Miscellaneous Revenue		
361 Investment Earnings	3,571	3,571
362 Rentals	7,200	7,200
369 Other	5,319	5,319
Total Revenue	\$ 1,121,944	\$ 1,121,944

The notes are an integral part of the financial statements.

CITY OF EAGLE BUTTE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2020
CONTINUED

	General Fund	Total
Expenditures		
General Government		
411 Legislative	\$ 72,710	\$ 72,710
412 Executive	24,161	24,161
413 Elections	1,908	1,908
414 Financial Administration	164,407	164,407
419 Other	31,066	31,066
Public Safety		
421 Police	124,779	124,779
422 Fire	25,782	25,782
Public Works		
431 Highway and Streets	167,304	167,304
432 Sanitation	2,288	2,288
435 Airport	26,807	26,807
Health and Welfare		
441 Health	11,511	11,511
Culture and Recreation		
451 Recreation	22,294	22,294
452 Parks	29,773	29,773
Conservation and Development		
465.3 Promoting the City	14,180	14,180
470 Debt Service	9,561	9,561
485 Capital Outlay	34,245	34,245
Total Expenditures	\$ 762,776	\$ 762,776
Excess of Revenues Over Expenditures	\$ 359,168	\$ 359,168
Other Financing Sources		
391.04 Compensation for Loss of Assets	\$ 95,746	\$ 95,746
511 Transfers Out	(6,996)	(6,996)
	\$ 88,750	\$ 88,750
Net Change in Fund Balance	\$ 447,918	\$ 447,918
Fund Balance - December 31, 2019	-	-
Fund Balance - December 31, 2020	\$ 447,918	\$ 447,918

The notes are an integral part of the financial statements.

CITY OF EAGLE BUTTE
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
MODIFIED CASH BASIS
AT DECEMBER 31, 2020

	Water Fund	Sewer Fund	Restaurant Fund	Total
	ASSETS			
Assets				
101 Cash	\$ 40,710	\$ -	\$ -	\$ 40,710
105.2 Investments	48,338	15,561	-	63,899
107.2 Restricted Investments	-	28,440	-	28,440
Total Assets	\$ 89,048	\$ 44,001	\$ -	\$ 133,049
	NET POSITION			
Net Position				
253.1 Restricted for Debt Service	\$ -	\$ 28,440	\$ -	\$ 28,440
253.9 Unrestricted	89,048	15,561	-	104,609
Total Net Position	\$ 89,048	\$ 44,001	\$ -	\$ 133,049

The notes are an integral part of the financial statements.

CITY OF EAGLE BUTTE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN NET POSITION - PROPRIETARY FUNDS
MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2020

	Water Fund	Sewer Fund	Restaurant Fund	Total
Operating Revenue				
380 Charges for Goods and Services and Operating Agreement	\$ 772,285	\$ 417,861	\$ -	\$ 1,190,146
Customer Deposits Received (Net)	(6,269)	-	-	(6,269)
Total Operating Revenue	\$ 766,016	\$ 417,861	\$ -	\$ 1,183,877
Operating Expenses				
410 Personal Services	\$ 196,116	\$ 51,845	\$ 912	\$ 248,873
420 Operating Expenses	149,900	359,950	2,253	512,103
426.2 Materials (Cost of Goods Sold)	360,975	-	-	360,975
Total Operating Expenses	\$ 706,991	\$ 411,795	\$ 3,165	\$ 1,121,951
Operating Income (Loss)	\$ 59,025	\$ 6,066	\$ (3,165)	\$ 61,926
Nonoperating Revenue (Expenses)				
361 Investment Earnings	\$ 185	\$ 248	\$ -	\$ 433
391.2 Long-term Debt Issued	68,034	64,294	-	132,328
391.4 Compensation for Loss of Assets	7,500	7,007	-	14,507
441 Principal and Interest Payments	(35,714)	(102,794)	-	(138,508)
485 Capital Outlay	(88,364)	-	(3,734)	(92,098)
Total Expenditures	\$ (48,359)	\$ (31,245)	\$ (3,734)	\$ (83,338)
Income (Loss) Before Capital Grants and Transfers	\$ 10,666	\$ (25,179)	\$ (6,899)	(21,412)
Capital Grants and Transfers				
391.01 Transfers in	\$ -	\$ 97	\$ 6,899	\$ 6,996
	\$ -	\$ 97	\$ 6,899	\$ 6,996
Change in Net Position	\$ 10,666	\$ (25,082)	\$ -	\$ (14,416)
Net Postion - December 31, 2019	78,382	69,083	-	147,465
Net Position - December 31, 2020	\$ 89,048	\$ 44,001	\$ -	\$ 133,049

The notes are an integral part of the financial statements.

CITY OF EAGLE BUTTE
BASIC FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2021

The notes are an integral part of the financial statements.

CITY OF EAGLE BUTTE
STATEMENT OF NET POSITION - MODIFIED CASH BASIS
AT DECEMBER 31, 2021

	Governmental Activities	Business-type Activities	Total
ASSETS			
Assets			
Cash	\$ 464,504	\$ 63,751	\$ 528,255
Investments	-	64,052	64,052
Restricted Cash and Investments	-	28,440	28,440
Total Assets	\$ 464,504	\$ 156,243	\$ 620,747
NET POSITION			
Net Position			
Restricted for Debt Service	\$ -	\$ 28,440	\$ 28,440
Unrestricted	464,504	127,803	592,307
Total Net Position	\$ 464,504	\$ 156,243	\$ 620,747

The notes are an integral part of the financial statements.

