
**MUNICIPALITY OF HARRISBURG
HARRISBURG, SOUTH DAKOTA**

AUDIT REPORT

FOR THE YEAR JANUARY 1, 2021 TO DECEMBER 31, 2021

Schoenfish & Co., Inc.

CERTIFIED PUBLIC ACCOUNTANTS
P.O. Box 247

105 EAST MAIN, PARKSTON, SOUTH DAKOTA 57366

MUNICIPALITY OF HARRISBURG

MUNICIPAL OFFICIALS
DECEMBER 31, 2021

MAYOR:

Derick Wenck

GOVERNING BOARD:

Kevin Maxwell – President
Danny Tank – Vice-President
Tom Anez
Chris Kindt
Ryan Olson

CITY ADMINISTRATOR:

Andrew Pietrus

FINANCE OFFICER:

Mary McClung

ATTORNEY:

Nathan Schoen

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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 Harrisburg
Harrisburg, South Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Municipality of Harrisburg, 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 June 15, 2023.

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 contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Municipality's Response to Findings

The Municipality's response to the findings identified in our audit is 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 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
June 15, 2023

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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 Harrisburg
Harrisburg, South Dakota

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Municipality of Harrisburg, 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 Harrisburg 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

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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.

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
June 15, 2023

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SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTSPRIOR FEDERAL AUDIT FINDINGS:Finding Number 2020-001:

A material weakness in internal controls was noted due to a lack of proper segregation of duties for the revenue function resulting in decrease reliability of reported financial data and an increased potential for the loss of public assets.

Views of Responsible Officials and Planned Corrective Action Plan:

The City of Harrisburg's Mayor, Derick Wenck, is the contact person responsible for the corrective action plan for this finding. Because of the size of the City of Harrisburg, the municipality can't support hiring additional staff that would be sufficient to support the internal controls needed to properly segregate duties. The Mayor, City Council Members and Finance employees are aware of the problem. We will continue to work on different policies and controls that will help minimize future risk. This is an ongoing process that will include input from the Legislative Auditors Office, discussion with other municipalities and utilizing the City Administrator, Mayor and Council in some of the financial controls.

This comment has not been corrected and is restated as current audit finding number 2021-001.

PRIOR OTHER AUDIT FINDINGS:

No prior other audit findings were found except for the lack of proper segregation of duties for the revenue function as discussed in the prior federal audit finding number 2020-001.

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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.
- 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. No material noncompliance instances were disclosed by our audit of 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. ALN No. 66.458 Clean Water State Revolving Funds
- h. The dollar threshold used to distinguish between Type A and Type B federal award programs was \$750,000.
- i. The Municipality of Harrisburg 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. This affects the reporting requirement for the Clean Water State Revolving Funds, ALN No. 66.458.

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SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS
(Continued)

Criteria:

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

Cause:

The Finance Officer and Assistant Finance Officer process all revenue transactions from beginning to end. They also receive money, issue receipts, record receipts, post receipts in the accounting records, prepare bank deposits, reconcile bank statements, and prepare financial statements.

Effect:

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

Identification as a Repeat Finding:

This is a continuing audit finding since 2003.

Recommendation:

1. We recommend that the Municipality of Harrisburg 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.

CURRENT OTHER AUDIT FINDINGS:

There are no Current Other Audit Findings to report except for the lack of segregation of duties as stated in Current Federal Audit Finding Number 2021-001.

CLOSING CONFERENCE

The audit findings and recommendations were discussed with the municipal officials during the course of the audit and with the Mayor and Finance Officer at the conclusion of the audit.

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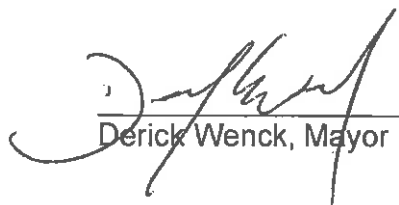
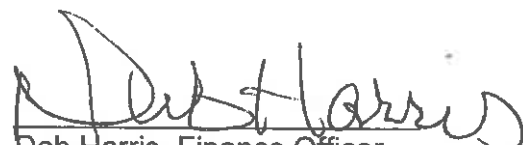
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Corrective Action Plan

Finding Number 2021-001: A material weakness in internal controls was noted due to a lack of proper segregation of duties for revenues. This affects the reporting requirements for the Clean Water State Revolving Funds, CFDA 66.458.

Views of Responsible Officials and Planned Corrective Action Plan:

The City of Harrisburg's Mayor, Derick Wenck, is the contact person responsible for the corrective action plan for this finding. Because of the size of the City of Harrisburg, the municipality can't support hiring additional staff that would be sufficient to support the internal controls needed to properly segregate duties. The Mayor, City Council Members and Finance employees are aware of the problem. We will continue to work on different policies and controls that will help minimize future risk. This is an ongoing process that will include input from the Legislative Auditors Office, discussion with other municipalities and utilizing the City Administrator, Mayor and Council in some of the financial controls.


Derick Wenck, Mayor
Deb Harris, Finance Officer

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INDEPENDENT AUDITOR'S REPORT

Governing Board
Municipality of Harrisburg
Harrisburg, South Dakota

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Municipality of Harrisburg, 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.

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 Harrisburg as of December 31, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* (*Government Auditing Standards*), issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the 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.

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.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Municipality's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

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.

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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) 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.

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 15, 2023 on our consideration of the Municipality's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.



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June 15, 2023

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MUNICIPALITY OF HARRISBURG
STATEMENT OF NET POSITION
December 31, 2021

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Cash and Cash Equivalents	11,336,289.06	2,515,756.17	13,852,045.23
Accounts Receivable, Net	1,346,204.30	285,139.06	1,631,343.36
Inventories		132,594.81	132,594.81
Other Assets	28,479.78	18,930.97	47,410.75
Restricted Assets:			
Cash and Cash Equivalents		2,270,614.94	2,270,614.94
Net Pension Asset	176,663.45	98,085.06	274,748.51
Capital Assets:			
Land and Construction Work in Progress	2,982,238.77	26,583,327.09	29,565,565.86
Other Capital Assets, Net of Depreciation/Amortization	10,560,093.25	29,002,941.10	39,563,034.35
TOTAL ASSETS	26,429,968.61	60,907,389.20	87,337,357.81
DEFERRED OUTFLOWS OF RESOURCES:			
Pension Related Deferred Outflows	226,744.26	126,800.41	353,544.67
TOTAL DEFERRED OUTFLOWS OF RESOURCES	226,744.26	126,800.41	353,544.67
LIABILITIES :			
Accounts Payable	230,853.61	167,543.55	398,397.16
Other Current Liabilities	151,110.42	1,462,573.48	1,613,683.90
Unearned Revenue	599,963.33		599,963.33
Noncurrent Liabilities:			
Due Within One Year	257,784.50	989,965.59	1,247,750.09
Due in More than One Year	2,929,216.01	29,502,512.82	32,431,728.83
TOTAL LIABILITIES	4,168,927.87	32,122,595.44	36,291,523.31
DEFERRED INFLOWS OF RESOURCES			
Pension Related Deferred Inflows	345,552.89	191,530.26	537,083.15
TOTAL DEFERRED INFLOWS OF RESOURCES	345,552.89	191,530.26	537,083.15
NET POSITION:			
Net Investment in Capital Assets	10,394,035.22	24,135,567.59	34,529,602.81
Restricted for:			
Debt Service Purposes		2,079,421.21	2,079,421.21
City Promotion/Parks	183,936.96		183,936.96
Storm Sewer Maintenance	1,186,315.27		1,186,315.27
Street Maintenance	486,059.52		486,059.52
Economic Development	68,532.13		68,532.13
Street Lighting	5,239.54		5,239.54
SDRS Pension Purposes	57,854.82	33,355.21	91,210.03
Equipment Repair and Replacement		191,193.73	191,193.73
Unrestricted (Deficit)	9,760,258.65	2,280,526.17	12,040,784.82
TOTAL NET POSITION	22,142,232.11	28,720,063.91	50,862,296.02

