

CITY OF EDGEMONT
EDGEMONT, SOUTH DAKOTA
FINANCIAL REPORT
FOR THE TWO YEARS ENDING DECEMBER 31, 2021
WITH INDEPENDENT AUDITOR'S REPORTS

INDEPENDENT AUDIT SERVICES, P.C.

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

CITY OF EDGEMONT
EDGEMONT, SOUTH DAKOTA

TABLE OF CONTENTS TO THE FINANCIAL REPORT
FOR THE TWO YEARS ENDING DECEMBER 31, 2021

FINANCIAL SECTION

1 Independent Auditor's Report

Basic Financial Statements: (Modified Cash Basis of Accounting)

Government-Wide Financial Statements:

- 4 Statement of Net Position as of December 31, 2021
- 5 Statement of Cash Activities for the Year Ending December 31, 2021
- 6 Statement of Cash Activities for the Year Ending December 31, 2020

Fund Financial Statements:

Governmental Funds:

- 7 Balance Sheet as of December 31, 2021
- 8 Statement of Receipts, Disbursements, and Changes in Fund Balances
for the Year Ending December 31, 2021
- 8 Statement of Receipts, Disbursements, and Changes in Fund Balances
for the Year Ending December 31, 2020

Enterprise Funds:

- 9 Statement of Net Position as of December 31, 2021
- 10 Statement of Receipts, Disbursements, and Changes in Net Position
for the Year Ending December 31, 2021
- 10 Statement of Receipts, Disbursements, and Changes in Net Position
for the Year Ending December 31, 2020
- 11 Statement of Cash Flow for the Year Ending December 31, 2021
- 11 Statement of Cash Flow for the Year Ending December 31, 2020
- 12 Notes to the Financial Statements

SUPPLEMENTARY INFORMATION SECTION

- 25 Schedule of Changes in Long-Term Debt -- For the Two Years Ending December 31, 2021

Budgetary Comparison Schedules - Budgetary Basis:

- 26 General Fund -- December 31, 2021
- 27 General Fund -- December 31, 2020
- 28 3rd Cent Fund -- December 31, 2021
- 28 3rd Cent Fund -- December 31, 2020
- 29 Notes to Supplementary Information - Budgets

Pension Schedules:

- 30 Schedule of the City's Proportional Share of Net Pension (Asset)/Liability
- 30 Schedule of the City's Contributions
- 31 Notes to Supplementary Information - Pension

GOVERNMENTAL SECTION

- 32 Report on Compliance and Other Matters and on Internal Control over Financial
Reporting Based on an Audit of Financial Statements Performed in Accordance
with *Government Auditing Standards*
- 34 Schedule of Prior Audit Findings
- 34 Schedule of Current Audit Findings and Responses

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

INDEPENDENT AUDIT SERVICES, PC

Benjamin Elliott, CPA
P.O. Box 262
Madison, South Dakota 57042
605.270.3020

Governing Board
City of Edgemont
Edgemont, South Dakota

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

Disclaimer of Opinions:

I was engaged to audit the accompanying modified cash basis of accounting financial statements of governmental activities, business-type activities, and each major fund of the City of Edgemont (City), Fall River County, South Dakota as of December 31, 2021 and for each of the years in the biennial period then ended, and the related notes to the financial statements, which collectively comprise the City's basic financial statement as listed in the table of contents.

Because of the significance of the matter described in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the modified cash basis of accounting financial statements of governmental activities, business-type activities, and each major fund of the City of Edgemont (City), Fall River County, South Dakota. Accordingly, I do not express an opinion on these modified cash basis of accounting financial statements.

Basis for Disclaimer of Opinions:

Because the City's general ledger is not organized on a fund basis as required by the Government Accounting Standards Board (Sec. 1100.102), I was unable to verify the financial statement amounts reported on the 2020 and 2021 newspaper publications and the 2020 and 2021 bank statement activity of the City given to me for compiling these financial statements. As a result of this matter, I was unable to determine whether any adjustments might be necessary for the amounts reported within these financial statements.

I am required to be independent of the City of Edgemont, South Dakota and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements relating to my engagement.

Emphasis of Matter - Basis of Accounting

I draw attention to Note 1-c of these financial statements, which describes the basis of accounting. These financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. My disclaimer of opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements:

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

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

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

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinions.

Because of the matter described in the Basis for Disclaimer of Opinion section, however, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- > Exercise professional 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 of Edgemont's internal control. Accordingly, no such opinion is expressed.
- > Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- > Conclude whether, in my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Edgemont's ability to continue as a going concern for a reasonable period of time.

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

Supplementary Information: (no opinion)

Accounting principles generally accepted in the United States of America allow (1) the schedule of changes in long-term debt (page 25), (2) the budgetary comparison schedules (page 26 to 29), and (3) pension schedules (page 30 to 31) be presented to supplement the basic financial statements. Such information is the responsibility of management. I have applied certain limited procedures to the supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements.

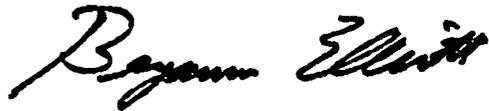
I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards:

In accordance with *Government Auditing Standards*, I have also issued my report dated April 27, 2023 (page 32) on my consideration of the City of Edgemont's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of that report is solely to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Edgemont's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Independent Audit Services, PC
Benjamin Elliott, CPA

April 27, 2023

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

CITY OF EDMONTON

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

	Primary Government		
	Governmental	Business-	
	Activities	Type	Total
	-----	-----	-----
ASSETS:			
Current assets:			
Checking	22,116		22,116
Savings	1,217,932	1,355,209	2,573,141
Certificates of deposit	300,000		300,000
Restricted cash:			
Checking - Library	6,805		6,805
Savings - Library	7,428		7,428
	-----	-----	-----
Total assets	1,554,281	1,355,209	2,909,490
	=====	=====	=====
 NET POSITION:			
Restricted for:			
3rd cent fund uses	35,024		35,024
Library trust fund	14,233		14,233
Debt service		90,428	90,428
Unrestricted	1,505,024	1,264,781	2,769,805
	-----	-----	-----
Total net position	1,554,281	1,355,209	2,909,490
	=====	=====	=====

See accompanying notes.