CITY OF EAGLE BUTTE
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
FOR THE 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	Governmental Activities	Business-type Activities	Total
Primary Government							
Government Activities							
General Government	\$ 302,011	\$ 11,638	\$ -	\$ -	\$ (290,373)	\$ -	\$ (290,373)
Public Safety	130,730		195,031		64,301	-	64,301
Public Works	385,377	1,738	-	-	(383,639)	-	(383,639)
Health and Welfare	10,891	-	-	-	(10,891)	-	(10,891)
Culture and Recreation	128,852	15,373	-	-	(113,479)	-	(113,479)
Conservation and Development	59,015	-	-	-	(59,015)	-	(59,015)
Debt Service	9,563	-	-	-	(9,563)	-	(9,563)
Total Government Activities	\$ 1,026,439	\$ 28,749	\$ 195,031	\$ -	\$ (802,659)	\$ -	\$ (802,659)
Business-type Activities							
Water	828,930	782,662	-	-	-	(46,268)	(46,268)
Sewer	482,617	433,611	-	10,421	-	(38,585)	(38,585)
Total Business-type Activities	\$ 1,311,547	\$ 1,216,273	\$ -	\$ 10,421	\$ -	\$ (84,853)	\$ (84,853)
Total Primary Government	\$ 2,337,986	\$ 1,245,022	\$ 195,031	\$ 10,421	\$ (802,659)	\$ (84,853)	\$ (887,512)
General Revenues							
Taxes							
Property Taxes					\$ 72,692	\$ -	\$ 72,692
Gross Receipts Tax					42,997	-	42,997
Sales Tax					654,668	-	654,668
State Shared Revenues					48,733	-	48,733
Unrestricted Investment Earnings					3,375	179	3,554
Long Term Debt Issued					-	102,310	102,310
Miscellaneous Revenue					2,338	-	2,338
Transfers					(5,558)	5,558	-
Total Expenses					\$ 819,245	\$ 108,047	\$ 927,292
Change in Net Position							
Net Position Beginning - December 31, 2020					16,586	23,194	39,780
Net Position, Ending - December 31, 2021					447,918	133,049	580,967
					\$ 464,504	\$ 156,243	\$ 620,747

The notes are an integral part of the financial statements.

**CITY OF EAGLE BUTTE
BALANCE SHEET - GOVERNMENTAL FUNDS
MODIFIED CASH BASIS
AT DECEMBER 31, 2021**

	General Fund	Total
	<hr/>	<hr/>
ASSETS		
Assets		
101 Cash	\$ 464,504	\$ 464,504
Total Assets	<u><u>\$ 464,504</u></u>	<u><u>\$ 464,504</u></u>
FUND BALANCE		
Fund Balance		
262 Fund Balance - Unassigned	\$ 464,504	\$ 464,504
Fund Balance	<u><u>\$ 464,504</u></u>	<u><u>\$ 464,504</u></u>

The notes are an integral part of the financial statements.

CITY OF EAGLE BUTTE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2021

	<u>General Fund</u>	<u>Total</u>
Revenue		
Taxes		
311 Property Taxes	\$ 72,284	\$ 72,284
313 Sales Taxes	654,668	654,668
314 Gross Receipts	42,997	42,997
315 Amusement Taxes	-	-
319 Penalties and Interest on Delinquent Taxes	408	408
320 Licenses and Permits	4,438	4,438
Intergovernmental Revenue		
331 Federal Grants	195,031	195,031
334 State Grants	-	-
335.01 Bank Franchise Tax	2,875	2,875
335.02 Motor Vehicle Commercial Prorate	4,482	4,482
335.03 Liquor Tax Reversion	9,543	9,543
335.04 Motor Vehicle License (5%)	15,094	15,094
335.08 Local Government Highway and Bridge	16,739	16,739
338.02 County Highway and Bridge Reserve Tax (25	1,738	1,738
Charges for Goods and Services		
340 Public Safety	10	10
346 Culture and Recreation	15,373	15,373
Miscellaneous Revenue		
361 Investment Earnings	3,375	3,375
362 Rentals	7,200	7,200
369 Other	40	40
Total Revenue	<u>\$ 1,046,295</u>	<u>\$ 1,046,295</u>

The notes are an integral part of the financial statements.

CITY OF EAGLE BUTTE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2021
CONTINUED

	General	
	Fund	Total
Expenditures		
General Government		
411 Legislative	\$ 64,571	\$ 64,571
412 Executive	19,751	19,751
413 Elections	737	737
414 Financial Administration	213,041	213,041
419 Other	3,911	3,911
Public Safety		
421 Police	118,067	118,067
422 Fire	12,663	12,663
Public Works		
431 Highway and Streets	314,297	314,297
432 Sanitation	1,540	1,540
435 Airport	18,140	18,140
Health and Welfare		
441 Health	10,891	10,891
Culture and Recreation		
451 Recreation	75,633	75,633
452 Parks	53,219	53,219
Conservation and Development		
465.3 Promoting the City	59,015	59,015
470 Debt Service	9,563	9,563
490 Capital Outlay	51,400	51,400
Total Expenditures	<u>\$ 1,026,439</u>	<u>\$ 1,026,439</u>
Excess of Revenues Over Expenditures	\$ 19,856	\$ 19,856
Other Financing Sources		
313.01 Compensation for Loss of Assets	\$ 2,288	\$ 2,288
511 Transfers Out	(5,558)	(5,558)
	<u>\$ (3,270)</u>	<u>\$ (3,270)</u>
Net Change in Fund Balance	\$ 16,586	\$ 16,586
Fund Balance - December 31, 2020	447,918	447,918
Fund Balance - December 31, 2021	<u><u>\$ 464,504</u></u>	<u><u>\$ 464,504</u></u>

The notes are an integral part of the financial statements.

