

**MUNICIPALITY OF GREGORY  
GREGORY, SOUTH DAKOTA**

**AUDIT REPORT**

**FOR THE YEAR JANUARY 1, 2021 TO DECEMBER 31, 2021  
AND  
FOR THE YEAR JANUARY 1, 2022 TO DECEMBER 31, 2022**

*Schoenfish & Co., Inc.*

CERTIFIED PUBLIC ACCOUNTANTS

P.O. Box 247

105 EAST MAIN, PARKSTON, SOUTH DAKOTA 57366

MUNICIPALITY OF GREGORY

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MUNICIPAL OFFICIALS  
DECEMBER 31, 2022

MAYOR:

Allen Cerny

GOVERNING BOARD:

Guyla Husman – President  
Ashley Lozano – Vice-President  
Kristi Drey  
Cory Graber  
Darwin Grim  
Guhner Kepler

FINANCE OFFICER:

Alex Hamilton

ATTORNEY:

Amy Bartling

*Schoenfish & Co., Inc.*

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**MUNICIPALITY OF GREGORY**  
GREGORY, SOUTH DAKOTA

***PART A - For the Year January 1, 2022 to December 31, 2022***

*Schoenfish & Co., Inc.*

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

Governing Board  
Municipality of Gregory  
Gregory, 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 modified cash basis of accounting financial statements of the governmental activities, the business-type activities, and each major fund of the Municipality of Gregory, South Dakota (Municipality), as of December 31, 2022 and for the year then ended, and the related notes to the financial statements, which collectively comprise the Municipality's basic financial statements and have issued our report thereon dated March 7, 2024, which was adverse for aggregate discretely presented component units because they were not presented.

Report on Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or 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 were not identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Current Audit Findings as item 2022-001 to be a material weakness.

### Report on 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, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, which are described in the accompanying Schedule of Current Audit Findings as item 2022-002.

### 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 response to the finding identified in our audit is described in the accompanying Schedule of Current Audit Findings. The Municipality's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### 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  
March 7, 2024

*Schoenfish & Co., Inc.*

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SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTSPRIOR FEDERAL AUDIT FINDINGS:Finding Number 2021-001:

A material weakness in internal controls was noted due to a lack of proper segregation of duties for revenues.

Views of Responsible Officials and Planned Corrective Action Plan:

The City of Gregory Finance Officer, Trudy Waterman, with the Mayor, Al Cerny, are the contact persons responsible for the corrective action plan for this finding. Finding Number 2021-001 is due to the limited number of staff the City of Gregory can afford to have on the payroll budget. The Mayor, City Council Members, and Finance Administration employees are aware of the risk and have taken steps to reduce that risk. Our Assistant Finance Officer is solely in control of generating utility bills, the Finance Officer helps collect and oversee the collection of revenues through the current municipal software in the Receipts Management Module and Front Desk. The Finance Officer also conducts reconciliation on all accounts and would be required to report any discrepancies to the Mayor and Council. Our Finance Administration is required to run all revenue and expense reports monthly, our check signing procedures require two signatures, most generally the Mayor and one of the two employees in the Finance Administration. The Assistant Finance Officer and Finance Officer jointly conduct the payroll process and jointly fill out the claim vouchers and the claims list is presented to the City Council at each meeting.

This comment has not been corrected and is restated as current audit finding number 2022-001.

PRIOR OTHER AUDIT FINDINGS:Finding Number 2021-002:

Expenditures exceeded the amounts budgeted in four departments in the General Fund.

Views of Responsible Officials and Planned Corrective Action Plan:

The City of Gregory Finance Officer, Trudy Waterman, with the Mayor, Al Cerny, are the contact persons responsible for the corrective action plan for this finding. The corrective action is a scheduled review for October/November to evaluate the potential risks of running over budget in any department. By evaluating and correcting overbudget discrepancies earlier, the Finance Administration can reduce the risk of being overbudget.

This comment has not been corrected and is restated as current audit finding number 2022-002.

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SCHEDULE OF CURRENT AUDIT FINDINGS

CURRENT AUDIT FINDINGS:

Internal Control – Related Finding – Material Weakness:

Finding Number 2022-001:

A material weakness in internal controls was noted due to a lack of proper segregation of duties existed for the revenues. This is a continuing audit comment since 1998.

Criteria:

Proper segregations of duties results in increased reliability of reported financial data. Proper segregation of duties results in increased reliability of reported financial data and decreased potential for the loss of public assets through the separation of key accounting and physical control functions.

The AICPA states that, "Segregation of Duties (SOD) is a basic building block of sustainable risk management and internal controls for a business. The principle of SOD is based on shared responsibilities of a key process that disperses the critical functions of that process to more than one person or department. Without this separation in key processes, fraud and error risks are far less manageable."

Cause of Condition:

The Finance Officer and Deputy Finance Officer have the ability to process all revenue transactions from beginning to end. The Finance Officer and Deputy Finance Officer also have the ability to receive money, issue receipts, record receipts, post receipts in the accounting records, prepare bank deposits, reconcile bank statements, and prepare financial statements. A lack of proper segregation of duties existed for the revenues resulting in decreased reliability of reported financial data and increased potential for the loss of public assets.

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.

Recommendation:

1. We recommend that the Municipality of Gregory officials be cognizant of this lack of segregation of duties for revenues and attempt to provide compensating internal controls whenever, and wherever, possible and practical.

Management's Response:

The Municipality of Gregory Mayor, Al Cerny, is the contact person responsible for the corrective action plan for this comment. This comment is due to the size of the Municipality of Gregory, 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 develop policies and to provide compensating internal controls.

Compliance – Related Finding – Material Weakness:

Finding Number 2022-002:

Expenditures exceeded the amounts budgeted in seven departments in the General Fund. This is a continuing audit comment since 2020.

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SCHEDULE OF CURRENT AUDIT FINDINGS  
(Continued)

Criteria:

SDCL 9-21-2 states in part, "The governing body of each municipality shall, no later than its first regular meeting in September of each year or within 10 days thereafter, introduce the annual appropriation ordinance for the ensuing fiscal year, in which it shall appropriate the sums of money necessary to meet all lawful expenses and liabilities of the municipality." Also, SDCL 9-21-9 states, "Neither the governing body nor any department or office 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 of Condition:

The Municipality expended money in excess of amounts budgeted without supplementing the budget as allowed by SDCL 9-21-7.

Potential Effect of Condition:

Without amending the budget or limiting expenditures, expenditures are being made without proper authority.

Recommendation:

2. We recommend 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.

Management's Response:

The Municipality of Gregory Mayor, Al Cerny, is the contact person responsible for the response for this comment. The Municipality will be more careful to follow the budgetary guidelines prescribed by law.

CLOSING CONFERENCE

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

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## INDEPENDENT AUDITOR'S REPORT

Governing Board  
Municipality of Gregory  
Gregory, South Dakota

### Report on the Audit of the Financial Statements

#### Adverse Opinion and Unmodified Opinions

We have audited the accompanying modified cash basis of accounting financial statements of the governmental activities, the business-type activities, and each major fund of the Municipality of Gregory, South Dakota (Municipality), as of December 31, 2022, and for the year 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.

#### Adverse Opinion

In our opinion, because of the omission of the discretely presented component units, the accompanying modified cash basis of accounting financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the aggregate discretely presented component units of the Municipality of Gregory as of December 31, 2022, or the changes in financial position thereof for the year then ended.

#### Unmodified Opinions

In our opinion, the accompanying modified cash basis of accounting financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Municipality of Gregory as of December 31, 2022, and the respective changes in financial position thereof for the year then ended in accordance with the modified cash basis of accounting described in Note 1.c. to the financial statements.

#### Basis for Adverse and Unmodified Opinions

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

The financial statements do not include financial data for the Municipality's legally separate component units. Accounting principles generally accepted in the United States of America require the financial data for those component units to be reported with the financial data of the Municipality's primary government unless the Municipality also issues financial statements for the financial reporting entity that include the financial data for its component units. The Municipality has not issued such reporting

entity financial statements. Because of this departure from accounting principles generally accepted in the United States of America, the assets, liabilities, net position, revenues, and expenses of the aggregate discretely presented components units would have been presented inclusive of the component units.

#### Emphasis of Matter

As discussed in Note 1.c. of the financial statements, which describes the basis of accounting, the financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

As discussed in Note 2 and 10 to the financial statements, in 2022, the Municipality has elected to change its method of accounting which has resulted in a restatement of the net position as of January 1, 2022. Our opinions are not modified with respect to this matter.

#### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the modified cash basis of accounting described in Note 1.c.; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

*Schoenfish & Co., Inc.*

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- 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.

#### Supplementary Information

Our audit was conducted for the purpose of forming opinions on the cash basis of accounting financial statements that collectively comprise the Municipality's basic financial statements. The Budgetary Comparison Schedules, the Schedule of the Municipality's Proportionate Share of the Net Pension Liability (Asset), the Schedule of Municipal Contributions, and the Schedule of Long-term Liabilities are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Budgetary Comparison Schedules, the Schedule of the Municipality's Proportionate Share of the Net Pension Liability (Asset), the Schedule of Municipal Contributions, and the Schedule of Long-term Liabilities is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

#### Other Information

Management is responsible for the other information included in the annual report. The other information comprises the 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.

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Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 7, 2024 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  
March 7, 2024

*Schoenfish & Co., Inc.*

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**MUNICIPALITY OF GREGORY**  
**STATEMENT OF NET POSITION - MODIFIED CASH BASIS**  
**December 31, 2022**

	<b>Primary Government</b>		<b>Total</b>
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	
<b>ASSETS:</b>			
Cash and Cash Equivalents	1,821,996.74	642,618.54	2,464,615.28
Investments	114,702.45	240,834.89	355,537.34
<b>TOTAL ASSETS</b>	<b>1,936,699.19</b>	<b>883,453.43</b>	<b>2,820,152.62</b>
<b>NET POSITION:</b>			
Restricted:			
Debt Service	174,700.00	112,998.69	287,698.69
City Promotion	50,717.97		50,717.97
Economic Development	25,130.78		25,130.78
Street Repair	78,439.97		78,439.97
Unrestricted	1,607,710.47	770,454.74	2,378,165.21
<b>TOTAL NET POSITION</b>	<b>1,936,699.19</b>	<b>883,453.43</b>	<b>2,820,152.62</b>

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



**MUNICIPALITY OF GREGORY**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**  
 For the Year Ended December 31, 2022

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-Type Activities	Total
<b>Primary Government:</b>							
Governmental Activities:							
General Government	252,979.55	64,366.56	11,508.00		(177,104.99)		(177,104.99)
Public Safety	277,815.34	110.00			(277,705.34)		(277,705.34)
Public Works	2,105,400.78	86,011.54	78,600.86	1,035,657.13	(905,131.25)		(905,131.25)
Health and Welfare	27,914.89				(27,914.89)		(27,914.89)
Culture and Recreation	310,003.19	16,273.10		43,410.34	(250,319.75)		(250,319.75)
Conservation and Development	121,910.36		43,120.00		(78,790.36)		(78,790.36)
Miscellaneous Expenses		12,690.63			12,690.63		12,690.63
Debt Service	216,577.00				(216,577.00)		(216,577.00)
<b>Total Governmental Activities</b>	<b>3,312,601.11</b>	<b>179,451.83</b>	<b>133,228.86</b>	<b>1,079,067.47</b>	<b>(1,920,852.95)</b>	<b>0.00</b>	<b>(1,920,852.95)</b>
<b>Business-type Activities:</b>							
Water	509,235.80	293,461.83				(215,773.97)	(215,773.97)
Sewer	213,587.73	186,578.08				(27,009.65)	(27,009.65)
<b>Total Business-Type Activities</b>	<b>722,823.53</b>	<b>480,039.91</b>	<b>0.00</b>	<b>0.00</b>	<b>(242,783.62)</b>	<b>(242,783.62)</b>	<b>(242,783.62)</b>
<b>Total Primary Government</b>	<b>4,035,424.64</b>	<b>659,491.74</b>	<b>133,228.86</b>	<b>1,079,067.47</b>	<b>(1,920,852.95)</b>	<b>(242,783.62)</b>	<b>(2,163,636.57)</b>
<b>General Revenues:</b>							
Taxes:							
Property Taxes					364,714.27		364,714.27
Sales Taxes					1,125,017.45		1,125,017.45
State Shared Revenues					14,051.94		14,051.94
Unrestricted Investment Earnings					22,537.45	2,020.01	24,557.46
Miscellaneous Revenue					462,031.56	146,191.54	608,223.10
<b>Total General Revenues</b>					<b>1,988,352.67</b>	<b>148,211.55</b>	<b>2,136,564.22</b>
Change in Net Position					67,499.72	(94,572.07)	(27,072.35)
Net Position - Beginning Restatement:					9,810,585.06	2,078,367.91	11,888,952.97
Change in Accounting Method (See Note 10.)					(7,941,385.59)	(1,100,342.41)	(9,041,728.00)
Restated Net Position - Beginning					1,869,199.47	978,025.50	2,847,224.97
<b>NET POSITION - ENDING</b>					<b>1,936,699.19</b>	<b>883,453.43</b>	<b>2,820,152.62</b>

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

**MUNICIPALITY OF GREGORY**  
**BALANCE SHEET - MODIFIED CASH BASIS**  
**GOVERNMENTAL FUNDS**  
**December 31, 2022**

	<b>General Fund</b>	<b>Other Governmental Funds</b>	<b>Total</b>
<b>ASSETS:</b>			
Cash and Cash Equivalents	1,599,624.25	222,372.49	1,821,996.74
Investments	114,702.45		114,702.45
<b>TOTAL ASSETS</b>	<b>1,714,326.70</b>	<b>222,372.49</b>	<b>1,936,699.19</b>
<b>FUND BALANCES:</b>			
Restricted for Debt Service	174,700.00		174,700.00
Restricted for City Promotion		50,717.97	50,717.97
Restricted for Economic Development		25,130.78	25,130.78
Restricted for Street Repair		78,439.97	78,439.97
Committed for Economic Development		68,083.77	68,083.77
Committed for Pool	80,738.78		80,738.78
Assigned for Library	15,401.05		15,401.05
Unassigned	1,443,486.87		1,443,486.87
<b>TOTAL FUND BALANCES</b>	<b>1,714,326.70</b>	<b>222,372.49</b>	<b>1,936,699.19</b>

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

**MUNICIPALITY OF GREGORY**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES - MODIFIED CASH BASIS**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended December 31, 2022**

	<b>General Fund</b>	<b>Other Governmental Funds</b>	<b>Total</b>
<b>Revenues:</b>			
Taxes:			
General Property Taxes	363,267.29		363,267.29
General Sales and Use Taxes	1,106,772.38	18,245.07	1,125,017.45
Penalties & Interest on Delinquent Taxes	1,446.98		1,446.98
Total Taxes	1,471,486.65	18,245.07	1,489,731.72
Licenses and Permits	18,995.00	0.00	18,995.00
Intergovernmental Revenue:			
Federal Grants	410,195.79	43,120.00	453,315.79
State Grants	595,715.43		595,715.43
State Shared Revenue:			
Bank Franchise Tax	5,496.11		5,496.11
Prorate License Fees	4,169.73		4,169.73
Liquor Tax Reversion	8,555.83		8,555.83
Motor Vehicle Licenses	16,834.80		16,834.80
Local Government Highway and Bridge Fund	51,594.49		51,594.49
County Shared Revenue:			
County Road Tax	6,001.84		6,001.84
Total Intergovernmental Revenue	1,098,564.02	43,120.00	1,141,684.02
Charges for Goods and Services:			
General	20,506.86	56.70	20,563.56
Public Safety	35.00		35.00
Public Works	5,679.00		5,679.00
Culture and Recreation	16,273.10		16,273.10
Airport	62,651.54		62,651.54
Total Charges for Goods and Services	105,145.50	56.70	105,202.20
Fines and Forfeits:			
Court Fines and Costs	75.00	0.00	75.00
Miscellaneous Revenue:			
Investment Earnings	3,599.88	18,937.57	22,537.45
Rentals	42,489.00		42,489.00
Special Assessments	3,892.07	37,361.84	41,253.91
Contributions and Donations from Private Sources	43,410.34		43,410.34
Liquor Operating Agreement Income	12,690.63		12,690.63
Other	34,010.85		34,010.85
Total Miscellaneous Revenue	140,092.77	56,299.41	196,392.18
Total Revenue	2,834,358.94	117,721.18	2,952,080.12

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

**MUNICIPALITY OF GREGORY**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES - MODIFIED CASH BASIS**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended December 31, 2022**

