

**MUNICIPALITY OF GARRETSON  
GARRETSON, SOUTH DAKOTA**

**AUDIT REPORT**

**FOR THE YEAR JANUARY 1, 2020 TO DECEMBER 31, 2020  
AND  
FOR THE YEAR JANUARY 1, 2021 TO DECEMBER 31, 2021**

*Schoenfish & Co., Inc.*

CERTIFIED PUBLIC ACCOUNTANTS  
P.O. Box 247

105 EAST MAIN, PARKSTON, SOUTH DAKOTA 57366

MUNICIPALITY OF GARRETSON

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MUNICIPAL OFFICIALS  
DECEMBER 31, 2021

MAYOR:

Greg Beaner

GOVERNING BOARD:

Bill Hoskins – President  
Greg Franka – Vice-President  
Dave Bonte  
Jodi Gloe  
Tom Godbey  
Karen Stainbrook

FINANCE OFFICER:

Anna Uhl

ATTORNEY:

Cutler & Donahoe, LLP

*Schoenfish & Co., Inc.*

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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

Municipal Council  
Municipality of Garretson  
Garretson, South Dakota

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of the Municipality of Garretson, South Dakota (Municipality), as of December 31, 2021 and 2020, and for each of the years in the biennial period then ended which collectively comprise the Municipality's basic financial statements and have issued our report thereon dated August 30, 2023, which was adverse for all opinion units because of errors and omissions in the financial statements.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Municipality's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions of the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Municipality's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Municipality's internal control over financial reporting.

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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Municipality'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.

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 2021-001 and 2021-002 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Municipality'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 determination of financial statement amounts. 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 2021-003 and 2021-004.

#### Municipality's Response to Findings

*Government Auditing Standards* requires the auditor to perform limited procedures on the Municipality's response to the findings identified in our audit. The Municipality's responses to the findings identified in our audit are described in the accompanying Schedule of Current Audit Findings. The Municipality's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

#### 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 Municipality'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.



Schoenfish & Co., Inc.  
Certified Public Accountants  
August 30, 2023

*Schoenfish & Co., Inc.*

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P.O. Box 247  
105 EAST MAIN, PARKSTON, SOUTH DAKOTA 57366

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SCHEDULE OF PRIOR AUDIT FINDINGSPRIOR AUDIT FINDINGS:Finding Number 2019-001:

Material weaknesses were noted in internal accounting control and record keeping resulting in diminished assurance that transactions were properly executed and recorded and that assets were properly safeguarded. This comment has not been corrected and is restated as current audit finding numbers 2021-001 and 2021-002.

Finding Number 2019-002:

Expenditures were in excess of the amounts budgeted in the Liquor, Lodging and Dining Sales Tax Fund and two departments in the General Fund in 2019. Expenditures were also in excess of the amounts budgeted in two departments in the General Fund and one department in the Liquor, Lodging and Dining Sales Tax Fund in 2018. This comment has not been corrected and a similar comment is restated as current audit finding number 2021-003.

Finding Number 2019-003:

The Municipality of Garretson has committed several violations of laws. This comment has not been corrected and a similar comment is restated as current audit finding number 2021-004.

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SCHEDULE OF CURRENT AUDIT FINDINGSCURRENT AUDIT FINDINGS:Internal Control – Related Findings – Material Weaknesses:Finding Number 2021-001:Condition:

A material weakness in internal controls was noted due to a lack of proper segregation of duties for revenues. This has been a continuing audit finding since 2001.

Criteria:

Proper segregation of duties results in increased reliability of reported financial data and decreased potential for the loss of public assets.

Cause:

A limited number of employees process all revenue transactions from beginning to end. They also receive money, issue receipts, record receipts, post receipts in the accounting records, prepare bank deposits, reconcile bank statements, and prepare financial statements.

Effect:

As a result, there is an increased likelihood that errors could occur and not be detected in a timely manner by employees in the ordinary course of performing their duties.

Recommendations:

1. We recommend that the municipal officials be cognizant of the lack of segregation of duties for the receipts, disbursements, and payroll functions and attempt to provide compensating internal controls whenever and wherever possible and practical.

Management's Response:

The Municipality of Garretson Mayor, Greg Beaner, is the contact person responsible for the response for this comment. This comment is due to the expertise of staff and the size of the Municipality of Garretson, which precludes staffing at a level sufficient to provide an ideal environment for internal controls. We are aware of this problem and are attempting to provide compensating controls.

Finding Number 2021-002:Condition:

Material weaknesses were noted in internal accounting control and record keeping resulting in diminished assurance that transactions were properly executed and recorded and that assets were properly safeguarded. This has been a continuing audit finding since 2017.

Criteria:

Proper preparation of municipal records results in increased reliability of reported financial data and decreased potential for the loss of public assets.

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SCHEDULE OF CURRENT AUDIT FINDINGS  
(Continued)

Cause:

The following deficiencies in internal accounting control and record keeping were noted:

- a. A lack of proper segregation of duties existed for the receipts, disbursements, and payroll functions resulting in decreased reliability of reported financial data and increased potential for the loss of public assets. Assigning different people the responsibilities of authorizing transactions, recording transactions, and maintaining custody of assets is intended to reduce the opportunities to allow any person to be in a position to both perpetrate and conceal errors or fraud in the normal course of his or her duties.
- b. Bank reconciliations must be done monthly and the totals must be compared to the computer balance sheet and the financial report to the board.
- c. Several checks were incorrectly dated and posted with the wrong year and classified incorrectly.
- d. The finance officer should reconcile Special Assessments and Front Footage tax with the county auditor and resolve any discrepancies. Special Assessments should also be adjusted to actual at year end.
- e. When calculating utility accounts receivable, there should be consistency when running utility reports to ensure that the same periods are being reported. The reports used to arrive at the utilities receivable balances from one year to the next are not comparable and do not present the same set of information. There were numerous errors noted in reporting based on the documents made available for both years.
- f. We were unable to obtain a complete aged accounts receivable report for either year.
- g. The actual gross unearned revenue could not be determined from the reports provided.
- h. We were unable to obtain sufficient corroborating reports for the utility accounts receivable and other accounts receivable presented in the annual report.
- i. We were unable to test utility billings for either year as the billing registers for the selected months were not made available to us to determine the accuracy of the billings.
- j. EFTPS payments for payroll taxes were not paid in a timely manner. This resulted in several penalties. We were unable to determine the accuracy of the payable.
- k. Accrued Interest Payable was not calculated for the two years and we were unable to verify the amounts.
- l. We were unable to verify the amounts reported for Sales Tax Payable.

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SCHEDULE OF CURRENT AUDIT FINDINGS  
(Continued)

- m. Accounts payable were not picked up consistently within funds. More care should be taken while adjusting to ensure that the adjustment is recorded properly.
- n. Loan and grant proceeds were not recorded in the same fund from which expenses were paid from.
- o. Depreciation expense for the General Capital Assets should be allocated to the proper functions.
- p. Accrued leave is not being carried over and limited according to policy.
- q. Several checks were written and then approved at the following meeting. The board has a motion to allow all monthly bills paid prior to the meeting but should consider limiting and/or specifying which bills are allowed to be paid prior.
- r. The Municipality should take steps to avoid late payments as we noted several late payments for regular monthly bills and EFTPS payments, which resulted in late fees and interest of several thousand dollars.
- s. All bills paid should have a corresponding voucher attached to the bill.
- t. All credit card billings should have corresponding receipts attached. We noted several payments to Schwan's, Amazon, Hobby Lobby and fast-food restaurants without receipts attached.
- u. Several monthly payroll records, time sheets, 941 Forms and SD retirement reports could not be located during the audit period.

SDCL 9-14-18 states that the finance officer "shall keep regular books of account in which shall be entered all indebtedness of the Municipality, and which shall at all times show the financial condition of the Municipality, the amount of bonds, warrants, certificates, or other evidences of indebtedness issued by the governing body, and the amounts of all bonds, warrants, certificates, or other evidences of indebtedness which have been redeemed and the amount of each outstanding."

SDCL 9-14-19 states that the finance officer "shall supervise the accounting system for all departments and offices of the Municipality in accordance with the recommendations of the Department of Legislative Audit."

Effect:

As a result, there is an increased likelihood that errors could occur and not be detected in a timely manner by employees in the ordinary course of performing their duties, and improper records were maintained for the Municipality of Garretson.

Recommendations:

- 2. We recommend that financial information be more accurately presented.
- 3. We recommend that all necessary accounting records be established and properly maintained.

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SCHEDULE OF CURRENT AUDIT FINDINGS  
(Continued)

Management's Response:

The Municipality of Garretson Mayor, Greg Beaner, is the contact person responsible for the response for this comment. We will attempt to be more accurate and complete when preparing the financial statements and obtain sufficient expertise to do so.

Compliance – Related Finding:

Finding Number 2021-003:

Condition:

Expenditures were in excess of the amounts budgeted in the Second Penny Sales Tax Special Revenue Fund and several departments in the General Fund and Liquor, Lodging and Dining Sales Tax Fund in 2021. Expenditures were also in excess of the amounts budgeted in the Liquor, Lodging and Dining Sales Tax Fund and one department in the Second Penny Sales Tax Fund in 2020. In addition, the Liquor, Lodging and Dining Sales Tax Fund was budgeted to spend more than available in 2021. This has been a continuing audit finding since 2013.

Criteria:

SDCL 9-21-7 states in part, "In the event of the failure to provide by the annual appropriation ordinance...and when any of such occasions arise the governing body of such municipality may make, approve and adopt a supplemental appropriation ordinance, providing therein for appropriations for any or such purposes in such amounts as said governing body may determine necessary and such supplemental appropriation ordinance shall set out in detail each item for which an appropriation is made and the amount thereof. The adoption of such supplemental appropriation ordinance shall be governed by the same laws pertaining to the adoption of the annual appropriation ordinance." Also SDCL 9-21-9 states, "Neither the governing body nor any department or officer of the municipality shall add to the municipal expenditures in any fiscal year any sum in excess of the amount provided for in the annual appropriation ordinance except as otherwise specially provided. Nor shall the amount spent for any purpose or any department exceed the total amount appropriated for such purpose or for such department in the annual appropriation ordinance for such year, except as otherwise specially provided."

Cause:

The Municipality expended money in excess of amounts budgeted without supplementing the budget as allowed by SDCL 9-21-7. Also, the Municipality budgeted to spend more than available, which is not allowed as stated in SDCL 9-21-9.

Effect:

Without amending or preparing the budget or limiting disbursements, disbursements are being made without proper authority. Also, budgets are not being properly adopted in accordance with budgetary guidelines.

Recommendation:

4. We recommend that budgets be adopted in accordance with SDCL 9-21-9 and that the expenditures be limited to amounts budgeted or budget supplements be made in accordance with SDCL 9-21-7 and SDCL 9-21-6.1 to allow for expenditures.

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SCHEDULE OF CURRENT AUDIT FINDINGS  
(Continued)

Management's Response:

The Municipality Garretson Mayor, Greg Beaner, is the contact person responsible for the corrective action plan for this comment. The Municipality will be more careful to follow the budgetary guidelines prescribed by law.

Finding Number 2021-004:Condition:

The Municipality of Garretson has committed several violations of laws. This has been a continuing audit finding since 2020.

Criteria:

The Municipality should adhere to state and federal laws as they apply to municipal governments.

Cause:

We examined several instances which were in violation of state laws. The following violations were noted:

- a. The Municipality has not updated their water, sewer, and natural gas inventory listings for several years as required (SDCL 5-24-3). The Municipality should also update their gift shop inventory.
- b. The Finance Officer did not maintain proper books of accounts of all transactions as required (SDCL 9-14-17, 9-14-18)
- c. The payments for payroll taxes have been late numerous times during the audit period, resulting in late fees.
- d. There were several old outstanding checks (SDCL 43-41B).

Effect:

Various laws and regulations were not followed.

Recommendation:

5. We recommend that all laws and regulations be followed by the Municipality.

Management's Response:

The Municipality of Garretson Mayor, Greg Beaner, is the contact person responsible for the corrective action plan for this comment. We will follow all laws and regulations and gain proper education to become aware of the current laws.

CLOSING CONFERENCE

The audit was discussed with the officials during the course of and at the conclusion of the audit.

*Schoenfish & Co., Inc.*

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INDEPENDENT AUDITOR'S REPORT

Governing Board  
Municipality of Garretson  
Garretson, South Dakota

Report on the Audit of the Financial Statements

Adverse Opinion

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Municipality of Garretson, South Dakota, (Municipality) as of December 31, 2021 and December 31, 2020 and for each of the years in the biennial period then ended, and the related notes to the financial statements, which collectively comprise the Municipality's basic financial statements as listed in the Table of Contents.

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on the Financial Statements as a Whole section of our report, the financial statements referred to above do not present fairly the financial position of the Municipality of Garretson as of December 31, 2021 and December 31, 2020, and the respective changes in financial position, and the cash flows, where applicable, thereof for each of the years in the biennial period then ended in conformity with accounting principles generally accepted in the United States of America.

Basis for Adverse Opinion on the Financial Statements as a Whole

Several errors and omissions were noted in the financial statements. Some of the more serious items were improper recording of receipts and disbursements, omission of several receipts and disbursements, and not being able to determine cash balances by fund type.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Municipality of Garretson, South Dakota, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse audit opinion.

Responsibilities of Management for the Financial Statements

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

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



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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Because of the matter described in the Basis of Disclaimer of Opinion and Unmodified Opinions section, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the aggregate discretely presented component units. 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 always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

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

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

### Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Budgetary Comparison Schedules, the Schedule of the Municipality Contributions, and the Schedule of the Municipality's Proportionate Share of the Net Pension Liability (Asset) be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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P.O. Box 247

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The Municipality has omitted the Management's Discussion and Analysis (MD&A) that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

#### Other Information

Management is responsible for the other information included in the annual report. The other information comprises the List of Municipal Officials but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

#### Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 30, 2023, on our consideration of the Municipality's internal control over financial reporting and on our 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 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 Municipality'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 Municipality's internal control over financial reporting and compliance.