CITY OF EAGLE BUTTE
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
MODIFIED CASH BASIS
AT DECEMBER 31, 2021

	Water Fund	Sewer Fund	Total
	<hr/>	<hr/>	<hr/>
ASSETS			
Assets			
Cash	\$ -	\$ 63,751	\$ 63,751
Investments	48,406	15,646	64,052
Restricted Cash and Investments	-	28,440	28,440
Total Assets	<hr/> \$ 48,406 <hr/>	<hr/> \$ 107,837 <hr/>	<hr/> \$ 156,243 <hr/>
NET POSITION			
Net Position			
Restricted for Debt Service	\$ -	\$ 28,440	\$ 28,440
Unrestricted	48,406	79,397	127,803
Total Net Position	<hr/> \$ 48,406 <hr/>	<hr/> \$ 107,837 <hr/>	<hr/> \$ 156,243 <hr/>

The notes are an integral part of the financial statements.

CITY OF EAGLE BUTTE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN NET POSITION - PROPRIETARY FUNDS
MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2021

	Water Fund	Sewer Fund	Total
Operating Revenue			
380 Charges for Goods and Services and Operating Agreement	\$ 781,453	\$ 433,611	\$ 1,215,064
Customer Deposits Received (Net)	1,209	-	1,209
Total Operating Revenue	\$ 782,662	\$ 433,611	\$ 1,216,273
Operating Expenses			
410 Personal Services	\$ 180,167	\$ 36,772	\$ 216,939
420 Operating Expenses	255,391	233,006	488,397
426.2 Materials (Cost of Goods Sold)	349,658	-	349,658
Total Operating Expenses	\$ 785,216	\$ 269,778	\$ 1,054,994
Operating Income (Loss)	\$ (2,554)	\$ 163,833	\$ 161,279
Nonoperating Revenue (Expenses)			
361 Investment Earnings	\$ 68	\$ 111	\$ 179
391.2 Long-term Debt Issued	-	102,310	102,310
391.4 Compensation for Loss of Assets	-	(2,207)	(2,207)
441 Principal and Interest Payments	(43,714)	(88,992)	(132,706)
485 Capital Outlay	-	(121,640)	(121,640)
Total Expenditures	\$ (43,646)	\$ (110,418)	\$ (154,064)
Income (Loss) Before Capital Grants and Transfers	\$ (46,200)	\$ 53,415	7,215
Capital Grants and Transfers			
331 Capital Grants - Loan Forgiveness	\$ -	\$ 10,421	\$ 10,421
391.01 Transfers in	5,558	-	5,558
	\$ 5,558	\$ 10,421	\$ 15,979
Change in Net Position	\$ (40,642)	\$ 63,836	\$ 23,194
Net Position - December 31, 2020	89,048	44,001	133,049
Net Position - December 31, 2021	\$ 48,406	\$ 107,837	\$ 156,243

The notes are an integral part of the financial statements.

CITY OF EAGLE BUTTE
NOTES TO THE FINANCIAL STATEMENTS – MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2020 AND 2021

NOTE 1 – Summary of Significant Accounting Policies

These financial statements are presented using the modified cash basis of accounting. The modified cash basis of accounting is another comprehensive method of accounting that is not accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements.

Financial Reporting Entity:

The reporting entity of the City of Eagle Butte (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 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.

Basis of Presentation:

Government-Wide Financial Statements:

The Statement of Net Position and Statement of Activities display information about the reporting entity as a whole. These statements include all funds of the reporting entity, except fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

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

Fund Financial Statements:

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

1. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and
2. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise

The notes are an integral part of the financial statements.

CITY OF EAGLE BUTTE
NOTES TO THE FINANCIAL STATEMENTS – MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2020 AND 2021

NOTE 1 – Summary of Significant Accounting Policies (continued)

Fund Financial Statements: (continued)

3. Management has elected to classify one or more governmental or enterprise funds as major for consistency in reporting from year to year, or because of public interest in the fund's operations.

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

Governmental Funds:

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

Proprietary Funds:

Enterprise Funds - enterprise funds may be used to report any activity for which a fee is charged to external users for goods or services. Activities are required to be reported as enterprise funds if any one of the following criteria is met. Governments should apply each of these criteria in the context of the activity's principal revenue sources.

- a. The activity is financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity. Debt that is secured by a pledge of net revenues from fees and charges and the full faith and credit of a related primary government or component unit - even if that government is not expected to make any payments - is not payable solely from fees and charges of the activity. (Some debt may be secured, in part, by a portion of its own proceeds but should be considered as payable "solely" from the revenues of the activity.)
- b. Laws or regulations require that the activity's costs of providing services, including capital costs (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues.
- c. The pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).

The City's Proprietary Funds Include the Following:

Water Fund - Financed primarily by user charges, this fund accounts for the construction and operation of the municipal waterworks system and related facilities (SDCL 9-47-1). The water fund is a major fund.

Sewer Fund - Financed primarily by user charges, this fund accounts for the construction and operation of the municipal sanitary sewer system and related facilities (SDCL 9-48-2). The sewer fund is a major fund.

Restaurant Fund - Financed primarily by user charges, this fund accounts for the operation of the restaurant. The restaurant fund was reported as a major fund during the year ended December 31, 2020. During the year ended December 31, 2020, the Restaurant Fund was closed and is not reported for the year ended December 31, 2021.

The notes are an integral part of the financial statements.

CITY OF EAGLE BUTTE
NOTES TO THE FINANCIAL STATEMENTS – MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2020 AND 2021

NOTE 1 – Summary of Significant Accounting Policies (continued)

Fund Financial Statements: (continued)

Measurement Focus and Basis of Accounting:

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

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

Measurement Focus:

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

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

Basis of Accounting:

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

The modified cash basis of accounting involves the measurement of cash and cash equivalents and changes in cash and cash equivalents resulting from cash receipt and disbursement transactions. Under the modified cash basis of accounting, the statement of financial position reports only cash and cash equivalents. Under the modified cash basis of accounting, transactions are recorded in the accounts when cash and/or cash equivalents are received or disbursed.