	<b>General Fund</b>	<b>Other Governmental Funds</b>	<b>Total</b>
<b>Expenditures:</b>			
General Government:			
Legislative	58,365.87		58,365.87
Executive	1,925.00		1,925.00
Elections	889.36		889.36
Financial Administration	127,291.33		127,291.33
Other	64,507.99		64,507.99
Total General Government	252,979.55	0.00	252,979.55
Public Safety:			
Police	255,922.22		255,922.22
Fire	21,893.12		21,893.12
Total Public Safety	277,815.34	0.00	277,815.34
Public Works:			
Highways and Streets	1,989,144.36		1,989,144.36
Airport	116,256.42		116,256.42
Total Public Works	2,105,400.78	0.00	2,105,400.78
Health and Welfare:			
Health	8,038.16		8,038.16
Ambulance	19,876.73		19,876.73
Total Health and Welfare	27,914.89	0.00	27,914.89
Culture and Recreation:			
Recreation	62,588.38		62,588.38
Parks	63,097.90		63,097.90
Libraries	77,378.46		77,378.46
Auditorium	106,938.45		106,938.45
Total Culture and Recreation	310,003.19	0.00	310,003.19
Conservation and Development:			
Economic Development and Assistance (Industrial Development)	31,248.34	90,662.02	121,910.36
Total Conservation and Development	31,248.34	90,662.02	121,910.36
Debt Service	216,577.00		216,577.00
Total Expenditures	3,221,939.09	90,662.02	3,312,601.11
Excess Revenue Over (Under) Expenditures	(387,580.15)	27,059.16	(360,520.99)

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

**MUNICIPALITY OF GREGORY**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES - MODIFIED CASH BASIS**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended December 31, 2022**

	<b>General Fund</b>	<b>Other Governmental Funds</b>	<b>Total</b>
<b>Other Financing Sources (Uses):</b>			
Transfers In		25,500.00	25,500.00
Transfers Out	(25,500.00)		(25,500.00)
Sale of General Capital Assets	233,902.33		233,902.33
Compensation for Loss/Damage to Capital Assets	194,118.38		194,118.38
Total Other Financing Sources (Uses)	<u>402,520.71</u>	<u>25,500.00</u>	<u>428,020.71</u>
 Net Change in Fund Balance	 <u>14,940.56</u>	 <u>52,559.16</u>	 <u>67,499.72</u>
 Fund Balance - Beginning	 <u>2,309,737.36</u>	 <u>222,820.55</u>	 <u>2,532,557.91</u>
Restatement:			
Change in Accounting Method (See Note 10.)	(610,351.22)	(53,007.22)	(663,358.44)
 Restated Fund Balance - Beginning	 <u>1,699,386.14</u>	 <u>169,813.33</u>	 <u>1,869,199.47</u>
 FUND BALANCE- ENDING	 <u><u>1,714,326.70</u></u>	 <u><u>222,372.49</u></u>	 <u><u>1,936,699.19</u></u>

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

**MUNICIPALITY OF GREGORY**  
**STATEMENT OF NET POSITION - MODIFIED CASH BASIS**  
**PROPRIETARY FUNDS**  
**December 31, 2022**

	<b>Enterprise Funds</b>		<b>Totals</b>
	<b>Water Fund</b>	<b>Sewer Fund</b>	
<b>ASSETS:</b>			
Current Assets:			
Cash and Cash Equivalents	100,091.69	542,526.85	642,618.54
Investments	187,332.88	53,502.01	240,834.89
Total Current Assets	287,424.57	596,028.86	883,453.43
<b>TOTAL ASSETS</b>	287,424.57	596,028.86	883,453.43
<b>NET POSITION:</b>			
Restricted for Debt Service	52,998.69	60,000.00	112,998.69
Unrestricted	234,425.88	536,028.86	770,454.74
Total Net Position	287,424.57	596,028.86	883,453.43
<b>TOTAL NET POSITION</b>	287,424.57	596,028.86	883,453.43

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

**MUNICIPALITY OF GREGORY**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN**  
**NET POSITION - MODIFIED CASH BASIS**  
**PROPRIETARY FUNDS**  
**For the Year Ended December 31, 2022**

	<b>Enterprise Funds</b>		<b>Totals</b>
	<b>Water Fund</b>	<b>Sewer Fund</b>	
<b>Operating Revenue:</b>			
Charges for Goods and Services	293,349.19	139,362.28	432,711.47
Revenue Dedicated to Servicing Debt		47,200.00	47,200.00
Miscellaneous	112.64	15.80	128.44
Total Operating Revenue	293,461.83	186,578.08	480,039.91
<b>Operating Expenses:</b>			
Personal Services	115,673.24	14,221.90	129,895.14
Other Current Expenses	358,580.16	89,915.67	448,495.83
Total Operating Expenses	474,253.40	104,137.57	578,390.97
Operating Income (Loss)	(180,791.57)	82,440.51	(98,351.06)
<b>Non-operating Revenue (Expense)</b>			
Investment Earnings	668.82	1,351.19	2,020.01
Rentals	10,471.70	23,365.52	33,837.22
Other	112,354.32		112,354.32
Principal on Debt	(24,155.10)	(84,584.80)	(108,739.90)
Interest Expense	(10,827.30)	(24,865.36)	(35,692.66)
Total Non-operating Revenue (Expense)	88,512.44	(84,733.45)	3,778.99
Change in Net Position	(92,279.13)	(2,292.94)	(94,572.07)
Net Position - Beginning	1,070,597.10	1,007,770.81	2,078,367.91
Restatement:			
Change in Accounting Method (See Note 10)	(690,893.40)	(409,449.01)	(1,100,342.41)
Restated Net Position - Beginning	379,703.70	598,321.80	978,025.50
<b>NET POSITION - ENDING</b>	287,424.57	596,028.86	883,453.43

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

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NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a. Financial Reporting Entity:

The reporting entity of the Municipality of Gregory (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.

Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The Municipality is financially accountable if its Governing Board appoints a voting majority of another organization's governing body and it has the ability to impose its will on that organization, or there is a potential for that organization to provide specific financial benefits to, or impose specific financial burdens on, the Municipality (primary government). The Municipality may also be financially accountable for another organization if that organization is fiscally dependent on the Municipality.

The Housing and Redevelopment Commission of the Municipality of Gregory, South Dakota (Commission) is a proprietary fund-type, discretely-presented component unit. The five members of the Commission are appointed by the Mayor, with the approval of the Governing Board, for five-year, staggered terms. The Commission elects its own chairperson and recruits and employs its own management personnel and other workers. The Governing Board, though, retains the statutory authority to approve or deny or otherwise modify the Commission's plans to construct low-income housing units, or to issue debt, which gives the Governing Board the ability to impose its will on the Commission. Separately issued financial statements of the Housing and Redevelopment Commission may be obtained from: Gregory Housing and Redevelopment Commission, Gregory, SD 57533.

The Gregory Ambulance Association provides emergency medical services to the community. The Municipality is responsible for appointing a board to oversee the operations. The Ambulance Association is discretely presented in the Municipality's government-wide financial statements. Financial statements can be obtained from the Finance Office, Box 436, Gregory, SD 57533.

The Municipality participates in a cooperative unit with other governmental entities. See detailed note entitled "Joint Ventures" for specific disclosures. Joint ventures do not meet the criteria for inclusion in the financial reporting entity as a component unit but are discussed in these notes because of the nature of their relationship with the Municipality.



NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS  
(Continued)

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.

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 special 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.

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS  
(Continued)

Economic Development Fund – to account for funds loaned out to a new business to be repaid over a period of years. This is not a major fund.

Special Street Assessment Fund – to account for the levy assessed for the purpose of maintaining or repairing street surfacing or pavement. (SDCL 9-45-38) This is not 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 municipality. (SDCL 10-52-8) This is not a major fund.

Grant Revolving Loan Fund – to account for federal grants that when given to the municipality are subsequently loaned out to a new business to be repaid over a period of years. This is not a major fund.

Proprietary Funds:

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

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

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.

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.

The Municipality's basis of accounting is the modified cash basis, which is a basis of accounting other than USGAAP. Under USGAAP, transactions are recorded in the accounts when revenues are earned

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS  
(Continued)

and liabilities are incurred. Under the modified cash basis, transactions are recorded when cash is received or disbursed.

Measurement Focus:

Government-wide Financial Statements:

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

Fund Financial Statements:

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

Basis of Accounting:

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

The modified cash basis of accounting involves the measurement of cash and cash equivalents and changes in cash and cash equivalents resulting from cash receipt and disbursement transactions. Under the modified cash basis of accounting, the statement of financial position reports only cash and cash equivalents (those investments with terms to maturity of 90 days (three months) or less at the date of acquisition). Under the modified cash basis of accounting, transactions are recorded in the accounts when cash and/or cash equivalents are received or disbursed, and assets and liabilities are recognized to the extent that cash has been received or disbursed. The acceptable modification to the cash basis of accounting implemented by the Municipality in these financial statements is:

- a. Recording long-term investments in marketable securities (those with maturities more than 90 days (three months) from the date of acquisition) acquired with cash assets at cost.

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

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

NOTES TO THE MODIFIED CASH BASIS 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. Under the modified cash basis of accounting, investments are carried at cost.

e. Capital Assets:

Capital assets include land, buildings, improvements other than buildings, furnishings and equipment, construction/development in progress, infrastructure, intangible lease assets, 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 a significantly greater number of years than most capital assets.

As discussed in Note 1.c. above, the government-wide Statement of Net Position and Statement of Activities and the fund financial statements, governmental, and business-type are presented using a modified cash basis of accounting. The Municipality has not elected to modify their cash basis presentation by recording capital assets arising from cash transactions and depreciating/amortizing those assets where appropriate, so any capital assets owned by the Municipality and the related depreciation/amortization are not reported on the financial statements of the Municipality.

f. Long-Term Liabilities:

Under the modified cash basis of accounting, cash proceeds from long-term liabilities issuances is recorded as a receipt, while payments to creditors to reduce long-term liabilities are recorded as a cost of the program which benefits from the financing. Allocations are made where appropriate. Interest costs are not allocated but are reported as a separate program cost category.

Long-term liabilities arising from cash transactions of governmental funds are not reported as liabilities in the fund financial statements. Instead, the debt proceeds are reported as other financing sources and payments of principal and interest are reported as expenditures. The accounting for long-term debts of proprietary funds is the same in the fund financial statements as it is in the government-wide financial 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.

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS  
(Continued)

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.

h. 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 as operating or non-operating revenues and expenses. Operating revenues and expenses directly relate to the purpose of the fund.

i. Equity Classifications:

Government-wide Statements:

Equity is classified as Net Position and is displayed in two components.

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

Fund Financial Statements:

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

j. 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.

k. 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.

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS  
(Continued)

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

Fund Balance Type	Amount	Action
Economic Development	\$ 68,083.77	Ordinance
Pool	\$ 80,738.78	Resolution

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 for unrestricted fund balance when expenditures are made.

**2. IMPLEMENTATION OF NEW ACCOUNTING METHOD**

In 2022, the Municipality elected to change accounting methods from the accrual basis and modified accrual basis of accounting to the modified cash basis of accounting in accordance with the accounting principles generally accepted in the United States of America.

The effect of the change in accounting methods on the beginning net position and beginning fund balance is discussed in Note 10.

**3. VIOLATIONS OF FINANCE-RELATED LEGAL AND CONTRACTUAL**

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

General Fund:	Year Ended
<u>Activity</u>	<u>12/31/2022</u>
Legislative	\$ 4,665.87
Executive	1,925.00
Financial Administration	14,071.33
Police	12,422.22
Highways & Streets	7,244.36
Airport	10,756.42
Debt Service	1,377.00

The Municipality plans to take the following actions to address these violations - Use supplemental budgets when legal authority allows.

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS  
(Continued)

4. 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 as follows:

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

Investments – In general, SDCL 4-5-6 permits municipal 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.

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.

As of December 31, 2022, the Municipality had the following investments:

<u>Investment</u>	<u>Credit Rating</u>	<u>Maturities</u>	<u>Fair Value</u> <u>12/31/2022</u>
External Investment Pools:			
SDFIT	Unrated	N/A	<u>\$ 91,187.49</u>
Total Investments			<u>\$ 91,187.49</u>

The South Dakota Public Fund Investment Trust (SDFIT) is an external investment pool created for South Dakota local government investing. It is regulated by a nine-member board with representation from municipalities, school districts, and counties. The net asset value of the SDFIT money market account (GCR) is kept at one dollar per share by adjusting the rate of return on a daily basis. Earnings are credited to each account on a monthly basis.

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.

See Independent Auditor’s Report.

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS  
(Continued)

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.

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 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. LONG-TERM COMMITMENTS

The Municipality of Gregory entered into a forty-year commitment with Tripp County Water Users District to provide water to the Municipality. A monthly charge in the amount of \$3,000.00 is paid by the Municipality to Tripp County Water Users District. The monthly charge represents a contribution by the Municipality to aid Tripp County Water Users District in the construction of the facilities necessary to provide the Municipality with water. The Municipality will not acquire ownership of any of these water facilities through these payments. Payments are made from the Municipality's Water Fund.

The following are the minimum payments on this commitment:

2023	\$	36,000.00
2024	\$	36,000.00
2025	\$	36,000.00
2026	\$	36,000.00
2027	\$	36,000.00
2028-2032	\$	180,000.00
2033-2037	\$	180,000.00
2038-2040	\$	108,000.00



NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS  
(Continued)

7. INTERFUND TRANSFERS

Interfund transfers for the year ended December 31, 2022 were as follows:

<u>Transfers From:</u>	<u>Transfers To:</u>	
	<u>Revolving Loan Fund</u>	<u>Total</u>
Major Funds:		
General Fund	<u>\$ 25,500.00</u>	<u>\$ 25,500.00</u>
	<u>\$ 25,500.00</u>	<u>\$ 25,500.00</u>

The Municipality typically budgets transfers to the Revolving Loan Fund to conduct the indispensable functions of the Municipality.

8. RESTRICTED NET POSITION

Restricted net position for the year ended December 31, 2022 was as follows:

	<u>12/31/2022</u>
Debt Service	\$ 287,698.69
City Promotion	50,717.97
Economic Development	25,130.78
Street Repair	<u>78,439.97</u>
Total Restricted Net Position	<u>\$ 441,987.41</u>

These balances are restricted due to federal grant requirements, statutory requirements, and governmental accounting standards.

9. 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 four different classes of employees, Class A general members, Class B public safety and judicial members, Class C Cement Plant Retirement Fund members, and Class D Department of Labor and Regulation 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

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS  
(Continued)

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. Class A and B eligible spouses of Foundation members will receive a 60 percent joint survivor benefit when the member dies.

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

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

- Baseline actuarial accrued liabilities will be calculated assuming the COLA is equal to the long-term inflation assumption of 2.25%.
- If the fair value of assets is greater or equal to the baseline actuarial accrued liabilities, the COLA will be:
  - The increase in the 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.

Legislation enacted in 2021 reduced the minimum COLA from 0.5 percent to 0.0 percent.

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. State statute also requires the employer to contribute an amount equal to the employee's contribution. The Municipality's share of contributions to the SDRS for the fiscal years ended December 31, 2022, 2021, and 2020, were \$30,072.66, \$26,895.27, and \$26,735.13, respectively, equal to the required contributions each year.

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS  
(Continued)

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

At June 30, 2022, SDRS is 100.1% funded and accordingly has net pension asset. The proportionate share of the components of the net pension asset of the South Dakota Retirement System, for the Municipality as of the measurement period ending June 30, 2022 and reported by the Municipality as of December 31, 2022 are as follows:

Proportionate share of pension liability	\$ 2,805,254.57
Less proportionate share of net pension restricted for pension benefits	<u>\$ 2,807,132.60</u>
Proportionate share of net pension liability (asset)	<u>\$ (1,878.03)</u>

The net pension liability (asset) was measured as of June 30, 2022 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, 2022, the Municipality's proportion was 0.01987200%, which is an increase(decrease) of 0.0006780% from its proportion measured as of June 30, 2021.

Actuarial Assumptions:

The total pension liability (asset) in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Salary Increases	Graded by years of service, from 7.66% at entry to 3.15% after 25 years of service
Discount Rate	6.50% net of plan investment expense. This is composed of an average inflation rate of 2.50% and real returns of 4.00%
Future COLAs	2.10%

Mortality Rates

All mortality rates based on Pub-2010 amount-weighted mortality tables, projected Generationally with improvement scale MP-2020

Active and Terminated Vested Members:

Teachers, Certified Regents, and Judicial PubT-2010

Other Class A Members: PubG-2010

Public Safety Members: PubS-2010

Retired Members:

Teachers, Certified Regents, and Judicial Retirees: PubT-2010, 108% of rates above age 65

Other Class A Retirees: PubG-2010, 93% of rates through age 74, increasing by 2% per Year until 111% of rates at age 83 and above.

Public Safety Retirees: PubS-2010, 102% of rates at all ages.