CITY OF EDGE MONT

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

Functions/Programs:	Program Receipts				Net (Disbursements) Receipts and Changes in Net Position		
	Disbursements	Charges for Services and Reimbursements	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Totals
Primary government:							
<i>Governmental activities:</i>							
General government	123,204	20,382	64,289		-38,533		-38,533
Public safety	157,271				-157,271		-157,271
Public works	174,651	4,072			-170,579		-170,579
Health and welfare	13,607				-13,607		-13,607
Culture and recreation	88,073	2,962			-85,111		-85,111
Economic development	18,000				-18,000		-18,000
Miscellaneous	82,673				-82,673		-82,673
Total governmental activities	657,479	27,416	64,289	0	-565,774	0	-565,774
<i>Business-type activities:</i>							
Water	295,095	358,842		56,718		120,465	120,465
Sewer	58,103	115,660				57,557	57,557
Solid waste	85,216	98,619				13,403	13,403
Total business-type activities	438,414	573,121	0	56,718	0	191,425	191,425
Total primary government	1,095,893	600,537	64,289	56,718	-565,774	191,425	-374,349
General receipts:							
Taxes:							
Property taxes					411,138		411,138
Sales taxes					325,228		325,228
State shared receipts					54,310		54,310
County shared receipts					2,764		2,764
Interest received					1,254		1,254
Rents and franchise fees					12,001		12,001
Miscellaneous receipts					4,586	5,441	10,027
SRF loan proceeds					0	104,415	104,415
Sale of surplus property					204,312		204,312
Total general receipts and other receipt					1,015,593	109,856	1,125,449
Change in net position					449,819	301,281	751,100
Net position, January 1, 2021					1,104,462	1,053,928	2,158,390
Net position, December 31, 2021					1,554,281	1,355,209	2,909,490

See accompanying notes.

CITY OF EDMONTON

GOVERNMENT-WIDE - STATEMENT OF CASH ACTIVITIES
 MODIFIED CASH BASIS
 FOR THE YEAR ENDING DECEMBER 31, 2020

Functions/Programs:	Program Receipts				Net (Disbursements) Receipts and Changes in Net Position		
	Disbursements	Charges for Services and Reimbursements	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Totals
Primary government:							
<i>Governmental activities:</i>							
General government	124,786	14,032	20,928		-89,826		-89,826
Public safety	154,791				-154,791		-154,791
Public works	204,355	3,948			-200,407		-200,407
Health and welfare	16,594		2,163		-14,431		-14,431
Culture and recreation	87,141				-87,141		-87,141
Economic development	18,000				-18,000		-18,000
Miscellaneous	36,405				-36,405		-36,405
Debt service	22,827				-22,827		-22,827
Total governmental activities	664,899	17,980	23,091	0	-623,828	0	-623,828
<i>Business-type activities:</i>							
Water	694,993	347,234		140,014		-207,745	-207,745
Sewer	54,562	114,361				59,799	59,799
Solid waste	83,084	100,820				17,736	17,736
Total business-type activities	832,639	562,415	0	140,014	0	-130,210	-130,210
Total primary government	1,497,538	580,395	23,091	140,014	-623,828	-130,210	-754,038
General receipts:							
Taxes:							
					366,799		366,799
					259,039		259,039
					60		60
					51,786		51,786
					610		610
					6,985		6,985
					18,572		18,572
					200		200
					0	258,854	258,854
					704,051	258,854	962,905
Change in net position					80,223	128,644	208,867
Net position, January 1, 2020					1,024,239	925,284	1,949,523
Net position, December 31, 2020					1,104,462	1,053,928	2,158,390

See accompanying notes.

CITY OF EDGEMONT

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

	General Fund	3rd Cent Fund	Total
	-----	-----	-----
ASSETS:			
Current assets:			
Checking	22,116		22,116
Savings	1,182,908	35,024	1,217,932
Certificates of deposit	300,000		300,000
Restricted cash:			
Checking - Library	6,805		6,805
Savings - Library	7,428		7,428
	-----	-----	-----
	1,519,257	35,024	1,554,281
	=====	=====	=====
FUND BALANCE:			
Nonspendable			0
Restricted	14,233	35,024	49,257
Committed	0		0
Assigned	0		0
Unassigned	1,505,024		1,505,024
	-----	-----	-----
Total fund balance	1,519,257	35,024	1,554,281**
	=====	=====	=====

** Equals net position on
 statement of net position

See accompanying notes.

CITY OF EDMONTON
STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND
BALANCES -- MODIFIED CASH BASIS -- ALL GOVERNMENTAL FUNDS
FOR THE YEAR ENDING DECEMBER 31, 2021
FOR THE YEAR ENDING DECEMBER 31, 2020