As a result of reporting on the modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected or liquor store inventory) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, accrued expenses and liabilities, and capital assets and their related debt) are not recorded in these financial statements. There is one exception to the modified cash basis of accounting presented by the City in the presentation of investments greater than 90 days.

If the City applied US GAAP, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types would use the accrual basis of accounting. All government-wide financial statements would be presented on the accrual basis of accounting.

The notes are an integral part of the financial statements.

CITY OF EAGLE BUTTE
NOTES TO THE FINANCIAL STATEMENTS – MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2020 AND 2021

NOTE 1 – Summary of Significant Accounting Policies (continued)

Deposits and Investments:

For the purpose of financial reporting, “cash and cash equivalents” includes all demand and savings accounts and investments with a term to maturity at the date of acquisition of three months or less.

Capital Assets:

Under the modified cash basis of accounting, the City's capital assets are considered a cost of the program for which they were acquired, for the amount paid in cash, in the Government-Wide financial statements, the Fund financial statements, and the Proprietary financial statements.

Long-Term Liabilities:

The government-wide Statement of Net Position and Statement of Activities and the fund financial statements, governmental, and business-type activities are presented using a modified cash basis of accounting. The City has not elected to modify their cash basis presentation by recording long-term debt arising from cash transactions, so any outstanding indebtedness is not reported on the financial statements of the City. The City does report the principal and interest payments on long-term debt as Debt Service expenditures on the Statement of Revenues, Expenditures and Changes in Fund Balances.

The City has presented a Schedule of Changes in Long-Term Debt along with related notes that include details of any outstanding Long-Term Debt in Note 4.

Program Revenues:

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

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

The notes are an integral part of the financial statements.

CITY OF EAGLE BUTTE
NOTES TO THE FINANCIAL STATEMENTS – MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2020 AND 2021

NOTE 1 – Summary of Significant Accounting Policies (continued)

Proprietary Funds Revenue and Expense Classifications:

In the proprietary fund's Statement of Revenues, Expenses, and Changes in Fund Net Position-Modified Cash Basis, revenues and expenses are classified as operating revenues and expenses unless the transactions relate to capital and related financing activities, noncapital financing activities, or investing activities.

Equity Classifications:

Government-Wide Financial Statements:

Equity is classified as net position and is displayed in two components under the modified cash basis:

1. Restricted net position - Consists of net position with constraints placed on their use either by (a) external groups such as creditors, granters, contributors, or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
2. Unrestricted net position -All other net position that do not meet the definition of restricted net position.

Fund Financial Statements:

Governmental fund equity is classified as fund balance, and may distinguish between Non Spendable, Restricted, Committed, Assigned, or Unassigned components. Proprietary fund equity is classified the same as in the government wide financial statements.

Application of Net Position:

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

Fund Balance Classification Policies and Procedures:

The City classifies governmental fund balances as follows:

1. *Non Spendable* - includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
2. *Restricted* - includes fund balance amounts that are constrained for: specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.
3. *Committed* - includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision-making authority and does not lapse at year-end.
4. *Assigned* - includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund Balance may be assigned by the City Council, Mayor, or Finance Officer.
5. *Unassigned* - includes positive fund balance within the General Fund, which has not been classified

The notes are an integral part of the financial statements.

CITY OF EAGLE BUTTE
NOTES TO THE FINANCIAL STATEMENTS – MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2020 AND 2021

NOTE 1 – Summary of Significant Accounting Policies (continued)

Fund Balance Classification Policies and Procedures: (continued)

within the above-mentioned categories and negative fund balances in other governmental funds.

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

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

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 below:

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

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

Detailed information on the makeup of the investment balances is not available. The reason for the lack of supporting information is better explained in note 9.

Custodial Credit Risk:

The risk that, in the event of a depository failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. As of December 31, 2020 and 2021, none of the City's deposits were exposed to custodial credit risk.

The notes are an integral part of the financial statements.

CITY OF EAGLE BUTTE
NOTES TO THE FINANCIAL STATEMENTS – MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2020 AND 2021

NOTE 2 - Deposits and Investments (continued)

Concentration of Credit Risk:

The City places no limit on the amount that may be invested in any one issue. More than 5 percent of the City's investments are in one security.

Interest Rate Risk:

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

Credit Risk:

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

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.

Restricted Cash:

Assets restricted to use for a specific purpose through segregation of balance include:

Sewer Fund - Savings Certificates totaling \$28,440 for debt service by debt covenants for both years 2020 and 2021.

NOTE 3 – Property Taxes

Property taxes are levied on or before October 1, of the year preceding the start of the fiscal year. They attach as an enforceable lien on property, and become due and payable as of January 1, the first day of the fiscal year. Taxes are payable in two installments on or before April 30 and October 31 of the fiscal year. The City is permitted by several state statutes to levy varying amounts of taxes per \$1,000 of taxable valuation on taxable real property in the City.

The notes are an integral part of the financial statements.

CITY OF EAGLE BUTTE
NOTES TO THE FINANCIAL STATEMENTS – MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2020 AND 2021

NOTE 4 – Long-Term Debt

Changes in long-term debt for the year ending December 31, 2020:

	Balance 12/31/2019	Additions	Retirements	Balance 12/31/2020	Due Within One Year
Governmental Activities:					
Finance Agreement	\$ 39,019	\$ -	\$ 7,016	\$ 32,003	\$ 7,530
Business-Type Activities:					
2001 Sewer Revenue Bonds	167,217	-	4,777	162,440	4,992
2002 Sewer Revenue Bonds	112,795	-	4,176	108,619	4,493
2002 Sewer and Storm Utility Bonds	84,862	-	3,165	81,697	3,406
Drinking Water SRF #1	59,112	-	11,822	47,290	11,822
Drinking Water SRF #2	215,414	-	8,617	206,797	8,617
Clean Water SRF #2	1,329,560	64,294	42,674	1,351,180	37,098
Drinking Water SRF #3	277,960	68,034	28,661	317,333	10,667
Drinking Water SRF #4	340,431	-	12,609	327,822	12,609
Total Business- Type	2,587,351	132,328	116,501	2,603,178	93,704
Total Primary Government	<u>\$ 2,626,370</u>	<u>\$ 132,328</u>	<u>\$ 123,517</u>	<u>\$ 2,635,181</u>	<u>\$ 101,234</u>