Beneficiaries:

PubG-2010 contingent survivor mortality table

Disabled Members:

Public Safety: PubS-2010 disabled member mortality table

Others: PubG-2010 disabled member mortality table

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS  
(Continued)

The actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actuarial experience study for the period of July 1, 2016 to June 30, 2021.

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 for each major asset class included in the pension plan’s target asset allocation as of June 30, 2022 (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%	2.70%

Discount Rate:

The discount rate used to measure the total pension liability (asset) was 6.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that matching employer contributions 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 changes in the discount rate:

The following presents the Municipality’s proportionate share of net pension liability (asset) calculated using the discount rate of 6.50%, 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)	\$ 389,955.38	\$(1,878.03)	\$(322,109.45)

Pension Plan Fiduciary Net Position:

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

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS  
(Continued)

10. RESTATEMENT OF PRIOR PERIOD

The Municipality elected to change their method of accounting from the accrual basis and modified accrual basis to the modified cash basis in accordance with accounting principles generally accepted in the United States of America. As a result, beginning net position/fund balance has been restated as of January 1, 2022.

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	
Net Position January 1, 2022, as previously reported	\$ 9,810,585.06	\$ 2,078,367.91	
Restatement:			
Change in accounting method	<u>(7,941,385.59)</u>	<u>(1,100,342.41)</u>	
Net Position January 1, 2022, as Restated	<u>\$ 1,869,199.47</u>	<u>\$ 978,025.50</u>	
	<u>Water Fund</u>	<u>Sewer Fund</u>	
Net Position January 1, 2022, as previously reported	\$ 1,070,597.10	\$ 1,007,770.81	
Restatement:			
Change in accounting method	<u>(690,893.40)</u>	<u>(409,449.01)</u>	
Net Position January 1, 2022, as Restated	<u>\$ 379,703.70</u>	<u>\$ 598,321.80</u>	
	<u>General Fund</u>	<u>Economic Development Fund</u>	<u>Liquor, Lodging, &amp; Dining Sales Tax Fund</u>
Fund Balance January 1, 2022, as previously reported	\$ 2,309,737.36	\$ 91,294.30	\$ 77,681.21
Restatement:			
Change in accounting method	<u>(610,351.22)</u>	<u>(37,439.27)</u>	<u>(4,602.99)</u>
Fund Balance January 1, 2022, as Restated	<u>\$ 1,699,386.14</u>	<u>\$ 53,855.03</u>	<u>\$ 73,078.22</u>
	<u>Special Street Assessment Fund</u>	<u>Revolving Loan Fund</u>	
Fund Balance January 1, 2022, as previously reported	\$ 41,591.84	\$ 12,253.20	
Restatement:			
Change in accounting method	<u>(652.34)</u>	<u>(10,312.62)</u>	
Fund Balance January 1, 2022, as Restated	<u>\$ 40,939.50</u>	<u>\$ 1,940.58</u>	

11. SIGNIFICANT CONTINGENCIES - LITIGATION

At December 31, 2022, the Municipality was not involved in any significant litigation.

12. 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, 2022, the Municipality managed its risks as follows:

See Independent Auditor's Report.

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS  
(Continued)

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 the Municipality. The Municipality pays a Members' Annual Operating Contribution, to provide liability coverage detailed below, under a claims-made policy and the premiums are accrued based on the ultimate cost of the experience to date of the SDPAA member, based on their exposure or type of coverage. The 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 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.

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS  
(Continued)

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.

13. JOINT VENTURE

The Municipality participates in a joint venture, known as the Southern Missouri Recycling & Waste Management District, formed for the purpose of providing solid waste disposal services to participating members.

The members of the joint venture are as follows:

Municipality of Armour	Municipality of Bonesteel	Charles Mix County
Douglas County	Municipality of Geddes	Gregory County
Municipality of Gregory	Municipality of Lake Andes	Municipality of Pickstown
Municipality of Ravinia	Municipality of Springfield	Municipality of Tabor
Municipality of Wagner		

The joint venture's governing board is composed of 13 representatives. The board is responsible for adopting the budget and setting service fees adequate to fund the budget.

The Municipality retains no equity in the net position of the joint venture, but does have a responsibility to fund deficits of the joint venture in proportion to the relative participation.

The most recent financial information available for this joint venture is for the year ended December 31, 2022.

14. TAX ABATEMENTS

The Municipality entered into property tax abatement agreements with local homeowners under SDCL 11-9 and Ordinance No. 2017-11. The tax increment districts were created to stimulate and develop the general economic welfare and prosperity of the Municipality through the creation and encouragement of new housing development; and the improvement of the area will likely enhance significantly the value of substantially all of the other real property in the tax increment district.

Under the agreement, the Municipality may grant property tax abatements of:

- (A) Zero percent of the total property value for the first year following construction on such property;
- (B) For the second year following construction, not more than 20% of the usual taxable value shall be used for the tax purpose of the property;
- (C) For the third year following construction, not more than 40% of the usual taxable value shall be used for the tax purposes on the property;

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NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS  
(Continued)

(D) For the fourth year following construction, not more that 60% of the usual taxable value shall be used for the tax purposes on the property.

(E) For the fifth year following construction, not more than 80% of the usual taxable value shall be used for the tax purposes on the property.

The abatements may be granted to any new residential structures in the Grandview Addition of the Municipality of Gregory.

This tax abatement program is administered at the county level so records regarding abated properties are not available directly from the Municipality.

15. SUBSEQUENT EVENTS

Management has evaluated whether any subsequent events have occurred through March 7, 2024, the date on which the financial statements were available to be issued.



**SUPPLEMENTARY INFORMATION**  
**MUNICIPALITY OF GREGORY**  
**BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS**  
**GENERAL FUND**  
**For the Year Ended December 31, 2022**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Taxes:				
General Property Taxes	373,000.00	373,000.00	363,267.29	(9,732.71)
General Sales and Use Taxes	650,000.00	650,000.00	1,106,772.38	456,772.38
Penalties and Interest on Delinquent Taxes	1,000.00	1,000.00	1,446.98	446.98
Total Taxes	1,024,000.00	1,024,000.00	1,471,486.65	447,486.65
Licenses and Permits	17,000.00	17,000.00	18,995.00	1,995.00
Intergovernmental Revenue:				
Federal Grants	0.00	600,000.00	410,195.79	(189,804.21)
State Grants	0.00	0.00	595,715.43	595,715.43
State Shared Receipts:				
Bank Franchise Tax	6,500.00	6,500.00	5,496.11	(1,003.89)
Prorate License Fees	4,000.00	4,000.00	4,169.73	169.73
Liquor Tax Reversion	8,500.00	8,500.00	8,555.83	55.83
Motor Vehicle Licenses	15,500.00	15,500.00	16,834.80	1,334.80
Local Government Highway and Bridge Fund	48,500.00	48,500.00	51,594.49	3,094.49
County Shared Revenue:				
County Road Tax	3,000.00	3,000.00	6,001.84	3,001.84
Total Intergovernmental Revenue	86,000.00	686,000.00	1,098,564.02	412,564.02
Charges for Goods and Services:				
General Government	162,000.00	162,000.00	20,506.86	(141,493.14)
Public Safety	0.00	0.00	35.00	35.00
Highways and Streets	3,500.00	3,500.00	5,679.00	2,179.00
Health	300.00	300.00	0.00	(300.00)
Culture and Recreation	14,000.00	14,000.00	16,273.10	2,273.10
Other	0.00	0.00	62,651.54	62,651.54
Total Charges for Goods and Services	179,800.00	179,800.00	105,145.50	(74,654.50)
Fines and Forfeits:				
Court Fines and Costs	0.00	0.00	75.00	75.00
Total Fines and Forfeits	0.00	0.00	75.00	75.00
Miscellaneous Revenue:				
Investment Earnings	3,500.00	3,500.00	3,599.88	99.88
Rentals	41,000.00	41,000.00	42,489.00	1,489.00
Special Assessments	3,450.00	3,450.00	3,892.07	442.07
Contributions and Donations from Private Sources	0.00	14,000.00	43,410.34	29,410.34
Liquor Operating Agreement Income	12,000.00	12,000.00	12,690.63	690.63
Other	32,500.00	180,500.00	34,010.85	(146,489.15)
Total Miscellaneous Revenue	92,450.00	254,450.00	140,092.77	(114,357.23)
Total Revenue	1,399,250.00	2,161,250.00	2,834,358.94	673,108.94

**SUPPLEMENTARY INFORMATION**  
**MUNICIPALITY OF GREGORY**  
**BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS**  
**GENERAL FUND**  
**For the Year Ended December 31, 2022**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>Expenditures:</b>				
General Government:				
Legislative	53,700.00	53,700.00	58,365.87	(4,665.87)
Contingency	11,580.00	11,580.00		
Amount Transferred		(10,080.00)		1,500.00
Executive	0.00	0.00	1,925.00	(1,925.00)
Elections	1,250.00	1,250.00	889.36	360.64
Financial Administration	93,220.00	113,220.00	127,291.33	(14,071.33)
Other	32,900.00	95,900.00	64,507.99	31,392.01
Total General Government	192,650.00	265,570.00	252,979.55	12,590.45
Public Safety:				
Police	238,500.00	243,500.00	255,922.22	(12,422.22)
Fire	22,500.00	22,500.00	21,893.12	606.88
Total Public Safety	261,000.00	266,000.00	277,815.34	(11,815.34)
Public Works:				
Highways and Streets	281,900.00	1,981,900.00	1,989,144.36	(7,244.36)
Airport	50,500.00	105,500.00	116,256.42	(10,756.42)
Transit	5,000.00	5,000.00	0.00	5,000.00
Total Public Works	337,400.00	2,092,400.00	2,105,400.78	(13,000.78)
Health and Welfare:				
Health	14,000.00	14,000.00	8,038.16	5,961.84
Humane Society	500.00	500.00	0.00	500.00
Ambulance	169,000.00	169,000.00	19,876.73	149,123.27
Total Health and Welfare	183,500.00	183,500.00	27,914.89	155,585.11
Culture and Recreation:				
Recreation	64,000.00	64,000.00	62,588.38	1,411.62
Parks	39,000.00	64,000.00	63,097.90	902.10
Libraries	78,500.00	78,500.00	77,378.46	1,121.54
Auditorium	13,500.00	108,500.00	106,938.45	1,561.55
Total Culture and Recreation	195,000.00	315,000.00	310,003.19	4,996.81
Conservation and Development:				
Economic Development and Assistance	14,500.00	46,000.00	31,248.34	14,751.66
Total Conservation and Development	14,500.00	46,000.00	31,248.34	14,751.66
Debt Service	215,200.00	215,200.00	216,577.00	(1,377.00)
<b>Total Expenditures</b>	<b>1,399,250.00</b>	<b>3,383,670.00</b>	<b>3,221,939.09</b>	<b>161,730.91</b>
Excess of Revenue Over (Under)				
Expenditures	0.00	(1,222,420.00)	(387,580.15)	834,839.85

**SUPPLEMENTARY INFORMATION**  
**MUNICIPALITY OF GREGORY**  
**BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS**  
**GENERAL FUND**  
**For the Year Ended December 31, 2022**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>Other Financing Sources (Uses):</b>				
Transfers Out	0.00	0.00	(25,500.00)	(25,500.00)
Sale of Municipal Property	0.00	0.00	233,902.33	233,902.33
Compensation for Loss or Damage to Capital Assets	0.00	0.00	194,118.38	194,118.38
Total Other Financing Sources (Uses)	0.00	0.00	402,520.71	402,520.71
Net Change in Fund Balances	0.00	(1,222,420.00)	14,940.56	1,237,360.56
Fund Balance - Beginning	2,309,737.36	2,309,737.36	2,309,737.36	0.00
Adjustments:				
Change in Accounting Method (See Note 10.)	0.00	0.00	(610,351.22)	0.00
Adjusted Fund Balance - Beginning	2,309,737.36	2,309,737.36	1,699,386.14	0.00
FUND BALANCE - ENDING	2,309,737.36	1,087,317.36	1,714,326.70	1,237,360.56

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NOTES TO THE SUPPLEMENTARY INFORMATION

Schedules of Budgetary Comparisons for the General Fund.

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.

The Municipality did not encumber any amounts at December 31, 2022.

6. Formal budgetary integration is employed as a management control device during the year for the General Fund.
7. Budgets for the General Fund are adopted on a basis consistent with the modified cash basis of accounting.

NOTE 2. Other Comprehensive Basis of Accounting Modified Cash Basis/Budgetary Accounting Basis Differences:

The financial statements prepared in conformity with USGAAP applied within the context of the modified cash basis of accounting 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 INFORMATIONSCHEDULE OF THE MUNICIPALITY'S PROPORTIONATE  
SHARE OF THE NET PENSION LIABILITY (ASSET)

## South Dakota Retirement System

## Last Eight Years \*

	<u>Municipality's proportion of the net pension liability/asset</u>	<u>Municipality's proportionate share of net pension liability (asset)</u>	<u>Municipality's covered-employee payroll</u>	<u>Municipality's proportionate share of the net pension liability (asset) as a percentage of its covered payroll</u>	<u>Plan fiduciary net position as a percentage of the total pension liability (asset)</u>
2022	0.0198720%	\$ (1,878)	\$ 422,905	0.44%	100.10%
2021	0.0191940%	\$ (146,993)	\$ 398,764	36.86%	105.52%
2020	0.0211754%	\$ (920)	\$ 416,462	0.22%	100.04%
2019	0.0205258%	\$ (2,175)	\$ 394,432	0.55%	100.09%
2018	0.0202334%	\$ (472)	\$ 381,495	0.12%	100.02%
2017	0.0195664%	\$ (1,776)	\$ 360,056	0.49%	100.10%
2016	0.0210873%	\$ 71,231	\$ 359,656	19.81%	98.89%
2015	0.0226021%	\$ (95,862)	\$ 368,754	26.00%	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 Eight 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>
2022	\$ 30,073	\$ 30,073	\$ -	\$ 449,619	6.69%
2021	\$ 26,895	\$ 26,895	\$ -	\$ 403,683	6.66%
2020	\$ 26,735	\$ 26,735	\$ -	\$ 405,320	6.60%
2019	\$ 27,234	\$ 27,234	\$ -	\$ 405,165	6.72%
2018	\$ 26,261	\$ 26,261	\$ -	\$ 392,787	6.69%
2017	\$ 24,568	\$ 24,568	\$ -	\$ 371,065	6.62%
2016	\$ 23,789	\$ 23,789	\$ -	\$ 358,057	6.64%
2015	\$ 23,885	\$ 23,885	\$ -	\$ 357,576	6.68%

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

**Notes to Supplementary Information  
for the Year Ended December 31, 2022**

Schedule of the Proportionate Share of the Net Pension Liability (Asset) and  
Schedule of Pension Contributions.

**Changes from Prior Valuation**

The June 30, 2022 Actuarial Valuation reflects numerous changes to the actuarial assumptions as a result of an experience analysis completed since the June 30, 2021 Actuarial Valuation. In addition, two changes in actuarial methods have been implemented since the prior valuation.

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

**Benefit Provision Changes**

During the 2022 Legislative Session no significant SDRS benefit changes were made and gaming enforcement agents became Class B Public Safety Members.

**Actuarial Assumption Changes**

As a result of an experience analysis covering the period from July 1, 2016 to June 30, 2021 and presented to the SDRS Board of Trustees in April and June, 2022, significant changes to the actuarial assumptions were recommended by the SDRS Senior Actuary and adopted by the Board of Trustees first effective for this June 30, 2022 actuarial valuation.

The changes to economic assumptions included increasing the price inflation to 2.50% and increasing the wage inflation to 3.15%. The current assumed investment return assumption of 6.50% was retained, lowering the assumed real investment return to 4.00%. The baseline COLA assumption of 2.25% was also retained. Salary increase assumptions were modified to reflect the increase in assumed wage inflation and recent experience. The assumed interest on accumulated contributions was decreased to 2.25%

The demographic assumptions were also reviewed and revised. The mortality assumption was changed to the Pub-2010 amount-weighted tables using separate tables for teachers, general, and public safety retirees, with assumptions for retirees adjusted based on credible experience. The mortality assumption for active and terminated vested members was changed to the unadjusted amount-weighted Pub-2010 tables, again by member classification and the assumption for beneficiaries was changed to the amount-weighted Pub-2010 general contingent survivor table. Adjustments based on experience were also made to the assumptions regarding retirement, termination, disability, age of spouses for married Foundation members, percentage of terminated vested members electing a refund, and benefit commencement age for terminated vested Public Safety members with 15 or more years of service.