	2021			2020		
	General Fund	3rd Cent Fund	Total	General Fund	3rd Cent Fund	Total
Receipts:						
Local sources:						
Taxes:						
Ad valorem taxes	411,138		411,138	366,799		366,799
General sales and use taxes	307,963	17,265	325,228	248,654	10,385	259,039
Amusement taxes			0	60		60
Licenses and permits:	10,867		10,867	10,943		10,943
Intergovernmental:						
State shared receipts:						
Grants	64,289		64,289	23,091		23,091
Bank franchise tax	1,833		1,833	1,841		1,841
Commercial prorata	2,262		2,262	3,212		3,212
Liquor tax revision	5,578		5,578	5,357		5,357
Motor vehicle licenses (5%)	12,672		12,672	10,698		10,698
Highway and bridge	31,965		31,965	30,678		30,678
County shared revenue: road tax	2,764		2,764	610		610
Charges for goods and services:						
General government	9,190		9,190	2,756		2,756
Cemetery	3,258		3,258	3,948		3,948
Library	2,962		2,962			0
Fines and forfeits:	325		325	333		333
Miscellaneous:						
Interest received	1,255		1,255	6,985		6,985
Rents and franchise fees	12,000		12,000	18,572		18,572
Other	5,400		5,400	200		200
Total receipts	885,721	17,265	902,986	734,737	10,385	745,122
Disbursements:						
Current:						
General government:	123,204		123,204	124,786		124,786
Public safety:						
Police	115,000		115,000	115,000		115,000
Fire	28,610		28,610	28,774		28,774
Other public safety	13,661		13,661	11,017		11,017
Public works:						
Highways and streets	161,658		161,658	190,523		190,523
Airport	5,896		5,896	7,025		7,025
Cemetery	5,597		5,597	5,307		5,307
Other public works	1,500		1,500	1,500		1,500
Health and welfare:	13,607		13,607	16,594		16,594
Culture and recreation:						
Recreation	36,328		36,328	35,293		35,293
Library	43,106		43,106	41,835		41,835
Museum	8,639		8,639	10,013		10,013
Conservation and development:						
Economic development		18,000	18,000		18,000	18,000
Miscellaneous	82,673		82,673	36,405		36,405
Debt service			0	22,827		22,827
Capital outlay:			0			0
Total disbursements	639,479	18,000	657,479	646,899	18,000	664,899
Excess of receipts over (under) disbursements	246,242	-735	245,507	87,838	-7,615	80,223
Other financing sources (uses):						
Sale of surplus property	204,312		204,312			0
Net change in fund balance (**)	450,554	-735	449,819	87,838	-7,615	80,223
Fund balance:						
January 1, 2020				980,865	43,374	1,024,239
December 31, 2020	1,068,703	35,759	1,104,462	1,068,703	35,759	1,104,462
December 31, 2021	1,519,257	35,024	1,554,281			

** Equals change in net position on Statement of Activities

See accompanying notes.

CITY OF EDMONTON

STATEMENT OF NET POSITION
 MODIFIED CASH BASIS
 ENTERPRISE FUNDS
 AS OF DECEMBER 31, 2021

	Water Fund	Sewer Fund	Solid Waste Fund	Total Enterprise Funds
	-----	-----	-----	-----
ASSETS				
Current assets:				
Checking				0
Savings	841,324	413,632	100,253	1,355,209
	-----	-----	-----	-----
Total assets	841,324	413,632	100,253	1,355,209
	=====	=====	=====	=====
 NET POSITION				
Restricted - debt service	90,428			90,428
Unrestricted	750,896	413,632	100,253	1,264,781
	-----	-----	-----	-----
Total net position	841,324	413,632	100,253	1,355,209
	=====	=====	=====	=====

See accompanying notes.

CITY OF EDMONTON

STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
 IN NET POSITION -- MODIFIED CASH BASIS
 ENTERPRISE FUNDS
 FOR THE YEAR ENDING DECEMBER 31, 2021
 FOR THE YEAR ENDING DECEMBER 31, 2020

	2021				2020			
	Water Fund	Sewer Fund	Solid Waste Fund	Total	Water Fund	Sewer Fund	Solid Waste Fund	Total
Operating receipts:								
Charges for goods and services	317,213	115,660	98,619	531,492	309,344	114,361	100,820	524,525
Surcharge	41,629			41,629	37,890			37,890
Total operating receipts	358,842	115,660	98,619	573,121	347,234	114,361	100,820	562,415
Operating disbursements:								
Operations	178,217	58,103	85,216	321,536	227,763	54,562	83,084	365,409
Capital improvements	94,038			94,038	444,403			444,403
Total operating disbursements	272,255	58,103	85,216	415,574	672,166	54,562	83,084	809,812
Excess operating receipts (disbursements)	86,587	57,557	13,403	157,547	-324,932	59,799	17,736	-247,397
Nonoperating receipts (disbursements):								
Capital credit	5,441			5,441				0
SRF loan proceeds, net	104,415			104,415	258,854			258,854
Loan pymts - principal	-22,840			-22,840	-22,827			-22,827
- interest	0			0	0			0
Total nonoperating receipts (disbursements)	87,016	0	0	87,016	236,027	0	0	236,027
Excess receipts (disbursements) before capital contributions	173,603	57,557	13,403	244,563	-88,905	59,799	17,736	-11,370
Capital contributions	56,718			56,718	140,014			140,014
Change in net position	230,321	57,557	13,403	301,281	51,109	59,799	17,736	128,644
Net position:								
January 1, 2020					559,894	296,276	69,114	925,284
December 31, 2020	611,003	356,075	86,850	1,053,928	611,003	356,075	86,850	1,053,928
December 31, 2021	841,324	413,632	100,253	1,355,209				

See accompanying notes.

CITY OF EDGEMONT

STATEMENT OF CASH FLOWS-- MODIFIED CASH BASIS
 ENTERPRISE FUNDS
 FOR THE YEAR ENDING DECEMBER 31, 2021
 FOR THE YEAR ENDING DECEMBER 31, 2020

	2021				2020			
	Water Fund	Sewer Fund	Solid Waste Fund	Total	Water Fund	Sewer Fund	Solid Waste Fund	Total
Cash flows from:								
Operating activities:								
Receipts from customers	358,842	115,660	98,619	573,121	347,234	114,361	100,820	562,415
Payments for operations	-178,217	-58,103	-85,216	-321,536	-227,763	-54,562	-83,084	-365,409
Net cash provided (used) by operating activities	180,625	57,557	13,403	251,585	119,471	59,799	17,736	197,006
Noncapital financing activities:								
None				0				0
Capital financing activities:								
Capital credit	5,441			5,441				0
SRF loan proceeds, net	104,415			104,415	258,854			258,854
Capital contributions	56,718			56,718	140,014			140,014
Capital improvements	-94,038			-94,038	-444,403			-444,403
Debt service - principal	-22,840			-22,840	-22,827			-22,827
- interest	0			0	0			0
Investing activities:								
Interest received				0				0
Net increase (decrease) in cash and cash equivalents	230,321	57,557	13,403	301,281	51,109	59,799	17,736	128,644
Cash and cash equivalents:								
January 1, 2020					559,894	296,276	69,114	925,284
December 31, 2020	611,003	356,075	86,850	1,053,928	611,003	356,075	86,850	1,053,928
December 31, 2021	841,324	413,632	100,253	1,355,209				
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:								
Operating income (loss)	86,587	57,557	13,403	157,547	-324,932	59,799	17,736	-247,397
Capital improvements	94,038			94,038	444,403			444,403
Net cash provided (used) by operating activities	180,625	57,557	13,403	251,585	119,471	59,799	17,736	197,006