Changes in long-term debt for the year ending December 31, 2021:

	Balance 12/31/2020	Additions	Retirements	Balance 12/31/2021	Due Within One Year
Governmental Activities:					
Finance Agreement	\$ 32,003	\$ -	\$ 7,530	\$ 24,473	\$ 8,083
Business-Type Activities:					
2001 Sewer Revenue Bonds	162,440	-	4,998	157,442	5,222
2002 Sewer Revenue Bonds	108,619	-	-	108,619	4,493
2002 Sewer and Storm Utility Bonds	81,697	-	-	81,697	3,406
Note Payable	-	100,000	1,863	98,137	24,082
Drinking Water SRF #1	47,290	-	11,822	35,468	11,822
Drinking Water SRF #2	206,797	-	8,617	198,180	8,617
Clean Water SRF #2	1,351,180	2,310	33,298	1,320,192	39,779
Drinking Water SRF #3	317,333	-	10,667	306,666	10,671
Drinking Water SRF #4	327,822	-	12,609	315,213	12,609
Total Business- Type	2,603,178	102,310	83,874	2,621,614	120,701
Total Primary Government	<u>\$ 2,635,181</u>	<u>\$ 102,310</u>	<u>\$ 91,404</u>	<u>\$ 2,646,087</u>	<u>\$ 128,784</u>

The notes are an integral part of the financial statements.

CITY OF EAGLE BUTTE
NOTES TO THE FINANCIAL STATEMENTS – MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2020 AND 2021

Long-term debt at December 31, 2020 and 2021, is comprised of the following:

<i>Financing Agreement</i>	2020	2021
Financing agreement due in monthly installments of \$797, including interest at 7.1 percent, through October 2024. Financed through the General Fund.	\$ 32,003	\$ 24,473
Note Payable due in monthly installments of \$2,207, including interest at 2.75 percent through November 2025. Financed through the Sewer Fund	-	98,137
<i>Revenue Bonds</i>		
2001 Sewer Revenue Bonds due in monthly installments of \$1,017, including interest at 4.5 percent, through July 2041. Sewer revenues are pledged and financed through the Sewer Fund.	162,440	157,442
2002 Sewer Revenue Bonds due in monthly installments of \$771, including interest at 4.5 percent, through June 2037. Sewer revenues are pledged and financed through the Sewer Fund.	108,619	108,619
2002 Sewer and Storm Utility Revenue Bonds due in monthly installments of \$582, including interest at 4.5 percent through May 2037. Sewer revenues are pledged and financed through the Sewer Fund.	81,697	81,697

The notes are an integral part of the financial statements.

CITY OF EAGLE BUTTE
NOTES TO THE FINANCIAL STATEMENTS – MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2020 AND 2021

NOTE 4 – Long-Term Debt (continued)

<i>State Revolving Fund Loans</i>	<u>2020</u>	<u>2021</u>
Drinking Water State Revolving Fund Loan #1 with 80 percent debt forgiveness, due in quarterly installments of \$2,787 with no interest through November 2024. Financed through the Water Fund.	47,290	35,468
Drinking Water State Revolving Fund Loan #2 with 80 percent of debt forgiveness, due in quarterly installments of \$229 with no interest through November 2044. Financed through the Water Fund.	206,797	198,180
forgiveness, due in variable quarterly installments including interest at 3.25 percent through February 2047. Financed through the Sewer Fund.	1,351,180	1,320,192
Drinking Water State Revolving Fund Loan #3 with 38.5 percent of debt forgiveness, due in variable quarterly installments with no interest through January 2046. Financed through the Water Fund.	317,333	306,666
Drinking Water State Revolving Fund Loan #4 with 50 percent of debt forgiveness, due in variable quarterly installments with no interest through January 2046. Financed through the Water Fund.	327,822	315,213
Total Long-Term Debt	<u><u>\$ 2,635,181</u></u>	<u><u>\$ 2,646,087</u></u>

Pledged Revenue:

The City has pledged future revenues of the Sewer and Water Funds for the retirement of its revenue bonds listed above. This debt was used to fund capital projects. The current principal balance plus interest at the stated applicable rate over the life of the debt represents the amount of future revenue pledged. Below is a comparison of principal and interest payments and total pledged revenue for 2020 and 2021:

	<u>Water Fund</u>	<u>Sewer Fund</u>
2020		
Current Year Principal and Interest	\$ 35,714	\$ 102,794
Pledged Revenue	772,285	417,861
2021		
Current Year Principal and Interest	\$ 43,714	\$ 88,992
Pledged Revenue	781,453	434,032

The notes are an integral part of the financial statements.