The SDRS COLA equals the percentage increase in the most recent third calendar quarter CPI-W over the prior year, no less than 0.0% (0.5% prior to 2021) and no greater than 3.5%. However, if the FVFR assuming the long-term COLA is equal to the baseline COLA assumption (currently 2.25%) is less than 100%, the maximum COLA payable will be limited to the increase that if assumed on a long-term basis, results in a FVFR equal to or exceeding 100%.

As of June 30, 2021, the FVFR assuming the long-term COLA is equal to the baseline COLA assumption (2.25%) was greater than 100% and the full 0% to 3.5% COLA range was payable. For the June 30, 2021 Actuarial Valuation, future COLAs were assumed to equal the baseline COLA assumption of 2.25%.

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**Notes to Supplementary Information  
for the Year Ended December 31, 2022**  
Schedule of the Proportionate Share of the Net Pension Liability (Asset) and  
Schedule of Pension Contributions.  
(Continued)

As of June 30, 2022, the FVFR assuming future COLAs equal to the baseline COLA assumption of 2.25% is less than 100% and the July 2023 SDRS COLA is limited to a restricted maximum of 2.10%. The July 2023 SDRS COLA will equal inflation, between 0% and 2.10%. For this June 30, 2022 Actuarial Valuation, future COLAs were assumed to equal the restricted maximum COLA of 2.10%.

Actuarial assumptions are reviewed for reasonability annually and reviewed in depth periodically, with the next experience analysis anticipated before the June 30, 2027 Actuarial Valuation and any recommended 7 changes approved by the Board of Trustees are anticipated to be first implemented in the June 30, 2027 Actuarial Valuation.

**Actuarial Method Changes**

Actuarial method changes with minor impact were implemented for this valuation after recommendation by Cavanaugh Macdonald Consulting as part of their reviews of prior valuations. As a result, liabilities and normal costs for refund benefits and the Generational Variable Retirement Account are now calculated using the entry age normal cost method with normal costs based on the expected value of these accounts rather than the actual balance.



**MUNICIPALITY OF GREGORY**  
**COMBINING BALANCE SHEET - MODIFIED CASH BASIS**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**December 31, 2022**

	<b>Economic Development Fund</b>	<b>Liquor, Lodging, &amp; Dining Sales Tax Fund</b>	<b>Special Street Assessment Fund</b>	<b>Revolving Loan Fund</b>	<b>Total</b>
<b>ASSETS:</b>					
Cash and Cash Equivalents	68,083.77	50,717.97	78,439.97	25,130.78	222,372.49
<b>TOTAL ASSETS</b>	<u>68,083.77</u>	<u>50,717.97</u>	<u>78,439.97</u>	<u>25,130.78</u>	<u>222,372.49</u>
<b>FUND BALANCES:</b>					
Restricted for City Promotion		50,717.97			50,717.97
Restricted for Economic Development				25,130.78	25,130.78
Restricted for Street Repair			78,439.97		78,439.97
Committed for Economic Development	68,083.77				68,083.77
<b>TOTAL FUND BALANCES</b>	<u>68,083.77</u>	<u>50,717.97</u>	<u>78,439.97</u>	<u>25,130.78</u>	<u>222,372.49</u>

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

**MUNICIPALITY OF GREGORY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES - MODIFIED CASH BASIS**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**For the Year Ended December 31, 2022**

	Economic Development Fund	Liquor, Lodging, & Dining Sales Tax Fund	Special Street Assessment Fund	Revolving Loan Fund	Total
<b>Revenues:</b>					
Taxes:					
General Sales and Use Taxes		18,245.07			18,245.07
Total Taxes	0.00	18,245.07	0.00	0.00	18,245.07
Intergovernmental Revenue:					
Federal Grants				43,120.00	43,120.00
Total Intergovernmental Revenue	0.00	0.00	0.00	43,120.00	43,120.00
Charges for Goods and Services:					
General		56.70			56.70
Total Charges for Goods and Services	0.00	56.70	0.00	0.00	56.70
Miscellaneous Revenue:					
Investment Earnings	14,228.74		138.63	4,570.20	18,937.57
Special Assessments			37,361.84		37,361.84
Total Miscellaneous Revenue	14,228.74	0.00	37,500.47	4,570.20	56,299.41
Total Revenue	14,228.74	18,301.77	37,500.47	47,690.20	117,721.18
<b>Expenditures:</b>					
Conservation and Development:					
Economic Development and Assistance (Industrial Development)		40,662.02		50,000.00	90,662.02
Total Conservation and Development	0.00	40,662.02	0.00	50,000.00	90,662.02
Total Expenditures	0.00	40,662.02	0.00	50,000.00	90,662.02
Excess Revenue Over (Under) Expenditures	14,228.74	(22,360.25)	37,500.47	(2,309.80)	27,059.16
<b>Other Financing Sources (Uses):</b>					
Transfers In				25,500.00	25,500.00
Total Other Financing Sources (Uses)	0.00	0.00	0.00	25,500.00	25,500.00
Net Change in Fund Balance	14,228.74	(22,360.25)	37,500.47	23,190.20	52,559.16
Fund Balance - Beginning	91,294.30	77,681.21	41,591.84	12,253.20	222,820.55
Restatement:					
Change in Accounting Method (See Note 10.)	(37,439.27)	(4,602.99)	(652.34)	(10,312.62)	(53,007.22)
Restated Fund Balance - Beginning	53,855.03	73,078.22	40,939.50	1,940.58	169,813.33
FUND BALANCE- ENDING	68,083.77	50,717.97	78,439.97	25,130.78	222,372.49

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

SUPPLEMENTARY INFORMATION

LONG-TERM LIABILITIES

A summary of changes in long-term liabilities follows:

	Beginning Balance 01/01/22	Additions	Deletions	Ending Balance 12/31/22	Due Within One Year
Primary Government:					
Governmental Activities:					
Bonds Payable:					
Sales Tax Revenue Bonds, Series 2013	470,000.00		110,000.00	360,000.00	115,000.00
Fire Hall Loan	82,242.90		3,151.68	79,091.22	3,316.83
Special Assessment Bond, Series 2015	886,854.57		22,587.55	864,267.02	23,215.68
Special Assessment Bond, Series 2015	497,471.91		14,244.18	483,227.73	14,750.02
Total Debt	<u>1,936,569.38</u>	<u>0.00</u>	<u>149,983.41</u>	<u>1,786,585.97</u>	<u>156,282.53</u>
Accrued Compensated Absences- Governmental Funds	<u>5,592.27</u>	<u>4,754.08</u>	<u>2,838.42</u>	<u>7,507.93</u>	<u>3,000.00</u>
Total Governmental Activities	<u>1,942,161.65</u>	<u>4,754.08</u>	<u>152,821.83</u>	<u>1,794,093.90</u>	<u>159,282.53</u>
Business-Type Activities:					
Bonds Payable:					
Revenue Bonds - Rural Development	314,178.52		37,303.10	276,875.42	39,415.29
SRF - Drinking Water No. 1	161,470.80		12,590.94	148,879.86	12,908.67
SRF - Drinking Water No. 2	311,336.73		11,564.16	299,772.57	11,826.56
SRF - Clean Water No. 1	132,709.04		12,262.26	120,446.78	12,634.29
SRF - Clean Water No. 2	86,414.18		24,001.39	62,412.79	24,545.99
SRF - Clean Water No. 3	233,512.56		11,018.05	222,494.51	11,268.06
Total Debt	<u>1,239,621.83</u>	<u>0.00</u>	<u>108,739.90</u>	<u>1,130,881.93</u>	<u>112,598.86</u>
Accrued Compensated Absences- Business-Type Funds	<u>14,219.41</u>	<u>4,701.28</u>	<u>4,936.88</u>	<u>13,983.81</u>	<u>4,000.00</u>
Total Business-Type Activities	<u>1,253,841.24</u>	<u>4,701.28</u>	<u>113,676.78</u>	<u>1,144,865.74</u>	<u>116,598.86</u>
<b>TOTAL PRIMARY GOVERNMENT</b>	<u><u>3,196,002.89</u></u>	<u><u>9,455.36</u></u>	<u><u>266,498.61</u></u>	<u><u>2,938,959.64</u></u>	<u><u>275,881.39</u></u>

Debt payable at December 31, 2022 is comprised of the following:

Revenue Bonds:

Sales Tax Revenue Bonds Series 2013;  
Final Maturity 2025; Fixed Interest Rate 4.50%;  
Paid by General Fund \$ 360,000.00

Rural Development Loan:

Fire Hall Loan – 2003; Maturity Date 2039;  
Interest Rate 4.25 percent;  
Paid by the General Fund \$ 79,091.22

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SUPPLEMENTARY INFORMATION

LONG-TERM LIABILITIES (Continued)Special Assessment Bonds:

Special Assessment Bonds – Series 2015;  
Final Maturity Date November 21, 2048; Interest  
Rate 2.75 percent; Paid by the General Fund \$ 864,267.02

Special Assessment Bonds:

Special Assessment Bonds – Series 2015;  
Final Maturity Date July 21, 2045; Interest  
Rate 3.50 percent; Paid by the General Fund \$ 483,227.73

Revenue Bonds:

Revenue Bond Series 1997RD; Final Maturity 2029;  
Interest Rate 4.75 percent;  
Paid by the Sewer Fund \$ 276,875.42

State Revolving Fund Loan – Drinking Water No. 1:

State Revolving Fund Loan; Final Maturity  
Date 2033; Interest Rate 2.50 percent;  
Paid by the Water Fund \$ 148,879.86

State Revolving Fund Loan – Drinking Water No. 2:

State Revolving Fund Loan; Final Maturity  
Date 2043; Interest Rate 2.25 percent;  
Paid by the Water Fund \$ 299,772.57

State Revolving Fund Loan – Clean Water No. 1:

State Revolving Fund Loan; Final Maturity  
Date 2031; Interest Rate 3.00 percent;  
Paid by the Sewer Fund \$ 120,446.78

State Revolving Fund Loan – Clean Water No. 2:

State Revolving Fund Loan; Final Maturity  
Date 2025; Interest Rate 2.25 percent;  
Paid by the Sewer Fund \$ 62,412.79

State Revolving Fund Loan – Clean Water No. 3:

State Revolving Fund Loan; Final Maturity  
Date 2039; Interest Rate 2.25 percent;  
Paid by the Sewer Fund \$ 222,494.51

Compensated Absences:

Accrued Vacation Leave for Employees Paid By:

General Fund	\$ 7,507.93
Water Fund	13,716.07
Sewer Fund	267.74
Total	<u>\$ 21,491.74</u>

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SUPPLEMENTARY INFORMATION

LONG-TERM LIABILITIES (Continued)

The annual requirements to amortize all debt outstanding as of December 31, 2022, except for compensated absences, are as follows:

Annual Requirements to Maturity for Long-Term Debt  
December 31, 2022

Year Ending December 31,	Sales Tax Revenue Bonds Series 2013		Rural Development Loan - Fire Hall		Special Assessment Bonds - Series 2015	
	Principal	Interest	Principal	Interest	Principal	Interest
2023	115,000.00	16,200.00	3,316.83	3,330.17	23,215.68	23,476.32
2024	120,000.00	11,025.00	3,457.79	3,189.21	23,862.23	22,829.77
2025	125,000.00	5,625.00	3,604.75	3,042.25	24,526.76	22,165.24
2026			3,757.95	2,889.05	25,209.82	21,482.18
2027			3,917.66	2,729.34	25,911.90	20,780.10
2028-2032			22,231.95	11,003.05	140,794.31	92,665.69
2033-2037			27,375.23	5,859.77	161,522.24	71,937.76
2038-2042			11,429.06	1,864.94	185,301.72	48,158.28
2043-2047					212,582.08	20,877.92
2048					41,340.28	5,351.72
Totals	<u>360,000.00</u>	<u>32,850.00</u>	<u>79,091.22</u>	<u>33,907.78</u>	<u>864,267.02</u>	<u>349,724.98</u>

Year Ending December 31,	Special Assessment Bonds - Series 2015		Revenue Bonds Series 1997RD		State Revolving Loan Fund - Drinking Water No. 1	
	Principal	Interest	Principal	Interest	Principal	Interest
2023	14,750.02	16,677.98	39,415.29	12,004.71	12,908.67	3,601.61
2024	15,274.60	16,153.40	41,328.83	10,091.17	13,234.43	3,275.85
2025	15,817.88	15,610.12	43,335.24	8,084.76	13,568.41	2,941.87
2026	16,380.49	15,047.51	45,439.09	5,980.91	13,910.81	2,599.47
2027	16,963.08	14,464.92	47,645.08	3,774.92	14,261.85	2,248.43
2028-2032	94,306.06	62,833.94	59,711.89	278.11	76,892.92	5,658.48
2033-2037	112,313.10	44,826.90			4,102.77	24.80
2038-2042	133,758.51	23,381.49				
2043-2047	63,663.99	4,430.01				
2048						
Totals	<u>483,227.73</u>	<u>213,426.27</u>	<u>276,875.42</u>	<u>40,214.58</u>	<u>148,879.86</u>	<u>20,350.51</u>

Year Ending December 31,	State Revolving Loan Fund - Drinking Water No. 2		State Revolving Loan Fund - Clean Water No. 1		State Revolving Loan Fund - Clean Water No. 2	
	Principal	Interest	Principal	Interest	Principal	Interest
2023	11,826.56	6,645.56	12,634.29	3,472.15	24,545.99	1,198.17
2024	12,094.90	6,377.22	13,017.60	3,088.84	25,102.95	641.21
2025	12,369.35	6,102.77	13,412.55	2,693.89	12,763.85	108.23
2026	12,650.02	5,822.10	13,819.47	2,286.97		
2027	12,937.05	5,535.07	14,238.74	1,867.70		
2028-2032	69,224.00	23,136.60	53,324.13	3,048.41		
2033-2037	77,442.24	14,918.36				
2038-2042	86,636.14	5,724.46				
2043-2047	4,592.31	25.72				
Totals	<u>299,772.57</u>	<u>74,287.86</u>	<u>120,446.78</u>	<u>16,457.96</u>	<u>62,412.79</u>	<u>1,947.61</u>

SUPPLEMENTARY INFORMATION

LONG-TERM LIABILITIES (Continued)

Annual Requirements to Maturity for Long-Term Debt  
December 31, 2022  
(Continued)

Year Ending December 31,	State Revolving Loan Fund - Clean Water No. 3		Totals	
	Principal	Interest	Principal	Interest
2023	11,268.06	4,911.50	268,881.39	91,518.17
2024	11,523.74	4,655.82	278,897.07	81,327.49
2025	11,785.21	4,394.35	276,184.00	70,768.48
2026	12,052.63	4,126.93	143,220.28	60,235.12
2027	12,326.11	3,853.45	148,201.47	55,253.93
2028-2032	65,954.94	14,942.86	582,440.20	213,567.14
2033-2037	73,785.10	7,112.70	456,540.68	144,680.29
2038-2042	23,798.72	470.62	440,924.15	79,599.79
2043-2047			280,838.38	25,333.65
2048			41,340.28	5,351.72
Totals	<u>222,494.51</u>	<u>44,468.23</u>	<u>2,917,467.90</u>	<u>827,635.78</u>

**MUNICIPALITY OF GREGORY**  
GREGORY, SOUTH DAKOTA

***PART B - For the Year January 1, 2021 to December 31, 2021***

*Schoenfish & Co., Inc.*

CERTIFIED PUBLIC ACCOUNTANTS

P.O. Box 247

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CERTIFIED PUBLIC ACCOUNTANTS  
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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Governing Board  
Municipality of Gregory  
Gregory, 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 Gregory, South Dakota (Municipality), as of December 31, 2021, and for the year then ended, and the related notes to the financial statements, which collectively comprise the Municipality's basic financial statements and have issued our report thereon dated March 7, 2024, which was adverse for aggregate discretely presented component units because they were not presented.

Internal Control Over Financial Reporting

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

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or 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 and Questioned Costs as item 2021-001 to be a material weakness.

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 noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with



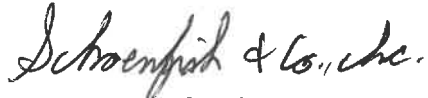
those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, which are described in the accompanying Schedule of Current Audit Findings and Questioned Costs as item 2021-002.

Municipality's Responses 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 and Questioned Costs. 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  
 March 7, 2024

*Schoenfish & Co., Inc.*

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR  
FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL  
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Governing Board  
Municipality of Gregory  
Gregory, South Dakota

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Municipality of Gregory, South Dakota (Municipality), compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the Municipality's major federal programs for the year ended December 31, 2021. The Municipality's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Current Audit Findings and Questioned Costs.

In our opinion, the Municipality of Gregory complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2021.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Municipality and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Municipality's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Municipality's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Municipality's compliance based on our audit. Reasonable assurance is a high level of assurance but

is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Municipality's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, 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 Municipality's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of Municipality's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Municipality's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

#### Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Current Audit Findings and Questioned Costs as item 2021-001 to be a material weakness.