Noncash investing, capital and financing activities: None

See accompanying notes.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in note 1.c, these financial statements are presented on a modified cash basis of accounting. The modified cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements.

a. Reporting Entity:

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

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

Mayor:	Finance Officer:
Carla Schepler	Karen Cain
Governing Board:	Attorney:
Roger Horton, President	Lance Russell
Cindy Millburn	
Jason Shook	
Brent White	
Lorie Wieser	
Vacant	

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

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

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

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

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

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

b. Basis of Presentation:

Government-wide Financial Statements:

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

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

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

Fund Financial Statements:

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

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

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

City funds are described below within their respective fund type:

Governmental Funds

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

Special Revenue Funds - special revenue funds are used to account for the proceeds of specific revenue sources (other than trusts for individuals, private organizations, or other governments or for major capital projects) that are legally restricted to expenditures for specified purposes. The City has the following special revenue funds:

3rd Cent Sales Tax Fund - A fund established by SDCL 10-52-8, to account for the collection of a 1% tax on the gross receipts of lodgings, alcoholic beverages, prepared food and admissions which tax shall be used for the purpose of land acquisition, architectural fees, construction costs, payments for civic center, auditorium or athletic facility buildings, including promotion and advertising of the City. The 3rd cent sales tax fund is a major fund.

Enterprise Funds (Business-Type)

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

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

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

Solid Waste Fund - A fund established by SDCL 9-32-11 and 34A-6 to provide garbage collection services customers within the City of Edgemont. The solid waste fund is a major fund.

Fiduciary Funds

Fiduciary funds are never considered to be major funds.

The City of Edgemont has no fiduciary funds.

c. Measurement Focus and Basis of Accounting:

Measurement focus is a term used to describe "how" transactions are recorded within the various financial statements. Basis of accounting refers to "when" revenues and expenditures or expenses (disbursements) are recognized in the accounts and reported in the financial statements, regardless of the measurement focus. The City's basis of accounting is the modified cash basis of accounting, which is a basis of accounting other than US-GAAP. Under US-GAAP, transactions are recorded in the accounts when revenues are earned and liabilities are incurred. Under the modified cash basis of accounting, transactions are recorded when cash is received or disbursed.

Measurement Focus:

Government-wide Financial Statements:

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

Fund Financial Statements:

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

Basis of Accounting:

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

The modified cash basis of accounting involves the measurement of cash and cash equivalents and changes in cash and cash equivalents resulting from cash receipts and disbursement transactions. Under the modified cash basis of accounting, the statement of net position reports only cash and cash equivalents. Under the modified cash basis of accounting, transactions are recorded in the accounts when cash and/or cash equivalents are received or disbursed and assets and liabilities are recognized to the extent cash has been received or disbursed. Acceptable modifications to the cash basis of accounting implemented by the City of Edgemont in these financial statements are certificates of deposit (if any) whose maturity when purchased is more than 90 days.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods and services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

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

d. Cash and Cash Equivalents:

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 (if any) in open-end mutual funds shares or similar investments in external investment pools, are also considered to be cash equivalents.

Any certificate of deposit that has a maturity of more than three months when purchased is not considered a cash equivalent for the statement of cash flows.

Under the modified cash basis of accounting, investments are carried at cost.

e. Interfund Transactions:

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

f. Program Receipts and General Receipts:

Program Receipts:

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

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

General Receipts:

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

g. Enterprise Fund Receipt Classifications:

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

h. Equity Classifications:

Government-wide financial Statements:

Equity is classified as net position and is displayed in two components:

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

Fund Financial Statements:

Governmental fund equity is classified as "Fund Balance", and may distinguish between "Nonspendable", "Restricted", "Committed", "Assigned", and "Unassigned" components. Enterprise fund equity is classified as "Net Position", the same as in the government-wide financial statements. Fiduciary fund equity (if any) is reported as "Custodial Net Position".

i. Application of Net Position:

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

j. Fund Cash Balance Classification Policies and Procedures:

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

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

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

<u>Fund Balance Classifications</u>	<u>Account or Fund</u>	<u>Authority or Action</u>	<u>Amount</u>
Nonspendable	None		0
Restricted	General: Library Trust Fund	Statute	14,233
	3rd Cent Fund	Statute	35,024
Committed	None		0
Assigned	None		0
Unassigned	General		1,505,024

			1,554,281

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

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

The purpose of each special revenue fund and revenue source is:

Special Revenue Fund: Revenue Source: (see page 8)
 * 3rd Cent Sales tax

2. VIOLATIONS OF FINANCE-RELATED LEGAL AND CONTRACTUAL PROVISIONS

Budget overdrafts:

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

2021:	General fund	- Public Works/Other	1,500
		- Miscellaneous	82,673
	3 rd Cent:	- Promoting the City	5,000
2020:	General fund	- Public Works/Airport	25
		- Public Works/Other	1,500
		- Culture and Recreation/Museum	13
		- Miscellaneous	36,405
		- Debt service	22,827
	3 rd Cent:	- Promoting the City	5,000

These are not considered a significant violation of a departmental expenditure compared to appropriations. In the future, the City expects to make contingency transfers or adopt supplemental appropriations to cover disbursements that will exceed their original appropriation.

3. DEPOSITS, INVESTMENTS AND RELATED RISKS

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

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

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

Actual bank balances at December 31, 2021 were as follows: Insured \$300,964, Collateralized ** \$2,649,253, for a total of \$2,950,217.

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

The carrying amount of these deposits at December 31, 2021 was \$1,949,523 held as follows.