CITY OF EAGLE BUTTE
NOTES TO THE FINANCIAL STATEMENTS – MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2020 AND 2021

NOTE 4 – Long-Term Debt (continued)

The annual requirements to amortize debt outstanding as of December 31, 2020 are as follows:

	Finance Agreement		Revenue Bonds		SRF Loans		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2021	\$ 7,530	\$ 2,031	\$ 12,892	\$ 15,548	\$ 80,813	\$ 37,975	\$ 101,235	\$ 55,554
2022	8,083	1,479	13,484	14,956	76,361	42,427	97,928	58,862
2023	8,676	886	14,103	14,337	77,498	41,350	100,277	56,573
2024	7,714	253	14,712	13,728	78,491	40,238	100,917	54,219
2025	-	-	15,427	13,013	67,877	39,088	83,304	52,101
2026-2030	-	-	88,407	53,793	357,997	176,833	446,404	230,626
2031-2035	-	-	110,677	31,523	392,977	141,853	503,654	173,376
2036-2040	-	-	78,706	8,221	434,120	100,709	512,826	108,930
2041-2045	-	-	4,348	45	473,897	52,316	478,245	52,361
2046-2050	-	-	-	-	210,391	5,515	210,391	5,515
Total	\$ 32,003	\$ 4,649	\$352,756	\$165,164	\$2,250,422	\$678,304	\$2,635,181	\$848,117

The annual requirements to amortize debt outstanding as of December 31, 2021 are as follows:

	Finance Agreement		Revenue Bonds		SRF Loans		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2022	32,165	3,876	13,121	15,319	83,497	37,062	\$ 128,783	\$ 56,257
2023	33,428	2,612	13,724	14,716	79,324	41,295	126,476	58,623
2024	33,157	1,290	14,336	14,104	80,378	40,122	127,871	55,516
2025	23,860	2,618	14,992	13,448	69,825	38,911	108,677	54,977
2026	-	-	15,702	12,738	71,076	37,660	86,778	50,398
2027-2031	-	-	89,980	52,220	375,644	168,037	465,624	220,257
2032-2036	-	-	112,639	29,561	413,730	129,950	526,369	159,511
2037-2041	-	-	73,264	5,846	458,527	85,154	531,791	91,000
2042-2046	-	-	-	-	493,982	32,465	493,982	32,465
2047-2051	-	-	-	-	49,736	86	49,736	86
Total	\$ 122,610	\$ 10,396	\$ 347,758	\$ 157,952	\$ 2,175,719	\$ 610,742	\$ 2,646,087	\$ 779,090

The notes are an integral part of the financial statements.

CITY OF EAGLE BUTTE
NOTES TO THE FINANCIAL STATEMENTS – MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2020 AND 2021

NOTE 5 – Retirement Plan

All employees, except for part-time employees, participate in the South Dakota Retirement System (SDRS), a cost sharing, multiple employer public employee retirement system established 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 South Dakota Codified Law 3-12. The SDRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the SDRS, P.O. Box 1098, Pierre, SD 57501-1098 or by calling (605) 773-3731.

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 percent of salary; Class B Judicial Members, 9.0 percent of salary; and Class B Public Safety Members, 8.0 percent of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. State statute also requires the employer to make an additional contribution in the amount of 6.2 percent for any compensation exceeding the maximum taxable amount for social security for general employees only. The City's share of contributions to the SDRS for the fiscal years ended December 31, 2021, 2020 and 2019, were \$20,627, \$18,421, and \$23,135, respectively.

NOTE 6 – Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the period ended December 31, 2021 and 2020, the City managed its risks as follows:

Unemployment Benefits:

The City has elected to be self-insured and retain all risk for liabilities resulting from claims for unemployment benefits. During the year ended December 31, 2021 and 2020, the City paid unemployment benefits totaling \$0 and \$0 respectively. At December 31, 2021 and 2020, no claims had been filed for unemployment benefits.

Health Insurance:

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

Liability Insurance:

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

The notes are an integral part of the financial statements.

CITY OF EAGLE BUTTE
NOTES TO THE FINANCIAL STATEMENTS – MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2020 AND 2021

NOTE 6 – Risk Management (continued)

Liability Insurance: (continued)

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

	<u>Deductible</u>	<u>Aggregate Limit</u>
General Liability	Unknown	Unknown
Officials Liability	Unknown	Unknown
Law Enforcement Liability	Unknown	Unknown
Automobile Liability	Unknown	Unknown

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

Worker's Compensation:

The City participates in the South Dakota Municipal League Worker's Compensation 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 Cities, 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 limit in addition to a separate combined employee 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 during the past three years.

The notes are an integral part of the financial statements.

CITY OF EAGLE BUTTE
NOTES TO THE FINANCIAL STATEMENTS – MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2020 AND 2021

NOTE 7 – Interfund Transfers

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

	Transfer In	Transfer Out
General Fund	\$ -	\$ 6,996
Sewer Fund	97	-
Restaurant Fund	6,899	-
Total	<u>\$ 6,996</u>	<u>\$ 6,996</u>

The General Fund transferred cash to the Sewer and Restaurant Funds to eliminate deficit cash balances due to budgetary deficits.

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

	Transfer In	Transfer Out
General Fund	\$ -	\$ 5,558
Water Fund	5,558	-
Total	<u>\$ 5,558</u>	<u>\$ 5,558</u>

The General Fund transferred cash to the Water Fund to eliminate deficit cash balances due to budgetary deficits.

NOTE 8 – Uncertainties

In March 2020, the World Health Organization made the assessment that the outbreak of a novel coronavirus (COVID-19) can be characterized as a pandemic. As a result, uncertainties have arisen that may have a significant negative impact on the operating activities and results of the City. The occurrence and extent of such an impact will depend on future developments, including (i) the duration and spread of the virus, (ii) government quarantine measures, (iii) voluntary and precautionary restriction on travel or meetings, (iv) the effects on the financial markets, and (v) the effects on the economy overall, all of which are uncertain.

NOTE 9 – Subsequent Events

Subsequent to the years covered by these financial statements, the previous finance officer for the City left the position with little to no notice. Prior to leaving, the officer emptied file cabinets and destroyed documents including meeting minutes, reports, and associated documents as well as documentation of the software program that was in use at that time. Therefore, insufficient adequate documentation exists to facilitate an audit of the years covered in these financial statements.

The notes are an integral part of the financial statements.

CITY OF EAGLE BUTTE
SUPPLEMENTARY INFORMATION
As of and for the Year Ended December 31, 2020

The notes are an integral part of the financial statements.
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**CITY OF EAGLE BUTTE
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
AT DECEMBER 31, 2020**

Information is not available to complete this schedule.