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

MUNICIPALITY OF HARRISBURG
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
Primary Government:						
Governmental Activities:						
General Government	1,362,023.90	6,858.16	20,615.36	722,171.26	(612,379.12)	(612,379.12)
Public Safety	584,374.39	345,631.31			(238,743.08)	(238,743.08)
Public Works	1,087,272.71	53,177.94	53,710.05	1,411,792.45	431,407.73	431,407.73
Health and Welfare	46,287.15				(46,287.15)	(46,287.15)
Culture and Recreation	424,351.20	90,385.37		41,568.39	(292,397.44)	(292,397.44)
Conservation and Development	545,297.47				(545,297.47)	(545,297.47)
*Interest on Long-term Debt	92,278.81				(92,278.81)	(92,278.81)
Total Governmental Activities	4,141,885.63	496,052.78	74,325.41	2,175,532.10	(1,395,975.34)	(1,395,975.34)
Business-type Activities:						
Water	1,029,933.40	1,315,937.25				286,003.85
Sewer	2,074,373.34	2,800,700.82		1,405,545.31		2,131,872.79
Total Business-type Activities	3,104,306.74	4,116,638.07	0.00	1,405,545.31	2,417,876.64	2,417,876.64
Total Primary Government	7,246,192.37	4,612,690.85	74,325.41	3,581,077.41	(1,395,975.34)	1,021,901.30
General Revenues:						
Taxes:						
Property Taxes					1,748,979.44	1,748,979.44
Sales Taxes					2,643,185.12	2,643,185.12
State Shared Revenues					59,052.03	59,052.03
Unrestricted Investment Earnings					179.51	258.22
Miscellaneous Revenue					45,605.51	108,793.11
Total General Revenues					4,497,001.61	4,560,267.92
Change in Net Position					3,101,026.27	5,582,169.22
Change in Accounting Estimate - SDPAA Policy Change					(61,176.00)	(61,176.00)
Net Position - Beginning					19,102,381.84	45,341,302.80
NET POSITION - ENDING					22,142,232.11	50,862,296.02

* 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 HARRISBURG
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2021**

	General Fund	Storm Sewer Maintenance Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
ASSETS:				
Cash and Cash Equivalents	9,228,439.15	610,944.10	1,353,099.08	11,192,482.33
Cash with Fiscal Agent	643.33	2,786.50	140,376.90	143,806.73
Taxes Receivable--Delinquent	10,130.01			10,130.01
Accounts Receivable, Net	3,502.12			3,502.12
Special Assessments Receivable--Current	525,210.29	520,085.22		1,045,295.51
Special Assessments Receivable--Delinquent	4,413.59	3,367.70		7,781.29
Special Assessments Receivable--Noncurrent		9,787.88		9,787.88
Due from Other Funds	54,637.09			54,637.09
Due from Other Governments	305,851.17		11,150.35	317,001.52
Prepaid Expenses	28,479.78			28,479.78
TOTAL ASSETS	10,161,306.53	1,146,971.40	1,504,626.33	12,812,904.26
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES:				
Liabilities:				
Accounts Payable	110,525.27	6,556.13	113,772.21	230,853.61
Due to General Fund			54,637.09	54,637.09
Contracts Payable	83,440.25			83,440.25
Contracts Payable--Retained Percentage	7,994.43			7,994.43
Accrued Wages Payable	36,268.79			36,268.79
Accrued Taxes Payable	4,672.53			4,672.53
Unearned Revenue			599,963.33	599,963.33
Total Liabilities	242,901.27	6,556.13	768,372.63	1,017,830.03
Deferred Inflows of Resources:				
Unavailable Revenue--Sales and Use Taxes	9,026.51		1,021.11	10,047.62
Unavailable Revenue--Property Taxes	10,130.01			10,130.01
Unavailable Revenue--Special Assessments	529,623.88	533,240.80		1,062,864.68
Other Deferred Inflows of Resources	1,039.49			1,039.49
Total Deferred Inflows of Resources	549,819.89	533,240.80	1,021.11	1,084,081.80
Fund Balances:				
Nonspendable:				
Prepaid Expenses	28,479.78			28,479.78
Restricted:				
City Promotion/Parks			182,915.85	182,915.85
Storm Sewer Maintenance		607,174.47	45,900.00	653,074.47
Street Maintenance			486,059.52	486,059.52
Economic Development			68,532.13	68,532.13
Street Lighting			5,239.54	5,239.54
Assigned for Next Year's Budget	2,800,000.00			2,800,000.00
Unassigned	6,540,105.59		(53,414.45)	6,486,691.14
Total Fund Balances	9,368,585.37	607,174.47	735,232.59	10,710,992.43
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	10,161,306.53	1,146,971.40	1,504,626.33	12,812,904.26

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

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

Total Fund Balances - Governmental Funds	<u>10,710,992.43</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>176,663.45</u>
Capital assets and Intangible assets used in governmental activities are not financial resources and therefore are not reported in the funds.	<u>13,542,332.02</u>
Pension related deferred outflows are components of pension liability (asset) and therefore are not reported in the funds.	<u>226,744.26</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>(3,187,000.51)</u>
Assets such as taxes receivable (delinquent), special assessment receivables (current, delinquent and noncurrent), accrued interest receivable and sales tax receivable are not available to pay for current period expenditures and therefore are deferred in the funds.	<u>1,036,787.77</u>
Pension related deferred inflows are components of pension liability (asset) and therefore are not reported in the funds.	<u>(345,552.89)</u>
Interest on general long-term debt is not recognized when incurred in the funds but is rather recognized when due. Accordingly, interest expense accrued but not due is not reported in the funds statements.	<u>(18,734.42)</u>
Net Position - Governmental Activities	<u><u>22,142,232.11</u></u>

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

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

	General Fund	Storm Sewer Maintenance Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes:				
General Property Taxes	1,296,369.21		448,740.48	1,745,109.69
General Sales and Use Taxes	2,547,896.46		100,173.64	2,648,070.10
Penalties and Interest on Delinquent Taxes	916.55			916.55
Licenses and Permits	345,028.01			345,028.01
Intergovernmental Revenue:				
Federal Grants	21,592.79			21,592.79
State Grants	250,732.91			250,732.91
State Shared Revenue:				
Bank Franchise Tax	24,023.83			24,023.83
Prorate License Fees	1,736.71			1,736.71
Liquor Tax Reversion	35,028.20			35,028.20
Motor Vehicle Licenses	34,647.47			34,647.47
Local Government Highway and Bridge Fund	8,257.93			8,257.93
County Shared Revenue:				
County Highway and Bridge Tax	1,037.13			1,037.13
County Wheel Tax	8,030.81			8,030.81
Other Intergovernmental Revenue	200,000.00			200,000.00
Charges for Goods and Services:				
General Government	58,217.89		663,953.37	722,171.26
Highways and Streets			52,221.94	52,221.94
Sanitation	400.00			400.00
Culture and Recreation	89,267.99			89,267.99
Fines and Forfeits:				
Animal Control Fines	100.00			100.00
Parking Meter Fines	260.00			260.00
Library	1,117.38			1,117.38
Other	243.30			243.30
Miscellaneous Revenue:				
Investment Earnings	173.64		5.87	179.51
Rentals	6,858.16			6,858.16
Special Assessments	821.25	28,343.53		29,164.78
Maintenance Assessments	454,162.40	437,118.57		891,280.97
Contributions and Donations from Private Sources	19,405.00			19,405.00
Other	31,261.02			31,261.02
Total Revenue	5,437,586.04	465,462.10	1,265,095.30	7,168,143.44
Expenditures:				
General Government:				
Legislative	36,635.47			36,635.47
Executive	222,594.88			222,594.88
Elections	252.24			252.24
Financial Administration	255,348.86	866.25	25,962.50	282,177.61
Other	673,223.36	152,573.52		825,796.88
Total General Government	1,188,054.81	153,439.77	25,962.50	1,367,457.08

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

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

	General Fund	Storm Sewer Maintenance Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
Expenditures (Continued):				
Public Safety:				
Police	407,134.91			407,134.91
Fire	75,249.99			75,249.99
Protective Inspection	99,071.81			99,071.81
Other Protection	1,281.55			1,281.55
Total Public Safety	582,738.26	0.00	0.00	582,738.26
Public Works:				
Highways and Streets	416,399.37	31,686.38	39,051.04	487,136.79
Sanitation	12,102.86			12,102.86
Total Public Works	428,502.23	31,686.38	39,051.04	499,239.65
Health and Welfare:				
Health	45,318.97			45,318.97
Total Health and Welfare	45,318.97	0.00	0.00	45,318.97
Culture and Recreation:				
Recreation	20,000.00			20,000.00
Parks	228,238.04			228,238.04
Libraries	69,318.41			69,318.41
Total Culture and Recreation	317,556.45	0.00	0.00	317,556.45
Conservation and Development:				
Economic Development and Assistance	116,814.23		428,483.24	545,297.47
Total Conservation and Development	116,814.23	0.00	428,483.24	545,297.47
Debt Service	217,854.11	97,369.72	0.00	315,223.83
Capital Outlay	1,957,956.80	317,755.13	148,263.36	2,423,975.29
Total Expenditures	4,854,795.86	600,251.00	641,760.14	6,096,807.00
Excess of Revenue Over (Under)				
Expenditures	582,790.18	(134,788.90)	623,335.16	1,071,336.44
Other Financing Sources (Uses):				
Sale of Municipal Property	13,685.00			13,685.00
Compensation for Loss or				
Damage to Capital Assets	100.00			100.00
Long-Term Debt Issued	2,000,000.00			2,000,000.00
Total Other Financing Sources (Uses)	2,013,785.00	0.00	0.00	2,013,785.00
Net Change in Fund Balances	2,596,575.18	(134,788.90)	623,335.16	3,085,121.44
Change in Accounting Estimates - SDPAA	(61,176.00)	0.00	0.00	(61,176.00)
Fund Balance - Beginning	6,833,186.19	741,963.37	111,897.43	7,687,046.99
FUND BALANCE - ENDING	9,368,585.37	607,174.47	735,232.59	10,710,992.43