Schoenfish & Co., Inc.  
 Certified Public Accountants  
 August 30, 2023

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**MUNICIPALITY OF GARRETSON**  
**STATEMENT OF NET POSITION**  
**December 31, 2021**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS:</b>			
Cash and Cash Equivalents	3,082,166.92	1,026,388.35	4,108,555.27
Accounts Receivable, Net	73,547.92	35,639.45	109,187.37
Inventories	14,092.71		14,092.71
Other Assets	4,336.09		4,336.09
Net Pension Asset	37,296.11	57,620.72	94,916.83
Capital Assets:			
Land and Construction Work in Progress	157,974.34	138,962.86	296,937.20
Other Capital Assets, Net of Depreciation	3,329,857.91	9,502,951.23	12,832,809.14
<b>TOTAL ASSETS</b>	<b>6,699,272.00</b>	<b>10,761,562.61</b>	<b>17,460,834.61</b>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>			
Pension Related Deferred Outflows	43,999.22	79,799.87	123,799.09
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>43,999.22</b>	<b>79,799.87</b>	<b>123,799.09</b>
<b>LIABILITIES :</b>			
Accounts Payable	157,467.57	74,447.05	231,914.62
Other Current Liabilities	26,521.51	99,267.34	125,788.85
Noncurrent Liabilities:			
Due Within One Year	129,358.67	148,961.64	278,320.31
Due in More than One Year	3,610.25	3,829,396.78	3,833,007.03
<b>TOTAL LIABILITIES</b>	<b>316,958.00</b>	<b>4,152,072.81</b>	<b>4,469,030.81</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>			
Pension Related Deferred Inflows	68,242.20	115,767.53	184,009.73
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>68,242.20</b>	<b>115,767.53</b>	<b>184,009.73</b>
<b>NET POSITION:</b>			
Net Investment in Capital Assets	3,366,473.58	5,689,251.69	9,055,725.27
Restricted for:			
Facilities and Promoting the City	9,572.95		9,572.95
SDRS Pension Purposes	13,053.13	21,653.06	34,706.19
Unrestricted (Deficit)	2,968,971.36	862,617.39	3,831,588.75
<b>TOTAL NET POSITION</b>	<b>6,358,071.02</b>	<b>6,573,522.14</b>	<b>12,931,593.16</b>

The notes to the financial statements are an integral part of this statement.



**MUNICIPALITY OF GARRETSON**  
**STATEMENT OF ACTIVITIES**  
For the Year Ended December 31, 2021

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	Primary Government
					Activities	Business-Type Activities
Primary Government:						
Governmental Activities:						
General Government	468,886.70		102,557.07		(366,329.63)	(366,329.63)
Public Safety	141,784.34	11,603.10			(130,181.24)	(130,181.24)
Public Works	171,813.50	40,432.06	67,193.52		(64,187.92)	(64,187.92)
Health and Welfare	102,992.58	225.00			(102,767.58)	(102,767.58)
Culture and Recreation	197,807.25	53,989.98			(143,817.27)	(143,817.27)
Conservation and Development	33,094.31				(33,094.31)	(33,094.31)
*Interest on Long-term Debt	6,529.40				(6,529.40)	(6,529.40)
**Depreciation Expense - Unallocated	157,710.29				(157,710.29)	(157,710.29)
Total Governmental Activities	1,280,618.37	106,250.14	169,750.59	0.00	(1,004,617.64)	(1,004,617.64)
Business-type Activities:						
Water	452,100.22	278,205.08			(173,895.14)	(173,895.14)
Sewer	275,858.83	255,426.21		92,316.39	71,883.77	71,883.77
Natural Gas	849,916.51	826,059.09			(23,857.42)	(23,857.42)
Total Business-type Activities	1,577,875.56	1,359,690.38	0.00	92,316.39	(125,868.79)	(125,868.79)
Total Primary Government	2,858,493.93	1,465,940.52	169,750.59	92,316.39	(1,004,617.64)	(1,130,486.43)
General Revenues:						
Taxes:						
Property Taxes					370,271.12	370,271.12
Sales Taxes					522,643.46	522,643.46
State Shared Revenues					34,016.33	34,016.33
Unrestricted Investment Earnings					1,818.31	2,942.25
Miscellaneous Revenue					103,275.12	103,275.12
Total General Revenues					1,032,024.34	1,033,148.28
Change in Net Position					27,406.70	(97,338.15)
Change in Accounting Estimate - SDPAA Policy Change (See Note 13)					(55,181.00)	(55,181.00)
Net Position - Beginning					6,698,266.99	13,084,112.31
NET POSITION - ENDING					6,573,522.14	12,931,593.16

The notes to the financial statements are an integral part of this statement.

\* The Municipality does not have interest expense related to the functions presented above. This amount includes indirect interest expense on general long-term debt.

\*\*Depreciation expense is not included in the direct expenses of the various functions. See Note 8.

**MUNICIPALITY OF GARRETSON  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
December 31, 2021**

	<b>General Fund</b>	<b>Second Penny Sales Tax Fund</b>	<b>Liquor, Lodging, &amp; Dining Sales Tax Fund</b>	<b>Total Governmental Funds</b>
<b>ASSETS:</b>				
Cash and Cash Equivalents	1,429,901.05	1,644,863.57	7,402.30	3,082,166.92
Taxes Receivable--Delinquent	6,180.97			6,180.97
Special Assessments Receivable--Current		1,276.39		1,276.39
Due from State & County Governments	37,972.88	25,909.44	2,170.65	66,052.97
Interest Receivable	21.15	16.44		37.59
Inventory of Stores Purchased for Resale	14,092.71			14,092.71
Prepaid Expenses	4,336.09			4,336.09
<b>TOTAL ASSETS</b>	<b>1,492,504.85</b>	<b>1,672,065.84</b>	<b>9,572.95</b>	<b>3,174,143.64</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:</b>				
Liabilities:				
Accounts Payable	39,960.04	117,507.53		157,467.57
Accrued Wages Payable	5,347.97			5,347.97
Accrued Taxes Payable	21,173.54			21,173.54
Total Liabilities	66,481.55	117,507.53	0.00	183,989.08
Deferred Inflows of Resources:				
Unavailable Revenue - Property Taxes	6,180.97			6,180.97
Unavailable Revenue - Special Assessments		1,276.39		1,276.39
Total Deferred Inflows of Resources	6,180.97	1,276.39	0.00	7,457.36
Fund Balances:				
Nonspendable - Inventory	14,092.71			14,092.71
Nonspendable - Prepaids	4,336.09			4,336.09
Restricted - Facilities and Promoting the City			9,572.95	9,572.95
Committed - Capital Replacements	526,436.61	1,553,281.92		2,079,718.53
Unassigned	874,976.92			874,976.92
Total Fund Balances	1,419,842.33	1,553,281.92	9,572.95	2,982,697.20
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>1,492,504.85</b>	<b>1,672,065.84</b>	<b>9,572.95</b>	<b>3,174,143.64</b>

The notes to the financial statements are an integral part of this statement.

**MUNICIPALITY OF GARRETSON**  
**Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position**  
**December 31, 2021**

Total Fund Balances - Governmental Funds	<u>2,982,697.20</u>
Amounts reported for governmental activities in the statement of net position are different because:	
Net pension asset reported in governmental activities is not an available financial resource and therefore is not reported in the funds.	<u>37,296.11</u>
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	<u>3,487,832.25</u>
Pension related deferred outflows are components of pension liability (asset) and therefore are not reported in the funds.	<u>43,999.22</u>
Long-term liabilities, including bonds payable and accrued leave payable, are not due and payable in the current period and therefore are not reported in the funds.	<u>(132,968.92)</u>
Assets, such as taxes receivable (delinquent) and special assessment receivables (current, delinquent and deferred) are not available to pay for current period expenditures and therefore are deferred in the funds.	<u>7,457.36</u>
Pension related deferred inflows are components of pension liability (asset) and therefore are not reported in the funds.	<u>(68,242.20)</u>
Net Position - Governmental Activities	<u><u>6,358,071.02</u></u>

The notes to the financial statements are an integral part of this statement.

**MUNICIPALITY OF GARRETSON**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended December 31, 2021**

	General Fund	Second Penny Sales Tax Fund	Liquor, Lodging & Dining Sales Tax Fund	Total Governmental Funds
<b>Revenues:</b>				
Taxes:				
General Property Taxes	382,159.36			382,159.36
General Sales and Use Taxes	250,701.92	250,235.40	21,706.14	522,643.46
Tax Deed Revenue	407.75			407.75
Penalties and Interest on Delinquent Taxes	1,931.65			1,931.65
Licenses and Permits	9,702.50			9,702.50
Intergovernmental Revenue:				
Federal Grants	102,557.07			102,557.07
State Shared Revenue:				
Bank Franchise Tax	16,157.33			16,157.33
Prorate License Fees	1,289.91			1,289.91
Liquor Tax Reversion	10,909.00			10,909.00
Motor Vehicle Licenses	14,809.81			14,809.81
Liquor License Reversion	6,950.00			6,950.00
Local Government Highway and Bridge Fund	15,031.37			15,031.37
County Shared Revenue:				
County Wheel Tax	2,698.67			2,698.67
Charges for Goods and Services:				
Public Safety	1,775.60			1,775.60
Highways and Streets	34,390.85			34,390.85
Sanitation	6,041.21			6,041.21
Health	225.00			225.00
Culture and Recreation	53,339.98			53,339.98
Fines and Forfeits:				
Other	125.00			125.00
Miscellaneous Revenue:				
Investment Earnings	1,647.13	171.18		1,818.31
Rentals	650.00			650.00
Special Assessments		32,087.37		32,087.37
Contributions and Donations from Private Sources	13,261.70			13,261.70
Other	30,259.72			30,259.72
<b>Total Revenue</b>	<b>957,022.53</b>	<b>282,493.95</b>	<b>21,706.14</b>	<b>1,261,222.62</b>
<b>Expenditures:</b>				
General Government:				
Legislative	41,000.40			41,000.40
Elections	2,038.06			2,038.06
Financial Administration	176,011.88			176,011.88
Other	74,114.53	163,225.54	11,033.47	248,373.54
<b>Total General Government</b>	<b>293,164.87</b>	<b>163,225.54</b>	<b>11,033.47</b>	<b>467,423.88</b>

The notes to the financial statements are an integral part of this statement.

**MUNICIPALITY OF GARRETSON**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended December 31, 2021**

	General Fund	Second Penny Sales Tax Fund	Liquor, Lodging & Dining Sales Tax Fund	Total Governmental Funds
<b>Expenditures (Continued):</b>				
Public Safety:				
Police	82,791.83			82,791.83
Fire	42,451.96			42,451.96
Protective Inspection	16,540.55			16,540.55
Total Public Safety	141,784.34	0.00	0.00	141,784.34
Public Works:				
Highways and Streets	179,792.04	12,660.33		192,452.37
Sanitation	12,691.72			12,691.72
Total Public Works	192,483.76	12,660.33	0.00	205,144.09
Health and Welfare:				
Health	3,930.92			3,930.92
Ambulance	99,061.66			99,061.66
Total Health and Welfare	102,992.58	0.00	0.00	102,992.58
Culture and Recreation:				
Recreation	39,349.52			39,349.52
Parks	129,027.60			129,027.60
Libraries	1,154.81			1,154.81
Museums	3,140.00			3,140.00
Total Culture and Recreation	172,671.93	0.00	0.00	172,671.93
Conservation and Development:				
Economic Development and Assistance	8,157.79		24,936.52	33,094.31
Debt Service	25,377.08			25,377.08
Total Conservation and Development	33,534.87	0.00	24,936.52	58,471.39
Capital Outlay	98,466.18	320,480.99	0.00	418,947.17
Total Expenditures	1,035,098.53	496,366.86	35,969.99	1,567,435.38
Excess of Revenue Over (Under)				
Expenditures	(78,076.00)	(213,872.91)	(14,263.85)	(306,212.76)
<b>Other Financing Sources (Uses):</b>				
Compensation for Loss or				
Damage to Capital Assets	1,531.00	58,222.50		59,753.50
Total Other Financing Sources (Uses)	1,531.00	58,222.50	0.00	59,753.50
Net Change in Fund Balances	(76,545.00)	(155,650.41)	(14,263.85)	(246,459.26)
Change in Accounting Estimates - SDPAA (See Note 13)	(55,181.00)	0.00	0.00	(55,181.00)
Fund Balance - Beginning	1,551,568.33	1,708,932.33	23,836.80	3,284,337.46
FUND BALANCE - ENDING	1,419,842.33	1,553,281.92	9,572.95	2,982,697.20

The notes to the financial statements are an integral part of this statement.

**MUNICIPALITY OF GARRETSON**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCES TO THE STATEMENT OF ACTIVITIES**  
**For the Year Ended December 31, 2021**

Net Change in Fund Balances - Total Governmental Funds	<u>(246,459.26)</u>
Amounts reported for governmental activities in the statement of activities are different because:	
This amount represents capital asset purchases which are reported as expenditures on the fund financial statements but increase assets on the government-wide statements.	<u>418,947.17</u>
This amount represents the current year depreciation expense reported in the statement of activities which is not reported on the fund financial statements because it does not require the use of current financial resources.	<u>(157,710.29)</u>
Payment of principal on long-term debt is an expenditure in the governmental funds but the payment reduces long-term liabilities in the statement of net position.	<u>18,847.68</u>
The fund financial statement governmental fund property tax accruals differ from the government-wide statement property tax accruals in that the fund financial statements require the amounts to be "available".	<u>(14,227.64)</u>
Governmental funds report special assessments as revenue when "available", but the statement of activities includes the full amount of special assessments as revenue upon completion of the project at the point when an enforceable legal claim arises.	<u>1,276.39</u>
Governmental funds recognize expenditures for amounts of compensated absences actually paid to employees with current financial resources during the fiscal year. Amounts of compensated absences earned by employees are not recognized in the funds. In the statement of activities, expenses for these benefits are recognized when the employees earn leave credits.	<u>(4,498.80)</u>
Changes in the pension related deferred outflows/inflows are direct components of pension liability (asset) and are not reflected in the governmental funds.	<u>11,231.45</u>
Change in Net Position of Governmental Activities	<u><u>27,406.70</u></u>

The notes to the financial statements are an integral part of this statement.