The notes are an integral part of the financial statements.

**CITY OF EAGLE BUTTE
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET
PENSION LIABILITY (ASSET)
AT DECEMBER 31, 2020**

Information is not available to complete this schedule.

The notes are an integral part of the financial statements.

**CITY OF EAGLE BUTTE
SCHEDULE OF PENSION CONTRIBUTIONS
AT DECEMBER 31, 2020**

Information is not available to complete this schedule.

The notes are an integral part of the financial statements.

**CITY OF EAGLE BUTTE
NOTES TO THE SUPPLEMENTARY INFORMATION
AT DECEMBER 31, 2020**

Information is not available to complete the notes.

The notes are an integral part of the financial statements.

CITY OF EAGLE BUTTE
SUPPLEMENTARY INFORMATION
As of and for the Year Ended December 31, 2021

The notes are an integral part of the financial statements.

**CITY OF EAGLE BUTTE
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
AT DECEMBER 31, 2021**

Information is not available to complete this schedule.

The notes are an integral part of the financial statements.

**CITY OF EAGLE BUTTE
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET
PENSION LIABILITY (ASSET)
AT DECEMBER 31, 2021**

Information is not available to complete this schedule.

The notes are an integral part of the financial statements.

**CITY OF EAGLE BUTTE
SCHEDULE OF PENSION CONTRIBUTIONS
AT DECEMBER 31, 2021**

Information is not available to complete this schedule.

The notes are an integral part of the financial statements.

**CITY OF EAGLE BUTTE
NOTES TO THE SUPPLEMENTARY INFORMATION
AT DECEMBER 31, 2021**

Information is not available to complete the notes.

The notes are an integral part of the financial statements.



**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***

INDEPENDENT AUDITORS REPORT

To the Mayor and City Council
City of Eagle Butte
Eagle Butte, South Dakota

We were engaged to audit, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the modified cash basis of accounting financial statements of the governmental activities, the business-type activities, and each major fund of the City of Eagle Butte, South Dakota (City), as of and for the two years ended December 31, 2021, and December 31, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated January 31, 2025. which was a disclaimer of opinion because we were not able to obtain sufficient appropriate audit evidence to conclude that the financial statements as a whole are free from material misstatements, as discussed in Note 9 to the financial statements.

Report on Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

The notes are an integral part of the financial statements.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Current Audit Findings, as items 2020-1 and 2021-1 to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Current Audit Findings as items 2020-2 and 2021-2.

City's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the findings identified in our audit. The City's response to the findings identified in our audit are described in the accompanying Schedule of Current Audit Findings

The City's 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 City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. As required by South Dakota Codified Law 4-11-11, this report is a matter of public record and its distribution is not limited.

Terra Business Solutions

Terra Business Solutions

Covina, CA

January 31, 2025

The notes are an integral part of the financial statements.



**CITY OF EAGLE BUTTE
SCHEDULE OF PRIOR AND CURRENT AUDIT FINDINGS**

SCHEDULE OF PRIOR AUDIT FINDINGS

Prior Audit Findings

The prior audit report contained no written audit findings.

SCHEDULE CURRENT AUDIT FINDINGS

Section II – Financial Statement Findings

Internal Control-Related Findings – Material Weakness:

Financial Records

Finding No. 2020-1 and 2021-1

Criteria:

The City's internal control structure should be designed to ensure that financial records are maintained and protected from potential loss or destruction.

Condition:

The City does not have an internal control system designed to protect financial records including but not limited to digitization and backups of important financial information.

Context:

We noted that the previous finance officer for the City left the position with little to no notice. Prior to leaving, the officer emptied file cabinets and destroyed documents including meeting minutes, reports, and associated documents as well as documentation of the software program that was in use at that time.

Effect:

Supporting documentation for financial transactions could not be located.

The notes are an integral part of the financial statements.

Recommendation:

We recommend that the City strengthen internal controls over the protection of financial records and supporting documentation.

Views of responsible officials:

Subsequent to the years covered by these financial statements, the previous finance officer for the City left the position with little to no notice. Prior to leaving, the officer emptied file cabinets and destroyed documents including meeting minutes, reports, and associated documents as well as documentation of the software program that was in use at that time.

Compliance and Other Matters:

Finding No. 2020-2

Criteria:

The City is required to follow State regulations.

Condition:

We were unable to verify the City's compliance with numerous State regulations due to missing supporting documentation.

Context:

For the years ended December 31, 2020, we noted the following compliance deficiencies:

- State regulations require the governing board to advertise for competitive sealed bid, or competitive sealed proposals when permitted for contracts (advertisement shall appear as a legal notice in the appointed legal newspaper) in accordance with the amounts specified in SDCL 5-18A-14 (contract for any public improvement that involves the expenditure of \$100,000 or more, or a contract for the purchase of supplies or services, other than professional services, that involves the expenditure of \$50,000 or more. SDCL 5-18A-22 lists procurements exempt from chapters 5-18A through 5-18D. Compliance with this requirement could not be verified.
- State regulations require the governing board to publish a complete list of officers and employees' salaries with the proceedings of the first meeting of the year, or within 30 days thereafter or in the minutes of the first meeting following the completion of salary negotiations or within thirty days thereafter (6-1-10). Compliance with this requirement could not be verified.
- State regulations require the City to designate at a meeting of its governing body an official newspaper for the ensuing year (9-12-6). Compliance with this requirement could not be verified.
- State regulations require the governing board to establish a bond for the finance officer equal to an amount estimated to be the maximum monetary total on hand at any one time but may not exceed \$250,000 for first class and \$150,000 for second and third class municipalities or purchase a blanket bond, blanket crime coverage, an insurance policy, or an individual bond, issued to the political subdivision as the insured, covering the faithful performance of each officer, member, and employee (9-14-6.1 and 3-5-14). Compliance with this requirement could not be verified.
- State regulations require the finance officer draw and sign all warrants along with the mayor or president of the board of trustees. If a signature stamp (or stamps) were used, proper control must be maintained over these stamp(s) (9-14-17, 9-14-18, 9-23-3, 9-23-7). Compliance with this requirement could not be verified.
- State regulations require the governing body publish, within twelve business days, the Minutes for each meeting of the governing body including a detailed statement of all expenditures of money and the name of each person paid and the service provided? (9-18-1). Compliance with this requirement could not be verified.
- State regulations require the governing body to fix and determine by ordinance or resolution, the

The notes are an integral part of the financial statements.

amount of salaries and compensation of all municipal officers and the times at which the same shall be paid (9-14-28). Compliance with this requirement could not be verified.