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

MUNICIPALITY OF HARRISBURG
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>3,085,121.44</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>2,423,975.29</u>
This amount represents the current year depreciation and amortization expense reported in the statement of activities which is not reported on the fund financial statements because it does not require the use of current financial resources.	<u>(782,334.79)</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>(245.00)</u>
The receipt of donated capital assets is not reported on the fund statements, but is reported as a program revenue on the government-wide statements.	<u>22,163.39</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>231,171.53</u>
The issuance of long-term debt is an other financing source in the fund statements but an increase in long-term liabilities on the government-wide statements.	<u>(2,000,000.00)</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>2,953.20</u>
The fund financial statement governmental fund sales and use tax accruals differ from the government-wide statement sales and use tax accruals in that the fund financial statements require the amounts to be "available".	<u>(4,884.98)</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>88,615.11</u>
Governmental funds recognize expenditures for amounts of compensated absences actually paid to employees with current financial resources during the fiscal year. Amounts of compensated absences earned by employees are not recognized in the funds. In the statement of activities, expenses for these benefits are recognized when the employees earn leave credits.	<u>2,408.49</u>
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	<u>(11,456.26)</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>(7,537.19)</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>51,076.04</u>
Change in Net Position of Governmental Activities	<u><u>3,101,026.27</u></u>

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

MUNICIPALITY OF HARRISBURG
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2021

	Enterprise Funds		
	Water Fund	Sewer Fund	Totals
ASSETS:			
Current Assets:			
Cash and Cash Equivalents	2,402,246.31	113,509.86	2,515,756.17
Accounts Receivable, Net	3,942.94	18,565.35	22,508.29
Unbilled Accounts Receivable	53,315.82	209,314.95	262,630.77
Prepaid Expense	8,479.97	10,451.00	18,930.97
Inventory		132,594.81	132,594.81
Total Current Assets	2,467,985.04	484,435.97	2,952,421.01
Noncurrent Assets:			
Restricted Cash and Cash Equivalents	846,712.12	1,423,902.82	2,270,614.94
Net Pension Asset	42,558.64	55,526.42	98,085.06
Capital Assets:			
Land	56,250.71	2,711,783.81	2,768,034.52
Improvements Other Than Buildings	12,377,153.01	22,870,355.97	35,247,508.98
Machinery and Equipment	629,415.66	1,248,278.51	1,877,694.17
Construction Work in Progress		23,815,292.57	23,815,292.57
Less: Accumulated Depreciation	(3,520,245.68)	(5,737,461.26)	(9,257,706.94)
Intangible Assets	1,581,618.46	6,237.51	1,587,855.97
Less: Accumulated Amortization	(448,846.80)	(3,564.28)	(452,411.08)
Total Noncurrent Assets	11,564,616.12	46,390,352.07	57,954,968.19
TOTAL ASSETS	14,032,601.16	46,874,788.04	60,907,389.20
DEFERRED OUTFLOWS OF RESOURCES:			
Pension Related Deferred Outflows	54,564.64	72,235.77	126,800.41
TOTAL DEFERRED OUTFLOWS OF RESOURCES	54,564.64	72,235.77	126,800.41
LIABILITIES:			
Current Liabilities:			
Accounts Payable	19,939.96	147,603.59	167,543.55
Notes Payable	10,859.96	61,006.72	71,866.68
Contracts Payable		624,532.69	624,532.69
Contracts Payable -- Retainage Payable		346,750.00	346,750.00
Accrued Interest Payable	16,619.15	147,907.53	164,526.68
Accrued Wages Payable	6,378.49	9,597.82	15,976.31
Accrued Taxes Payable	858.93	1,298.37	2,157.30
Customer Deposits	308,630.50		308,630.50
Bonds Payable Current:			
Revenue	211,011.83	698,087.08	909,098.91
Accrued Leave Payable-Current	4,000.00	5,000.00	9,000.00
Total Current Liabilities	578,298.82	2,041,783.80	2,620,082.62

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

MUNICIPALITY OF HARRISBURG
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2021

	Enterprise Funds		
	Water Fund	Sewer Fund	Totals
Noncurrent Liabilities:			
Bonds Payable:			
Revenue	2,607,328.21	25,918,439.82	28,525,768.03
Accrued Leave Payable	1,084.48	2,976.02	4,060.50
Other Long-Term Liabilities	60,424.66	912,259.63	972,684.29
Total Noncurrent Liabilities	2,668,837.35	26,833,675.47	29,502,512.82
TOTAL LIABILITIES	3,247,136.17	28,875,459.27	32,122,595.44
DEFERRED INFLOWS OF RESOURCES:			
Pension Related Deferred Inflows	83,078.56	108,451.70	191,530.26
TOTAL DEFERRED INFLOWS OF RESOURCES	83,078.56	108,451.70	191,530.26
NET POSITION:			
Net Investment in Capital Assets	7,785,720.70	16,349,846.89	24,135,567.59
Restricted Net Position, Restricted for:			
Revenue Bond Debt Service	756,081.42	1,323,339.79	2,079,421.21
Equipment Repair and/or Replacement	90,630.70	100,563.03	191,193.73
SDRS Pension Purposes	14,044.72	19,310.49	33,355.21
Unrestricted Net Position	2,110,473.53	170,052.64	2,280,526.17
TOTAL NET POSITION	10,756,951.07	17,963,112.84	28,720,063.91

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

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

	Enterprise Funds		
	Water Fund	Sewer Fund	Totals
Operating Revenue:			
Surcharge as Security for Debt	453,081.05	1,108,704.96	1,561,786.01
Charges for Goods and Services	862,386.20	1,691,570.86	2,553,957.06
Miscellaneous Revenue	470.00	425.00	895.00
Total Operating Revenue	1,315,937.25	2,800,700.82	4,116,638.07
Operating Expenses:			
Personal Services	143,792.18	206,667.89	350,460.07
Other Current Expense	217,806.67	726,762.14	944,568.81
Materials (Cost of Goods Sold)	227,842.93		227,842.93
Amortization	35,858.93	891.07	36,750.00
Depreciation	306,557.18	530,028.42	836,585.60
Total Operating Expenses	931,857.89	1,464,349.52	2,396,207.41
Operating Income (Loss)	384,079.36	1,336,351.30	1,720,430.66
Nonoperating Revenue (Expense):			
Investment Earnings	60.60	18.11	78.71
Rental Revenue	39,066.60	23,876.00	62,942.60
Interest Expense	(98,075.51)	(610,023.82)	(708,099.33)
Gain (Loss) on Disposition of Assets		245.00	245.00
Total Nonoperating Revenue (Expense)	(58,948.31)	(585,884.71)	(644,833.02)
Income (Loss) Before Contributions	325,131.05	750,466.59	1,075,597.64
Capital Contributions		1,405,545.31	1,405,545.31
Change in Net Position	325,131.05	2,156,011.90	2,481,142.95
Net Position - Beginning	10,431,820.02	15,807,100.94	26,238,920.96
NET POSITION - ENDING	10,756,951.07	17,963,112.84	28,720,063.91