**MUNICIPALITY OF GARRETSON**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**December 31, 2021**

	Enterprise Funds			
	Water Fund	Sewer Fund	Natural Gas Fund	Totals
<b>ASSETS:</b>				
Current Assets:				
Cash and Cash Equivalents	12,511.05	225,963.26	787,914.04	1,026,388.35
Accounts Receivable, Net			35,496.66	35,496.66
Interest Receivable	59.45	64.40	18.94	142.79
Total Current Assets	12,570.50	226,027.66	823,429.64	1,062,027.80
Noncurrent Assets:				
Net Pension Asset	19,210.16	19,205.70	19,204.86	57,620.72
Capital Assets:				
Land	3,176.00	135,786.86		138,962.86
Buildings	174,444.80	533,017.74		707,462.54
Improvements Other Than Buildings	5,173,932.38	4,481,758.84	1,747,596.52	11,403,287.74
Machinery and Equipment	228,071.52	155,627.36	165,309.13	549,008.01
Less: Accumulated Depreciation	(1,395,602.95)	(795,691.91)	(965,512.20)	(3,156,807.06)
Total Noncurrent Assets	4,203,231.91	4,529,704.59	966,598.31	9,699,534.81
<b>TOTAL ASSETS</b>	<b>4,215,802.41</b>	<b>4,755,732.25</b>	<b>1,790,027.95</b>	<b>10,761,562.61</b>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>				
Pension Related Deferred Outflows	27,098.99	26,415.09	26,285.79	79,799.87
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>27,098.99</b>	<b>26,415.09</b>	<b>26,285.79</b>	<b>79,799.87</b>
<b>LIABILITIES:</b>				
Current Liabilities:				
Accounts Payable	10,609.85	1,669.74	62,167.46	74,447.05
Accrued Interest Payable	8,466.97	7,117.94		15,584.91
Accrued Wages Payable	3,261.31	3,261.31	3,261.31	9,783.93
Accrued Taxes Payable	430.20	430.20	2,977.82	3,838.22
Customer Deposits	631.12		1,231.12	1,862.24
Revenue Collected in Advance			68,198.04	68,198.04
Bonds Payable Current:				
Revenue Bonds Payable	64,862.72	76,098.92		140,961.64
Accrued Leave Payable - Current	2,666.66	2,666.67	2,666.67	8,000.00
Total Current Liabilities	90,928.83	91,244.78	140,502.42	322,676.03
Noncurrent Liabilities:				
Bonds Payable:				
Revenue	1,613,670.21	2,198,030.55		3,811,700.76
Accrued Leave Payable	5,898.68	5,898.67	5,898.67	17,696.02
Total Noncurrent Liabilities	1,619,568.89	2,203,929.22	5,898.67	3,829,396.78
<b>TOTAL LIABILITIES</b>	<b>1,710,497.72</b>	<b>2,295,174.00</b>	<b>146,401.09</b>	<b>4,152,072.81</b>

The notes to the financial statements are an integral part of this statement.

**MUNICIPALITY OF GARRETSON**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**December 31, 2021**

	<b>Enterprise Funds</b>			
	<b>Water Fund</b>	<b>Sewer Fund</b>	<b>Natural Gas Fund</b>	<b>Totals</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>				
Pension Related Deferred Inflows	39,028.06	38,426.59	38,312.88	115,767.53
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>39,028.06</b>	<b>38,426.59</b>	<b>38,312.88</b>	<b>115,767.53</b>
<b>NET POSITION:</b>				
Net Investment in Capital Assets	2,505,488.82	2,236,369.42	947,393.45	5,689,251.69
Restricted for:				
SDRS Pension Purposes	7,281.09	7,194.20	7,177.77	21,653.06
Unrestricted	(19,394.29)	204,983.13	677,028.55	862,617.39
<b>TOTAL NET POSITION</b>	<b>2,493,375.62</b>	<b>2,448,546.75</b>	<b>1,631,599.77</b>	<b>6,573,522.14</b>

The notes to the financial statements are an integral part of this statement.



**MUNICIPALITY OF GARRETSON**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUNDS**

For the Year Ended December 31, 2021

	Enterprise Funds			Totals
	Water Fund	Sewer Fund	Natural Gas Fund	
<b>Operating Revenue:</b>				
Charges for Goods and Services	220,908.54	142,568.21	826,059.09	1,189,535.84
Revenue Dedicated to Servicing Debt	54,708.00	103,595.00		158,303.00
Miscellaneous	2,588.54	9,263.00		11,851.54
Total Operating Revenue	278,205.08	255,426.21	826,059.09	1,359,690.38
<b>Operating Expenses:</b>				
Personal Services	85,153.82	87,087.05	85,279.26	257,520.13
Other Current Expense	109,654.96	25,833.21	67,085.15	202,573.32
Materials (Cost of Goods Sold)	94,481.98		646,430.26	740,912.24
Depreciation	116,624.02	107,012.77	51,121.84	274,758.63
Total Operating Expenses	405,914.78	219,933.03	849,916.51	1,475,764.32
Operating Income (Loss)	(127,709.70)	35,493.18	(23,857.42)	(116,073.94)
<b>Nonoperating Revenue (Expense):</b>				
Investment Earnings	619.93	189.76	314.25	1,123.94
Interest Expense	(46,185.44)	(55,925.80)		(102,111.24)
Total Nonoperating Revenue (Expense)	(45,565.51)	(55,736.04)	314.25	(100,987.30)
Income (Loss) Before Contributions	(173,275.21)	(20,242.86)	(23,543.17)	(217,061.24)
Capital Contributions		92,316.39		92,316.39
Change in Net Position	(173,275.21)	72,073.53	(23,543.17)	(124,744.85)
Net Position - Beginning	2,666,650.83	2,376,473.22	1,655,142.94	6,698,266.99
<b>NET POSITION - ENDING</b>	<b>2,493,375.62</b>	<b>2,448,546.75</b>	<b>1,631,599.77</b>	<b>6,573,522.14</b>

The notes to the financial statements are an integral part of this statement.

**MUNICIPALITY OF GARRETSON**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**For the Year Ended December 31, 2021**

	Enterprise Funds			Totals
	Water Fund	Sewer Fund	Natural Gas Fund	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Cash Receipts from Customers	277,668.41	255,426.21	896,730.24	1,429,824.86
Cash Payments to Employees for Services	(86,942.04)	(88,870.46)	(87,529.30)	(263,341.80)
Cash Payments to Suppliers of Goods and Services	(194,918.93)	(24,163.47)	(652,117.61)	(871,200.01)
Net Cash Provided (Used) by Operating Activities	(4,192.56)	142,392.28	157,083.33	295,283.05
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>				
Capital Grants	23,791.52	129,528.76		153,320.28
Proceeds from Capital Debt	153,321.00			153,321.00
Purchase of Capital Assets	(629,414.46)	(611,744.09)	(8,533.23)	(1,249,691.78)
Principal Paid on Capital Debt	(54,797.70)	(68,666.12)		(123,463.82)
Interest Paid on Capital Debt	(45,791.07)	(56,241.52)		(102,032.59)
Net Cash (Used) by Capital and Related Financing Activities	(552,890.71)	(607,122.97)	(8,533.23)	(1,168,546.91)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Cash Received for Interest	619.93	189.68	314.25	1,123.86
Net Cash Provided by Investing Activities	619.93	189.68	314.25	1,123.86
Net Increase (Decrease) in Cash and Cash Equivalents	(556,463.34)	(464,541.01)	148,864.35	(872,140.00)
Balances - Beginning	568,974.39	690,504.27	639,049.69	1,898,528.35
Balances - Ending	12,511.05	225,963.26	787,914.04	1,026,388.35

The notes to the financial statements are an integral part of this statement.

**MUNICIPALITY OF GARRETSON**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**For the Year Ended December 31, 2021**

	Enterprise Funds			Totals
	Water Fund	Sewer Fund	Natural Gas Fund	
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>				
Operating Income (Loss)	(127,709.70)	35,493.18	(23,857.42)	(116,073.94)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:				
Depreciation Expense	116,624.02	107,012.77	51,121.84	274,758.63
(Increase) decrease in Receivables			60,225.43	60,225.43
(Increase) decrease in Net Pension Asset	(19,130.20)	(19,130.19)	(19,130.19)	(57,390.58)
(Increase) decrease in Pension Related Deferred Outflows	(14,908.94)	(14,904.13)	(14,903.23)	(44,716.30)
(Decrease) increase in Accounts and Other Payables	9,218.01	1,669.74	61,397.80	72,285.55
(Decrease) increase in Accrued Wages Payable	1,854.47	1,854.47	1,386.94	5,095.88
(Decrease) increase in Accrued Leave Payable	2,164.94	2,164.94	2,164.94	6,494.82
(Decrease) increase in Pension Related Deferred Inflows	28,231.51	28,231.50	28,231.50	84,694.51
(Decrease) increase in Unearned Revenue			11,327.14	11,327.14
(Decrease) increase in Customer Deposits	(536.67)		(881.42)	(1,418.09)
Net Cash Provided (Used) by Operating Activities	(4,192.56)	142,392.28	157,083.33	295,283.05

The notes to the financial statements are an integral part of this statement.

**MUNICIPALITY OF GARRETSON**  
**STATEMENT OF NET POSITION**  
**December 31, 2020**

	Primary Government		
	Governmental	Business-Type	Total
	Activities	Activities	
<b>ASSETS:</b>			
Cash and Cash Equivalents	3,029,776.31	1,898,528.35	4,928,304.66
Accounts Receivable, Net	221,726.12	156,868.69	378,594.81
Inventories	14,092.71		14,092.71
Other Assets	2,953.09		2,953.09
Restricted Assets:			
Deposits	55,181.00		55,181.00
Net Pension Asset	98.86	230.14	329.00
Capital Assets:			
Land and Construction Work in Progress	379,637.78	5,135,652.06	5,515,289.84
Other Capital Assets, Net of Depreciation	2,846,957.59	3,531,328.88	6,378,286.47
<b>TOTAL ASSETS</b>	<b>6,550,423.46</b>	<b>10,722,608.12</b>	<b>17,273,031.58</b>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>			
Pension Related Deferred Outflows	15,070.92	35,083.57	50,154.49
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>15,070.92</b>	<b>35,083.57</b>	<b>50,154.49</b>
<b>LIABILITIES :</b>			
Accounts Payable	9,052.91	2,161.50	11,214.41
Other Current Liabilities	9,930.25	84,183.76	94,114.01
Noncurrent Liabilities:			
Due Within One Year	20,625.54	129,463.82	150,089.36
Due in More than One Year	126,692.26	3,812,542.60	3,939,234.86
<b>TOTAL LIABILITIES</b>	<b>166,300.96</b>	<b>4,028,351.68</b>	<b>4,194,652.64</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>			
Pension Related Deferred Inflows	13,348.10	31,073.02	44,421.12
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>13,348.10</b>	<b>31,073.02</b>	<b>44,421.12</b>
<b>NET POSITION:</b>			
Net Investment in Capital Assets	3,086,389.02	4,744,175.72	7,830,564.74
Restricted for:			
Facilities and Promoting the City	23,836.80		23,836.80
SDRS Pension Purposes	1,821.68	4,240.69	6,062.37
Cumulative Insurance Reserve	55,181.00		55,181.00
Unrestricted (Deficit)	3,218,616.82	1,949,850.58	5,168,467.40
<b>TOTAL NET POSITION</b>	<b>6,385,845.32</b>	<b>6,698,266.99</b>	<b>13,084,112.31</b>

The notes to the financial statements are an integral part of this statement.

**MUNICIPALITY OF GARRETSON**  
**STATEMENT OF ACTIVITIES**  
**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	Primary Government
					Activities	Business-Type Activities
Primary Government:						
Governmental Activities:						
General Government	229,930.25		174,809.18		(55,121.07)	(55,121.07)
Public Safety	158,603.98	22,314.67			(136,289.31)	(136,289.31)
Public Works	133,358.58	5,428.07	32,458.28		(95,472.23)	(95,472.23)
Health and Welfare	33,150.52	410.00			(32,740.52)	(32,740.52)
Culture and Recreation	94,859.19	36,512.58			(58,346.61)	(58,346.61)
Conservation and Development	34,222.11				(34,222.11)	(34,222.11)
*Interest on Long-term Debt	7,384.45				(7,384.45)	(7,384.45)
**Depreciation Expense - Unallocated	130,542.23				(130,542.23)	(130,542.23)
Total Governmental Activities	822,051.31	64,665.32	207,267.46	0.00	(550,118.53)	(550,118.53)
Business-type Activities:						
Water	293,287.48	233,764.60		573,405.02		513,882.14
Sewer	193,093.02	191,752.73		506,563.30		505,223.01
Natural Gas	355,234.20	627,129.90				271,895.70
Total Business-type Activities	841,614.70	1,052,647.23	0.00	1,079,968.32	1,291,000.85	1,291,000.85
Total Primary Government	1,663,666.01	1,117,312.55	207,267.46	1,079,968.32	(550,118.53)	740,882.32
General Revenues:						
Taxes:						
Municipality does not have interest expense related to the functions presented above. This amount includes indirect interest expense on general long-term debt.	Property Taxes				369,970.88	369,970.88
	Sales Taxes				499,997.02	499,997.02
	State Shared Revenues				27,559.34	27,559.34
	Unrestricted Investment Earnings				3,429.59	8,948.08
	Miscellaneous Revenue				759,776.16	379,733.71
Depreciation expense is not included in the direct expenses of the various functions. See Note 8.						
	Total General Revenues				1,660,732.99	2,049,414.78
	Change in Net Position				1,110,614.46	2,790,297.10
	Net Position - Beginning				5,275,230.86	5,018,584.35
	NET POSITION - ENDING				6,385,845.32	10,293,815.21
						13,084,112.31

\*The Municipality does not have interest expense related to the functions presented above. This amount includes indirect interest expense on general long-term debt.

\*\*Depreciation expense is not included in the direct expenses of the various functions. See Note 8.

The notes to the financial statements are an integral part of this statement.

**MUNICIPALITY OF GARRETSON  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
December 31, 2020**

	General Fund	Second Penny Sales Tax Fund	Liquor, Lodging, & Dining Sales Tax Fund	Total Governmental Funds
<b>ASSETS:</b>				
Cash and Cash Equivalents	1,317,209.34	1,682,537.01	30,029.96	3,029,776.31
Taxes Receivable--Delinquent	20,408.61			20,408.61
Due from State & County Governments	173,433.15	26,378.91	1,467.91	201,279.97
Interest Receivable	21.13	16.41		37.54
Inventory of Stores Purchased for Resale	14,092.71			14,092.71
Prepaid Expenses	2,953.09			2,953.09
Restricted Assets:				
Deposits	55,181.00			55,181.00
<b>TOTAL ASSETS</b>	<u>1,583,299.03</u>	<u>1,708,932.33</u>	<u>31,497.87</u>	<u>3,323,729.23</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:</b>				
Liabilities:				
Accounts Payable	1,391.84		7,661.07	9,052.91
Accrued Wages Payable	3,710.69			3,710.69
Accrued Taxes Payable	6,219.56			6,219.56
<b>Total Liabilities</b>	<u>11,322.09</u>	<u>0.00</u>	<u>7,661.07</u>	<u>18,983.16</u>
Deferred Inflows of Resources:				
Unavailable Revenue - Property Taxes	20,408.61			20,408.61
<b>Total Deferred Inflows of Resources</b>	<u>20,408.61</u>	<u>0.00</u>	<u>0.00</u>	<u>20,408.61</u>
Fund Balances:				
Nonspendable - Inventory	14,092.71			14,092.71
Nonspendable - Prepaids	2,953.09			2,953.09
Nonspendable - SD PAAC Reserve	55,181.00			55,181.00
Restricted - Facilities and Promoting the City			23,836.80	23,836.80
Committed - Capital Replacements	555,008.08	1,708,932.33		2,263,940.41
Unassigned	924,333.45			924,333.45
<b>Total Fund Balances</b>	<u>1,551,568.33</u>	<u>1,708,932.33</u>	<u>23,836.80</u>	<u>3,284,337.46</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<u>1,583,299.03</u>	<u>1,708,932.33</u>	<u>31,497.87</u>	<u>3,323,729.23</u>

The notes to the financial statements are an integral part of this statement.