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

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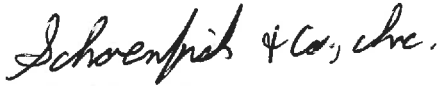
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Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

*Government Auditing Standards* requires the auditor to perform limited procedures on the Municipality's response to the internal control over compliance findings identified in our audit described in the accompanying Schedule of Current Audit Findings and Questioned Costs. The Municipality's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purposes. As required by South Dakota Codified Law 4-11-11, this report and our report on compliance for each major federal program are matters of public record and their distribution is not limited.



Schoenfish & Co., Inc.  
Certified Public Accountants  
March 7, 2024

*Schoenfish & Co., Inc.*

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SCHEDULE OF PRIOR AUDIT FINDINGS

PRIOR OTHER AUDIT FINDINGS:

Finding Number 2020-001:

A material weakness in internal controls was noted due to a lack of proper segregation of duties for revenues. This comment has not been corrected and is restated as current audit finding number 2021-001.

Finding Number 2020-002:

Expenditures exceeded the amounts budgeted in two departments in the General Fund in 2019 and one department in 2020. This comment has not been corrected and is restated as current audit finding number 2021-002.

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SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTSSummary of the Independent Auditor's Results:Financial Statements:

- a. An unmodified opinion was issued on the financial statements of the governmental activities, business-type activities, and each major fund opinion units. An adverse opinion was issued for the omission of discretely presented component units.
- b. A material weakness was disclosed by our audit of the financial statements for a lack of segregation of duties for revenues as discussed in finding number 2021-001.
- c. Our audit did not disclose noncompliance which was material to the financial statements.

Federal Awards:

- d. A material weakness was disclosed for internal control over major federal programs for a lack of segregation of duties affecting the reporting compliance requirement category as discussed in finding number 2021-001.
- e. An unmodified opinion was issued on compliance with the requirements applicable to major programs.
- f. Our audit did not disclose any audit findings that need to be disclosed in accordance with 2 CFR 200.516(a) except for a material weakness resulting in a lack of segregation of duties for revenues as discussed in finding 2021-001.
- g. The federal awards tested as major programs were:
  1. Airport Improvement Program ALN No. 20.106
- h. The dollar threshold used to distinguish between Type A and Type B federal award programs was \$750,000.
- i. The Municipality of Gregory did not qualify as a low-risk auditee.

CURRENT FEDERAL AUDIT FINDINGS:Internal Control – Related Finding – Material Weakness:Finding Number 2021-001:Condition:

A material weakness in internal controls was noted due to a lack of proper segregation of duties for revenues.

Major Federal Program:

The major federal program affected is the Airport Improvement Program, ALN No. 20.106.

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SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS  
(Continued)

Criteria:

Proper segregations of duties results in increased reliability of reported financial data. Proper segregation of duties results in increased reliability of reported financial data and decreased potential for the loss of public assets through the separation of key accounting and physical control functions.

The AICPA states that, "Segregation of Duties (SOD) is a basic building block of sustainable risk management and internal controls for a business. The principle of SOD is based on shared responsibilities of a key process that disperses the critical functions of that process to more than one person or department. Without this separation in key processes, fraud and error risks are far less manageable."

Cause of Condition:

The Finance Officer and Deputy Finance Officer have the ability to process all revenue transactions from beginning to end. The Finance Officer and Deputy Finance Officer also have the ability to receive money, issue receipts, record receipts in the accounting records, prepare bank deposits, reconcile bank statements, and prepare financial statements. A lack of proper segregation of duties existed for the revenues resulting in decreased reliability of reported financial data and increased potential for the loss of public assets.

Effect:

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.

Identification as a Repeat Finding:

This is a continuing audit finding since 1998.

Recommendation:

1. We recommend that the Municipality of Gregory officials be cognizant of this lack of segregation of duties for revenues and attempt to provide compensating internal controls whenever, and wherever, possible and practical. In addition, we recommend that all necessary accounting records be established and properly maintained to provide some compensation for lack of proper segregation of duties.

CURRENT OTHER AUDIT FINDINGS:

Compliance – Related Finding – Material Weakness:

Finding Number 2021-002:

Expenditures exceeded the amounts budgeted in four departments in the General Fund. This is a continuing audit comment since 2020.

Criteria:

SDCL 9-21-2 states in part, "The governing body of each municipality shall, no later than its first regular meeting in September of each year or within 10 days thereafter, introduce the annual appropriation ordinance for the ensuing fiscal year, in which it shall appropriate the sums of money necessary to meet

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SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS  
(Continued)

all lawful expenses and liabilities of the municipality.” Also, SDCL 9-21-9 states, “Neither the governing body nor any department or office 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 of Condition:

The Municipality expended money in excess of amounts budgeted without supplementing the budget as allowed by SDCL 9-21-7.

Effect:

Without amending the budget or limiting expenditures, expenditures are being made without proper authority.

Recommendation:

2. We recommend 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.



# CITY OF GREGORY

Al Cerny  
Mayor  
(605) 835-8270 Ext. #1

Box 436  
GREGORY, SOUTH DAKOTA 57533  
Phone (605) 835-8270

Trudy Waterman  
Finance Officer  
(605) 835-8270 Ext. #3

## CORRECTIVE ACTION PLAN

Finding Number 2021-001: Material weakness in internal controls due to lack of segregation of duties for revenues.

### Views of Responsible Officials and Planned Corrective Action Plan:

The City of Gregory Finance Officer, Trudy Waterman, with the Mayor, Al Cerny, are the contact persons responsible for the corrective action plan for this finding. Finding Number 2021-001 is due to the limited number of staff the City of Gregory can afford to have on the payroll budget. The Mayor, City Council Members, and Finance Administration employees are aware of the risk and have taken steps to reduce that risk. Our Assistant Finance Officer is solely in control of generating utility bills, the Finance Officer helps collect and oversee the collection of revenues through the current municipal software in the Receipts Management Module and Front Desk. The Finance Officer also conducts reconciliation on all accounts and would be required to report any discrepancies to the Mayor and Council. Our Finance Administration is required to run all revenue and expense reports monthly, our check signing procedures require two signatures, most generally the Mayor and one of the two employees in the Finance Administration. The Assistant Finance Officer and Finance Officer jointly conduct the payroll process and jointly fill out the claim vouchers and the claims list is presented to the City Council at each meeting.

Finding Number 2021-002: Expenditures exceeded the amounts budgeted in four departments in the General Fund.

The City of Gregory Finance Officer, Trudy Waterman, and the Mayor, Al Cerny, are the contact persons responsible for the corrective action on this plan. The corrective action is a scheduled review for October/November to evaluate the potential risks of running over budget in any department. By evaluating and correcting overbudget discrepancies earlier, the Finance Administration can reduce the risk of being overbudget.



Trudy Waterman  
Finance Officer

3/7/2024

Date



Al Cerny  
Mayor

3-7-2024

Date

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INDEPENDENT AUDITOR'S REPORT

Governing Board  
Municipality of Gregory  
Gregory, South Dakota

Report on the Audit of the Financial Statements

Adverse Opinion and Unmodified Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Municipality of Gregory, South Dakota, (Municipality) as of December 31, 2021, and for the year 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.

Adverse Opinion

In our opinion, because of the omission of the discretely presented component units, the accompanying financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the aggregate discretely presented component units of the Municipality of Gregory, South Dakota, as of December 31, 2021, or the changes in financial position thereof for the year then ended.

Unmodified Opinions

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

Basis for Adverse and Unmodified Opinions

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

The financial statements do not include financial data for the Municipality's legally separate component units. Accounting principles generally accepted in the United States of America require the financial data for those component units to be reported with the financial data of the Municipality's primary government unless the Municipality also issues financial statements for the financial reporting entity that include the financial data for its component units. The Municipality has not issued such reporting entity financial statements. Because of this departure from accounting principles generally accepted in the United States of America, the assets, liabilities, net position, revenues, and expenses of the aggregate discretely presented components units would have been presented inclusive of the component units.

*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 statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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

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

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

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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.

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

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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Municipality's basic financial statements. The Schedule of Expenditures of Federal Awards, which as required by *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and combining financial statements listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards and the combining financial statements listed in the table of contents are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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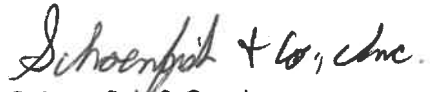
Other Information

Management is responsible for the other information included in the annual report. The other information comprises the 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 statement, 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 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 March 7, 2024 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  
March 7, 2024

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

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
<b>ASSETS:</b>			
Cash and Cash Equivalents	1,754,567.25	737,235.03	2,491,802.28
Investments	114,632.22	240,790.47	355,422.69
Accounts Receivable, Net	557,237.18	16,528.21	573,765.39
Inventories	231,348.20	67,677.03	299,025.23
Net Pension Asset	146,993.19		146,993.19
Capital Assets:			
Land and Construction in Progress	3,133,743.53	74,000.00	3,207,743.53
Other Capital Assets, Net of Depreciation	5,961,862.79	2,229,095.83	8,190,958.62
<b>TOTAL ASSETS</b>	<b>11,900,384.36</b>	<b>3,365,326.57</b>	<b>15,265,710.93</b>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>			
Pension Related Deferred Outflows	188,178.83		188,178.83
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>188,178.83</b>	<b>0.00</b>	<b>188,178.83</b>
<b>LIABILITIES :</b>			
Accounts Payable		16,758.28	16,758.28
Other Current Liabilities	50,272.52	16,359.14	66,631.66
Noncurrent Liabilities:			
Due Within One Year	152,983.41	112,739.90	265,723.31
Due in More than One Year	1,789,178.24	1,141,101.34	2,930,279.58
<b>TOTAL LIABILITIES</b>	<b>1,992,434.17</b>	<b>1,286,958.66</b>	<b>3,279,392.83</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>			
Pension Related Deferred Inflows	285,543.96		285,543.96
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>285,543.96</b>	<b>0.00</b>	<b>285,543.96</b>
<b>NET POSITION:</b>			
Net Investment in Capital Assets	7,159,036.94	1,063,474.00	8,222,510.94
Restricted for:			
Debt Service	174,700.00	112,998.69	287,698.69
City Promotion	77,681.21		77,681.21
Economic Development	12,253.20		12,253.20
Street Repair	82,845.34		82,845.34
SDSR Pension Purposes	49,628.06		49,628.06
Unrestricted	2,254,440.31	901,895.22	3,156,335.53
<b>TOTAL NET POSITION</b>	<b>9,810,585.06</b>	<b>2,078,367.91</b>	<b>11,888,952.97</b>

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

**MUNICIPALITY OF GREGORY**  
**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	Primary Government			
					Governmental Activities	Business-Type Activities	Total	
<b>Primary Government:</b>								
Governmental Activities:								
General Government	214,280.21	43,252.03	2,755.84		(168,272.34)			(168,272.34)
Public Safety	230,040.61	50.00			(229,990.61)			(229,990.61)
Public Works	633,964.52	65,838.50	81,111.84	2,618,401.55	2,131,387.37			2,131,387.37
Health and Welfare	204,215.43	174,775.11	1,353.00		(28,087.32)			(28,087.32)
Culture and Recreation	276,199.77	22,799.02		78,884.11	(174,516.64)			(174,516.64)
Conservation and Development	45,047.87		5,880.00		(39,167.87)			(39,167.87)
Miscellaneous Expenditures	72,488.30	19,174.98			19,174.98			19,174.98
*Interest on Long-term Debt					(72,488.30)			(72,488.30)
<b>Total Governmental Activities</b>	<b>1,676,236.71</b>	<b>325,889.64</b>	<b>91,100.68</b>	<b>2,697,285.66</b>	<b>1,438,039.27</b>			<b>1,438,039.27</b>
<b>Business-type Activities:</b>								
Water	415,487.99	293,682.33				(121,805.66)		(121,805.66)
Sewer	94,098.73	184,006.90				89,908.17		89,908.17
<b>Total Business-type Activities</b>	<b>509,586.72</b>	<b>477,689.23</b>	<b>0.00</b>	<b>0.00</b>		(31,897.49)		(31,897.49)
<b>Total Primary Government</b>	<b>2,185,823.43</b>	<b>803,578.87</b>	<b>91,100.68</b>	<b>2,697,285.66</b>	<b>1,438,039.27</b>	<b>(31,897.49)</b>		<b>1,406,141.78</b>
<b>General Revenues:</b>								
Taxes:								
Property Taxes					359,599.51			359,599.51
Sales Taxes					891,818.74			891,818.74
State Shared Revenues					17,106.56			17,106.56
Unrestricted Investment Earnings					6,318.03	2,330.11		8,648.14
Miscellaneous Revenue					427,098.43	184,630.03		611,728.46
<b>Total General Revenues</b>					<b>1,701,941.27</b>	<b>186,960.14</b>		<b>1,888,901.41</b>
<b>Change in Net Position</b>					<b>3,139,980.54</b>	<b>155,062.65</b>		<b>3,295,043.19</b>
<b>Change in Accounting Estimate (See Note 14.)</b>					<b>(19,541.00)</b>	<b>0.00</b>		<b>(19,541.00)</b>
<b>Net Position - Beginning</b>					<b>6,690,145.52</b>	<b>1,923,305.26</b>		<b>8,613,450.78</b>
<b>NET POSITION - ENDING</b>					<b>9,810,585.06</b>	<b>2,078,367.91</b>		<b>11,888,952.97</b>

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

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

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

	<b>General Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>ASSETS:</b>			
Cash and Cash Equivalents	1,584,753.92	169,813.33	1,754,567.25
Investments	114,632.22		114,632.22
Taxes Receivable--Delinquent	24,288.59		24,288.59
Accounts Receivable, Net	2,219.21		2,219.21
Special Assessments Receivable--Current	3,658.97	38,091.00	41,749.97
Special Assessments Receivable--Delinquent	3,943.79	3,162.50	7,106.29
Special Assessments Receivable--Deferred	4,470.76		4,470.76
Special Assessments Receivable--Interest	(2,661.19)		(2,661.19)
Due from Other Governments	427,056.33	5,255.33	432,311.66
Notes Receivable		47,751.89	47,751.89
Inventory of Supplies	231,348.20		231,348.20
<b>TOTAL ASSETS</b>	<b>2,393,710.80</b>	<b>264,074.05</b>	<b>2,657,784.85</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:</b>			
<b>Liabilities:</b>			
Accounts Payable	50,272.52		50,272.52
<b>Total Liabilities</b>	<b>50,272.52</b>	<b>0.00</b>	<b>50,272.52</b>
<b>Deferred Inflows of Resources:</b>			
Unavailable Revenue - Property Taxes	24,288.59		24,288.59
Unavailable Revenue - Special Assessments	9,412.33	41,253.50	50,665.83
<b>Total Deferred Inflows of Resources</b>	<b>33,700.92</b>	<b>41,253.50</b>	<b>74,954.42</b>
<b>Fund Balances:</b>			
Nonspendable for Inventory	231,348.20		231,348.20
Nonspendable for Notes Receivable		47,751.89	47,751.89
Restricted for Debt Service	174,700.00		174,700.00
Restricted for City Promotion		77,681.21	77,681.21
Restricted for Economic Development		1,940.58	1,940.58
Restricted for Street Repair		41,591.84	41,591.84
Committed for Economic Development		53,855.03	53,855.03
Committed for Pool	53,986.56		53,986.56
Assigned for Library	20,797.53		20,797.53
Unassigned	1,828,905.07		1,828,905.07
<b>Total Fund Balances</b>	<b>2,309,737.36</b>	<b>222,820.55</b>	<b>2,532,557.91</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>2,393,710.80</b>	<b>264,074.05</b>	<b>2,657,784.85</b>

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



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

Total Fund Balances - Governmental Funds	<u>2,532,557.91</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>146,993.19</u>
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	<u>9,095,606.32</u>
Pension related deferred outflows are components of pension liability (asset) and therefore are not reported in the funds.	<u>188,178.83</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>(1,942,161.65)</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>74,954.42</u>
Pension related deferred inflows are components of pension liability (asset) and therefore are not reported in the funds.	<u>(285,543.96)</u>
Net Position - Governmental Activities	<u><u>9,810,585.06</u></u>