First Interstate Bank (Edgemont, SD):	
Checking	\$ 28,921
Savings	2,580,569
Certificates of deposit	300,000

	\$ 2,909,490
	=====

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

4. INVESTMENTS AND RELATED RISKS

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

During the two years ending December 31, 2021 the City had no investments.

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

Custodial Risk (Investments) - The risk that, in the event of a default by the counterparty to a transaction, the City will not be able to recover the value of an investment or collateral securities held by the counterparty. At December 31, 2021 the City had no investments and was not exposed to custodial risk for investments.

Custodial Risk (Deposits) - The risk that, in the event of a depository failure, the City's deposits may not be returned to it. At December 31, 2021, the City's deposits were with First Interstate Bank, Edgemont, SD and were not exposed to custodial deposit risks.

Concentration of Credit Risk - the City places no limit on the amount that may be invested in any one institution. The amount of investment in an institution is shown above.

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

Assignment of Investment Income - State law allows income from deposits and investments to be credited to either the general fund or the fund making the investment. The City's policy is to credit all income from deposits and investments to the general fund.

5. INTERFUND TRANSFERS

There were no interfund transfers in 2020 or 2021.

6. LONG-TERM LIABILITIES

A summary of changes in long-term liabilities is presented as supplementary information on page 25. The City did not have any short-term or conduit debt in 2020 or 2021.

The water fund has a surcharge of \$5.50 per month to cover payments on the 2016 Drinking Water SRF loan DW-01. The City collected a surcharge of \$37,890 in 2020 and \$41,629 in 2021.

7. RESTRICTED NET POSITION

The following table shows the December 31, 2021 net position restricted for specific purposes as shown on the statement of net position

Purpose:	Restricted By:	Governmental	Business-Type
3 rd Cent uses	Statute	35,024	
Library	Statute	14,233	
Debt service	Covenant		90,428
		-----	-----
Total Restricted Net Position		49,257	90,428

8. PENSION PLAN

Summary of Significant Accounting Policies:

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

Plan Description:

All employees, working more than 20 hours per week during the year, participate in the South Dakota Retirement System (SDRS), a cost-sharing, multiple employer hybrid defined benefit pension plan administered by SDRS to provide retirement benefits for employees of the State of South 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. SDRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained at <http://sdrs.sd.gov/publications.aspx> or by writing to SDRS, PO Box 1098, Pierre, SD 57501-1098 or calling (605) 773-3731.

Benefits Provided:

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

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

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

Members that were hired on or after July 1, 2017 are Generational members. Class A Generational members and Class B Generational judicial members who retire after age 67 with three years of contributory service are entitled to an unreduced annual retirement benefit. Class B Generational public safety members can retire with an

unreduced annual retirement benefit after age 57 with three years of contributory service. At retirement, married Generational members may elect a single-life benefit, a 60 percent joint and survivor benefit, or a 100 percent joint and survivor benefit. All Generational retirement benefits that do not meet the above criteria may be payable at a reduced level. Generational members will also have a variable retirement account (VRA) established, in which they will receive up to 1.5 percent of compensation funded by part of the employer contribution. VRAs will receive investment earnings based on investment returns.

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

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

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

Contributions:

Per SDCL 3-12, contributions requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A Members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. The City's share of contributions to the SDRS for the calendar years ending December 31, 2021, 2020, and 2019 were \$12,823, \$13,320 and \$10,599 respectively (employer's share) equal to the required contribution each year.

Pension (Assets)/Liabilities:

At June 30, 2021 SDRS is 105.52% funded and accordingly has net pension (asset). The proportionate shares of the components of the net pension (asset) of South Dakota Retirement System, for the City as of this measurement period ending June 30, 2021 and reported by the City as of December 31, 2021 are as follows:

Proportionate share of total pension liability	\$ 1,371,384
Less: Proportionate share of net position restricted for pension benefits	(1,447,124)

Proportionate share of net pension (asset)/liability	\$ (75,740)
	=====

The net pension liability (asset) was measured as of June 30, 2021 and the total pension liability (asset) used to calculate the net pension liability (asset) was based on a projection of the City's share of contribution to the pension plan relative to the contributions of all participating entities. At June 30, 2021, the City's proportion was .000098900 which is an increase of .000004162 over its proportion measured as of June 30, 2020.

Actuarial Assumptions:

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

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

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

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

Investments

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

Best estimates of real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2021 (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	58.0%	4.3%
Fixed Income	30.0%	1.6%
Real Estate	10.0%	4.6%
Cash	2.0%	0.9%

	100.0%	

Discount Rate:

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

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

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

	1% Decrease 5.50%	Current Discount Rate 6.50%	1% Increase 7.50%
City's proportionate share of the net pension (asset)/liability	\$122,643	\$(75,740)	\$(236,781)

Pension Plan Fiduciary Net Position:

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

9. PROPERTY TAX

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.

10. 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 two years ending December 31, 2021 the City managed its risks as follows:

Employee Health Insurance:

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

Liability Insurance:

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

Effective October 5, 2021, the SDPAA adopted a new policy on member departures. Departing members will no longer be eligible for any partial refund of the calculated portion of their contributions which was previously allowed. The prior policy provided the departing member with such a partial refund because the departing member took sole responsibility for all claims and claims expense

0⁸

whether reported or unreported at the time of their departure from SDPAA. With such partial refund being no longer available, the SDPAA will now assume responsibility for all reported claims of a departing member pursuant to the revised IGC.

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

Worker's Compensation:

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

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

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

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

Unemployment Benefits:

The City provides coverage for unemployment benefits by paying into the Unemployment Compensation Fund established by state law and managed by the State of South Dakota. Unemployment payments were paid during the two years ending December 31, 2021. None were paid in 2022.

10. TAX ABATEMENTS

As of December 31, 2021 the City did not provide any tax abatement incentives through a Tax Increment Financing District Project (of which the City has none) or through other agreements that are considered tax abatements in accordance with the provisions of GASB Statement No. 77.

11. LITIGATION

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

12. OTHER DISCLOSURES AND SUBSEQUENT EVENTS

The City has no material unallowed related party activity.
The City does not offer any Other Post Employment Benefits.
The City has a rubble site. It does not have a landfill with any associated closure costs or liabilities.