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

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

	Enterprise Funds		
	Water Fund	Sewer Fund	Totals
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash Receipts from Customers	1,350,234.47	2,770,358.10	4,120,592.57
Other Operating Cash Receipts	470.00	425.00	895.00
Cash Payments to Employees for Services	(155,647.56)	(217,834.89)	(373,482.45)
Cash Payments to Suppliers of Goods and Services	(445,823.85)	(810,493.49)	(1,256,317.34)
Net Cash Provided (Used) by Operating Activities	749,233.06	1,742,454.72	2,491,687.78
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Proceeds from Capital Debt		11,586,413.00	11,586,413.00
Capital Contributions		1,405,545.31	1,405,545.31
Purchase of Capital Assets	(312,200.35)	(13,866,527.29)	(14,178,727.64)
Proceeds from Sale of Capital Assets		725.00	725.00
Principal Paid on Capital Debt	(216,367.92)	(254,435.53)	(470,803.45)
Interest Paid on Capital Debt	(99,601.31)	(597,767.26)	(697,368.57)
Net Cash (Used) by Capital and Related Financing Activities	(628,169.58)	(1,726,046.77)	(2,354,216.35)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Cash Received for Interest	60.60	18.11	78.71
Cash Received for Rent	39,066.60	23,876.00	62,942.60
Net Cash Provided by Investing Activities	39,127.20	23,894.11	63,021.31
Net Increase (Decrease) in Cash and Cash Equivalents	160,190.68	40,302.06	200,492.74
Balances - Beginning	3,088,767.75	1,497,110.62	4,585,878.37
Balances - Ending	3,248,958.43	1,537,412.68	4,786,371.11
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating Income (Loss)	384,079.36	1,336,351.30	1,720,430.66
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:			
Depreciation and Amortization Expense	342,416.11	530,919.49	873,335.60
(Increase) decrease in Receivables	13,647.72	(29,917.72)	(16,270.00)
(Increase) decrease in Prepaid Expenses	(3,830.50)	(3,724.40)	(7,554.90)
(Increase) decrease in Inventory		(132,594.81)	(132,594.81)
(Increase) decrease in Pension Related Deferred Outflows	(27,353.44)	(40,959.10)	(68,312.54)
(Increase) decrease in Net Pension Asset	(42,375.25)	(55,330.01)	(97,705.26)
(Decrease) increase in Accounts and Other Payables	3,656.25	52,587.86	56,244.11
(Decrease) increase in Accrued Wages and Taxes Payable	(774.29)	1,747.91	973.62
(Decrease) increase in Accrued Leave Payable	1,131.77	2,751.66	3,883.43
(Decrease) increase in Pension Related Deferred Inflows	57,515.83	80,622.54	138,138.37
(Decrease) increase in Customer Deposits	21,119.50		21,119.50
Net Cash Provided (Used) by Operating Activities	749,233.06	1,742,454.72	2,491,687.78

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

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Financial Reporting Entity:

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

b. Basis of Presentation:

Government-wide Financial Statements:

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

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

Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into 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.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

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

Governmental Funds:

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

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

Liquor, Lodging and Dining Sales Tax – 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.

Storm Sewer Maintenance Special Revenue Fund – to account for the proceeds of the special assessment for the purpose of maintaining the municipal sewers and septic or sewage treatment plants. (SDCL 9-48-21) This is a major fund.

Street Lighting Service Fee Special Revenue Fund – to account for the collection of a fee for the purpose of maintaining or repairing street lighting within the municipality. This is not a major fund.

Stormwater Basin Development Special Revenue Fund – to account for the collection of a fee for the purpose of maintaining or repairing public improvements within the municipality that are maintained by the municipality. This is not a major fund.

Arterial Street Fee Special Revenue Fund – to account for the collection of a fee for the purpose of street maintenance or repair within the municipality. This is not a major fund.

TIF #2 Fund – to account for property taxes which may be used only for the payment of the development costs. This is not a major fund.

TIF #3 Fund – to account for property taxes which may be used only for the payment of the development costs. This is not a major fund.

TIF #4 Fund – to account for property taxes which may be used only for the payment of the development costs. This is not a major fund.

TIF #5 Fund – to account for property taxes which may be used only for the payment of the development costs. This is not a major fund.

TIF #8 Fund – to account for property taxes which may be used only for the payment of the development costs. This is not a major fund.

CLFRF Fund – to account for CLFRF grant proceeds. This is not a major fund.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

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 funds, while the "economic resources" measurement focus and the accrual basis of accounting are applied to the proprietary funds.

Basis of Accounting:

Government-wide Financial Statements:

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

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

expenses and related liabilities are recorded when an obligation is incurred (usually when the obligation to pay cash in the future vests).

Fund Financial Statements:

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

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

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

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

d. Interfund Eliminations and Reclassifications:

Government-wide Financial Statements:

In the process of aggregating data for the government-wide financial statements, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified, as follows:

1. In order to minimize the grossing-up effect on assets and liabilities within the governmental and business-type activities columns of the primary government, amounts reported as interfund receivables and payables have been eliminated in the governmental and business-type activities columns, except for the net, residual amounts due between governmental and business-type activities, which are presented as Internal Balances, if any.

e. 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.

f. Capital Assets:

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

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

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 historical cost if actual historical cost is not available. 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 capital assets for governmental activities and business-type activities are all valued at original cost.

Infrastructure assets used in general government operations consisting of certain improvements other than buildings, including roads, bridges, sidewalks, drainage systems, and lighting systems, acquired prior to January 1, 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. For capital assets used in business-type activities/proprietary fund's operations, construction period interest is not capitalized in accordance with USGAAP.

Depreciation/amortization 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/amortization 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:

	Capitalization Threshold	Depreciation/ Amortization Method	Estimated Useful Life
Land and land rights	\$ -	-- N/A --	-- N/A --
Improvements other than buildings	\$ 10,000.00	Straight-line	10-50 yrs.
Buildings	\$ 10,000.00	Straight-line	50 yrs.
Machinery & Equipment	\$ 1,000.00	Straight-line	5-10 yrs.
Infrastructure	\$ 10,000.00	Straight-line	10-50 yrs.
Intangible Assets	\$ 1,000.00	Straight-line	5-10 yrs.

Land is an inexhaustible capital asset and is not depreciated.

Fund Financial Statements

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

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

g. 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, notes payable, direct borrowing financing agreements, 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 debt is on the accrual basis, the same in the fund statements as in the government-wide statements.

h. 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.

i. Deferred Inflows and Deferred Outflows of Resources:

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

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

j. 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.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

k. 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.

l. 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/amortization (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.

m. 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.

n. 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.

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

- 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 prepaid expenses.

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.

o. Pensions:

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

2. VIOLATIONS OF FINANCE-RELATED LEGAL AND CONTRACTUAL PROVISIONS

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

	<u>Year Ended</u> <u>12/31/2021</u>
General Fund:	
<u>Activity</u>	
General Government:	
Other	\$ 8,796.49

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

3. DEFICIT FUND BALANCES / NET POSITION OF INDIVIDUAL NONMAJOR FUNDS

As of December 31, 2021, the following individual nonmajor funds had deficit fund balance/net position in the amounts shown:

TIF # 4 Fund	\$ 27,451.95
TIF # 5 Fund	\$ 25,962.50

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

4. DEPOSITS AND INVESTMENTS, FAIR VALUE MEASUREMENT, 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, 2021, the Municipality had the following investments which are reported as cash and cash equivalents in the financial statements. All investments are in an external investment pool.

<u>Investment</u>	<u>Credit Rating</u>	<u>Fair Value</u>
External Investment Pools:		
SDFIT	Unrated	<u>\$ 2,604,424.37</u>
Total Investments		<u>\$ 2,604,424.37</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.

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 deposits and investments to the fund making the investment.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

5. RECEIVABLES AND PAYABLES

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

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. TAX ABATEMENTS

The Municipality entered into a sales tax abatement with a local business under SDCL 9-54 and 9-12-11 and Ordinance No. 2017-13. The sales tax abatement was created to provide economic benefits to the Municipality and other political subdivisions, including paying real property taxes to the Municipality and other taxing subdivisions and generating significant retail sales tax revenues for the Municipality when the development is operational. For the year December 31, 2020, the Municipality entered into an agreement with Offensive Holdings, LLC dba Ace Hardware (Developer) and Harrisburg Economic Development Corporation (HEDC). The agreement provides that for a period of five years, beginning on the month of first retail sale at the site, or until such time that \$100,000 has been reimbursed to Developer, the Municipality shall reimburse to HEDC, and HEDC shall reimburse the Developer, fifty percent of the Municipality's sales taxes received from the site.