**MUNICIPALITY OF GARRETSON**  
**Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position**  
**December 31, 2020**

Total Fund Balances - Governmental Funds	<u>3,284,337.46</u>
Amounts reported for governmental activities in the statement of net position are different because:	
Net pension asset reported in governmental activities is not an available financial resource and therefore is not reported in the funds.	<u>98.86</u>
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	<u>3,226,595.37</u>
Pension related deferred outflows are components of pension liability (asset) and therefore are not reported in the funds.	<u>15,070.92</u>
Long-term liabilities, including bonds payable and accrued leave payable, are not due and payable in the current period and therefore are not reported in the funds.	<u>(147,317.80)</u>
Assets, such as taxes receivable (delinquent) and special assessment receivables (current, delinquent and deferred) are not available to pay for current period expenditures and therefore are deferred in the funds.	<u>20,408.61</u>
Pension related deferred inflows are components of pension liability (asset) and therefore are not reported in the funds.	<u>(13,348.10)</u>
Net Position - Governmental Activities	<u><u>6,385,845.32</u></u>

The notes to the financial statements are an integral part of this statement.

**MUNICIPALITY OF GARRETSON**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended December 31, 2020**

	General Fund	Second Penny Sales Tax Fund	Liquor, Lodging & Dining Sales Tax Fund	Total Governmental Funds
<b>Revenues:</b>				
Taxes:				
General Property Taxes	364,769.69			364,769.69
General Sales and Use Taxes	242,781.05	242,481.08	14,734.89	499,997.02
Amusement Taxes	84.00			84.00
Penalties and Interest on Delinquent Taxes	1,147.08			1,147.08
Licenses and Permits	22,154.67			22,154.67
Intergovernmental Revenue:				
Federal Grants	174,509.18			174,509.18
State Shared Revenue:				
Bank Franchise Tax	15,087.71			15,087.71
Prorate License Fees	1,125.25			1,125.25
Liquor Tax Reversion	6,021.63			6,021.63
Motor Vehicle Licenses	13,993.51			13,993.51
Liquor License Reversion	6,450.00			6,450.00
Local Government Highway and Bridge Fund	14,621.26			14,621.26
County Shared Revenue:				
County Wheel Tax	2,547.99			2,547.99
Charges for Goods and Services:				
Public Safety	60.00			60.00
Highways and Streets	140.00			140.00
Sanitation	5,288.07			5,288.07
Health	410.00			410.00
Culture and Recreation	35,647.58			35,647.58
Fines and Forfeits:				
Other	100.00			100.00
Miscellaneous Revenue:				
Investment Earnings	2,035.01	1,394.58		3,429.59
Special Assessments	170.27			170.27
Contributions and Donations from Private Sources	3,051.70			3,051.70
Other	109,759.98			109,759.98
<b>Total Revenue</b>	<b>1,021,955.63</b>	<b>243,875.66</b>	<b>14,734.89</b>	<b>1,280,566.18</b>

The notes to the financial statements are an integral part of this statement.



**MUNICIPALITY OF GARRETSON**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**

For the Year Ended December 31, 2020

	General Fund	Second Penny Sales Tax Fund	Liquor, Lodging & Dining Sales Tax Fund	Total Governmental Funds
<b>Expenditures:</b>				
General Government:				
Legislative	31,979.39			31,979.39
Elections	990.88			990.88
Financial Administration	89,684.44			89,684.44
Other	87,624.11	32,761.36	1,923.80	122,309.27
Total General Government	210,278.82	32,761.36	1,923.80	244,963.98
Public Safety:				
Police	81,297.73			81,297.73
Fire	83,526.24			83,526.24
Protective Inspection	8,532.95			8,532.95
Total Public Safety	173,356.92	0.00	0.00	173,356.92
Public Works:				
Highways and Streets	22,306.21			22,306.21
Sanitation	6,689.62			6,689.62
Total Public Works	28,995.83	0.00	0.00	28,995.83
Health and Welfare:				
Health	1,305.85			1,305.85
Ambulance	17,091.73			17,091.73
Total Health and Welfare	18,397.58	0.00	0.00	18,397.58
Culture and Recreation:				
Recreation	43,559.15			43,559.15
Parks	129,542.00			129,542.00
Libraries	4,605.94			4,605.94
Total Culture and Recreation	177,707.09	0.00	0.00	177,707.09
Conservation and Development:				
Economic Development and Assistance (Industrial Development)	1,980.00		32,242.11	34,222.11
Total Conservation and Development	1,980.00	0.00	32,242.11	34,222.11
Debt Service	25,376.58	0.00	0.00	25,376.58
Capital Outlay	156,736.50	129,798.66	0.00	286,535.16
Total Expenditures	792,829.32	162,560.02	34,165.91	989,555.25

The notes to the financial statements are an integral part of this statement.

**MUNICIPALITY OF GARRETSON**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended December 31, 2020**

	<b>General Fund</b>	<b>Second Penny Sales Tax Fund</b>	<b>Liquor, Lodging &amp; Dining Sales Tax Fund</b>	<b>Total Governmental Funds</b>
Excess of Revenue Over (Under) Expenditures	229,126.31	81,315.64	(19,431.02)	291,010.93
<b>Other Financing Sources (Uses):</b>				
Compensation for Loss or Damage to Capital Assets		648,129.48		648,129.48
Total Other Financing Sources (Uses)	0.00	648,129.48	0.00	648,129.48
Net Change in Fund Balances	229,126.31	729,445.12	(19,431.02)	939,140.41
Fund Balance - Beginning	1,322,442.02	979,487.21	43,267.82	2,345,197.05
FUND BALANCE - ENDING	1,551,568.33	1,708,932.33	23,836.80	3,284,337.46

The notes to the financial statements are an integral part of this statement.

**MUNICIPALITY OF GARRETSON**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCES TO THE STATEMENT OF ACTIVITIES**  
**For the Year Ended December 31, 2020**

Net Change in Fund Balances - Total Governmental Funds	<u>939,140.41</u>
Amounts reported for governmental activities in the statement of activities are different because:	
This amount represents capital asset purchases which are reported as expenditures on the fund financial statements but increase assets on the government-wide statements.	<u>286,535.16</u>
This amount represents the current year depreciation expense reported in the statement of activities which is not reported on the fund financial statements because it does not require the use of current financial resources.	<u>(130,542.23)</u>
Payment of principal on long-term debt is an expenditure in the governmental funds but the payment reduces long-term liabilities in the statement of net position.	<u>17,992.13</u>
The fund financial statement governmental fund property tax accruals differ from the government-wide statement property tax accruals in that the fund financial statements require the amounts to be "available".	<u>3,970.11</u>
Governmental funds recognize expenditures for amounts of compensated absences actually paid to employees with current financial resources during the fiscal year. Amounts of compensated absences earned by employees are not recognized in the funds. In the statement of activities, expenses for these benefits are recognized when the employees earn leave credits.	<u>(3,025.82)</u>
Changes in the pension related deferred outflows/inflows are direct components of pension liability (asset) and are not reflected in the governmental funds.	<u>(3,455.30)</u>
Change in Net Position of Governmental Activities	<u><u>1,110,614.46</u></u>

The notes to the financial statements are an integral part of this statement.

**MUNICIPALITY OF GARRETSON  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
December 31, 2020**

	<b>Enterprise Funds</b>			
	<b>Water Fund</b>	<b>Sewer Fund</b>	<b>Natural Gas Fund</b>	<b>Totals</b>
<b>ASSETS:</b>				
Current Assets:				
Cash and Cash Equivalents	568,974.39	690,504.27	639,049.69	1,898,528.35
Accounts Receivable, Net			95,722.09	95,722.09
Due from Other Government	23,791.52	37,212.37		61,003.89
Interest Receivable	59.45	64.32	18.94	142.71
Total Current Assets	592,825.36	727,780.96	734,790.72	2,055,397.04
Noncurrent Assets:				
Net Pension Asset	79.96	75.51	74.67	230.14
Capital Assets:				
Land	3,176.00	135,786.86		138,962.86
Buildings	174,444.80	533,017.74		707,462.54
Improvements Other Than Buildings	2,371,300.92	1,063,609.01	1,747,596.52	5,182,506.45
Machinery and Equipment	219,538.29	147,094.13	156,775.90	523,408.32
Construction Work in Progress	2,181,750.23	2,814,938.97		4,996,689.20
Less: Accumulated Depreciation	(1,278,978.93)	(688,679.14)	(914,390.36)	(2,882,048.43)
Total Noncurrent Assets	3,671,311.27	4,005,843.08	990,056.73	8,667,211.08
<b>TOTAL ASSETS</b>	<b>4,264,136.63</b>	<b>4,733,624.04</b>	<b>1,724,847.45</b>	<b>10,722,608.12</b>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>				
Pension Related Deferred Outflows	12,190.05	11,510.96	11,382.56	35,083.57
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>12,190.05</b>	<b>11,510.96</b>	<b>11,382.56</b>	<b>35,083.57</b>

The notes to the financial statements are an integral part of this statement.

**MUNICIPALITY OF GARRETSON**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**December 31, 2020**

	<b>Enterprise Funds</b>			
	<b>Water Fund</b>	<b>Sewer Fund</b>	<b>Natural Gas Fund</b>	<b>Totals</b>
<b>LIABILITIES:</b>				
Current Liabilities:				
Accounts Payable	1,391.84		769.66	2,161.50
Accrued Interest Payable	8,072.60	7,433.66		15,506.26
Accrued Wages Payable	1,622.95	1,622.95	1,622.95	4,868.85
Accrued Taxes Payable	214.09	214.09	3,229.24	3,657.42
Customer Deposits	1,167.79		2,112.54	3,280.33
Revenue Collected in Advance			56,870.90	56,870.90
Bonds Payable Current:				
Revenue Bonds Payable	54,797.70	68,666.12		123,463.82
Accrued Leave - Current	2,000.00	2,000.00	2,000.00	6,000.00
Total Current Liabilities	69,266.97	79,936.82	66,605.29	215,809.08
Noncurrent Liabilities:				
Bonds Payable:				
Revenue	1,525,211.93	2,274,129.47		3,799,341.40
Accrued Leave Payable	4,400.40	4,400.40	4,400.40	13,201.20
Total Noncurrent Liabilities	1,529,612.33	2,278,529.87	4,400.40	3,812,542.60
<b>TOTAL LIABILITIES</b>	<b>1,598,879.30</b>	<b>2,358,466.69</b>	<b>71,005.69</b>	<b>4,028,351.68</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>				
Pension Related Deferred Inflows	10,796.55	10,195.09	10,081.38	31,073.02
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>10,796.55</b>	<b>10,195.09</b>	<b>10,081.38</b>	<b>31,073.02</b>
<b>NET POSITION:</b>				
Net Investment in Capital Assets	2,091,221.68	1,662,971.98	989,982.06	4,744,175.72
Restricted for:				
SDRS Pension Purposes	1,473.46	1,391.38	1,375.85	4,240.69
Unrestricted	573,955.69	712,109.86	663,785.03	1,949,850.58
<b>TOTAL NET POSITION</b>	<b>2,666,650.83</b>	<b>2,376,473.22</b>	<b>1,655,142.94</b>	<b>6,698,266.99</b>

The notes to the financial statements are an integral part of this statement.

**MUNICIPALITY OF GARRETSON**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUNDS**  
**For the Year Ended December 31, 2020**

	<b>Enterprise Funds</b>			
	<b>Water Fund</b>	<b>Sewer Fund</b>	<b>Natural Gas Fund</b>	<b>Totals</b>
<b>Operating Revenue:</b>				
Charges for Goods and Services	206,410.60	139,455.23	625,808.99	971,674.82
Revenue Dedicated to Servicing Debt	27,354.00	52,297.50		79,651.50
Miscellaneous			1,320.91	1,320.91
Total Operating Revenue	233,764.60	191,752.73	627,129.90	1,052,647.23
<b>Operating Expenses:</b>				
Personal Services	66,205.98	64,243.02	65,758.73	196,207.73
Other Current Expense	46,848.21	48,511.83	43,327.89	138,687.93
Materials (Cost of Goods Sold)	69,328.00		183,296.51	252,624.51
Depreciation	56,466.58	36,723.89	47,146.88	140,337.35
Total Operating Expenses	238,848.77	149,478.74	339,530.01	727,857.52
Operating Income (Loss)	(5,084.17)	42,273.99	287,599.89	324,789.71
<b>Nonoperating Revenue (Expense):</b>				
Investment Earnings	5,681.34	582.28	2,684.46	8,948.08
Interest Expense	(54,438.71)	(43,614.28)	(15,704.19)	(113,757.18)
Total Nonoperating Revenue (Expense)	(48,757.37)	(43,032.00)	(13,019.73)	(104,809.10)
Income (Loss) Before Contributions and Compensation for Loss	(53,841.54)	(758.01)	274,580.16	219,980.61
Capital Contribution	573,405.02	506,563.30		1,079,968.32
Compensation for Loss or Damage to Capital Assets	94,741.80	284,991.91		379,733.71
Change in Net Position	614,305.28	790,797.20	274,580.16	1,679,682.64
Net Position - Beginning	2,052,345.55	1,585,676.02	1,380,562.78	5,018,584.35
<b>NET POSITION - ENDING</b>	<b>2,666,650.83</b>	<b>2,376,473.22</b>	<b>1,655,142.94</b>	<b>6,698,266.99</b>

The notes to the financial statements are an integral part of this statement.