In 2022 the City began paying on a \$361,907 Drinking Water SRF loan (DW-02). This is a 30 year loan at 0% with quarterly payments of \$3,015.89.

In 2022 the City made application for a \$447,000 Drinking Water SRF loan (DW-03) for a water filtration treatment system.

CITY OF EDMONTON

CHANGES IN LONG-TERM LIABILITIES -- SCHEDULE ONE
FOR THE TWO YEARS ENDING DECEMBER 31, 2021

	Beginning 12-31-19	2020 Additions (Deletions)	2021 Additions (Deletions)	Governmental Funds Ending 12-31-21	Enterprise Funds Ending 12-31-21	Principal Payments Due in 2022
BUSINESS-TYPE - DIRECT BORROWING						
2016 DWSRF-01 Loan:						
Original loan: \$1,890,000						
Forgiven: \$1,206,890						
Net loan: \$683,110						
Maturing on February 15, 2048						
Interest at 0.00%						
Quarterly payments of \$5,709.87		1,362<--advances				
Paid by water fund	643,833	-22,827	-22,840		599,528	22,839
2017 DWSRF-02 Loan:						
Original loan: \$558,497						
Forgiven: \$196,590						
Net loan: \$361,907						
Maturing on February 15, 2052						
Interest at 0.00%						
Quarterly payments of \$3,015.89		397,364	161,133< --advances			
Paid by water fund	0	-139,872	-56,718< --forgiven		361,907	9,047
Totals	643,833	236,027	81,575	0	961,435	31,886

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

	Total Payment	Principal	Interest	Balance
2016 DWSRF-01 Loan:				
2022	22,839	22,839	0	576,689
2023	22,840	22,840	0	553,849
2024	22,839	22,839	0	531,010
2025	22,840	22,840	0	508,170
2026	22,839	22,839	0	485,331
2027-2031	114,197	114,197	0	371,134
2032-2036	114,198	114,198	0	256,936
2037-2041	114,197	114,197	0	142,739
2042-2046	114,198	114,198	0	28,541
2047-2048	28,541	28,541	0	0
Totals	599,528	599,528	0	
2017 DWSRF-02 Loan:				
2022	9,047	9,047	0	352,860
2023	12,063	12,063	0	340,797
2024	12,064	12,064	0	328,733
2025	12,063	12,063	0	316,670
2026	12,064	12,064	0	304,606
2027-2031	60,318	60,318	0	244,288
2032-2036	60,318	60,318	0	183,970
2037-2041	60,318	60,318	0	123,652
2042-2046	60,318	60,318	0	63,334
2047-2051	60,318	60,318	0	3,016
2052	3,016	3,016	0	0
Totals	361,907	361,907	0	

CITY OF EDMONTON

SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
 FOR THE YEAR ENDING DECEMBER 31, 2021

GENERAL FUND	Budgeted Amounts			Actual (Modified Cash Basis)	Variance Positive (Negative)	
	Original	Contingency Transfers	Supplemental			Final
Receipts:						
Receipts from local sources:						
All taxes	730,682			730,682	719,101	-11,581
Licenses and permits	3,500			3,500	10,867	7,367
Intergovernmental receipts:	29,000			29,000	121,363	92,363
Charges for goods and services	4,500			4,500	15,410	10,910
Fines and forfeits	250			250	325	75
Miscellaneous receipts	24,000			24,000	18,655	-5,345
Total receipts	791,932	0	0	791,932	885,721	93,789
Disbursements:						
General government:	165,750			165,750	123,204	42,546
Contingency	38,900			38,900		38,900
Public safety:						
Police	115,000			115,000	115,000	0
Fire	30,000			30,000	28,610	1,390
Other	25,000			25,000	13,661	11,339
Public works:						
Highways and streets	285,000			285,000	161,658	123,342
Airport	8,500			8,500	5,896	2,604
Cemetery	7,000			7,000	5,597	1,403
Other public works				0	1,500	-1,500
Health and welfare:	20,500			20,500	13,607	6,893
Culture and recreation:						
Recreation	76,500			76,500	36,328	40,172
Library	45,000			45,000	43,106	1,894
Museum	12,000			12,000	8,639	3,361
Conservation & development:						
Economic development	5,000			5,000		5,000
Miscellaneous				0	82,673	-82,673
Total disbursements	834,150	0	0	834,150	639,479	194,671
Excess of receipts over (under) disbursement:	-42,218	0	0	-42,218	246,242	288,460
Other financing sources (uses):						
Sale of surplus property				0	204,312	204,312
Net change in fund balance	-42,218	0	0	-42,218	450,554	492,772
Fund balance:						
January 1, 2021	1,068,703			1,068,703	1,068,703	0
December 31, 2021	1,026,485	0	0	1,026,485	1,519,257	492,772

CITY OF EDMONTON

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

GENERAL FUND	Budgeted Amounts			Actual (Modified Cash Basis)	Variance Positive (Negative)	
	Original	Contingency Transfers	Supplementals			Final
Receipts:						
Receipts from local sources:						
All taxes	704,000			704,000	615,513	-88,487
Licenses and permits	3,500			3,500	10,943	7,443
Intergovernmental receipts:	29,000		2,163	31,163	75,487	44,324
Charges for goods and services	4,500			4,500	6,704	2,204
Fines and forfeits	250			250	333	83
Miscellaneous receipts	24,000			24,000	25,757	1,757
Total receipts	765,250	0	2,163	767,413	734,737	-32,676
Disbursements:						
General government:						
General government	170,750			170,750	124,786	45,964
Contingency	39,000			39,000		39,000
Public safety:						
Police	115,000			115,000	115,000	0
Fire	40,000			40,000	28,774	11,226
Other	35,000			35,000	11,017	23,983
Public works:						
Highways and streets	285,000			285,000	190,523	94,477
Airport	7,000			7,000	7,025	-25
Cemetery	8,000			8,000	5,307	2,693
Other public works				0	1,500	-1,500
Health and welfare:	22,500		2,163	24,663	16,594	8,069
Culture and recreation:						
Recreation	76,500			76,500	35,293	41,207
Library	45,000			45,000	41,835	3,165
Museum	10,000			10,000	10,013	-13
Conservation & development:						
Economic development	5,000			5,000		5,000
Miscellaneous				0	36,405	-36,405
Debt Service				0	22,827	-22,827
Total disbursements	858,750	0	2,163	860,913	646,899	214,014
Excess of receipts over (under) disbursement:	-93,500	0	0	-93,500	87,838	181,338
Other financing sources (uses):						
None				0		0
Net change in fund balance	-93,500	0	0	-93,500	87,838	181,338
Fund balance:						
January 1, 2020	980,865			980,865	980,865	0
December 31, 2020	887,365	0	0	887,365	1,068,703	181,338