For the year ended December 31, 2021, the Municipality abated taxes totaling \$22,734.12 under this program.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

8. 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
Primary Government:				
Governmental Activities:				
Capital Assets, not being depreciated:				
Land	1,733,893.78	498,165.53		2,232,059.31
Construction in Progress	586,720.04	1,109,375.20	(945,915.78)	750,179.46
Total, not being depreciated	<u>2,320,613.82</u>	<u>1,607,540.73</u>	<u>(945,915.78)</u>	<u>2,982,238.77</u>
Capital Assets, being depreciated:				
Buildings	1,854,105.31	97,419.24		1,951,524.55
Improvements Other Than Buildings	16,315,172.86	1,338,808.42		17,653,981.28
Machinery & Equipment	2,041,885.10	348,286.07	(46,731.00)	2,343,440.17
Total, being depreciated	<u>20,211,163.27</u>	<u>1,784,513.73</u>	<u>(46,731.00)</u>	<u>21,948,946.00</u>
Less Accumulated Depreciation for:				
Buildings	(357,048.70)	(42,772.62)		(399,821.32)
Improvements Other Than Buildings	(9,409,333.51)	(540,560.64)		(9,949,894.15)
Machinery & Equipment	(907,286.73)	(192,726.53)	46,251.00	(1,053,762.26)
Total Accumulated Depreciation	<u>(10,673,668.94)</u>	<u>(776,059.79)</u>	<u>46,251.00</u>	<u>(11,403,477.73)</u>
Total Capital Assets, being depreciated, net	<u>9,537,494.33</u>	<u>1,008,453.94</u>	<u>(480.00)</u>	<u>10,545,468.27</u>
Governmental Activity Capital Assets, Net	<u>11,858,108.15</u>	<u>2,615,994.67</u>	<u>(946,395.78)</u>	<u>13,527,707.04</u>

Depreciation expense was charged to functions as follows:

Governmental Activities:	
General Government	\$ 23,382.46
Public Safety	7,102.56
Public Works	629,207.35
Health and Welfare	2,742.80
Culture and Recreation	113,624.62
Total Depreciation Expense - Governmental Activities	<u>\$ 776,059.79</u>

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

	Balance 01/01/2021	Increases	Decreases	Balance 12/31/2021
Business-type Activities:				
Capital Assets, not being depreciated:				
Land	2,768,034.52			2,768,034.52
Construction Work in Progress	15,952,787.30	12,474,218.05	(4,611,712.78)	23,815,292.57
Total, not being depreciated	18,720,821.82	12,474,218.05	(4,611,712.78)	26,583,327.09
Capital Assets, being depreciated:				
Improvements Other Than Buildings	29,900,573.85	5,346,935.13		35,247,508.98
Machinery & Equipment	1,689,530.17	188,964.00	(800.00)	1,877,694.17
Total, being depreciated	31,590,104.02	5,535,899.13	(800.00)	37,125,203.15
Less Accumulated Depreciation for:				
Improvements Other Than Buildings	(7,673,140.24)	(712,877.08)		(8,386,017.32)
Machinery & Equipment	(748,301.10)	(123,708.52)	320.00	(871,689.62)
Total Accumulated Depreciation	(8,421,441.34)	(836,585.60)	320.00	(9,257,706.94)
Total Capital Assets, being depreciated, net	23,168,662.68	4,699,313.53	(480.00)	27,867,496.21
Business-type Activity Capital Assets, Net	41,889,484.50	17,173,531.58	(4,612,192.78)	54,450,823.30

Depreciation expense was charged to functions as follows:

Business-Type Activities:	
Water	\$ 306,557.18
Sewer	530,028.42
Total Depreciation Expense - Business-Type Activities	<u>\$ 836,585.60</u>

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
Wastewater Treatment Facility	37,738,223.62	23,811,947.62	0.00	(13,926,276.00)
Cliff Avenue/Willow Street Intersection	803,864.16	695,536.40	108,327.76	0.00
Harrisburg Elem #7 and 272nd St Turning Lanes	49,000.00	49,000.00	0.00	0.00
Hugh Robinson Park Improvements	189,335.65	5,643.06	109,692.59	74,000.00
West Side Sanitary Trunk Sewer Phase 1	3,344.95	3,344.95	0.00	0.00
Total	38,783,768.38	24,565,472.03	218,020.35	(13,852,276.00)

Intangible assets are composed of the following:

	Balance 01/01/2021	Increases	Decreases	Balance 12/31/2021
Governmental Activities:				
Software & Website	60,219.98			60,219.98
Less Accumulated Amortization	(39,320.00)	(6,275.00)		(45,595.00)
Governmental Activities, Net	20,899.98	(6,275.00)	0.00	14,624.98

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

Amortization expense was charged to functions as follows:

Governmental Activities	
General Government	\$ 6,275.00
Total Amortization Expense - Governmental Activities	<u>\$ 6,275.00</u>

	Balance 01/01/2021	Increases	Decreases	Balance 12/31/2021
Business-type Activities:				
Intangible Assets	1,587,855.97			1,587,855.97
Less Accumulated Amortization	(415,661.08)	(36,750.00)		(452,411.08)
Business-type Activities, Net	<u>1,172,194.89</u>	<u>(36,750.00)</u>	<u>0.00</u>	<u>1,135,444.89</u>

Amortization expense was charged to functions as follows:

Business-Type Activities:	
Water	\$ 35,858.93
Sewer	891.07
Total Amortization Expense - Business-Type Activities	<u>\$ 36,750.00</u>

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

9. 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:					
Storm Water Assessment Bond - Series 2011	1,044,962.29		66,767.29	978,195.00	68,792.95
Sales Tax Revenue Bonds, Series 2021	0.00	2,000,000.00	118,439.51	1,881,560.49	115,970.66
Direct Borrowing Financing Agreement:					
CapFirst Financing - 2020 CAT Motor Grader	110,507.09		14,252.52	96,254.57	14,735.68
CapFirst Financing - 2020 CAT Telehandler	53,030.95		6,716.26	46,314.69	6,984.25
CapFirst Financing - 2020 Elgin Sweeper	170,968.00		24,995.95	145,972.05	26,300.96
Total Debt	1,379,468.33	2,000,000.00	231,171.53	3,148,296.80	232,784.50
Accrued Compensated Absences- Governmental Funds	41,112.20	28,383.45	30,791.94	38,703.71	25,000.00
Total Governmental Activities	1,420,580.53	2,028,383.45	261,963.47	3,187,000.51	257,784.50
Business-Type Activities:					
Bonds Payable:					
Water Revenue, Series 2007	619,235.18		68,923.96	550,311.22	71,191.44
Water System Revenue, Series 2008	1,039,988.39		86,959.57	953,028.82	89,820.39
Clean Water Revenue Bonds, Series 2009	2,036,381.77		67,710.94	1,968,670.83	69,938.50
Clean Water Revenue Bonds, Series 2011	518,493.99		30,275.92	488,218.07	31,194.47
Wastewater Surcharge Rev. Bonds, Series 2018	2,355,000.00		95,000.00	2,260,000.00	100,000.00
Water System Surcharge Revenue Bonds	1,365,000.00		50,000.00	1,315,000.00	50,000.00
Clean Water Revenue Bonds, Series 2019	10,313,225.00	11,586,413.00		21,899,638.00	496,954.11
Direct Borrowing Notes Payable:					
Note Payable - Harrisburg School District	626,972.00		3,305.51	623,666.49	0.00
Direct Borrowing Financing Agreement:					
CapFirst Financing - 2020 Motor Grader	110,507.09		14,252.52	96,254.57	14,735.68
CapFirst Financing - 2020 CAT Telehandler	53,030.94		6,716.26	46,314.68	6,984.24
CapFirst Financing - 2019 Vactor Jetter with 2021 Peterbilt Chasis	325,974.00		47,658.77	278,315.23	50,146.76
Total Debt	19,363,808.36	11,586,413.00	470,803.45	30,479,417.91	980,965.59
Accrued Compensated Absences- Business-Type Funds	9,177.07	13,261.73	9,378.30	13,060.50	9,000.00
Total Business-Type Activities	19,372,985.43	11,599,674.73	480,181.75	30,492,478.41	989,965.59
TOTAL PRIMARY GOVERNMENT	20,793,565.96	13,628,058.18	742,145.22	33,679,478.92	1,247,750.09

Compensated absences for governmental activities typically have been liquidated from the General Fund.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

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

Revenue Bonds:

Sales Tax Revenue Bonds - Series 2009 3.25 Percent Interest, Final Maturity Date of January 2042, Retired by the Sewer Fund.	1,968,670.83
Sales Tax Revenue Bonds - Series 2021 2.22 Percent Interest, Final Maturity Date of January 2035 Retired by the General Fund.	1,881,560.49
Water Improvement Revenue Bonds SRF - Series 2007 3.25 Percent Interest, Final Maturity Date of October 2028 Retired by the Water Fund.	550,311.22
Water System Revenue Bonds SRF - Series 2008 3.25 Percent Interest, Final Maturity Date of January 2031 Retired by the Water Fund.	953,028.82
Clean Water Revenue Bonds SRF - Series 2011 3.00 Percent Interest, Final Maturity Date of October 2034 Retired by the Sewer Fund.	488,218.07
Storm Water Assessment Bond SRF - Series 2011 3.00 Percent Interest, Final Maturity Date of October 2033 Retired by the Storm Sewer Maintenance Fund.	978,195.00
Wastewater Surcharge Revenue Bonds SRF - Series 2018 3.68 Percent Interest, Final Maturity Date of December 2038 Retired by the Sewer Fund.	2,260,000.00
Water System Surcharge Revenue Bonds SRF - Series 2019 3.30 Percent Interest, Final Maturity Date of December 2039 Retired by the Water Fund.	1,315,000.00
Clean Water System Surcharge Revenue Bonds SRF - Series 2019 2.50 Percent Interest, Final Maturity Date of October 2051 Retired by the Sewer Fund.	21,899,638.00

Notes Payable:

Note Payable – Harrisburg School District Interest Rate 1.50%, Maturity March 2025 Payable from Sewer Fund	623,666.49
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Direct Borrowing Financing Agreement:

CapFirst Equipment Finance, Inc: Lease Payable for 2020 CAT Motor Grader Interest Rate 3.39%, Maturity September 2027 Payable from General, Water and Sewer Funds	192,509.14
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NOTES TO THE FINANCIAL STATEMENTS
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Lease Payable for 2020 CAT Telehandler Interest Rate 3.99%, Maturity March 2027 Payable from General, Water and Sewer Funds	92,629.37
Lease Payable for 2020 Elgin Sweeper Interest Rate 5.22%, Maturity March 2026 Payable from General Fund	145,972.05
Lease Payable for 2019 Vactor Jetter with 2021 Peterbilt Chasis Interest Rate 5.22%, Maturity August 2026 Payable from Sewer Fund	278,315.23

The purchase price at the commencement of the direct borrowing financing agreement were:

	2020 CAT Motor Grader	2019 Vactor Jetter with Peterbilt Chasis	2020 CAT Telehandler	2020 Elgin Sweeper
Principal	\$ 257,011.58	\$ 390,650.00	\$ 123,726.29	\$ 204,890.00
Interest	30,967.70	62,082.00	17,588.91	32,564.00
TOTAL	\$ 287,979.28	\$ 452,732.00	\$ 141,315.20	\$ 237,454.00

The principal amount, above, was included in the appropriate classification of capital assets, and is being depreciated over the shorter of the estimated useful-life of the asset, or the lease term (where title never transfers), as appropriate.

The Municipality's outstanding notes from direct borrowings and direct placements related to governmental activities of \$28,541.31 include provisions that in an event of default the following may occur: a) all payments may become immediately due and payable, b) repossess the equipment collateralized, c) repossess and sell equipment to cover all costs incurred and payable, and if sale doesn't cover all outstanding balances take any other remedy available by law. Collateralized equipment on the direct borrowing financing agreements includes the 2020 CAT Motorgrader, 2020 CAT Telehandler, and 2020 Elgin Sweeper.

The Municipality's outstanding notes from direct borrowings and direct placements related to business-type activities of \$1,044,550. include provisions that in an event of default the following may occur: a) all payments may become immediately due and payable, b) repossess the equipment collateralized, c) repossess and sell equipment to cover all costs incurred and payable, and if sale doesn't cover all outstanding balances take any other remedy available by law. Collateralized equipment on the direct borrowing financing agreements includes the 2020 CAT Motorgrader, 2020 CAT Telehandler, and 2019 Vactor Jetter with 2021 Peterbilt Chassis.

Compensated Absences:

Compensated Absences Accrued at Year End, Payable from the Fund that the payroll is incurred.	
General Fund	38,703.71
Water Fund	5,084.48
Sewer Fund	7,976.02

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NOTES TO THE FINANCIAL STATEMENTS
(Continued)

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 2009		Water Improvement Revenue Bond, Series 2007		Water System Revenue Bond, Series 2008	
	Principal	Interest	Principal	Interest	Principal	Interest
2022	69,938.50	63,135.18	71,191.44	17,023.32	89,820.39	29,886.13
2023	72,239.36	60,834.32	73,533.52	14,681.24	92,775.32	26,931.20
2024	74,615.91	58,457.77	75,952.63	12,262.13	95,827.46	23,879.06
2025	77,070.64	56,003.04	78,451.35	9,763.41	98,980.02	20,726.50
2026	79,606.13	53,467.55	81,032.26	7,182.50	102,236.29	17,470.23
2027-2031	439,080.39	226,288.01	170,150.02	6,279.50	473,389.34	35,363.36
2032-2036	516,216.33	149,152.07				
2037-2041	606,903.21	58,465.19				
2042-2046	33,000.36	268.06				
Totals	<u>1,968,670.83</u>	<u>726,071.19</u>	<u>550,311.22</u>	<u>67,192.10</u>	<u>953,028.82</u>	<u>154,256.48</u>

Year Ending December 31,	Capital Acquisition Lease Purchase-Sewer Jetter		Clean Water Revenue Bond, Series 2011		Storm Water Assessment Bond, Series 2011	
	Principal	Interest	Principal	Interest	Principal	Interest
2022	50,146.76	14,529.24	31,194.47	14,297.81	68,792.95	28,576.77
2023	52,764.63	11,911.37	32,140.89	13,351.39	70,880.07	26,489.65
2024	55,519.17	9,156.83	33,116.00	12,376.28	73,030.52	24,339.20
2025	58,417.51	6,258.49	34,120.72	11,371.56	75,246.20	22,123.52
2026	61,467.16	3,208.84	35,155.92	10,336.36	77,529.12	19,840.60
2027-2031			192,440.74	35,020.66	424,388.24	62,460.36
2032-2036			130,049.33	6,426.77	188,327.90	6,411.50
Totals	<u>278,315.23</u>	<u>45,064.77</u>	<u>488,218.07</u>	<u>103,180.83</u>	<u>978,195.00</u>	<u>190,241.60</u>

Year Ending December 31,	Capital Acquisition Lease Purchase-Motor Grader		Clean Water Revenue Bond, Series 2019		Capital Acquisition Lease Purchase-Telehandler	
	Principal	Interest	Principal	Interest	Principal	Interest
2022	29,471.36	6,526.05	496,954.11	542,856.19	13,968.49	3,695.91
2023	30,470.43	5,526.98	509,494.93	530,315.38	14,525.83	3,138.57
2024	31,503.38	4,494.03	522,352.21	517,458.10	15,105.41	2,558.99
2025	32,571.34	3,426.07	535,533.95	504,276.36	15,708.12	1,956.28
2026	33,675.51	2,321.90	549,048.34	490,761.97	16,334.87	1,329.53
2027-2031	34,817.12	1,180.30	2,960,199.77	2,238,851.78	16,986.65	677.76
2032-2036			3,353,041.19	1,846,010.36		
2037-2041			3,798,015.70	1,401,035.85		
2042-2046			4,302,041.78	897,009.77		
2047-2051			4,872,956.02	324,480.93		
Totals	<u>192,509.14</u>	<u>23,475.33</u>	<u>21,899,638.00</u>	<u>9,293,056.69</u>	<u>92,629.37</u>	<u>13,357.04</u>

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NOTES TO THE FINANCIAL STATEMENTS
(Continued)

Year Ending December 31,	Capital Acquisition Lease Purchase-Street Sweeper		Sewer Loan Payable Harrisburg School District		Wastewater Surcharge Revenue Bonds, Series 2018	
	Principal	Interest	Principal	Interest	Principal	Interest
2022	26,300.96	7,621.04		7,829.03	100,000.00	82,248.00
2023	27,674.10	6,247.90		9,419.58	100,000.00	78,568.00
2024	29,118.94	4,803.06		9,419.58	105,000.00	74,888.00
2025	30,639.21	3,282.79	623,666.49	9,419.58	110,000.00	70,932.00
2026	32,238.84	1,683.16			110,000.00	66,884.00
2027-2031					635,000.00	268,180.00
2032-2036					755,000.00	141,956.00
2037-2041					345,000.00	16,008.00
2042-2046						
2047-2051						
2052						
Totals	<u>145,972.05</u>	<u>23,637.95</u>	<u>623,666.49</u>	<u>36,087.77</u>	<u>2,260,000.00</u>	<u>799,664.00</u>