- State regulations require the governing body to fix and determine by ordinance or resolution, the amount of salaries and compensation of all municipal officers and the times at which the same shall be paid (9-14-28). Compliance with this requirement could not be verified.
- State regulations require the City to designate the depository or depositories in which the funds belonging to the municipality shall be deposited (such depositories shall be a bank within the State of South Dakota, unless otherwise specifically provided by law) (9-22-6). Compliance with this requirement could not be verified.
- State regulations require the finance officer keep a register of all warrants paid during the year, describing the warrants, their date, amount, number, the fund from which paid, the person paid and specifying the time of payment (9-22-18, 9-23-8). Compliance with this requirement could not be verified.
- State regulations require the annual report to be given to the board at the first meeting in May. The annual report is also required to be filed with the Department of Legislative Audit by the last day of May. Furthermore, it is required to be published in the official newspaper within thirty days of being presented to the board. The 2020 annual report was approved during the 8/2/21 meeting and no evidence of the annual report being published could be provided.
- State regulations require the City to make a proper report (and transmittal of the corresponding monetary amounts) before November first of all of its outstanding checks as of the preceding June 30th that were not cashed within one year of their issuance date (43-41B-14, 43-41B-18). Compliance with this requirement could not be verified.

Effect:

If State Regulations are not followed, the State may impose financial or other penalties against the City.

Recommendation:

We recommend that the City ensure compliance with all State Regulations and maintain sufficient supporting documentation to demonstrate compliance.

Views of responsible officials:

Subsequent to the years covered by these financial statements, the previous finance officer for the City left the position with little to no notice. Prior to leaving, the officer emptied file cabinets and destroyed documents including meeting minutes, reports, and associated documents as well as documentation of the software program that was in use at that time.

Finding No. 2021-2

Criteria:

The City is required to follow State regulations.

The notes are an integral part of the financial statements.

Condition:

We were unable to verify the City's compliance with numerous State regulations due to missing supporting documentation.

Context:

For the year ended December 31, 2021, we noted the following compliance deficiencies:

- State regulations require the governing board to advertise for competitive sealed bid, or competitive sealed proposals when permitted for contracts (advertisement shall appear as a legal notice in the appointed legal newspaper) in accordance with the amounts specified in SDCL 5-18A-14 (contract for any public improvement that involves the expenditure of \$100,000 or more, or a contract for the purchase of supplies or services, other than professional services, that involves the expenditure of \$50,000 or more. SDCL 5-18A-22 lists procurements exempt from chapters 5-18A through 5-18D. Compliance with this requirement could not be verified.
- State regulations require the City to designate at a meeting of its governing body an official newspaper for the ensuing year (9-12-6). Compliance with this requirement could not be verified.
- State regulations require the governing board to establish a bond for the finance officer equal to an amount estimated to be the maximum monetary total on hand at any one time but may not exceed \$250,000 for first class and \$150,000 for second and third class municipalities or purchase a blanket bond, blanket crime coverage, an insurance policy, or an individual bond, issued to the political subdivision as the insured, covering the faithful performance of each officer, member, and employee (9-14-6.1 and 3-5-14). Compliance with this requirement could not be verified.
- State regulations require the finance officer draw and sign all warrants along with the mayor or president of the board of trustees. If a signature stamp (or stamps) were used, proper control must be maintained over these stamp(s) (9-14-17, 9-14-18, 9-23-3, 9-23-7). Compliance with this requirement could not be verified.
- State regulations require the governing body publish, within twelve business days, the Minutes for each meeting of the governing body including a detailed statement of all expenditures of money and the name of each person paid and the service provided? (9-18-1). Compliance with this requirement could not be verified.
- State regulations require the governing body to fix and determine by ordinance or resolution, the amount of salaries and compensation of all municipal officers and the times at which the same shall be paid (9-14-28). Compliance with this requirement could not be verified.
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- State regulations require the City to designate the depository or depositories in which the funds belonging to the municipality shall be deposited (such depositories shall be a bank within the State of South Dakota, unless otherwise specifically provided by law) (9-22-6). Compliance with this requirement could not be verified.
- State regulations require the finance officer keep a register of all warrants paid during the year, describing the warrants, their date, amount, number, the fund from which paid, the person paid and specifying the time of payment (9-22-18, 9-23-8). Compliance with this requirement could not be verified.

The notes are an integral part of the financial statements.

verified.

- State regulations require the City to make a proper report (and transmittal of the corresponding monetary amounts) before November first of all of its outstanding checks as of the preceding June 30th that were not cashed within one year of their issuance date (43-41B-14, 43-41B-18). Compliance with this requirement could not be verified.

Effect:

If State Regulations are not followed, the State may impose financial or other penalties against the City.

Recommendation:

We recommend that the City ensure compliance with all State Regulations and maintain sufficient supporting documentation to demonstrate compliance.

Views of responsible officials:

Subsequent to the years covered by these financial statements, the previous finance officer for the City left the position with little to no notice. Prior to leaving, the officer emptied file cabinets and destroyed documents including meeting minutes, reports, and associated documents as well as documentation of the software program that was in use at that time.

The notes are an integral part of the financial statements.