**MUNICIPALITY OF GARRETSON**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**For the Year Ended December 31, 2020**

	<b>Enterprise Funds</b>			
	<b>Water Fund</b>	<b>Sewer Fund</b>	<b>Natural Gas Fund</b>	<b>Totals</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Cash Receipts from Customers	260,228.52	216,563.95	601,654.13	1,078,446.60
Cash Payments to Employees for Services	(59,663.95)	(57,921.92)	(58,622.40)	(176,208.27)
Cash Payments to Suppliers of Goods and Services	(177,981.06)	(106,438.29)	(277,459.16)	(561,878.51)
Other Operating Cash Payments			1,320.91	1,320.91
Net Cash Provided (Used) by Operating Activities	22,583.51	52,203.74	266,893.48	341,680.73
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>				
Proceeds from Capital Debt	385,060.00	917,000.00		1,302,060.00
Capital Contributions	549,613.50	469,350.93		1,018,964.43
Purchase of Capital Assets	(803,157.86)	(1,018,518.69)	(14,945.80)	(1,836,622.35)
Principal Paid on Capital Debt	(46,646.77)	(50,665.82)	(182,336.70)	(279,649.29)
Interest Paid on Capital Debt	(52,317.06)	(38,744.82)	(6,063.31)	(97,125.19)
Other Receipts	94,741.80	284,991.91		379,733.71
Net Cash (Used) by Capital and Related Financing Activities	127,293.61	563,413.51	(203,345.81)	487,361.31
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Cash Received for Interest	6,216.35	944.19	2,835.99	9,996.53
Net Cash Provided by Investing Activities	6,216.35	944.19	2,835.99	9,996.53
Net Increase (Decrease) in Cash and Cash Equivalents	156,093.47	616,561.44	66,383.66	839,038.57
Balances - Beginning	412,880.92	73,942.83	572,666.03	1,059,489.78
Balances - Ending	568,974.39	690,504.27	639,049.69	1,898,528.35

The notes to the financial statements are an integral part of this statement.

**MUNICIPALITY OF GARRETSON**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**For the Year Ended December 31, 2020**

	Enterprise Funds			Totals
	Water Fund	Sewer Fund	Natural Gas Fund	
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>				
Operating Income (Loss)	(5,084.17)	42,273.99	287,599.89	324,789.71
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:				
Depreciation Expense	56,466.58	36,723.89	47,146.88	140,337.35
(Increase) decrease in Receivables	26,466.60	24,811.22	(50,480.03)	797.79
(Increase) decrease in Net Pension Asset	124.43	127.44	152.64	404.51
(Increase) decrease in Pension Related Deferred Outflows	(2,784.96)	(2,542.68)	(704.93)	(6,032.57)
(Decrease) increase in Accounts and Other Payables	(61,804.85)	(57,926.46)	(50,834.76)	(170,566.07)
(Decrease) increase in Accrued Wages Payable	743.89	743.89	743.91	2,231.69
(Decrease) increase in Accrued Leave Payable	2,510.03	2,510.03	2,314.78	7,334.84
(Decrease) increase in Pension Related Deferred Inflows	5,948.64	5,482.42	4,629.93	16,060.99
(Decrease) increase in Unearned Revenue			26,159.55	26,159.55
(Decrease) increase in Customer Deposits	(2.68)		165.62	162.94
Net Cash Provided (Used) by Operating Activities	22,583.51	52,203.74	266,893.48	341,680.73

The notes to the financial statements are an integral part of this statement.



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NOTES TO THE FINANCIAL STATEMENTS1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIESa. Financial Reporting Entity:

The reporting entity of the Municipality of Garretson (Municipality) consists of the primary government (which includes all of the funds, organizations, institutions, agencies, departments, and offices that make up the legal entity, plus those funds for which the primary government has a fiduciary responsibility, even though those fiduciary funds may represent organizations that do not meet the criteria for inclusion in the financial reporting entity); 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.

b. 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. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for 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 Municipality and for each function of the Municipality'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 Municipality 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 fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined, or
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.

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

The funds of the Municipality financial reporting entity are described below:

Governmental Funds:

General Fund – The General Fund is the general operating fund of the Municipality. It is used to account for all financial resources 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.

Second Penny Sales Tax Fund – to account for the receipt and expenditure of a second penny sales tax to pay for the debt service of the sales tax revenue bonds and other items. This is a major fund.

Liquor, Lodging and Dining Sales Tax Fund – to account for the collection of a one percent 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 the promotion of advertising of the city. (SDCL 10-52-8) This is 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 fee 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).

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) This 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) This is a major fund.

Natural Gas Fund – financed primarily by user charges, this fund accounts for the construction and operation of a natural gas system. (SDCL 9-39-1 and 9-39-26) This is a major fund.

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

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 are recognized in the accounts and reported in the financial statements, regardless of the measurement focus.

Measurement Focus:

Government-wide Financial Statements:

In the government-wide Statement of Net Position and Statement of Activities, both governmental and business-type activities are presented using the economic resources measurement focus, applied on the accrual basis of accounting.

Fund Financial Statements:

In the fund financial statements, the "current financial resources" measurement focus and the modified accrual basis of accounting are applied to governmental funds, while the "economic resources" measurement focus and the accrual basis of accounting are applied to the proprietary and fiduciary funds.

Basis of Accounting:

Government-wide Financial Statements:

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

Fund Financial Statements:

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues, including property taxes, are recognized when they become measurable and available. "Available" means resources are collected or to be collected soon enough after the end of the fiscal year that they can be used to pay the bills of the current period. The accrual period does not exceed one bill-paying cycle, and for the Municipality of Garretson, the length of that cycle is 30 days. The revenues which are accrued at December 31, 2021 and 2020 are sales tax and intergovernmental revenue from the state of South Dakota.

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

Expenditures are generally recognized when the related fund liability is incurred. Exceptions to this general rule include principal and interest on general long-term liabilities which are recognized when due.

All proprietary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

d. Deposits and Investments:

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

Investments classified in the financial statements consist entirely of certificates of deposit whose term to maturity at date of acquisition exceeds three months, and/or those types of investment authorized by South Dakota Codified Laws (SDCL) 4-5-6.

e. Capital Assets:

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

The accounting treatment over capital assets depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Government-Wide Statements

Capital assets are recorded at historical cost. Donated capital assets are valued at their estimated acquisition value on the date donated. Reported cost values include ancillary charges necessary to place the asset into its intended location and condition for use. Subsequent to initial capitalization, improvements or betterments that are significant and which extend the useful life of a capital asset are also capitalized.

The December 31, 2021 and 2020 balances of governmental activities capital assets and business-type capital assets are all valued at original cost.

Infrastructure assets used in general government operations, consisting of certain improvements other than buildings, including roads, bridges, sidewalks, drainage systems, and lighting systems, acquired prior to January 1, 1980, were not required to be capitalized by the Municipality. Infrastructure assets acquired since January 1, 1980 are recorded at cost, and classified as "Improvements Other than Buildings."

For governmental activities Capital Assets, construction-period interest is not capitalized, in accordance with USGAAP, while for capital assets used in business-type activities/proprietary fund's operations, construction period interest is capitalized in accordance with USGAAP.

Depreciation of all exhaustible capital assets is recorded as an unallocated expense in the government-wide Statement of Activities. Accumulated depreciation is reported on the government-wide Statement of Net Position and on each proprietary fund's Statement of Position.

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

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Land and Land Rights	\$ -	-- N/A --	-- N/A --
Improvements Other Than Buildings	\$ 5,000.00	Straight-line	5-50 yrs.
Buildings	\$ 5,000.00	Straight-line	25-100 yrs.
Machinery	\$ 4,000.00	Straight-line	5-60 yrs.
Furniture and Equipment	\$ 300.00	Straight-line	5-20 yrs.

Land is an inexhaustible capital asset and is not depreciated.

#### Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as Capital Outlay expenditures of the appropriate governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for on the accrual basis, the same as in the government-wide statements.

#### f. Long-Term Liabilities:

The accounting treatment of long-term liabilities depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term liabilities to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term liabilities primarily consist of direct borrowing note payable and compensated absences.

In the fund financial statements, debt proceeds are reported as revenues (other financing sources), while payments of principal and interest are reported as expenditures when they become due. The accounting for proprietary fund long-term liabilities is on the accrual basis, the same in the fund statements as in the government-wide statements.

#### g. Program Revenues:

Program revenues derive directly from the program itself or from parties other than the Municipality'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, organizations, 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, organizations, or individuals that are restricted for the acquisition of capital assets for use in a particular program.

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

h. Deferred Inflows and Deferred Outflows of Resources:

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

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

i. Proprietary Funds Revenue and Expense Classifications:

In the proprietary fund's Statement of Revenues, Expenses and Changes in Fund Net Position, revenues and expenses are classified in a manner consistent with how they are classified in the Statement of Cash Flows. That is, transactions for which related cash flows are reported as capital and related financing activities, noncapital financing activities, or investing activities are not reported as components of operating revenues and expenses.

j. Cash and Cash Equivalents:

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

k. Equity Classifications:

Government-wide Statements:

Equity is classified as net position and is displayed in three components.

1. Net investment in capital assets – Consists of capital assets, including restricted capital assets, net of accumulated depreciation (if applicable) and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
2. Restricted net position – Consists of net position with constraints placed on their use either by (a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
3. Unrestricted net position – All other net position that do not meet the definition of "restricted" or "net investment in capital assets."

Fund Financial Statements:

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

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

l. Application of Net Position:

It is the Municipality'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.

m. Fund Balance Classification Policies and Procedures:

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

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

The Nonspendable Fund Balance is comprised of the following:

- Amount reported in non-spendable form such as inventory and prepaid expenses.
- Amount legally or contractually required to be maintained intact such as South Dakota Insurance Reserve.

The Municipal Governing Board committed the following fund balance types by taking the following action:

<u>Fund Balance Type</u>	<u>2020 Amount</u>	<u>2021 Amount</u>	<u>Action</u>
Capital Replacement	\$ 555,008.08	\$ 526,436.61	Ordinance
Capital Replacement	\$1,708,932.33	\$1,553,281.92	Ordinance

The Municipality 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 Municipality would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

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

The purpose of each major special revenue fund and revenue source is listed below:

<u>Major Special Revenue Fund:</u>	<u>Revenue Source:</u>
Second Penny Sales Tax Fund	Sales Tax
Liquor, Lodging, & Dining Fund	Sales Tax

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

n. Pensions:

For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense (revenue), information about the fiduciary net position of the South Dakota Retirement System (SDRS) and additions to/deletions from SDRS's fiduciary net position have been determined on the same basis as they are reported by SDRS. Municipal contributions and net pension liability (asset) are recognized on an accrual basis of accounting.

2. VIOLATIONS OF FINANCE-RELATED LEGAL AND CONTRACTUAL PROVISIONS

The Municipality is prohibited by statute from spending in excess of appropriated amounts at the department level. The following represents the significant overdrafts of the expenditures compared to appropriations:

	<u>Year Ended</u> <u>12/31/2020</u>	<u>Year Ended</u> <u>12/31/2021</u>
General Fund:		
Legislative		\$ 500.40
Elections		\$ 738.06
Financial Administration		\$ 63,011.88
Protective Inspection		\$ 1,040.55
Sanitation		\$ 491.72
Health		\$ 3,430.92
Parks		\$ 59,524.46
Museums		\$ 2,140.00
Economic Development and Assistance		\$ 4,057.79
Debt Service		\$ 25,377.08
Second Sales Tax Special Revenue Fund:		
General Government - Other	\$ 32,761.36	\$ 177,140.77
Liquor, Lodging, & Dining Sales Tax Special Revenue Fund:		
General Government - Other	\$ 1,923.80	\$ 11,033.47
Economic Development and Assistance	\$ 12,142.11	

The Municipal Council plans to take the following actions to address these violations: Supplemental budgets will be used when legal authority exists.

3. DEPOSITS AND INVESTMENTS CREDIT RISK, CONCENTRATIONS OF CREDIT RISK AND INTEREST RATE RISK

The Municipality 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 Municipality's cash deposits are made in qualified public depositories as defined by SDCL 4-6A-1, 9-20-1, 9-20-1.1 and 9-20-1.2, 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

See Independent Auditor's Report.



NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

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 Municipality funds to be invested only in (a) securities of the United States and securities guaranteed by the United States Government either directly or indirectly; or (b) repurchase agreements fully collateralized by securities described in (a) above; or in shares of an open-end, no-load fund administered by an investment company whose investments are in securities described in (a) above and repurchase agreements described in (b) above. Also, 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.

As of December 31, 2021 and 2020, the Municipality did not have any investments.

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

Custodial Credit Risk – Deposits – The risk that, in the event of a depository failure, the Municipality's deposits may not be returned to it. The Municipality does not have a deposit policy for custodial credit risk.

Concentration of Credit Risk – The Municipality places no limit on the amount that may be invested in any one issuer.

Interest Rate Risk – The Municipality 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 Municipality's policy is to credit all income from investments to the fund making the investment.

#### 4. RECEIVABLES AND PAYABLES

Receivables and payables are not aggregated in these financial statements. The Municipality expects all receivables to be collected within one year.

#### 5. PROPERTY TAXES

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

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

#### 6. INVENTORY

Inventory acquired for resale in the General Fund is recorded as an asset when acquired. The consumption of inventories held for resale is charged to expense as it is consumed. Inventories held for resale are recorded at the lower of cost or market, on the first-in, first-out cost flow assumption.

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

Government-wide Financial Statements:

In the government-wide financial statements, inventory is recorded as an asset at the time of purchase, and charged to expense as it is consumed.

Fund Financial Statements:

In the fund financial statements, inventory is recorded as an asset at the time of purchase, and charged to expense as it is consumed. Material supply inventories are off-set by a nonspendable fund balance which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets.