Year Ending December 31,	Water System Surcharge Revenue Bonds, Series 2019		Sales Tax Revenue Bonds, Series 2021		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2022	50,000.00	42,982.50	115,970.66	41,130.56	1,213,750.09	902,337.73
2023	60,000.00	41,250.00	118,559.50	38,541.72	1,255,058.58	867,207.30
2024	60,000.00	39,270.00	121,206.13	35,895.10	1,292,347.76	829,258.13
2025	60,000.00	37,290.00	123,911.84	33,189.38	1,954,317.39	790,018.98
2026	60,000.00	35,310.00	126,677.95	30,423.28	1,365,002.39	740,219.92
2027-2031	340,000.00	144,540.00	677,091.49	108,414.61	6,363,543.76	3,127,256.34
2032-2036	410,000.00	83,242.50	598,142.92	17,781.40	5,950,777.67	2,250,980.60
2037-2041	275,000.00	16,087.50			5,024,918.91	1,491,596.54
2042-2046					4,335,042.14	897,277.83
2047-2051					4,872,956.02	324,480.93
2052					0.00	0.00
Totals	<u>1,315,000.00</u>	<u>439,972.50</u>	<u>1,881,560.49</u>	<u>305,376.05</u>	<u>33,627,714.71</u>	<u>12,220,634.30</u>

10. INDIVIDUAL FUND INTERFUND BALANCES AND TRANSACTIONS

Interfund receivable and payable balances at December 31, 2021 were:

Fund	Interfund Receivables	Interfund Payables
General Fund	\$ 54,637.09	
TIF #4 Debt Service Fund		\$ 27,451.95
TIF #5 Debt Service Fund		25,962.50
TIF #8 Debt Service Fund		1,222.64
TOTALS	<u>\$ 54,637.09</u>	<u>\$ 54,637.09</u>

The interfund balances above were created when the TIF Funds incurred expenses before the revenue source created by the TIF was available. The Municipality expects these balances to be resolved within a year.

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NOTES TO THE FINANCIAL STATEMENTS
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11. RESTRICTED NET POSITION

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

	<u>Restricted By</u>	<u>12/31/2021</u>
City Promotion/Parks	Law	\$ 183,936.96
Storm Sewer Maintenance	Law	1,186,315.27
Economic Development	Development Agreement	68,532.13
Street Maintenance	Law	486,059.52
Street Lighting	Law	5,239.54
SDRS Pension Purposes	Governmental Accounting Standards	91,210.03
Debt Service	Loan Agreement	2,079,421.21
Equipment Repair/Replacement	Governmental Accounting Standards	191,193.73
Total Restricted Net Position		<u>\$ 4,291,908.39</u>

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

NOTES TO THE FINANCIAL STATEMENTS
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benefits that do not meet the above criteria may be payable at a reduced level. Generational members will also have a variable retirement account (VRA) established, in which they will receive up to 1.5 percent of compensation funded by part of the employer contribution. VRAs will receive investment earnings based on investment returns.

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

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

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

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 \$51,496.67, \$43,366.56, and \$36,401.77, 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 a net pension asset. The proportionate shares of the components of the net pension asset of South Dakota Retirement System, for the Municipality as of the measurement period ending June 30, 2021 and reported by the Municipality as of December 31, 2021 are as follows:

Proportionate share of pension liability	\$ 4,974,694.53
Less proportionate share of net position restricted for pension benefits	<u>\$ 5,249,443.04</u>
Proportionate share of net pension liability (asset)	<u>\$ (274,748.51)</u>

At December 31, 2021, the Municipality reported a liability (asset) of \$(274,748.51) 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 0.03587597%, which is an increase of 0.0065102% from its proportion measured as of June 30, 2020.

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(Continued)

For the year ended December 31, 2021, the Municipality recognized pension expense (reduction of pension expense) of \$(79,644.80). At December 31, 2021 the Municipality reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows Of Resources</u>	<u>Deferred Inflows Of Resources</u>
Difference between expected and actual experience.	\$ 9,864.19	\$ 720.33
Changes in assumption.	\$ 315,957.99	\$ 137,590.08
Net difference between projected and actual earnings on pension plan investments.		\$ 392,483.75
Changes in proportion and difference between Municipality contributions and proportionate share of contributions.	\$ 2,052.13	\$ 6,288.99
Municipality contributions subsequent to the measurement date.	\$ 25,670.36	
TOTAL	<u>\$ 353,544.67</u>	<u>\$ 537,083.15</u>

\$25,670.36 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	\$ (53,616.56)
2023	(35,446.30)
2024	(9,744.06)
2025	(110,401.92)
TOTAL	<u>\$ (209,208.84)</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 females and total dataset rates for males. Mortality rates for

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NOTES TO THE FINANCIAL STATEMENTS
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disabled members were based on the RP-2014 Disabled Retiree Mortality Table, adjusted to 2006 and projected generationally with Scale MP-2016.

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

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

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

Discount Rate:

The discount rate used to measure the total pension liability (asset) was 6.50 percent. 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 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)	\$444,886.20	\$ (274,748.51)	\$(858,924.39)

See Independent Auditor's Report.

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

Liability Insurance:

The 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 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 an annual premium, to provide liability coverage detailed below, under a claims-made policy and the member based on their exposure or type of coverage. The Municipality pays an annual premium to the pool to provide coverage for: General Liability, Vehicle Coverage, Property and Building Coverage, Errors and Omissions of Officials and Employees 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 for the SDPAA. With such partial refund being no longer available, the SDPAA will now assume responsibility for all reported claims of a departing Member pursuant to the revised IGC.

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

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

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

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 not exceeded the liability coverage over the past three years.

Unemployment Benefits:

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

15. ASSOCIATION WITH RELATED PARTIES

The Office Assistant for the Municipality is also an employee of the Harrisburg Economic Development Corporation.

The Municipality may make decisions that affect the dealings with this organization although the Municipality has no direct influence on the organization's operations.

16. SIGNIFICANT EVENTS

On July 22, 2019, the Municipality of Harrisburg issued an SRF Loan in the amount of \$24,487,000.00 for financing of the Wastewater Treatment Facility. This project is still in progress at December 31, 2021, with \$21,899,638.00 being drawn down by year end.

On March 25, 2022, the Municipality of Harrisburg issued a Wastewater Surcharge Revenue and Refunding Bond, Series 2022 in the amount of \$2,945,018.00 for the financing of the Wastewater Treatment Facility.

On August 2, 2022, the Municipality of Harrisburg approved a resolution to issue a Wastewater Surcharge Revenue Bond, Series 2022 and a Drinking Water Surcharge Revenue Bond, Series 2022 in the amounts of \$8,393,896.00 and \$6,305,000.00 for the financing of the Wastewater Treatment Facility, Trunk Sewer System and Southeaster Wastewater Improvement Projects.

17. SUBSEQUENT EVENTS

Management has evaluated whether any subsequent events have occurred through June 15, 2023, the date on which the financial statements were available to be issued.

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

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget -
				Positive (Negative)
Revenues:				
Taxes:				
General Property Taxes	1,300,661.00	1,300,661.00	1,296,369.21	(4,291.79)
General Sales and Use Taxes	1,450,000.00	1,450,000.00	2,547,896.46	1,097,896.46
Amusement Taxes	900.00	900.00	0.00	(900.00)
Penalties and Interest on Delinquent Taxes	500.00	500.00	916.55	416.55
Licenses and Permits	97,400.00	97,400.00	345,028.01	247,628.01
Intergovernmental Revenue:				
Federal Grants	0.00	0.00	21,592.79	21,592.79
State Grants	218,000.00	218,000.00	250,732.91	32,732.91
State Shared Revenue:				
Bank Franchise Tax	25,000.00	25,000.00	24,023.83	(976.17)
Prorate License Fees	2,000.00	2,000.00	1,736.71	(263.29)
Liquor Tax Reversion	25,000.00	25,000.00	35,028.20	10,028.20
Motor Vehicle Licenses	25,000.00	25,000.00	34,647.47	9,647.47
Local Government Highway and Bridge Fund	8,000.00	8,000.00	8,257.93	257.93
County Shared Revenue:				
County Road and Bridge Tax	1,000.00	1,000.00	1,037.13	37.13
County Wheel Tax	5,000.00	5,000.00	8,030.81	3,030.81
Other Intergovernmental Revenues	0.00	0.00	200,000.00	200,000.00
Charges for Goods and Services:				
General Government	17,650.00	17,650.00	58,217.89	40,567.89
Sanitation	0.00	0.00	400.00	400.00
Culture and Recreation	35,000.00	35,000.00	89,267.99	54,267.99
Fines and Forfeits:				
Animal Control Fines	0.00	0.00	100.00	100.00
Parking Meter Fines	0.00	0.00	260.00	260.00
Library	0.00	0.00	1,117.38	1,117.38
Other	0.00	0.00	243.30	243.30
Miscellaneous Revenue:				
Investment Earnings	15,000.00	15,000.00	173.64	(14,826.36)
Rentals	5,000.00	5,000.00	6,858.16	1,858.16
Special Assessments	0.00	0.00	821.25	821.25
Maintenance Assessments	463,235.00	463,235.00	454,162.40	(9,072.60)
Contributions and Donations from Private Sources	20,000.00	20,000.00	19,405.00	(595.00)
Other	32,000.00	32,000.00	31,261.02	(738.98)
Total Revenue	3,746,346.00	3,746,346.00	5,437,586.04	1,691,240.04