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

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

	General Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>			
Taxes:			
General Property Taxes	354,877.21		354,877.21
General Sales and Use Taxes	848,196.35	43,622.39	891,818.74
Penalties and Interest on Delinquent Taxes	1,537.30		1,537.30
Licenses and Permits	13,075.00		13,075.00
Intergovernmental Revenue:			
Federal Grants	2,579,835.90		2,579,835.90
State Grants	8,553.00	5,880.00	14,433.00
State Shared Revenue:			
Bank Franchise Tax	5,525.81		5,525.81
Prorate License Fees	4,074.07		4,074.07
Liquor Tax Reversion	11,580.75		11,580.75
Motor Vehicle Licenses	19,596.77		19,596.77
Local Government Highway and Bridge Fund	51,439.16		51,439.16
County Shared Revenue:			
County Road Tax	6,001.84		6,001.84
Charges for Goods and Services:			
General Government	3,935.03		3,935.03
Highways and Streets	2,525.00		2,525.00
Airport	20,891.50		20,891.50
Health	175.00		175.00
Culture and Recreation	15,293.15		15,293.15
Ambulance	174,600.11		174,600.11
Fines and Forfeits:			
Court Fines and Costs	50.00		50.00
Library	7,505.87		7,505.87
Miscellaneous Revenue:			
Investment Earnings	4,323.56	1,994.47	6,318.03
Rentals	68,664.00		68,664.00
Special Assessments	2,349.12	37,530.00	39,879.12
Contributions and Donations from Private Sources	78,884.11		78,884.11
Liquor Operating Agreement Income	19,174.98		19,174.98
Other	14,986.11		14,986.11
<b>Total Revenue</b>	<b>4,317,650.70</b>	<b>89,026.86</b>	<b>4,406,677.56</b>

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

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

	<b>General Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Expenditures:</b>			
General Government:			
Legislative	47,825.92		47,825.92
Executive	1,525.00		1,525.00
Elections	871.96		871.96
Financial Administration	132,322.66		132,322.66
Other	31,171.70		31,171.70
Total General Government	213,717.24	0.00	213,717.24
Public Safety:			
Police	223,456.97		223,456.97
Fire	22,218.45		22,218.45
Total Public Safety	245,675.42	0.00	245,675.42
Public Works:			
Highways and Streets	250,127.32		250,127.32
Total Public Works	250,127.32	0.00	250,127.32
Health and Welfare:			
Health	21,763.02		21,763.02
Ambulance	182,381.39		182,381.39
Total Health and Welfare	204,144.41	0.00	204,144.41
Culture and Recreation:			
Recreation	65,384.76		65,384.76
Parks	67,599.08		67,599.08
Libraries	70,138.85		70,138.85
Auditorium	17,157.19		17,157.19
Total Culture and Recreation	220,279.88	0.00	220,279.88
Conservation and Development:			
Economic Development and Assistance (Industrial Development)	16,893.25	31,253.65	48,146.90
Total Conservation and Development	16,893.25	31,253.65	48,146.90
Debt Service	216,242.00	0.00	216,242.00
Capital Outlay	2,583,393.51	0.00	2,583,393.51
Total Expenditures	3,950,473.03	31,253.65	3,981,726.68
Excess of Revenue Over (Under) Expenditures	367,177.67	57,773.21	424,950.88

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

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

	<b>General Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Other Financing Sources (Uses):</b>			
Transfers In		6,120.00	6,120.00
Sale of Municipal Property	351,350.44		351,350.44
Compensation for Loss or Damage to Capital Assets	223,784.76		223,784.76
Transfers Out	(6,120.00)		(6,120.00)
Total Other Financing Sources (Uses)	569,015.20	6,120.00	575,135.20
Net Change in Fund Balances	936,192.87	63,893.21	1,000,086.08
Change in Accounting Estimate (See Note 14.)	(19,541.00)	0.00	(19,541.00)
Fund Balance - Beginning	1,393,085.49	158,927.34	1,552,012.83
<b>FUND BALANCE - ENDING</b>	<b>2,309,737.36</b>	<b>222,820.55</b>	<b>2,532,557.91</b>

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

**MUNICIPALITY OF GREGORY**  
**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund**  
**Balances to the Government-Wide Statement of Activities**  
**For the Year Ended December 31, 2021**

Net Change in Fund Balances - Total Governmental Funds	<u>1,000,086.08</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>2,583,393.51</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>(476,137.13)</u>
In the statement of activities, gains and losses on disposal of capital assets are reported, whereas, in the governmental funds, the proceeds from the disposal of capital assets are reflected, regardless of whether a gain or loss is realized.	<u>(163,093.90)</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>143,753.70</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>3,185.00</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>(5,757.63)</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>14,717.61</u>
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	<u>761.69</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>39,071.61</u>
Change in Net Position of Governmental Activities	<u><u>3,139,980.54</u></u>

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

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

	<b>Enterprise Funds</b>		<b>Totals</b>
	<b>Water Fund</b>	<b>Sewer Fund</b>	
<b>ASSETS:</b>			
Current Assets:			
Cash and Cash Equivalents	192,385.47	544,849.56	737,235.03
Investments	187,318.23	53,472.24	240,790.47
Accounts Receivable, Net	7,522.04	9,006.17	16,528.21
Inventory of Supplies	58,739.73	8,937.30	67,677.03
<b>Total Current Assets</b>	<b>445,965.47</b>	<b>616,265.27</b>	<b>1,062,230.74</b>
Noncurrent Assets:			
Capital Assets:			
Land	24,000.00	50,000.00	74,000.00
Buildings	200,877.02		200,877.02
Improvements Other Than Buildings	1,095,100.06	1,238,207.49	2,333,307.55
Machinery and Equipment	296,965.38	178,475.66	475,441.04
Less: Accumulated Depreciation	(472,617.86)	(307,911.92)	(780,529.78)
<b>Total Noncurrent Assets</b>	<b>1,144,324.60</b>	<b>1,158,771.23</b>	<b>2,303,095.83</b>
<b>TOTAL ASSETS</b>	<b>1,590,290.07</b>	<b>1,775,036.50</b>	<b>3,365,326.57</b>
<b>LIABILITIES:</b>			
Current Liabilities:			
Accounts Payable	16,698.96	59.32	16,758.28
Customer Deposits	16,359.14		16,359.14
Bonds Payable Current:			
Revenue	24,155.10	84,584.80	108,739.90
Accrued Leave Payable - Current	3,800.00	200.00	4,000.00
<b>Total Current Liabilities</b>	<b>61,013.20</b>	<b>84,844.12</b>	<b>145,857.32</b>
Noncurrent Liabilities:			
Bonds Payable:			
Revenue	448,652.43	682,229.50	1,130,881.93
Accrued Leave Payable	10,027.34	192.07	10,219.41
<b>Total Noncurrent Liabilities</b>	<b>458,679.77</b>	<b>682,421.57</b>	<b>1,141,101.34</b>
<b>TOTAL LIABILITIES</b>	<b>519,692.97</b>	<b>767,265.69</b>	<b>1,286,958.66</b>
<b>NET POSITION:</b>			
Net Investment in Capital Assets	671,517.07	391,956.93	1,063,474.00
Restricted For:			
Debt Service	52,998.69	60,000.00	112,998.69
Unrestricted	346,081.34	555,813.88	901,895.22
<b>TOTAL NET POSITION</b>	<b>1,070,597.10</b>	<b>1,007,770.81</b>	<b>2,078,367.91</b>

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

**MUNICIPALITY OF GREGORY**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUNDS**  
**For the Year Ended December 31, 2021**

	<b>Enterprise Funds</b>		<b>Totals</b>
	<b>Water Fund</b>	<b>Sewer Fund</b>	
<b>Operating Revenue:</b>			
Charges for Goods and Services	289,630.02	136,806.90	426,436.92
Revenue Dedicated to Servicing Debt		47,200.00	47,200.00
Miscellaneous	4,052.31		4,052.31
<b>Total Operating Revenue</b>	<b>293,682.33</b>	<b>184,006.90</b>	<b>477,689.23</b>
<b>Operating Expenses:</b>			
Personal Services	113,621.29	17,250.66	130,871.95
Other Current Expense	232,865.35	8,900.54	241,765.89
Depreciation	53,562.67	44,261.88	97,824.55
<b>Total Operating Expenses</b>	<b>400,049.31</b>	<b>70,413.08</b>	<b>470,462.39</b>
<b>Operating Income (Loss)</b>	<b>(106,366.98)</b>	<b>113,593.82</b>	<b>7,226.84</b>
<b>Nonoperating Revenue (Expense):</b>			
Investment Earnings	996.63	1,333.48	2,330.11
Rental Revenue	7,901.20	31,138.35	39,039.55
Interest Expense	(15,438.68)	(23,685.65)	(39,124.33)
Other	145,590.48		145,590.48
<b>Total Nonoperating Revenue (Expense)</b>	<b>139,049.63</b>	<b>8,786.18</b>	<b>147,835.81</b>
<b>Change in Net Position</b>	<b>32,682.65</b>	<b>122,380.00</b>	<b>155,062.65</b>
<b>Net Position - Beginning</b>	<b>1,037,914.45</b>	<b>885,390.81</b>	<b>1,923,305.26</b>
<b>NET POSITION - ENDING</b>	<b>1,070,597.10</b>	<b>1,007,770.81</b>	<b>2,078,367.91</b>

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

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

	Enterprise Funds		Totals
	Water Fund	Sewer Fund	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Cash Receipts from Customers	294,581.47	184,006.90	478,588.37
Cash Payments to Employees for Services	(112,489.23)	(16,938.81)	(129,428.04)
Cash Payments to Suppliers of Goods and Services	(218,472.51)	(8,276.22)	(226,748.73)
Net Cash Provided (Used) by Operating Activities	(36,380.27)	158,791.87	122,411.60
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Purchase of Capital Assets	(11,953.59)		(11,953.59)
Principal Paid on Capital Debt	(23,588.61)	(81,719.62)	(105,308.23)
Interest Paid on Capital Debt	(15,438.68)	(23,685.65)	(39,124.33)
Other Receipts	153,491.68	31,138.35	184,630.03
Net Cash Provided (Used) by Capital and Related Financing Activities	102,510.80	(74,266.92)	28,243.88
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Cash Received for Interest	996.63	1,333.48	2,330.11
Net Cash Provided (Used) by Investing Activities	996.63	1,333.48	2,330.11
Net Increase (Decrease) in Cash and Cash Equivalents	67,127.16	85,858.43	152,985.59
Balances - Beginning	312,576.54	512,463.37	825,039.91
Balances - Ending	379,703.70	598,321.80	978,025.50
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>			
Operating Income (Loss)	(106,366.98)	113,593.82	7,226.84
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:			
Depreciation Expense	53,562.67	44,261.88	97,824.55
(Increase) decrease in Inventories	1,694.56	840.00	2,534.56
(Decrease) increase in Accounts and Other Payables	12,698.28	(215.68)	12,482.60
(Decrease) increase in Accrued Leave Payable	1,132.06	311.85	1,443.91
(Decrease) increase in Customer Deposits	899.14		899.14
Net Cash Provided (Used) by Operating Activities	(36,380.27)	158,791.87	122,411.60

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



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## NOTES TO THE FINANCIAL STATEMENTS

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### a. Financial Reporting Entity:

The reporting entity of the Municipality of Gregory (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.

Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The Municipality is financially accountable if its Governing Board appoints a voting majority of another organization's governing body and it has the ability to impose its will on that organization, or there is a potential for that organization to provide specific financial benefits to, or impose specific financial burdens on, the Municipality (primary government). The Municipality may also be financially accountable for another organization if that organization is fiscally dependent on the Municipality.

The Housing and Redevelopment Commission of the Municipality of Gregory, South Dakota (Commission) is a proprietary fund-type, discretely-presented component unit. The five members of the Commission are appointed by the Mayor, with the approval of the Governing Board, for five-year, staggered terms. The Commission elects its own chairperson and recruits and employs its own management personnel and other workers. The Governing Board, though, retains the statutory authority to approve or deny or otherwise modify the Commission's plans to construct low-income housing units, or to issue debt, which gives the Governing Board the ability to impose its will on the Commission. Separately issued financial statements of the Housing and Redevelopment Commission may be obtained from: Gregory Housing and Redevelopment Commission, Gregory, SD 57533.

The Gregory Ambulance Association provides emergency medical services to the community. The Municipality is responsible for appointing a board to oversee the operations. The Ambulance Association is discretely presented in the Municipality's government-wide financial statements. Financial statements can be obtained from the Finance Office, Box 436, Gregory, SD 57533.

The Municipality participates in a cooperative unit with other governmental entities. See detailed note entitled "Joint Ventures" for specific disclosures. Joint ventures do not meet the criteria for inclusion in the financial reporting entity as a component unit but are discussed in these notes because of the nature of their relationship with the Municipality.

#### 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 and discretely presented component units. 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

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NOTES TO THE FINANCIAL STATEMENTS  
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parties for goods or services. Discretely presented component units are legally separate organizations that meet criteria, as described in Note 1.a., above, and may be classified as either governmental or business-type activities. See the discussion of individual component units in Note 1.a., above.

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 three major categories: governmental, proprietary, and fiduciary. 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.

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.

Economic Development Fund – to account for funds loaned out to a new business to be repaid over a period of years. This is not a major fund.

Special Street Assessment Fund – to account for the levy assessed for the purpose of maintaining or repairing street surfacing or pavement. (SDCL 9-45-38) This is not 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

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NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

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 municipality. (SDCL 10-52-8) This is not a major fund.

Grant Revolving Loan Fund – to account for federal grants that when given to the municipality are subsequently loaned out to a new business to be repaid over a period of years. This is not a major fund.

Proprietary Funds:

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

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

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.

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 fund types, while the "economic resources"

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NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

measurement focus and the accrual basis of accounting are applied to the proprietary and fiduciary fund types.

**Basis of Accounting:**

**Government-wide Financial Statements:**

In the government-wide Statement of Net Position and Statement of Activities, governmental, business-type, and component unit 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, generally are recognized when they become measurable and available. "Available" means resources are collected or to be collected soon enough after the end of the fiscal year that they can be used to pay the bills of the current period. The accrual period does not exceed one bill-paying cycle, and for the Municipality of Gregory, the length of that cycle is 30 days. The revenues which are accrued at December 31, 2021 are liquor agreements and taxes from the state and county governments and grants receivable.

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

Expenditures 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 and fiduciary fund types 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.

d. Deposits and Investments:

For the purpose of financial reporting, "cash and cash equivalents" includes all demand and saving 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 Law (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.

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NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

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, or estimated cost, where actual cost could not be determined. 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 total December 31, 2021 balance of governmental activities capital assets includes approximately 13 percent for which the costs were determined by estimates of the original costs. The total December 31, 2021 balance of business-type capital assets are all valued at original cost. These estimated original costs were established by reviewing applicable historical costs of similar items and basing the estimations thereon.

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, 2004, were not required to be capitalized by the Municipality. Infrastructure assets acquired since January 1, 2004 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 not capitalized in accordance with USGAAP.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the government-wide Statement of Activities, except for that portion related to common use assets for which allocation would be unduly complex, and which is reported as Unallocated Depreciation, with net capital assets reflected in the Statement of Net Position. Accumulated depreciation is reported on the government-wide Statement of Net Position and on each proprietary fund's Statement of Net 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:

	<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	\$ 7,500.00	Straight-line	10-50 yrs.
Buildings	\$ 7,500.00	Straight-line	33-99 yrs.
Machinery & Equipment	\$ 5,000.00	Straight-line	5-30 yrs.
Infrastructure	\$ 7,500.00	Straight-line	10-50 yrs.
Utility property and improvements	\$ 7,500.00	Straight-line	10-50 yrs.

Land is an inexhaustible capital asset and is not depreciated.

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NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

### 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 revenue bonds, special assessment bonds, SRF loans, Rural Development loans, 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.

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

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NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

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 notes receivable.

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

<u>Fund Balance Type</u>	<u>2021 Amount</u>	<u>Action</u>
Economic Development	\$ 53,855.03	Ordinance
Pool	\$ 53,986.50	Resolution

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.

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, 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 the accrual basis of accounting.



NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

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:

General Fund: <u>Activity</u>	<u>Year Ended</u> <u>12/31/2021</u>
Executive	\$ 1,525.00
Financial Administration	6,722.66
Health	4,263.02
Ambulance	2,381.39
Recreation	1,384.76

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 as follows:

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

**Investments** – In general, SDCL 4-5-6 permits municipal 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.

**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.

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

As of December 31, 2021, the Municipality had the following investments:

<u>Investment</u>	<u>Credit Rating</u>	<u>Maturities</u>	<u>Fair Value 12/31/2021</u>
External Investment Pools:			
SDFIT	Unrated	N/A	\$ 90,050.13
Total Investments			<u>\$ 90,050.13</u>

The South Dakota Public Fund Investment Trust (SDFIT) is an external investment pool created for South Dakota local government investing. It is regulated by a nine member board with representation from municipalities, school districts, and counties. The net asset value of the SDFIT money market account (GCR) is kept at one dollar per share by adjusting the rate of return on a daily basis. Earnings are credited to each account on a monthly basis.

**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, except for \$47,751.89 of receivables related to economic development loans to qualifying businesses reported in the Economic Development Fund and Revolving Loan Fund.