7. CHANGES IN CAPITAL ASSETS

A summary of changes in capital assets for the two years ended December 31, 2021, is as follows:

	Balance 01/01/2020	Increases	Decreases	Balance 12/31/2021
Governmental Activities:				
Capital Assets, not being Depreciated:				
Land	153,239.34	4,735.00		157,974.34
Construction Work in Progress	196,314.02	30,084.42	(226,398.44)	0.00
Total Capital Assets, not being Depreciated	349,553.36	34,819.42	(226,398.44)	157,974.34
Capital Assets, being Depreciated:				
Buildings	598,008.30	132,856.24		730,864.54
Improvements Other Than Buildings	2,898,160.66	595,951.95		3,494,112.61
Machinery and Equipment	435,736.95	168,253.16		603,990.11
Total	3,931,905.91	897,061.35	0.00	4,828,967.26
Less Accumulated Depreciation for:				
Buildings	(252,694.02)	(32,709.13)		(285,403.15)
Improvements Other Than Buildings	(631,237.57)	(183,927.50)		(815,165.07)
Machinery and Equipment	(326,925.24)	(71,615.89)		(398,541.13)
Total Accumulated Depreciation	(1,210,856.83)	(288,252.52)	0.00	(1,499,109.35)
Total Governmental Activities Capital Assets, being Depreciated, Net	2,721,049.08	608,808.83	0.00	3,329,857.91
Governmental Activity Capital Assets, Net	3,070,602.44	643,628.25	(226,398.44)	3,487,832.25

Depreciation expense was charged to functions as follows:

	2020	2021
Governmental Activities:		
Depreciation - Unallocated	\$ 130,542.23	\$ 157,710.29
Total Depreciation Expense - Governmental Activities	\$ 130,542.23	\$ 157,710.29

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

	Balance 01/01/2020	Increases	Decreases	Balance 12/31/2021
Business-Type Activities:				
Capital Assets, not being Depreciated:				
Land	138,962.86			138,962.86
Construction Work in Progress	3,297,131.71	1,699,557.49	(4,996,689.20)	0.00
Total Capital Assets, not being Depreciated	3,436,094.57	1,699,557.49	(4,996,689.20)	138,962.86
Capital Assets, being Depreciated:				
Buildings	707,462.54			707,462.54
Improvements Other Than Buildings	5,083,863.13	6,319,424.61		11,403,287.74
Machinery and Equipment	484,986.78	64,021.23		549,008.01
Total	6,276,312.45	6,383,445.84	0.00	12,659,758.29
Less Accumulated Depreciation for:				
Buildings	(293,306.33)	(26,606.66)		(319,912.99)
Improvements Other Than Buildings	(2,064,313.08)	(316,310.56)		(2,380,623.64)
Machinery and Equipment	(384,091.67)	(72,178.76)		(456,270.43)
Total Accumulated Depreciation	(2,741,711.08)	(415,095.98)	0.00	(3,156,807.06)
Total Business-Type Activities Capital Assets, being Depreciated, Net	3,534,601.37	5,968,349.86	0.00	9,502,951.23
Business-Type Activity Capital Assets, Net	6,970,695.94	7,667,907.35	(4,996,689.20)	9,641,914.09

Depreciation expense was charged to functions as follows:

Business-Type Activities:	2020	2021
Water Fund	\$ 56,466.58	\$ 116,624.02
Sewer Fund	36,723.89	107,012.77
Natural Gas Fund	47,146.88	51,121.84
Total Depreciation Expense - Business-Type Activities	\$ 140,337.35	\$ 274,758.63

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

8. LONG-TERM LIABILITIES

A summary of changes in long-term liabilities follows:

	Beginning Balance 01/01/20	Additions	Deletions	Ending Balance 12/31/21	Due Within One Year
Primary Government:					
Governmental Activities:					
Direct Borrowing:					
Dam Replacement Note Payable	158,198.48		36,839.81	121,358.67	121,358.67
Total Debt	158,198.48	0.00	36,839.81	121,358.67	121,358.67
Accrued Compensated Absences- Governmental Funds	4,085.63	14,810.40	7,285.78	11,610.25	8,000.00
Total Governmental Activities	162,284.11	14,810.40	44,125.59	132,968.92	129,358.67
Business-Type Activities:					
Bonds Payable:					
SRF Loan - Drinking Water #1	681,977.40		73,256.39	608,721.01	38,587.87
SRF Loan - Clean Water #1	316,461.41		49,486.19	266,975.22	25,970.69
SRF Loan - Drinking Water #2	559,619.00	79,881.00	25,446.80	614,053.20	15,163.33
SRF Loan - Clean Water #3	1,160,000.00		53,310.55	1,106,689.45	27,668.45
SRF Loan - Drinking Water #3	0.00	458,500.00	2,741.28	455,758.72	11,111.52
SRF Loan - Clean Water #4	0.00	917,000.00	16,535.20	900,464.80	22,459.78
Gas Utility Loan	182,336.70		182,336.70	0.00	0.00
Unamortized Bond Discount	4,153.32		4,153.32	0.00	0.00
Deferred Charge on Refunding	11,550.87		11,550.87	0.00	0.00
Total Debt	2,916,098.70	1,455,381.00	418,817.30	3,952,662.40	140,961.64
Accrued Compensated Absences - Business-Type Funds	11,866.36	22,690.85	8,861.19	25,696.02	8,000.00
Total Business-Type Activities	2,927,965.06	1,478,071.85	427,678.49	3,978,358.42	148,961.64
TOTAL PRIMARY GOVERNMENT	3,090,249.17	1,492,882.25	471,804.08	4,111,327.34	278,320.31

In prior years the Municipality defeased certain Gas Utility Revenue Refunding Bonds by paying all future debt service payments on the old bonds. Therefore, as of December 31, 2021, the Municipality had retired all the old bonds which are now considered defeased.

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NOTES TO THE FINANCIAL STATEMENTS  
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Debt payable at December 31, 2021 is comprised of the following:

State Revolving Fund (SRF) Loan:

\$1,261,060.00 State Revolving Fund Loan Drinking Water #1;  
Due in quarterly installments of \$14,847.58 through July 1, 2034;  
Interest rate at 3.50%; debt is being paid by the Water Fund. \$ 608,721.01

State Revolving Fund (SRF) Loan:

\$507,445.00 State Revolving Fund Loan Clean Water #1;  
For lift station and gravity sewer project;  
Due in quarterly installments of \$3,120.93 through June 15, 2030;  
Interest rate at 3.75%; debt is being paid by the Sewer Fund. \$ 266,975.22

State Revolving Fund (SRF) Loan:

\$635,900.00 State Revolving Fund Loan Drinking Water #2;  
Due in quarterly installments of \$7,548.25 through February 15, 2050;  
Interest rate at 2.50%; debt is being paid by the Water Fund. \$ 614,053.20

State Revolving Fund (SRF) Loan:

\$1,160,000.00 State Revolving Fund Loan Clean Water #3;  
For sewer replacement project;  
Due in quarterly installments of \$13,769.41 through April 15, 2050;  
Interest rate at 2.50%; debt is being paid by the Sewer Fund. \$1,106,689.45

State Revolving Fund (SRF) Loan:

\$458,500.00 State Revolving Fund Loan Drinking Water #3;  
Due in quarterly installments of \$5,177.06 through August 15, 2051;  
Interest rate at 2.125%; debt is being paid by the Water Fund. \$ 455,758.72

State Revolving Fund (SRF) Loan:

\$917,000.00 State Revolving Fund Loan Clean Water #4;  
For sewer replacement project;  
Due in quarterly installments of \$10,354.12 through February 15, 2051;  
Interest rate at 2.125%; debt is being paid by the Sewer Fund. \$ 900,464.80

Direct Borrowing Note Payable:

Dam Replacement Loan; Due in semi-annual installments of \$12,688.29;  
Maturity Date of May 30, 2022; Fixed interest rate of 4.75%;  
Debt is being paid by the General Fund. \$ 121,358.67

Compensated Absences:

Unused Vacation Leave for employees. The liability will be paid from the fund paying the employees' wages.

Payable from General Fund	\$ 11,610.25
Payable from Water Fund	\$ 8,565.34
Payable from Sewer Fund	\$ 8,565.34
Payable from Natural Gas Fund	\$ 8,565.34

The annual requirements to amortize all debt outstanding as of December 31, 2021, except for compensated absences but including interest payments of \$1,344,179.34, are as follows:

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NOTES TO THE FINANCIAL STATEMENTS  
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Annual Requirements to Maturity for Long-Term Debt  
December 31, 2021

Year Ending December 31,	Notes Payable - Dam Replacement		State Revolving Fund Loan - Drinking Water #1		State Revolving Fund Loan - Drinking Water #2	
	Principal	Interest	Principal	Interest	Principal	Interest
2022	121,358.67	2,898.03	38,587.87	20,802.45	15,163.33	15,209.91
2023			39,956.28	19,434.04	15,545.98	14,827.26
2024			41,373.21	18,017.11	15,938.29	14,434.95
2025			42,840.39	16,549.93	16,340.50	14,032.74
2026			44,359.60	15,030.72	16,752.86	13,620.38
2027-2031			246,540.03	50,411.57	90,323.21	61,542.99
2032-2036			155,063.63	8,259.75	102,309.78	49,556.42
2037-2041					115,887.08	35,979.12
2042-2046					131,266.19	20,600.01
2047-2051					94,525.98	4,187.05
Totals	<u>121,358.67</u>	<u>2,898.03</u>	<u>608,721.01</u>	<u>148,505.57</u>	<u>614,053.20</u>	<u>243,990.83</u>

  

Year Ending December 31,	State Revolving Fund Loan - Clean Water #1		State Revolving Fund Loan - Drinking Water #3		State Revolving Fund Loan - Clean Water #3	
	Principal	Interest	Principal	Interest	Principal	Interest
2022	25,970.69	8,362.31	11,111.52	9,596.72	27,668.45	27,409.19
2023	26,825.08	7,507.92	11,349.53	9,358.71	28,366.67	26,710.97
2024	27,707.58	6,625.42	11,592.64	9,115.60	29,082.52	25,995.12
2025	28,619.10	5,713.90	11,840.95	8,867.29	29,816.42	25,261.22
2026	29,560.63	4,772.37	12,094.58	8,613.66	30,568.85	24,508.79
2027-2031	128,292.14	9,039.86	64,471.67	39,069.53	164,812.27	110,575.93
2032-2036			71,678.77	31,862.43	186,684.12	88,704.08
2037-2041			79,691.53	23,849.67	211,458.57	63,929.63
2042-2046			88,600.04	14,941.16	239,520.74	35,867.46
2047-2051			93,327.49	5,036.65	158,710.84	6,522.08
Totals	<u>266,975.22</u>	<u>42,021.78</u>	<u>455,758.72</u>	<u>160,311.42</u>	<u>1,106,689.45</u>	<u>435,484.47</u>

  

Year Ending December 31,	State Revolving Fund Loan - Clean Water #4		Totals	
	Principal	Interest	Principal	Interest
2022	22,459.78	18,956.70	262,320.31	103,235.31
2023	22,940.87	18,475.61	144,984.41	96,314.51
2024	23,432.27	17,984.21	149,126.51	92,172.41
2025	23,934.19	17,482.29	153,391.55	87,907.37
2026	24,446.86	16,969.62	157,783.38	83,515.54
2027-2031	130,317.00	76,765.40	824,756.32	347,405.28
2032-2036	144,884.79	62,197.61	660,621.09	240,580.29
2037-2041	161,081.01	46,001.39	568,118.19	169,759.81
2042-2046	179,087.81	27,994.59	638,474.78	99,403.22
2047-2051	167,880.22	8,139.82	514,444.53	23,885.60
Totals	<u>900,464.80</u>	<u>310,967.24</u>	<u>4,074,021.07</u>	<u>1,344,179.34</u>

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NOTES TO THE FINANCIAL STATEMENTS  
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9. WATER PURCHASE AGREEMENT

The Municipality of Garretson entered into a thirty-year agreement with Minnehaha Community Water Corporation to provide water to the Municipality. A charge is paid by the Municipality to Minnehaha Community Water Corporation of \$0.00222 per gallon of water consumed. The Municipality will not acquire ownership of any of these water facilities through these payments. Payments are made from the Municipality's Water Fund. There are no minimum payments on this agreement.

10. RESTRICTED NET POSITION

Restricted net position for the years ended December 31, 2020 and 2021 were as follows:

Major Purpose:	12/31/2020	12/31/2021
City Promotion	23,836.80	9,572.95
SDRS Pension	6,062.37	34,706.19
Cumulative Insurance Reserve	55,181.00	
Total Restricted Net Position	85,080.17	44,279.14

These balances are restricted due to loan and statutory requirements.

11. PENSION PLAN

Plan Information:

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

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 safety members where the sum of age and credited service is equal to or greater than 75. All Foundation retirement benefits that do not meet the above criteria may be payable at a reduced level.

Members that were hired on/after July 1, 2017, are Generational members. Class A Generational members and Class B Generational judicial members who retire after age 67 with three years of contributory service are

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NOTES TO THE FINANCIAL STATEMENTS

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

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

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

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

Contributions:

Per SDCL 3-12, contribution requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A Members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. The Municipality's share of contributions to the SDRS for the fiscal years ended December 31, 2021, 2020, and 2019, were \$19,510.46, \$11,307.13, and \$9,780.76, respectively, equal to the required contributions each year.

Pension Liabilities (Assets), Pension Expense (Revenue), and Deferred Outflows of Resources and Deferred Inflows of Resources to Pensions:

At June 30, 2021, SDRS is 105.53% 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 Municipality as of this measurement period ending June 30, 2021 and reported by the Municipality as of December 31, 2021 are as follows:

Proportionate share of pension liability	\$ 1,718,597.92
Less proportionate share of net pension restricted for pension benefits	<u>\$ 1,813,514.75</u>
Proportionate share of net pension liability (asset)	<u>\$ (94,916.83)</u>

At December 31, 2021, the Municipality reported a liability (asset) of \$(94,916.83) for its proportionate share of the net pension liability (asset). 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 Municipality's share of contributions to the pension plan relative to the contributions of all participating entities.



NOTES TO THE FINANCIAL STATEMENTS  
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At June 30, 2021, the Municipality's proportion was 0.01239400%, which is an increase (decrease) of 0.0048184% from its proportion measured as of June 30, 2020.

At June 30, 2020, SDRS is 100.04% funded and accordingly has net pension asset. The proportionate shares of the components of the net pension asset of South Dakota Retirement System, for the Municipality as of this measurement period ending June 30, 2020 and reported by the Municipality as of December 31, 2020 are as follows:

Proportionate share of pension liability	\$ 931,268.15
Less proportionate share of net pension restricted for pension benefits	<u>\$ 931,597.15</u>
Proportionate share of net pension liability (asset)	<u>\$ (329.00)</u>

At December 31, 2020, the Municipality reported a liability (asset) of \$(329.00) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2020 and the total pension liability (asset) used to calculate the net pension liability (asset) was based on a projection of the Municipality's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2020, the Municipality's proportion was 0.00757560%, which is an increase (decrease) of (0.0005370%) from its proportion measured as of June 30, 2019.