CITY OF EDGE MONT

SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
 FOR THE ONE YEAR ENDING DECEMBER 31, 2021

3RD CENT SALES TAX FUND	Budgeted Amounts			Actual (Modified Cash Basis)	Variance Positive (Negative)
	Original	Supplemental:	Final		
Receipts:					
Receipts from local sources:					
Taxes:					
Sales and use tax	18,218		18,218	17,265	-953
Intergovernmental:			0		0
Total receipts	18,218	0	18,218	17,265	-953
Disbursements:					
Conservation and development:					
Promoting the city	13,000		13,000	18,000	-5,000
Total disbursements	13,000	0	13,000	18,000	-5,000
Excess of receipts over (under) disbursement:	5,218	0	5,218	-735	-5,953
Other financing sources (uses):					
None	0		0		0
Net change in fund balance	5,218	0	5,218	-735	-5,953
Fund balance:					
January 1, 2021	35,759		35,759	35,759	0
December 31, 2021	40,977	0	40,977	35,024	-5,953

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

3RD CENT SALES TAX FUND	Budgeted Amounts			Actual (Modified Cash Basis)	Variance Positive (Negative)
	Original	Supplemental:	Final		
Receipts:					
Receipts from local sources:					
Taxes:					
Sales and use tax	30,000		30,000	10,385	-19,615
Intergovernmental:			0		0
Total receipts	30,000	0	30,000	10,385	-19,615
Disbursements:					
Conservation and development:					
Promoting the city	13,000		13,000	18,000	-5,000
Total disbursements	13,000	0	13,000	18,000	-5,000
Excess of receipts over (under) disbursement:	17,000	0	17,000	-7,615	-24,615
Other financing sources (uses):					
None	0		0		0
Net change in fund balance	17,000	0	17,000	-7,615	-24,615
Fund balance:					
January 1, 2020	43,374		43,374	43,374	0
December 31, 2020	60,374	0	60,374	35,759	-24,615

CITY OF EDMONTON

NOTE TO SUPPLEMENTARY INFORMATION - BUDGETS

SCHEDULE OF BUDGETARY COMPARISONS FOR THE GENERAL FUND AND
SPECIAL REVENUE FUND FOR THE TWO YEARS ENDING DECEMBER 31, 2021

1. BUDGETS AND BUDGETARY ACCOUNTING

The City follows these procedures in establishing the budgetary data reflected in the budgetary supplementary information:

- a. At the first regular Council meeting in September of each year or within ten days thereafter, the Council introduces the annual appropriation ordinance for the ensuing fiscal year.
- b. After adoption by the Council, the operating budget is legally binding and actual disbursements for each purpose cannot exceed the amounts budgeted, except as indicated in d.
- c. A line item for contingencies may be included in the annual budget. Such a line item may not exceed 5 percent of the total municipal budget and may be transferred by resolution of the Council to any other budget category that is deemed insufficient during the year.
- d. If it is determined during the year that sufficient amounts have not been budgeted, state statute allows the adoption of supplemental budgets. There were no supplemental budgets in 2021 year and one in 2020 year. See page 26 and 27 for more information.
- e. Formal budgetary integration is employed as a management control device for the general and 3rd cent funds.
- f. The budget for the general and 3rd cent funds are not adopted on a basis consistent with generally accepted accounting principles (GAAP) because all accounting, and the adoption of the all budgets, is on a modified cash basis of accounting.

2. GAAP AND BUDGETARY ACCOUNTING BASIS DIFFERENCE:

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

CITY OF EDGEMONT
 FOR THE EIGHT YEARS ENDING DECEMBER 31, 2021
 SUPPLEMENTARY INFORMATION

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

SDRS Measurement Date Year Ended (1)	City's Percentage of the Net Pension Asset	City's Proportionate Share of Net Pension (Asset) Liability	City's Covered Employee Payroll for its 6-30 Year End	City's Proportionate Share of the Net Pension (Asset) Liability as a Percentage of its Covered Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
June 30, 2021	0.0098900%	-75,740	224,433	(33.75%)	105.53%
June 30, 2020	0.0094738%	-411	207,917	(00.20%)	100.04%
June 30, 2019	0.0083083%	-880	176,650	(00.50%)	100.09%
June 30, 2018	0.0088316%	-206	183,600	(00.11%)	100.02%
June 30, 2017	0.0099797%	-906	202,767	(00.45%)	100.10%
June 30, 2016	0.0106770%	36,066	203,017	17.76%	96.89%
June 30, 2015	0.0112988%	-47,921	206,283	(23.23%)	104.10%
June 30, 2014	0.0122882%	-88,531	214,883	(41.20%)	107.30%

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

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

CITY OF EDGEMONT
 FOR THE EIGHT YEARS ENDING DECEMBER 31, 2021
 SUPPLEMENTARY INFORMATION

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

City's Year Ended	Contractually Required Contribution	Contributions Related to the Contractually Required Contribution	Contribution Deficiency (Excess)	City's Covered Employee Payroll for its Calendar Year End	Contributions as a Percentage of Covered Employee Payroll
December 31, 2021	12,823	12,823	0	213,717	6.00%
December 31, 2020	13,320	13,320	0	222,000	6.00%
December 31, 2019	10,599	10,599	0	176,650	6.00%
December 31, 2018	11,016	11,016	0	183,600	6.00%
December 31, 2017	12,166	12,166	0	202,767	6.00%
December 31, 2016	12,181	12,181	0	203,017	6.00%
December 31, 2015	12,377	12,377	0	206,283	6.00%
December 31, 2014	12,893	12,893	0	214,883	6.00%