#### 5. INVENTORY

Inventory in the General Fund consists of expendable supplies held for consumption. Supply inventories are recorded at cost.

**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.

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

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.

6. 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 real property in the Municipality.

7. CHANGES IN GENERAL CAPITAL ASSETS

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

	Balance 01/01/2021	Increases	Decreases	Balance 12/31/2021
<b>Governmental Activities:</b>				
Capital Assets, not being Depreciated:				
Land	817,313.39		(163,022.88)	654,290.51
Construction Work in Progress	0.00	2,479,453.02		2,479,453.02
Total, not being Depreciated	<u>817,313.39</u>	<u>2,479,453.02</u>	<u>(163,022.88)</u>	<u>3,133,743.53</u>
Capital Assets, being Depreciated:				
Buildings	4,753,673.13			4,753,673.13
Improvements Other Than Buildings	9,724,634.88	66,139.49		9,790,774.37
Machinery and Equipment	1,823,196.31	37,801.00	(8,570.00)	1,852,427.31
Total, being Depreciated	<u>16,301,504.32</u>	<u>103,940.49</u>	<u>(8,570.00)</u>	<u>16,396,874.81</u>
Less Accumulated Depreciation for:				
Buildings	(3,065,400.78)	(59,567.88)		(3,124,968.66)
Improvements Other Than Buildings	(5,945,545.88)	(308,472.30)		(6,254,018.18)
Machinery and Equipment	(956,427.21)	(108,096.95)	8,498.98	(1,056,025.18)
Total Accumulated Depreciation	<u>(9,967,373.87)</u>	<u>(476,137.13)</u>	<u>8,498.98</u>	<u>(10,435,012.02)</u>
Total Governmental Activities Capital Assets, being Depreciated, Net	<u>6,334,130.45</u>	<u>(372,196.64)</u>	<u>(71.02)</u>	<u>5,961,862.79</u>
Governmental Activity Capital Assets, Net	<u><u>7,151,443.84</u></u>	<u><u>2,107,256.38</u></u>	<u><u>(163,093.90)</u></u>	<u><u>9,095,606.32</u></u>

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NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

Depreciation expense was charged to functions as follows:

<b>Governmental Activities:</b>	
General Government	\$ 7,131.48
Public Safety	19,166.76
Public Works	391,317.89
Culture and Recreation	<u>58,521.00</u>
<b>Total Depreciation Expense - Governmental Activities</b>	<u><u>\$ 476,137.13</u></u>

	<u>Balance</u> <u>01/01/2021</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>12/31/2021</u>
<b>Business-Type Activities:</b>				
Capital Assets, not being Depreciated:				
Land	74,000.00			74,000.00
<b>Total, not being Depreciated</b>	<u>74,000.00</u>	<u>0.00</u>	<u>0.00</u>	<u>74,000.00</u>
Capital Assets, being Depreciated:				
Buildings	200,877.02			200,877.02
Improvements Other Than Buildings	2,333,307.55			2,333,307.55
Machinery and Equipment	463,487.45	11,953.59		475,441.04
<b>Total, being Depreciated</b>	<u>2,997,672.02</u>	<u>11,953.59</u>	<u>0.00</u>	<u>3,009,625.61</u>
Less Accumulated Depreciation for:				
Buildings	(32,140.32)	(4,017.60)		(36,157.92)
Improvements Other Than Buildings	(492,353.31)	(49,006.20)		(541,359.51)
Machinery and Equipment	(158,211.60)	(44,800.75)		(203,012.35)
<b>Total Accumulated Depreciation</b>	<u>(682,705.23)</u>	<u>(97,824.55)</u>	<u>0.00</u>	<u>(780,529.78)</u>
<b>Total Business-Type Activities Capital Assets, being Depreciated, Net</b>	<u>2,314,966.79</u>	<u>(85,870.96)</u>	<u>0.00</u>	<u>2,229,095.83</u>
<b>Business-Type Activity Capital Assets, Net</b>	<u><u>2,388,966.79</u></u>	<u><u>(85,870.96)</u></u>	<u><u>0.00</u></u>	<u><u>2,303,095.83</u></u>

Depreciation expense was charged to functions as follows:

<b>Business-Type Activities:</b>	
Water	\$ 53,562.67
Sewer	44,261.88
<b>Total Depreciation Expense - Business-Type Activities</b>	<u><u>\$ 97,824.55</u></u>

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

Construction Work in Progress at December 31, 2021 is composed of the following:

Project Name	Project Authorization	Expended Thru 12/31/2021	Committed	Required Future Financing
Airport Runway Restoration	2,685,000.00	2,479,453.02	0.00	205,546.98
Total	<u>2,685,000.00</u>	<u>2,479,453.02</u>	<u>0.00</u>	<u>205,546.98</u>

## 8. LONG-TERM LIABILITIES

A summary of changes in long-term liabilities follows:

	Beginning Balance 1/1/2021	Additions	Deletions	Ending Balance 12/31/2021	Due Within One Year
Primary Government:					
Governmental Activities:					
Bonds Payable:					
Sales Tax Revenue Bonds, Series 2013	575,000.00		105,000.00	470,000.00	110,000.00
Fire Hall Loan	85,266.09		3,023.19	82,242.90	3,151.68
Special Assessment Bond, Series 2015	908,830.12		21,975.55	886,854.57	22,587.55
Special Assessment Bond, Series 2015	511,226.87		13,754.96	497,471.91	14,244.18
Total Debt	<u>2,080,323.08</u>	<u>0.00</u>	<u>143,753.70</u>	<u>1,936,569.38</u>	<u>149,983.41</u>
Accrued Compensated Absences- Governmental Funds	<u>20,309.88</u>	<u>3,760.19</u>	<u>18,477.80</u>	<u>5,592.27</u>	<u>3,000.00</u>
Total Governmental Activities	<u>2,100,632.96</u>	<u>3,760.19</u>	<u>162,231.50</u>	<u>1,942,161.65</u>	<u>152,983.41</u>
Business-Type Activities:					
Bonds Payable:					
Revenue Bonds - Rural Development	349,754.50		35,575.98	314,178.52	37,303.10
SRF - Drinking Water No. 1	173,751.82		12,281.02	161,470.80	12,590.94
SRF - Drinking Water No. 2	322,644.32		11,307.59	311,336.73	11,564.16
SRF - Clean Water No. 1	144,610.23		11,901.19	132,709.04	12,262.26
SRF - Clean Water No. 2	109,883.04		23,468.86	86,414.18	24,001.39
SRF - Clean Water No. 3	244,286.15		10,773.59	233,512.56	11,018.05
Total Debt	<u>1,344,930.06</u>	<u>0.00</u>	<u>105,308.23</u>	<u>1,239,621.83</u>	<u>108,739.90</u>
Accrued Compensated Absences- Business-Type Funds	<u>12,775.50</u>	<u>6,068.06</u>	<u>4,624.15</u>	<u>14,219.41</u>	<u>4,000.00</u>
Total Business-Type Activities	<u>1,357,705.56</u>	<u>6,068.06</u>	<u>109,932.38</u>	<u>1,253,841.24</u>	<u>112,739.90</u>
TOTAL PRIMARY GOVERNMENT	<u>3,458,338.52</u>	<u>9,828.25</u>	<u>272,163.88</u>	<u>3,196,002.89</u>	<u>265,723.31</u>

See Independent Auditor's Report.

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NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

Debt payable at December 31, 2021 is comprised of the following:

Revenue Bonds:

Sales Tax Revenue Bonds Series 2013;  
Final Maturity 2025; Fixed Interest Rate 4.50 percent;  
Paid by General Fund \$ 470,000.00

Rural Development Loan:

Fire Hall Loan – 2003; Maturity Date 2039;  
Interest Rate 4.25 percent;  
Paid by the General Fund \$ 82,242.90

Special Assessment Bonds:

Special Assessment Bonds – Series 2015;  
Final Maturity Date November 21, 2048; Interest  
Rate 2.75 percent; Paid by the General Fund \$ 886,854.57

Special Assessment Bonds:

Special Assessment Bonds – Series 2015;  
Final Maturity Date July 21, 2045; Interest  
Rate 3.50 percent; Paid by the General Fund \$ 497,471.91

Revenue Bonds:

Revenue Bond Series 1997RD; Final Maturity 2029;  
Interest Rate 4.75 percent;  
Paid by the Sewer Fund \$ 314,178.52

State Revolving Fund Loan – Drinking Water No. 1:

State Revolving Fund Loan; Final Maturity  
Date 2033; Interest Rate 2.50 percent;  
Paid by the Water Fund \$ 161,470.80

State Revolving Fund Loan – Drinking Water No. 2:

State Revolving Fund Loan; Final Maturity  
Date 2043; Interest Rate 2.25 percent;  
Paid by the Water Fund \$ 311,336.73

State Revolving Fund Loan – Clean Water No. 1:

State Revolving Fund Loan; Final Maturity  
Date 2031; Interest Rate 3.00 percent;  
Paid by the Sewer Fund \$ 132,709.04

State Revolving Fund Loan – Clean Water No. 2:

State Revolving Fund Loan; Final Maturity  
Date 2025; Interest Rate 2.25 percent;  
Paid by the Sewer Fund \$ 86,414.18

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

State Revolving Fund Loan – Clean Water No. 3:

State Revolving Fund Loan; Final Maturity  
Date 2039; Interest Rate 2.25 percent;  
Paid by the Sewer Fund

\$ 233,512.56

Compensated Absences:

Accrued Vacation Leave for Employees Paid By:

General Fund  
Water Fund  
Sewer Fund  
Total

\$ 5,592.27  
13,827.34  
392.07  
\$ 19,811.68

The annual requirements to amortize all debt outstanding as of December 31, 2021, except for compensated absences, are as follows:

Annual Requirements to Maturity for Long-Term Debt  
December 31, 2021

Year Ending December 31,	Sales Tax Revenue Bonds Series 2013		Rural Development Loan - Fire Hall		Special Assessment Bonds - Series 2015	
	Principal	Interest	Principal	Interest	Principal	Interest
2022	110,000.00	21,150.00	3,151.68	3,495.32	22,587.55	24,104.45
2023	115,000.00	16,200.00	3,316.83	3,330.17	23,215.68	23,476.32
2024	120,000.00	11,025.00	3,457.79	3,189.21	23,862.23	22,829.77
2025	125,000.00	5,625.00	3,604.75	3,042.25	24,526.76	22,165.24
2026			3,757.95	2,889.05	25,209.82	21,482.18
2027-2031			21,325.61	11,909.39	136,979.54	96,480.46
2032-2036			26,259.21	6,975.79	157,145.84	76,314.16
2037-2041			17,369.08	2,571.92	180,281.01	53,178.99
2042-2046					206,822.24	26,637.76
2047-2048					86,223.90	3,269.10
<b>Totals</b>	<u>470,000.00</u>	<u>54,000.00</u>	<u>82,242.90</u>	<u>37,403.10</u>	<u>886,854.57</u>	<u>369,938.43</u>

Year Ending December 31,	Special Assessment Bonds - Series 2015		Revenue Bonds Series 1997RD		State Revolving Loan Fund - Drinking Water No. 1	
	Principal	Interest	Principal	Interest	Principal	Interest
2022	14,244.18	17,183.82	37,303.10	14,116.90	12,590.94	3,919.34
2023	14,750.02	16,677.98	39,415.29	12,004.71	12,908.67	3,601.61
2024	15,274.60	16,153.40	41,328.83	10,091.17	13,234.43	3,275.85
2025	15,817.88	15,610.12	43,335.24	8,084.76	13,568.41	2,941.87
2026	16,380.49	15,047.51	45,439.09	5,980.91	13,910.81	2,599.47
2027-2031	91,067.08	66,072.92	107,356.97	5,250.71	75,000.26	7,551.14
2032-2036	108,455.66	48,684.34			20,257.28	380.57
2037-2041	129,164.53	27,975.47				
2042-2046	92,317.47	7,204.53				
2047-2048						
<b>Totals</b>	<u>497,471.91</u>	<u>230,610.09</u>	<u>314,178.52</u>	<u>55,529.16</u>	<u>161,470.80</u>	<u>24,269.85</u>

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

Annual Requirements to Maturity for Long-Term Debt  
December 31, 2021  
(Continued)

Year Ending December 31,	State Revolving Loan Fund - Drinking Water No. 2		State Revolving Loan Fund - Clean Water No. 1		State Revolving Loan Fund - Clean Water No. 2	
	Principal	Interest	Principal	Interest	Principal	Interest
2022	11,564.16	6,907.96	12,262.26	3,844.18	24,001.39	1,742.77
2023	11,826.56	6,645.56	12,634.29	3,472.15	24,545.99	1,198.17
2024	12,094.90	6,377.22	13,017.60	3,088.84	25,102.95	641.21
2025	12,369.35	6,102.77	13,412.55	2,693.89	12,763.85	108.23
2026	12,650.02	5,822.10	13,819.47	2,286.97		
2027-2031	67,688.12	24,672.48	67,562.87	4,916.11		
2032-2036	75,724.01	16,636.59				
2037-2041	84,713.94	7,646.66				
2042-2046	22,705.67	484.48				
2047-2048						
Totals	<u>311,336.73</u>	<u>81,295.82</u>	<u>132,709.04</u>	<u>20,302.14</u>	<u>86,414.18</u>	<u>3,690.38</u>

Year Ending December 31,	State Revolving Loan Fund - Clean Water No. 3		Totals	
	Principal	Interest	Principal	Interest
2022	11,018.05	5,161.51	258,723.31	101,626.25
2023	11,268.06	4,911.50	268,881.39	91,518.17
2024	11,523.74	4,655.82	278,897.07	81,327.49
2025	11,785.21	4,394.35	276,184.00	70,768.48
2026	12,052.63	4,126.93	143,220.28	60,235.12
2027-2031	64,491.60	16,406.20	631,472.05	233,259.41
2032-2036	72,148.01	8,749.79	459,990.01	157,741.24
2037-2041	39,225.26	1,223.64	450,753.82	92,596.68
2042-2046			321,845.38	34,326.77
2047-2048			86,223.90	3,269.10
Totals	<u>233,512.56</u>	<u>49,629.74</u>	<u>3,176,191.21</u>	<u>926,668.71</u>

9. LONG-TERM COMMITMENT

The Municipality of Gregory entered into a forty-year commitment with Tripp County Water Users District to provide water to the Municipality. A monthly charge in the amount of \$3,000.00 is paid by the Municipality to Tripp County Water Users District. The monthly charge represents a contribution by the Municipality to aid Tripp County Water Users District in the construction of the facilities necessary to provide the Municipality with water. The Municipality will not acquire ownership of any of these water facilities through these payments. Payments are made from the Municipality's Water Fund.



NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

The following are the minimum payments on this commitment:

2022	\$	36,000.00
2023	\$	36,000.00
2024	\$	36,000.00
2025	\$	36,000.00
2026	\$	36,000.00
2027-2031	\$	180,000.00
2032-2036	\$	180,000.00
2037-2040	\$	144,000.00

#### 10. INTERFUND TRANSFERS

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

<u>Transfers From:</u>	<u>Transfers To:</u>	
	<u>Revolving Loan Fund</u>	<u>Total</u>
Major Funds:		
General Fund	\$ 6,120.00	\$ 6,120.00
	<u>\$ 6,120.00</u>	<u>\$ 6,120.00</u>

The Municipality typically budgets transfers to the Revolving Loan Fund to conduct the indispensable functions of the Municipality.

#### 11. RESTRICTED NET POSITION

Restricted net position for the year ended December 31, 2021 were as follows:

	<u>12/31/2021</u>
Debt Service	\$ 287,698.69
City Promotion	77,681.21
Economic Development	12,253.20
Street Repair	82,845.34
SDSR Pension Purposes	<u>49,628.06</u>
Total Restricted Net Position	<u>\$ 510,106.50</u>

These balances are restricted due to federal grant requirements, statutory requirements and governmental accounting standards.

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

## 12. 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 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.

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

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 \$26,895.27, \$26,735.13, and \$27,234.36, 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	\$ 2,661,511.09
Less proportionate share of net pension restricted for pension benefits	<u>\$ 2,808,504.28</u>
Proportionate share of net pension liability (asset)	<u>\$ (146,993.19)</u>

At December 31, 2021, the Municipality reported a liability (asset) of \$(146,993.19) 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. At June 30, 2021, the Municipality's proportion was 0.01919400%, which is an increase (decrease) of (0.0019814%) from its proportion measured as of June 30, 2020.