For the year ended December 31, 2021, the Municipality recognized pension expense (reduction of expense) of \$(28,643.82). At December 31, 2021 the Municipality reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows Of Resources</u>	<u>Deferred Inflows Of Resources</u>
Difference between expected and actual experience.	\$ 3,407.76	\$ 248.85
Changes in assumption.	\$ 109,402.01	\$ 47,532.98
Net difference between projected and actual earnings on pension plan investments.		\$ 135,590.59
Changes in proportion and difference between Municipality contributions and proportionate share of contributions.	\$ 699.26	\$ 637.31
Municipality contributions subsequent to the measurement date.	<u>\$ 10,290.06</u>	
TOTAL	<u>\$ 123,799.09</u>	<u>\$ 184,009.73</u>

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NOTES TO THE FINANCIAL STATEMENTS  
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\$10,290.06 reported as deferred outflow of resources related to pensions resulting from Municipality contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (reduction of pension expense) as follows:

Year Ended December 31:	
2022	\$ (17,642.70)
2023	(11,764.62)
2024	(3,206.32)
2025	<u>(37,887.06)</u>
TOTAL	<u>\$ (70,500.70)</u>

For the year ended December 31, 2020, the Municipality recognized pension expense (reduction of expense) of \$13,888.23. At December 31, 2020, the Municipality reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows Of Resources</u>	<u>Deferred Inflows Of Resources</u>
Difference between expected and actual experience.	\$ 1,258.63	\$ 257.74
Changes in assumption.	\$ 10,597.56	\$ 42,740.58
Net difference between projected and actual earnings on pension plan investments.	\$ 30,579.57	
Changes in proportion and difference between Municipality contributions and proportionate share of contributions.	\$ 1,296.57	\$ 1,422.80
Municipality contributions subsequent to the measurement date.	<u>\$ 6,422.16</u>	
TOTAL	<u>\$ 50,154.49</u>	<u>\$ 44,421.12</u>

\$6,422.16 reported as deferred outflow of resources related to pensions resulting from Municipality contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (reduction of pension expense) as follows:

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Year Ended  
December 31:

2021	\$ (3,872.24)
2022	(3,161.94)
2023	559.45
2024	5,785.94
<b>TOTAL</b>	<b>\$ (688.79)</b>

Actuarial Assumptions:

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

Inflation	2.25 percent
Salary Increases	Graded by years of service, from 6.50% at entry to 3.00% after 25 years of service
Discount Rate	6.50% net of plan investment expense. 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 projected generationally with Scale MP-2016, white collar rates for female and total dataset rates for males. Mortality rates for disabled members were based on the RP-2014 Disabled Retiree Mortality Table, adjusted to 2006 and projected generationally with Scale MP-2016.

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	58.0%	4.3%
Fixed Income	30.0%	1.6%
Real Estate	10.0%	4.6%
Cash	2.0%	0.9%
<b>Total</b>	<b>100%</b>	

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

Inflation	2.25 percent
Salary Increases	6.50% at entry to 3.00% after 25 years of service
Discount Rate	6.50% net of plan investment expense
Future COLAs	1.41%

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

Investment portfolio management is the statutory responsibility of the South Dakota Investment Council (SDIC), which may utilize the services of external money managers for management of a portion of the portfolio. SDIC is governed by the Prudent Man Rule (i.e., the council should use the same degree of care as a prudent man). Current SDIC investment policies dictate limits on the percentage of assets invested in various types of vehicles (equities, fixed income securities, real estate, cash, private equity, etc.). The long-term expected rate of return on pension plan investments was determined using a method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2020 (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	58.0%	5.1%
Fixed Income	30.0%	1.5%
Real Estate	10.0%	6.2%
Cash	2.0%	1.0%
Total	100%	

Discount Rate:

The discount rate used to measure the total pension liability (asset) as of June 30, 2021 and 2020, was 6.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that matching employer contributions from will be made at rates equal to the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability (asset).

Sensitivity of liability (asset) to change in the discount rate:

As of June 30, 2021, the following presents the Municipality's proportionate share as of net pension liability (asset) calculated using the discount rate of 6.50 percent, as well as what the Municipality's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage point lower (5.50%) or 1-percentage point higher (7.50%) than the current rate:

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	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Municipality's proportionate share of the net pension liability (asset)	\$153,693.96	\$(94,916.83)	\$(296,730.92)

As of June 30, 2020, the following presents the Municipality's proportionate share as of net pension liability (asset) calculated using the discount rate of 6.50 percent, as well as what the Municipality's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage point lower (5.50%) or 1-percentage point higher (7.50%) than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Municipality's proportionate share of the net pension liability (asset)	\$127,632.84	\$(329.00)	\$(104,999.28)

Pension Plan Fiduciary Net Position:

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

**12. SIGNIFICANT CONTINGENCIES - LITIGATION**

At December 31, 2021, the Municipality was not involved in any significant litigation.

**13. RISK MANAGEMENT**

The Municipality 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, the Municipality managed its risks as follows:

Employee Health Insurance:

The Municipality joined the South Dakota Municipal League Health Pool of South Dakota. This is a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The Municipality pays a monthly premium to the pool to provide health insurance coverage for its employees. The pool purchases reinsurance coverage with the premiums it receives from the members. The coverage includes a \$2,000,000 lifetime maximum payment per person.

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

Liability Insurance:

The Municipality 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 Municipality'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

NOTES TO THE FINANCIAL STATEMENTS  
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the Municipality. The Municipality 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 Municipality pays an annual premium to the pool to provide coverage for general liability, automobile liability, official's liability, law enforcement liability, and property damage coverage.

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

The Municipality 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 Municipality joined the South Dakota Municipal League Worker's Compensation Fund (Fund), a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The objective of the Fund is to formulate, develop, and administer, on behalf of the member organizations, a program of worker's compensation coverage, to obtain lower costs for that coverage, and to develop a comprehensive loss control program. The Municipality'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 Municipality 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 Municipality does not carry additional insurance to cover claims in excess of the upper limit. Settled claims resulting from these risks have never exceeded the liability coverage over the past three years.

Unemployment Benefits:

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

14. ACCOUNTABILITY FOR RELATED ORGANIZATIONS

The Garretson Community Pool Foundation owns the public swimming pool in the Municipality. The Foundation runs the daily operations, but the Municipality pays the insurance and employees. The Foundation reimburses the Municipality at the end of the season. The mayor is the liaison for the Municipality.

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

15. SUBSEQUENT EVENTS

Management has evaluated whether any subsequent events have occurred through August 30, 2023, the date on which the financial statements were available to be issued.

See Independent Auditor's Report.

**REQUIRED SUPPLEMENTARY INFORMATION**  
**MUNICIPALITY OF GARRETSON**  
**BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS**  
**GENERAL FUND**  
**For the Year Ended December 31, 2021**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>(Budgetary Basis)</b>	<b>Final Budget - Positive (Negative)</b>
<b>Revenues:</b>				
<b>Taxes:</b>				
General Property Taxes	380,914.00	380,914.00	382,159.36	1,245.36
General Sales and Use Taxes	268,800.00	268,800.00	250,701.92	(18,098.08)
Tax Deed Revenue	0.00	0.00	407.75	407.75
Penalties and Interest on Delinquent Taxes	2,000.00	2,000.00	1,931.65	(68.35)
Licenses and Permits	13,700.00	13,700.00	9,702.50	(3,997.50)
<b>Intergovernmental Revenue:</b>				
Federal Grants	0.00	235,582.77	102,557.07	(133,025.70)
<b>State Shared Revenue:</b>				
Bank Franchise Tax	14,964.00	14,964.00	16,157.33	1,193.33
Motor Vehicle Commercial Prorate	1,000.00	1,000.00	1,289.91	289.91
Liquor Tax Reversion	7,600.00	7,600.00	10,909.00	3,309.00
Motor Vehicle Licenses	14,000.00	14,000.00	14,809.81	809.81
Liquor License Reversion	5,000.00	5,000.00	6,950.00	1,950.00
Local Government Highway and Bridge Fund	12,000.00	12,000.00	15,031.37	3,031.37
<b>County Shared Revenue:</b>				
County Wheel Tax	2,736.00	2,736.00	2,698.67	(37.33)
<b>Charges for Goods and Services:</b>				
Public Safety	2,000.00	2,000.00	1,775.60	(224.40)
Highways and Streets	20,670.00	20,670.00	34,390.85	13,720.85
Sanitation	6,540.00	6,540.00	6,041.21	(498.79)
Health	250.00	250.00	225.00	(25.00)
Culture and Recreation	20,600.00	20,600.00	53,339.98	32,739.98
<b>Fines and Forfeits:</b>				
Other	300.00	300.00	125.00	(175.00)
<b>Miscellaneous Revenue:</b>				
Investment Earnings	500.00	500.00	1,647.13	1,147.13
Rentals	600.00	600.00	650.00	50.00
Contributions and Donations from Private Sources	5,000.00	5,000.00	13,261.70	8,261.70
Other	10,600.00	10,600.00	30,259.72	19,659.72
<b>Total Revenue</b>	<b>789,774.00</b>	<b>1,025,356.77</b>	<b>957,022.53</b>	<b>(68,334.24)</b>
<b>Expenditures:</b>				
<b>General Government:</b>				
Legislative	40,500.00	40,500.00	41,000.40	(500.40)
Elections	1,300.00	1,300.00	2,038.06	(738.06)
Financial Administration	104,000.00	113,000.00	176,011.88	(63,011.88)
Other	64,350.00	104,350.00	74,114.53	30,235.47
<b>Total General Government</b>	<b>210,150.00</b>	<b>259,150.00</b>	<b>293,164.87</b>	<b>(34,014.87)</b>



**REQUIRED SUPPLEMENTARY INFORMATION**  
**MUNICIPALITY OF GARRETSON**  
**BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS**  
**GENERAL FUND**  
**For the Year Ended December 31, 2021**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>(Budgetary Basis)</b>	<b>Final Budget - Positive (Negative)</b>
<b>Expenditures (Continued):</b>				
Public Safety:				
Police	84,700.00	84,700.00	82,791.83	1,908.17
Fire	40,250.00	42,525.00	42,451.96	73.04
Protective Inspection	5,000.00	15,500.00	16,540.55	(1,040.55)
Total Public Safety	129,950.00	142,725.00	141,784.34	940.66
Public Works:				
Highways and Streets	110,250.00	180,383.56	179,792.04	591.52
Sanitation	4,300.00	12,200.00	12,691.72	(491.72)
Total Public Works	114,550.00	192,583.56	192,483.76	99.80
Health and Welfare:				
Health	500.00	500.00	3,930.92	(3,430.92)
Ambulance	35,000.00	99,061.66	99,061.66	0.00
Total Health and Welfare	35,500.00	99,561.66	102,992.58	(3,430.92)
Culture and Recreation:				
Recreation	42,350.00	42,868.16	39,349.52	3,518.64
Parks	114,300.00	167,969.32	227,493.78	(59,524.46)
Libraries	2,600.00	2,600.00	1,154.81	1,445.19
Museums	0.00	1,000.00	3,140.00	(2,140.00)
Total Culture and Recreation	159,250.00	214,437.48	271,138.11	(56,700.63)
Conservation and Development:				
Economic Development and Assistance (Industrial Development)	2,000.00	4,100.00	8,157.79	(4,057.79)
Total Conservation and Development	2,000.00	4,100.00	8,157.79	(4,057.79)
Debt Service	0.00	0.00	25,377.08	(25,377.08)
Capital Outlay	145,000.00	145,000.00	0.00	145,000.00
Total Expenditures	796,400.00	1,057,557.70	1,035,098.53	22,459.17
Excess of Revenue Over (Under) Expenditures	(6,626.00)	(32,200.93)	(78,076.00)	(45,875.07)
<b>Other Financing Sources (Uses):</b>				
Compensation for Loss or Damage to Capital Assets	10,000.00	10,000.00	1,531.00	(8,469.00)
Total Other Financing Sources (Uses)	10,000.00	10,000.00	1,531.00	(8,469.00)
Net Change in Fund Balances	3,374.00	(22,200.93)	(76,545.00)	(54,344.07)
Change in Accounting Estimate (See Note 13)	0.00	0.00	(55,181.00)	(55,181.00)
Fund Balance - Beginning	1,551,568.33	1,551,568.33	1,551,568.33	0.00
FUND BALANCE - ENDING	1,554,942.33	1,529,367.40	1,419,842.33	(109,525.07)

**REQUIRED SUPPLEMENTARY INFORMATION**  
**MUNICIPALITY OF GARRETSON**  
**BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS**  
**SECOND PENNY SALES TAX FUND**  
**For the Year Ended December 31, 2021**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>(Budgetary Basis)</b>	<b>Final Budget - Positive (Negative)</b>
<b>Revenues:</b>				
Taxes:				
General Sales and Use Taxes	282,700.00	282,700.00	250,235.40	(32,464.60)
Miscellaneous Revenue:				
Investment Earnings	0.00	0.00	171.18	171.18
Special Assessments	0.00	824.00	32,087.37	31,263.37
<b>Total Revenue</b>	<b>282,700.00</b>	<b>283,524.00</b>	<b>282,493.95</b>	<b>(1,030.05)</b>
<b>Expenditures:</b>				
General Government:				
Other	0.00	0.00	177,140.77	(177,140.77)
Total General Government	0.00	0.00	177,140.77	(177,140.77)
Public Works:				
Highways and Streets	260,000.00	400,000.00	319,226.09	80,773.91
Total Public Works	260,000.00	400,000.00	319,226.09	80,773.91
Debt Service	0.00	25,000.00	0.00	25,000.00
<b>Total Expenditures</b>	<b>260,000.00</b>	<b>425,000.00</b>	<b>496,366.86</b>	<b>(71,366.86)</b>
<b>Excess of Revenue Over (Under)</b>				
<b>  Expenditures</b>	<b>22,700.00</b>	<b>(141,476.00)</b>	<b>(213,872.91)</b>	<b>(72,396.91)</b>
<b>Other Financing Sources (Uses):</b>				
Compensation for Loss or				
Damage to Capital Assets	0.00	0.00	58,222.50	58,222.50
<b>Total Other Financing Sources (Uses)</b>	<b>0.00</b>	<b>0.00</b>	<b>58,222.50</b>	<b>58,222.50</b>
<b>Net Change in Fund Balances</b>	<b>22,700.00</b>	<b>(141,476.00)</b>	<b>(155,650.41)</b>	<b>(14,174.41)</b>
<b>Fund Balance - Beginning</b>	<b>1,708,932.33</b>	<b>1,708,932.33</b>	<b>1,708,932.33</b>	<b>0.00</b>
<b>FUND BALANCE - ENDING</b>	<b>1,731,632.33</b>	<b>1,567,456.33</b>	<b>1,553,281.92</b>	<b>(14,174.41)</b>