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

CITY OF EDMONTON

NOTES TO SUPPLEMENTARY INFORMATION - PENSION

SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION (ASSET)/LIABILITY
AND SCHEDULE OF PENSION CONTRIBUTIONS FOR THE TWO YEARS ENDING DECEMBER 31, 2021

Changes of Prior Valuation:

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

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

Benefit Provision Changes:

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

Actuarial Assumption Changes:

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

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

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

Actuarial Method Changes:

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

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

Governing Board
City of Edgemont
Edgemont, South Dakota

INDEPENDENT AUDITOR'S REPORT

I was 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 accompanying modified cash basis of accounting financial statements of governmental activities, business-type activities and each major fund of the City of Edgemont (City), Fall River County, South Dakota as of December 31, 2021 and for each of the years in the biennial period then ended, and the related notes to the financial statements, which collectively comprise the City of Edgemont's basic financial statements and have issued my report thereon dated April 27, 2023 with a disclaimer of an opinion.

Report on Internal Control Over Financial Reporting:

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

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

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

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

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during my engagement to audit I did identify a deficiency in internal control that I consider to be material weaknesses and is described in the accompanying schedule of current audit findings and responses as item 2021-01.

Also, I did identify deficiencies in internal control that I consider to be a significant deficiencies and are described in the accompanying schedule of current audit findings and responses as items 2021-02, 2021-03 and 2021-04.

Additionally, other material weaknesses or significant deficiencies may exist that were not identified.

City of Edgemont
Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters -- Page Two

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

I did note minor matters involving internal control over financial reporting that I reported to the governing body and management of the City in a separate Letter of Comments dated April 27, 2023.

Compliance and Other Matters:

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

The results of my tests did disclose instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and are described in the accompanying schedule of current audit findings and responses as items 2021-01 and 2021-02.

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

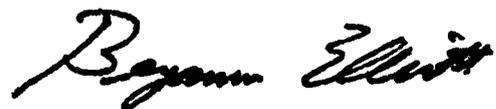
I did note minor matters involving compliance that I reported to the governing body and management of the City of Edgemont in a separate Letter of Comments dated April 27, 2023.

Purpose of this Report

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

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

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



April 27, 2023

CITY OF EDMONTON
SCHEDULES OF FINDINGS AND RESPONSES
DECEMBER 31, 2021

SCHEDULE OF PRIOR AUDIT FINDINGS

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

Prior Other Audit Findings:
2019-01: [Non-Governmental Accounting System] -- Repeated below as item 2021-01
2019-02: [Segregation of Duties] -- Repeated below as item 2021-03

SCHEDULE OF CURRENT AUDIT FINDINGS AND RESPONSES

Part I - Summary of the Audit:

Financial Statements

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

Noncompliance noted: Item 2021-01 and 2021-02

Internal control over financial reporting:

* Material weakness(es) identified? Item: 2021-01

* Significant deficiency(ies) identified
that are not considered to be material
weaknesses? Item: 2021-02, 2021-03, 2021-04

Part II - Findings Relating to the Financial Statements

Finding 2021-01: Non-Governmental Accounting System:
(internal control and compliance, first reported in 2012)

Criteria:

Governmental accounting is organized and operated on a fund basis. A fund is defined as an accounting entity with a self-balancing set of accounts. (Governmental Accounting Standards Board Codification Section 1100.102.)

Condition:

The City of Edgemont's general ledger does not classify transactions by fund. The City's general ledger does not have a separate set of self-balancing accounts for each of its funds: general, 3rd cent, water, sewer, and solid waste funds.

Possible Effect:

This deficiency can result in a misstatement of the financial statements.

Recommendations:

I recommend the City use software that will allow for the classification (coding) of transactions by fund first (general, 3rd cent, water, sewer, solid waste) then followed by other functional codes (payroll, supplies, utilities etc.)

Management Response:

The City is considering this recommendation.

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

Finding 2021-02: Filing Annual Report with the Department of Legislative Audit:
(internal control and compliance)

Criteria:

SDCL 9-22-21 requires that a city's annual report be filed with the Department of Legislative Audit immediately after publication of a copy that has been approved by the governing body.

Condition:

The City of Edgemont did not file copies of its 2020 and 2021 annual report with the Department of Legislative Audit.

Possible Effect:

This deficiency can result in incomplete financial information needed to manage the fiscal affairs of the State of South Dakota.

Recommendations:

I recommend the City timely file its annual reports with the Department of Legislative Audit.

Management Response:

The City agrees with this recommendation.

Finding 2021-03: Lack of Proper Segregation of Duties and Internal Controls
(internal control, first reported in 2012)

Criteria:

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

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

Condition:

The finance officer processes and records most transactions from beginning to end. The finance officer receives money, issues receipts, records receipts, posts receipts in the accounting records, prepared bank deposits and prepares annual reports. As a result, an inadequate segregation of duties exist.

Effect:

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

Recommendation:

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

Response:

This comment is a result of the size of the City, which precludes staffing at a level sufficient to provide an ideal environment for internal controls. The City has determined it is not cost beneficial to employ additional personnel just to adequately segregate duties. The City of Edgemont is aware of this problem and is attempting to provide compensating controls whenever and wherever possible and practical. However, this lack of segregation of duties is expected to continue to exist.

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

Finding 2021-04: Preparation of Financial Statements
(internal control)

Condition:

As the auditor, I was requested to draft these financial statements and accompanying notes to the financial statements.

Criteria:

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

Cause of the Condition:

The City has elected not to have an internal control system designed to provide for the preparation of the financial statement being audited.

Effect:

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

Recommendation:

This situation is not unusual for an entity of this City's size. It is the responsibility of management, and those charged with governance, to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Management Response:

Due to cost constraints, the City has decided to continue having the auditor draft the financial statements and accompanying notes to the financial statements.