For the year ended December 31, 2021, the Municipality recognized pension expense (reduction of expense) of \$(39,833.30). At December 31, 2021 the Municipality reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

	<u>Deferred Outflows Of Resources</u>	<u>Deferred Inflows Of Resources</u>
Difference between expected and actual experience.	\$ 5,277.44	\$ 385.39
Changes in assumption.	\$ 169,040.67	\$ 73,612.07
Net difference between projected and actual earnings on pension plan investments.		\$ 209,982.71
Changes in proportion and difference between Municipality contributions and proportionate share of contributions.		\$ 1,563.79
Municipality contributions subsequent to the measurement date.	<u>\$ 13,860.72</u>	
TOTAL	<u>\$ 188,178.83</u>	<u>\$ 285,543.96</u>

\$13,860.72 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	\$ (27,993.70)
2023	(18,887.42)
2024	(5,268.67)
2025	<u>(59,076.06)</u>
TOTAL	<u>\$ (111,225.85)</u>

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.

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

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%
Total	<u>100%</u>	

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:

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)	\$238,018.55	\$(146,993.19)	\$(459,533.10)

See Independent Auditor's Report.

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NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

Pension Plan Fiduciary Net Position:

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

13. SIGNIFICANT CONTINGENCIES - LITIGATION

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

14. 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 the Municipality. The Municipality pays a Members' Annual Operating Contribution, to provide liability coverage detailed below, under a claims-made policy and the premiums are accrued based on the ultimate cost of the experience to date of the SDPAA member, based on their exposure or type of coverage. The 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.

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

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.

15. JOINT VENTURE

The Municipality participates in a joint venture, known as the Southern Missouri Recycling & Waste Management District, formed for the purpose of providing solid waste disposal services to participating members.

The members of the joint venture are as follows:

Municipality of Armour	Municipality of Bonesteel	Charles Mix County
Douglas County	Municipality of Geddes	Gregory County
Municipality of Gregory	Municipality of Lake Andes	Municipality of Pickstown
Municipality of Ravinia	Municipality of Springfield	Municipality of Tabor
Municipality of Wagner		

The joint venture's governing board is composed of 13 representatives. The board is responsible for adopting the budget and setting service fees adequate to fund the budget.

The Municipality retains no equity in the net position of the joint venture, but does have a responsibility to fund deficits of the joint venture in proportion to the relative participation.

The most recent financial information available for this joint venture is for the year ended December 31, 2022.

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

16. TAX ABATEMENTS

The Municipality entered into property tax abatement agreements with local homeowners under SDCL 11-9 and Ordinance No. 2017-11. The tax increment districts were created to stimulate and develop the general economic welfare and prosperity of the Municipality through the creation and encouragement of new housing development; and the improvement of the area will likely enhance significantly the value of substantially all of the other real property in the tax increment district.

Under the agreement, the Municipality may grant property tax abatements of:

- (A) Zero percent of the total property value for the first year following construction on such property;
- (B) For the second year following construction, not more than 20% of the usual taxable value shall be used for the tax purpose of the property;
- (C) For the third year following construction, not more than 40% of the usual taxable value shall be used for the tax purposes on the property;
- (D) For the fourth year following construction, not more that 60% of the usual taxable value shall be used for the tax purposes on the property.
- (E) For the fifth year following construction, not more than 80% of the usual taxable value shall be used for the tax purposes on the property.

The abatements may be granted to any new residential structures in the Grandview Addition of the Municipality of Gregory.

This tax abatement program is administered at the county level so records regarding abated properties is not available directly from the Municipality.

17. SUBSEQUENT EVENTS

Management has evaluated whether any subsequent events have occurred through March 7, 2024, the date on which the financial statements were available to be issued.



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

	<b>Budgeted Amounts</b>		<b>Actual Amounts (Budgetary Basis)</b>	<b>Variance with Final Budget - Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues:</b>				
<b>Taxes:</b>				
General Property Taxes	362,000.00	362,000.00	354,877.21	(7,122.79)
General Sales and Use Taxes	630,000.00	630,000.00	848,196.35	218,196.35
Penalties and Interest on Delinquent Taxes	1,000.00	1,000.00	1,537.30	537.30
Licenses and Permits	16,500.00	16,500.00	13,075.00	(3,425.00)
<b>Intergovernmental Revenue:</b>				
Federal Grants	0.00	2,598,185.00	2,579,835.90	(18,349.10)
State Grants	0.00	0.00	8,553.00	8,553.00
<b>State Shared Revenue:</b>				
Bank Franchise Tax	6,500.00	6,500.00	5,525.81	(974.19)
Prorate License Fees	0.00	0.00	4,074.07	4,074.07
Liquor Tax Reversion	8,500.00	8,500.00	11,580.75	3,080.75
Motor Vehicle Licenses	19,500.00	19,500.00	19,596.77	96.77
Local Government Highway and Bridge Fund	48,500.00	48,500.00	51,439.16	2,939.16
<b>County Shared Revenue:</b>				
County Road Tax	3,000.00	3,000.00	6,001.84	3,001.84
County Road and Bridge Tax	3,000.00	3,000.00	0.00	(3,000.00)
<b>Charges for Goods and Services:</b>				
General Government	2,000.00	2,000.00	3,935.03	1,935.03
Highways and Streets	3,000.00	3,000.00	2,525.00	(475.00)
Airport	0.00	0.00	20,891.50	20,891.50
Health	300.00	300.00	175.00	(125.00)
Culture and Recreation	12,500.00	12,500.00	15,293.15	2,793.15
Ambulance	150,000.00	150,000.00	174,600.11	24,600.11
<b>Fines and Forfeits:</b>				
Court Fines and Costs	0.00	0.00	50.00	50.00
Library	0.00	0.00	7,505.87	7,505.87
<b>Miscellaneous Revenue:</b>				
Investment Earnings	3,000.00	3,000.00	4,323.56	1,323.56
Rentals	38,500.00	38,500.00	68,664.00	30,164.00
Special Assessments	3,450.00	3,450.00	2,349.12	(1,100.88)
Contributions and Donations from Private Sources	0.00	0.00	78,884.11	78,884.11
Liquor Operating Agreement Income	12,000.00	12,000.00	19,174.98	7,174.98
Other	37,000.00	37,000.00	14,986.11	(22,013.89)
<b>Total Revenue</b>	<b>1,360,250.00</b>	<b>3,958,435.00</b>	<b>4,317,650.70</b>	<b>359,215.70</b>

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

	<b>Budgeted Amounts</b>		<b>Actual Amounts (Budgetary Basis)</b>	<b>Variance with Final Budget - Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Expenditures:</b>				
General Government:				
Legislative	62,000.00	65,000.00	47,825.92	17,174.08
Contingency	32,100.00	32,100.00		
Amount Transferred		0.00		32,100.00
Executive	0.00	0.00	1,525.00	(1,525.00)
Elections	1,100.00	1,100.00	871.96	228.04
Financial Administration	100,600.00	125,600.00	132,322.66	(6,722.66)
Other	21,400.00	36,400.00	31,171.70	5,228.30
Total General Government	217,200.00	260,200.00	213,717.24	46,482.76
Public Safety:				
Police	233,500.00	233,500.00	223,456.97	10,043.03
Fire	19,500.00	22,500.00	22,218.45	281.55
Total Public Safety	253,000.00	256,000.00	245,675.42	10,324.58
Public Works:				
Highways and Streets	241,900.00	331,900.00	316,458.31	15,441.69
Airport	49,500.00	2,549,500.00	2,517,062.52	32,437.48
Transit	5,000.00	5,000.00	0.00	5,000.00
Total Public Works	296,400.00	2,886,400.00	2,833,520.83	52,879.17
Health and Welfare:				
Health	14,000.00	17,500.00	21,763.02	(4,263.02)
Humane Society	500.00	500.00	0.00	500.00
Ambulance	160,000.00	180,000.00	182,381.39	(2,381.39)
Total Health and Welfare	174,500.00	198,000.00	204,144.41	(6,144.41)
Culture and Recreation:				
Recreation	58,000.00	64,000.00	65,384.76	(1,384.76)
Parks	37,000.00	68,000.00	67,599.08	400.92
Libraries	78,550.00	78,550.00	70,138.85	8,411.15
Auditorium	13,500.00	17,500.00	17,157.19	342.81
Total Culture and Recreation	187,050.00	228,050.00	220,279.88	7,770.12
Conservation and Development:				
Economic Development and Assistance	15,500.00	17,500.00	16,893.25	606.75
Total Conservation and Development	15,500.00	17,500.00	16,893.25	606.75
Debt Service	216,600.00	216,600.00	216,242.00	358.00
Total Expenditures	1,360,250.00	4,062,750.00	3,950,473.03	112,276.97
Excess of Revenue Over (Under) Expenditures	0.00	(104,315.00)	367,177.67	471,492.67

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

	<b>Budgeted Amounts</b>		<b>Actual Amounts (Budgetary Basis)</b>	<b>Variance with Final Budget - Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Other Financing Sources (Uses):</b>				
Sale of Muncipal Property	0.00	0.00	351,350.44	351,350.44
Compensation for Loss or Damage to Capital Assets	0.00	0.00	223,784.76	223,784.76
Transfers Out	0.00	0.00	(6,120.00)	(6,120.00)
Total Other Financing Sources (Uses)	0.00	0.00	569,015.20	569,015.20
Net Change in Fund Balances	0.00	(104,315.00)	936,192.87	1,040,507.87
Change in Accounting Estimate (See Note 14)	0.00	0.00	(19,541.00)	(19,541.00)
Fund Balance - Beginning	1,393,085.49	1,393,085.49	1,393,085.49	0.00
<b>FUND BALANCE - ENDING</b>	<b>1,393,085.49</b>	<b>1,288,770.49</b>	<b>2,309,737.36</b>	<b>1,020,966.87</b>

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NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

## Schedules of Budgetary Comparisons for the General Fund.

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.

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

6. Formal budgetary integration is employed as a management control device during the year for the General Fund.
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.

REQUIRED SUPPLEMENTARY INFORMATIONSCHEDULE OF THE MUNICIPALITY'S PROPORTIONATE  
SHARE OF THE NET PENSION LIABILITY (ASSET)

## South Dakota Retirement System

## Last Seven Years \*

	<u>Municipality's proportion of the net pension liability/asset</u>	<u>Municipality's proportionate share of net pension liability (asset)</u>	<u>Municipality's covered-employee payroll</u>	<u>Municipality's proportionate share of the net pension liability (asset) as a percentage of its covered payroll</u>	<u>Plan fiduciary net position as a percentage of the total pension liability (asset)</u>
2021	0.0191940%	\$ (146,993)	\$ 398,764	36.86%	105.52%
2020	0.0211754%	\$ (920)	\$ 416,462	0.22%	100.04%
2019	0.0205258%	\$ (2,175)	\$ 394,432	0.55%	100.09%
2018	0.0202334%	\$ (472)	\$ 381,495	0.12%	100.02%
2017	0.0195664%	\$ (1,776)	\$ 360,056	0.49%	100.10%
2016	0.0210873%	\$ 71,231	\$ 359,656	19.81%	98.89%
2015	0.0226021%	\$ (95,862)	\$ 368,754	26.00%	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.

REQUIRED 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	\$ 26,895	\$ 26,895	\$ -	\$ 403,683	6.66%
2020	\$ 26,735	\$ 26,735	\$ -	\$ 405,320	6.60%
2019	\$ 27,234	\$ 27,234	\$ -	\$ 405,165	6.72%
2018	\$ 26,261	\$ 26,261	\$ -	\$ 392,787	6.69%
2017	\$ 24,568	\$ 24,568	\$ -	\$ 371,065	6.62%
2016	\$ 23,789	\$ 23,789	\$ -	\$ 358,057	6.64%
2015	\$ 23,885	\$ 23,885	\$ -	\$ 357,576	6.68%

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

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

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

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

**Actuarial Method Changes**

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

**MUNICIPALITY OF GREGORY  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
December 31, 2021**

	<b>Economic Development Fund</b>	<b>Liquor, Lodging, &amp; Dining Sales Tax Fund</b>	<b>Special Street Assessment Fund</b>	<b>Revolving Loan Fund</b>	<b>Total Governmental Funds</b>
<b>ASSETS:</b>					
Cash and Cash Equivalents	53,855.03	73,078.22	40,939.50	1,940.58	169,813.33
Special Assessments Receivable--Current			38,091.00		38,091.00
Special Assessments Receivable--Delinquent			3,162.50		3,162.50
Due from Other Governments		4,602.99	652.34		5,255.33
Notes Receivable	37,439.27			10,312.62	47,751.89
<b>TOTAL ASSETS</b>	<b>91,294.30</b>	<b>77,681.21</b>	<b>82,845.34</b>	<b>12,253.20</b>	<b>264,074.05</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:</b>					
Deferred Inflows of Resources:					
Unavailable Revenue - Special Assessments			41,253.50		41,253.50
Total Deferred Inflows of Resources	0.00	0.00	41,253.50	0.00	41,253.50
Fund Balances:					
Nonspendable for Notes Receivable	37,439.27			10,312.62	47,751.89
Restricted for City Promotion		77,681.21			77,681.21
Restricted for Economic Development				1,940.58	1,940.58
Restricted for Street Repair			41,591.84		41,591.84
Committed for Economic Development	53,855.03				53,855.03
Total Fund Balances	91,294.30	77,681.21	41,591.84	12,253.20	222,820.55
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>91,294.30</b>	<b>77,681.21</b>	<b>82,845.34</b>	<b>12,253.20</b>	<b>264,074.05</b>

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



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

	Economic Development Fund	Liquor, Lodging, & Dining Sales Tax Fund	Special Street Assessment Fund	Revolving Loan Fund	Total Nonmajor Governmental Funds
<b>Revenues:</b>					
Taxes:					
General Sales and Use Taxes		43,622.39			43,622.39
Intergovernmental Revenue:					
State Grants				5,880.00	5,880.00
Miscellaneous Revenue:					
Investment Earnings	1,500.73		240.54	253.20	1,994.47
Special Assessment			37,530.00		37,530.00
<b>Total Revenue</b>	<b>1,500.73</b>	<b>43,622.39</b>	<b>37,770.54</b>	<b>6,133.20</b>	<b>89,026.86</b>
<b>Expenditures:</b>					
Conservation and Development:					
Economic Development and Assistance (Industrial Development)		31,253.65			31,253.65
Total Conservation and Development	0.00	31,253.65	0.00	0.00	31,253.65
<b>Total Expenditures</b>	<b>0.00</b>	<b>31,253.65</b>	<b>0.00</b>	<b>0.00</b>	<b>31,253.65</b>
Excess of Revenue Over (Under) Expenditures	1,500.73	12,368.74	37,770.54	6,133.20	57,773.21
<b>Other Financing Sources (Uses):</b>					
Transfers In				6,120.00	6,120.00
Total Other Financing Sources (Uses)	0.00	0.00	0.00	6,120.00	6,120.00
<b>Net Change in Fund Balances</b>	<b>1,500.73</b>	<b>12,368.74</b>	<b>37,770.54</b>	<b>12,253.20</b>	<b>63,893.21</b>
Fund Balance - Beginning	89,793.57	65,312.47	3,821.30	0.00	158,927.34
<b>FUND BALANCE - ENDING</b>	<b>91,294.30</b>	<b>77,681.21</b>	<b>41,591.84</b>	<b>12,253.20</b>	<b>222,820.55</b>

**MUNICIPALITY OF Gregory**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended December 31, 2021**

Federal Grantor/Pass-Through Grantor Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Total Federal Expenditures 2021
US Department of Agriculture - Direct Programs: Rural Business Development Grant	10.351		5,880.00
<b>Total US Department of Agriculture</b>			<b>5,880.00</b>
US Department of Transportation - Direct Programs: Airport Improvement Program (Note 3)	20.106		2,219,425.83
Airport Improvement Program (COVID 19) (Note 3)	20.106		246,602.89
<b>Total US Department of Transportation</b>			<b>2,466,028.72</b>
US Department of Treasury - Pass Through Programs: SD Bureau of Finance and Management, Coronavirus Relief Fund	21.019		2,755.84
US Department of Treasury - Direct Programs: Coronavirus State and Local Fiscal Recovery Funds	21.027		111,051.34
<b>Total US Department of Treasury</b>			<b>113,807.18</b>
US General Services Administration - Pass-Through Programs: SD Federal Property Agency, Donation of Federal Surplus Personal Property (Note 4)	39.003		91.94
<b>Total US General Services Administration</b>			<b>91.94</b>
<b>GRAND TOTAL</b>			<b>\$2,585,807.84</b>

**Note 1: Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of the Municipality under programs of the federal government for the year ended December 31, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Municipality, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Municipality.

**Note 2: Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the modified accrual basis for 2021. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The Municipality has elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance

**Note 3: Major Federal Financial Assistance Program**

This represents a Major Federal Financial Assistance Program.

**Note 4: Federal Surplus Property**

The amount reported represents 23.3% of the original acquisition cost of the federal surplus property received by the Municipality.