**REQUIRED SUPPLEMENTARY INFORMATION**  
**MUNICIPALITY OF GARRETSON**  
**BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS**  
**LIQUOR, LODGING & DINING SALES TAX FUND**  
**For the Year Ended December 31, 2021**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>(Budgetary Basis)</b>	<b>Final Budget -</b>
				<b>Positive (Negative)</b>
<b>Revenues:</b>				
Taxes:				
General Sales and Use Taxes	20,000.00	20,000.00	21,706.14	1,706.14
<b>Total Revenue</b>	<b>20,000.00</b>	<b>20,000.00</b>	<b>21,706.14</b>	<b>1,706.14</b>
<b>Expenditures:</b>				
General Government:				
Other	0.00	0.00	11,033.47	(11,033.47)
<b>Total General Government</b>	<b>0.00</b>	<b>0.00</b>	<b>11,033.47</b>	<b>(11,033.47)</b>
Conservation and Development:				
Economic Development and Assistance (Industrial Development)	17,900.00	46,600.00	24,936.52	21,663.48
<b>Total Conservation and Development</b>	<b>17,900.00</b>	<b>46,600.00</b>	<b>24,936.52</b>	<b>21,663.48</b>
<b>Total Expenditures</b>	<b>17,900.00</b>	<b>46,600.00</b>	<b>35,969.99</b>	<b>10,630.01</b>
<b>Net Change in Fund Balances</b>	<b>2,100.00</b>	<b>(26,600.00)</b>	<b>(14,263.85)</b>	<b>12,336.15</b>
<b>Fund Balance - Beginning</b>	<b>23,836.80</b>	<b>23,836.80</b>	<b>23,836.80</b>	<b>0.00</b>
<b>FUND BALANCE - ENDING</b>	<b>25,936.80</b>	<b>(2,763.20)</b>	<b>9,572.95</b>	<b>12,336.15</b>

**REQUIRED SUPPLEMENTARY INFORMATION**  
**MUNICIPALITY OF GARRETSON**  
**BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS**  
**GENERAL FUND**  
**For the Year Ended December 31, 2020**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>(Budgetary Basis)</b>	<b>Final Budget - Positive (Negative)</b>
<b>Revenues:</b>				
<b>Taxes:</b>				
General Property Taxes	358,938.00	358,938.00	364,769.69	5,831.69
General Sales and Use Taxes	269,563.41	269,563.41	242,781.05	(26,782.36)
Amusement Taxes	0.00	0.00	84.00	84.00
Penalties and Interest on Delinquent Taxes	1,500.00	1,500.00	1,147.08	(352.92)
Licenses and Permits	7,725.53	7,725.53	22,154.67	14,429.14
<b>Intergovernmental Revenue:</b>				
Federal Grants	0.00	0.00	174,509.18	174,509.18
<b>State Shared Revenue:</b>				
Bank Franchise Tax	14,200.00	14,200.00	15,087.71	887.71
Prorate License Fees	1,100.00	1,100.00	1,125.25	25.25
Liquor Tax Reversion	5,700.00	5,700.00	6,021.63	321.63
Motor Vehicle Licenses	13,000.00	13,000.00	13,993.51	993.51
Liquor License Reversion	6,100.00	6,100.00	6,450.00	350.00
Local Government Highway and Bridge Fund	13,700.00	13,700.00	14,621.26	921.26
<b>County Shared Revenue:</b>				
County Wheel Tax	2,400.00	2,400.00	2,547.99	147.99
<b>Charges for Goods and Services:</b>				
Public Safety	60.00	60.00	60.00	0.00
Highways and Streets	140.00	140.00	140.00	0.00
Sanitation	5,700.00	5,700.00	5,288.07	(411.93)
Health	400.00	400.00	410.00	10.00
Culture and Recreation	36,489.49	36,489.49	35,647.58	(841.91)
<b>Fines and Forfeits:</b>				
Other	300.00	300.00	100.00	(200.00)
<b>Miscellaneous Revenue:</b>				
Investment Earnings	2,000.00	2,000.00	2,035.01	35.01
Special Assessments	0.00	0.00	170.27	170.27
Contributions and Donations from Private Sources	3,000.00	3,000.00	3,051.70	51.70
Other	10,200.00	10,200.00	109,759.98	99,559.98
<b>Total Revenue</b>	<b>752,216.43</b>	<b>752,216.43</b>	<b>1,021,955.63</b>	<b>269,739.20</b>
<b>Expenditures:</b>				
<b>General Government:</b>				
Legislative	48,250.00	52,750.00	31,979.39	20,770.61
Elections	1,100.00	1,225.00	990.88	234.12
Financial Administration	83,158.17	110,158.17	105,568.40	4,589.77
Other	60,897.78	88,897.78	87,624.11	1,273.67
<b>Total General Government</b>	<b>193,405.95</b>	<b>253,030.95</b>	<b>226,162.78</b>	<b>26,868.17</b>

**REQUIRED SUPPLEMENTARY INFORMATION**  
**MUNICIPALITY OF GARRETSON**  
**BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS**  
**GENERAL FUND**  
**For the Year Ended December 31, 2020**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>(Budgetary Basis)</b>	<b>Final Budget -</b>
<b>Expenditures (Continued):</b>				<b>Positive (Negative)</b>
Public Safety:				
Police	81,378.00	81,378.00	81,297.73	80.27
Fire	40,100.00	85,100.00	83,526.24	1,573.76
Protective Inspection	19,950.00	23,950.00	8,532.95	15,417.05
Total Public Safety	141,428.00	190,428.00	173,356.92	17,071.08
Public Works:				
Highways and Streets	99,203.37	126,703.37	108,668.03	18,035.34
Sanitation	4,300.00	7,000.00	6,689.62	310.38
Total Public Works	103,503.37	133,703.37	115,357.65	18,345.72
Health and Welfare:				
Health	100.00	1,400.00	1,305.85	94.15
Ambulance	35,000.00	67,000.00	60,242.45	6,757.55
Total Health and Welfare	35,100.00	68,400.00	61,548.30	6,851.70
Culture and Recreation:				
Recreation	34,850.00	48,350.00	43,559.15	4,790.85
Parks	78,311.33	141,711.33	140,882.00	829.33
Libraries	2,150.00	4,950.00	4,605.94	344.06
Museums	1,000.00	1,000.00	0.00	1,000.00
Total Culture and Recreation	116,311.33	196,011.33	189,047.09	6,964.24
Conservation and Development:				
Economic Development and				
Assistance (Industrial Development)	2,000.00	2,000.00	1,980.00	20.00
Total Conservation and Development	2,000.00	2,000.00	1,980.00	20.00
Debt Service	26,137.88	26,137.88	25,376.58	761.30
Capital Outlay	131,000.00	131,000.00	0.00	131,000.00
Total Expenditures	748,886.53	1,000,711.53	792,829.32	207,882.21
Net Change in Fund Balances	3,329.90	(248,495.10)	229,126.31	477,621.41
Fund Balance - Beginning	1,322,442.02	1,322,442.02	1,322,442.02	0.00
FUND BALANCE - ENDING	1,325,771.92	1,073,946.92	1,551,568.33	477,621.41

**REQUIRED SUPPLEMENTARY INFORMATION**  
**MUNICIPALITY OF GARRETSON**  
**BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS**  
**SECOND PENNY SALES TAX FUND**  
**For the Year Ended December 31, 2020**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>(Budgetary Basis)</b>	<b>Final Budget -</b>
				<b>Positive (Negative)</b>
<b>Revenues:</b>				
Taxes:				
General Sales and Use Taxes	262,372.48	262,372.48	242,481.08	(19,891.40)
Miscellaneous Revenue:				
Investment Earnings	0.00	0.00	1,394.58	1,394.58
Total Revenue	262,372.48	262,372.48	243,875.66	(18,496.82)
<b>Expenditures:</b>				
General Government:				
Other	0.00	0.00	32,761.36	(32,761.36)
Total General Government	0.00	0.00	32,761.36	(32,761.36)
Public Works:				
Highways and Streets	260,000.00	260,000.00	129,798.66	130,201.34
Total Public Works	260,000.00	260,000.00	129,798.66	130,201.34
Total Expenditures	260,000.00	260,000.00	162,560.02	97,439.98
Excess of Revenue Over (Under)				
Expenditures	2,372.48	2,372.48	81,315.64	78,943.16
<b>Other Financing Sources (Uses):</b>				
Compensation for Loss or				
Damage to Capital Assets	0.00	0.00	648,129.48	648,129.48
Total Other Financing Sources (Uses)	0.00	0.00	648,129.48	648,129.48
Net Change in Fund Balances	2,372.48	2,372.48	729,445.12	727,072.64
Fund Balance - Beginning	979,487.21	979,487.21	979,487.21	0.00
FUND BALANCE - ENDING	981,859.69	981,859.69	1,708,932.33	727,072.64

**REQUIRED SUPPLEMENTARY INFORMATION**  
**MUNICIPALITY OF GARRETSON**  
**BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS**  
**LIQUOR, LODGING & DINING SALES TAX FUND**  
**For the Year Ended December 31, 2020**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>(Budgetary Basis)</b>	<b>Final Budget - Positive (Negative)</b>
<b>Revenues:</b>				
Taxes:				
General Sales and Use Taxes	20,000.00	20,000.00	14,734.89	(5,265.11)
<b>Total Revenue</b>	<b>20,000.00</b>	<b>20,000.00</b>	<b>14,734.89</b>	<b>(5,265.11)</b>
<b>Expenditures:</b>				
General Government:				
Other	0.00	0.00	1,923.80	(1,923.80)
<b>Total General Government</b>	<b>0.00</b>	<b>0.00</b>	<b>1,923.80</b>	<b>(1,923.80)</b>
Conservation and Development:				
Economic Development and Assistance (Industrial Development)	17,900.00	20,100.00	32,242.11	(12,142.11)
<b>Total Conservation and Development</b>	<b>17,900.00</b>	<b>20,100.00</b>	<b>32,242.11</b>	<b>(12,142.11)</b>
<b>Total Expenditures</b>	<b>17,900.00</b>	<b>20,100.00</b>	<b>34,165.91</b>	<b>(14,065.91)</b>
<b>Net Change in Fund Balances</b>	<b>2,100.00</b>	<b>(100.00)</b>	<b>(19,431.02)</b>	<b>(19,331.02)</b>
<b>Fund Balance - Beginning</b>	<b>43,267.82</b>	<b>43,267.82</b>	<b>43,267.82</b>	<b>0.00</b>
<b>FUND BALANCE - ENDING</b>	<b>45,367.82</b>	<b>43,167.82</b>	<b>23,836.80</b>	<b>(19,331.02)</b>

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NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

Schedules of Budgetary Comparisons for the General Fund  
and for each major Special Revenue Fund with a legally required budget.

NOTE 1. Budgets and Budgetary Accounting

The Municipality followed these procedures in establishing the budgetary data reflected in the financial statements:

1. At the first regular board meeting in September of each year or within ten days thereafter, the Governing Board introduces the annual appropriation ordinance for the ensuing fiscal year.
2. After adoption by the Governing Board, the operating budget is legally binding and actual expenditures for each purpose cannot exceed the amounts budgeted, except as indicated in number 4.
3. A line item for contingencies may be included in the annual budget. Such a line item may not exceed 5 percent of the total municipal budget and may be transferred by resolution of the Governing Board to any other budget category that is deemed insufficient during the year.
4. If it is determined during the year that sufficient amounts have not been budgeted, state statute allows the adoption of supplemental budgets.
5. Unexpected appropriations lapse at year end unless encumbered by resolution of the Governing Board.

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General Fund and special revenue funds.

The Municipality did not encumber any amounts at December 31, 2020 or 2021.

6. Formal budgetary integration is employed as a management control device during the year for the General Fund and special revenue funds.
7. Budgets for the General Fund and special revenue funds are adopted on a basis consistent with the accounting principles generally accepted in the United States (USGAAP).

NOTE 2. GAAP/Budgetary Accounting Basis Differences

The financial statements prepared in conformity with USGAAP present capital outlay expenditure information in a separate category of expenditures. Under the budgetary basis of accounting, capital outlay expenditures are reported within the function to which they relate. For example, the purchase of a new fire truck would be reported as a capital outlay expenditure on the Governmental Funds Statement of Revenue, Expenditures and Changes in Fund Balances, however, in the Budgetary RSI Schedule, the purchase of a fire truck would be reported as an expenditure of the Public Safety/Fire Department function of government, along with all other current Fire Department related expenditures.



SUPPLEMENTARY INFORMATION

SCHEDULE OF THE MUNICIPALITY'S PROPORTIONATE  
SHARE OF THE NET PENSION LIABILITY (ASSET)

South Dakota Retirement System

Last Seven Years \*

	Municipality's proportion of the net pension liability/asset	Municipality's proportionate share of net pension liability (asset)	Municipality's covered-employee payroll	Municipality's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total pension liability (asset)
2021	0.0123940%	\$ (94,917)	\$ 260,708	36.41%	105.52%
2020	0.0075756%	\$ (329)	\$ 161,687	0.20%	100.04%
2019	0.0081126%	\$ (860)	\$ 160,385	0.54%	100.09%
2018	0.0078070%	\$ (182)	\$ 150,850	0.12%	100.02%
2017	0.0075319%	\$ (684)	\$ 140,016	0.49%	100.10%
2016	0.0087798%	\$ 29,657	\$ 144,684	20.50%	98.89%
2015	0.0075103%	\$ (31,853)	\$ 137,109	23.23%	104.10%

\* The amounts presented were determined as of the measurement date of the collective net pension liability (asset) which is 06/30. Until a full 10-year trend is compiled, the Municipality will present information for those years for which information is available.

SUPPLEMENTARY INFORMATION

## SCHEDULE OF THE MUNICIPALITY CONTRIBUTIONS

## South Dakota Retirement System

Last Seven Years \*

	<u>Contractually required contribution</u>	<u>Contributions in relation to the contractually required contribution</u>	<u>Contribution deficiency (excess)</u>	<u>Municipality's covered payroll</u>	<u>Contributions as a percentage of covered payroll</u>
2021	\$ 19,510	\$ 19,510	\$ -	\$ 323,235	6.04%
2020	\$ 11,307	\$ 11,307	\$ -	\$ 188,452	6.00%
2019	\$ 9,781	\$ 9,781	\$ -	\$ 163,015	6.00%
2018	\$ 9,379	\$ 9,379	\$ -	\$ 156,009	6.01%
2017	\$ 8,394	\$ 8,394	\$ -	\$ 139,412	6.02%
2016	\$ 8,692	\$ 8,692	\$ -	\$ 144,873	6.00%
2015	\$ 8,526	\$ 8,526	\$ -	\$ 142,097	6.00%

\* Until a full 10-year trend is compiled, the Municipality will present information for those years for which information is available.

**Notes to Required Supplementary Information  
for the Year Ended December 31, 2021**  
Schedule of the Proportionate Share of the Net Pension Liability (Asset) and  
Schedule of Pension Contributions.

**Changes from Prior Valuation**

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

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

**Benefit Provision Changes**

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

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

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

**Actuarial Method Changes**

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