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

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget -
				Positive (Negative)
Expenditures:				
General Government:				
Legislative	56,854.00	58,354.00	36,635.47	21,718.53
Contingency	39,001.00	39,001.00		
Amount Transferred		(10,500.00)		28,501.00
Executive	250,379.00	250,379.00	222,594.88	27,784.12
Elections	1,750.00	1,750.00	252.24	1,497.76
Financial Administration	318,873.00	318,873.00	262,370.39	56,502.61
Other	916,126.00	1,581,126.00	1,589,922.49	(8,796.49)
Total General Government	1,582,983.00	2,238,983.00	2,111,775.47	127,207.53
Public Safety:				
Police	411,380.00	416,380.00	407,134.91	9,245.09
Fire	73,185.00	75,335.00	75,249.99	85.01
Protective Inspection	77,809.00	123,809.00	99,071.81	24,737.19
Other Protection	29,500.00	29,500.00	24,669.41	4,830.59
Total Public Safety	591,874.00	645,024.00	606,126.12	38,897.88
Public Works:				
Highways and Streets	978,416.00	1,586,416.00	942,835.72	643,580.28
Sanitation	33,350.00	33,350.00	12,102.86	21,247.14
Total Public Works	1,011,766.00	1,619,766.00	954,938.58	664,827.42
Health and Welfare:				
Health	86,918.00	90,418.00	59,032.97	31,385.03
Total Health and Welfare	86,918.00	90,418.00	59,032.97	31,385.03
Culture and Recreation:				
Recreation	25,000.00	25,000.00	20,000.00	5,000.00
Parks	451,265.00	761,065.00	665,741.28	95,323.72
Libraries	102,578.00	105,078.00	102,513.10	2,564.90
Total Culture and Recreation	578,843.00	891,143.00	788,254.38	102,888.62
Conservation and Development:				
Economic Development and Assistance	68,700.00	128,200.00	116,814.23	11,385.77
Total Conservation and Development	68,700.00	128,200.00	116,814.23	11,385.77
Debt Service	78,762.00	236,262.00	217,854.11	18,407.89
Total Expenditures	3,999,846.00	5,849,796.00	4,854,795.86	995,000.14
Excess of Revenue Over (Under)				
Expenditures	(253,500.00)	(2,103,450.00)	582,790.18	2,686,240.18

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

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget -
				Positive (Negative)
Other Financing Sources (Uses):				
Sale of Municipal Property	0.00	0.00	13,685.00	13,685.00
Compensation for Loss or				
Damage to Capital Assets	0.00	0.00	100.00	100.00
Long-Term Debt Issued	0.00	412,000.00	2,000,000.00	1,588,000.00
Total Other Financing Sources (Uses)	0.00	412,000.00	2,013,785.00	1,601,785.00
Net Change in Fund Balances	(253,500.00)	(1,691,450.00)	2,596,575.18	4,288,025.18
Change in Accounting Estimate - SDPAA				
change	0.00	0.00	(61,176.00)	(61,176.00)
Fund Balance - Beginning	6,833,186.19	6,833,186.19	6,833,186.19	0.00
FUND BALANCE - ENDING	6,579,686.19	5,141,736.19	9,368,585.37	4,226,849.18

REQUIRED SUPPLEMENTARY INFORMATION
MUNICIPALITY OF HARRISBURG
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
STORM SEWER MAINTENANCE SPECIAL REVENUE FUND
For the Year Ended December 31, 2021

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget - Positive (Negative)
Revenues:				
Miscellaneous Revenue:				
Investment Earnings	400.00	400.00	0.00	(400.00)
Special Assessments	0.00	0.00	28,343.53	28,343.53
Maintenance Assessments	439,033.00	439,033.00	437,118.57	(1,914.43)
Total Revenue	439,433.00	439,433.00	465,462.10	26,029.10
Expenditures:				
General Government:				
Financial Administration	0.00	900.00	866.25	33.75
Other	50,000.00	170,000.00	152,573.52	17,426.48
Total General Government	50,000.00	170,900.00	153,439.77	17,460.23
Public Works:				
Highways and Streets	329,500.00	540,500.00	349,441.51	191,058.49
Total Public Works	329,500.00	540,500.00	349,441.51	191,058.49
Debt Service	97,371.00	97,371.00	97,369.72	1.28
Total Expenditures	476,871.00	808,771.00	600,251.00	208,520.00
Net Change in Fund Balances	(37,438.00)	(369,338.00)	(134,788.90)	234,549.10
Fund Balance - Beginning	741,963.37	741,963.37	741,963.37	0.00
FUND BALANCE - ENDING	704,525.37	372,625.37	607,174.47	234,549.10

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATIONSchedules of Budgetary Comparisons for the General Fund
and for each major Special Revenue Fund with a legally required budget.NOTE 1. Budgets and Budgetary Accounting

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

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

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

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

6. Formal budgetary integration is employed as a management control device during the year for the General Fund and special revenue funds.
7. Budgets for the General Fund and special revenue funds are adopted on a basis consistent with 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 Revenues, 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 *

	Municipality's proportion of the net pension liability/asset	Municipality's proportionate share of net pension liability (asset)	Municipality's covered-employee payroll	Municipality's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total pension liability (asset)
2021	0.0358760%	\$ (274,749)	\$ 816,292	33.66%	105.52%
2020	0.0293658%	\$ (1,275)	\$ 645,690	0.20%	100.04%
2019	0.0283390%	\$ (3,003)	\$ 608,307	0.49%	100.09%
2018	0.0271850%	\$ (634)	\$ 565,151	0.11%	100.02%
2017	0.0243922%	\$ (2,214)	\$ 495,715	0.45%	100.10%
2016	0.0245819%	\$ 83,035	\$ 469,426	17.69%	96.89%
2015	0.0240234%	\$ (101,890)	\$ 438,304	23.25%	104.10%

- * The amounts presented for each fiscal year were determined as of the measurement date of the collective net pension liability (asset) which is 6/30 of the previous fiscal year. 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 PENSION CONTRIBUTIONS

South Dakota Retirement System

* Last Seven Years

	Contractually required contribution	Contributions in relation to the contractually required contribution	Contribution deficiency (excess)	Municipality's covered payroll	Contributions as a percentage of covered payroll
2021	\$ 51,497	\$ 51,497	\$ -	\$ 860,429	5.98%
2020	\$ 43,367	\$ 43,367	\$ -	\$ 723,974	5.99%
2019	\$ 36,402	\$ 36,402	\$ -	\$ 606,696	6.00%
2018	\$ 36,226	\$ 36,226	\$ -	\$ 603,758	6.00%
2017	\$ 31,491	\$ 31,491	\$ -	\$ 524,839	6.00%
2016	\$ 28,838	\$ 28,838	\$ -	\$ 481,408	5.99%
2015	\$ 27,226	\$ 27,226	\$ -	\$ 453,464	6.00%

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

**Notes to 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 HARRISBURG
BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2021

	LLD Fund	Street Lighting Service Fee Fund	Stormwater Basin Development Fund	Arterial Street Fee Fund	TIF 2 Fund	TIF 3 Fund	TIF 4 Fund	TIF 5 Fund	TIF 8 Fund	CLFRF Fund	Total Governmental Funds
ASSETS:											
Cash and Cash Equivalents	172,786.61	5,810.19	45,900.00	486,059.52	26,485.89	16,093.54				599,963.33	1,353,099.08
Cash with Fiscal Agent									140,376.90		140,376.90
Due from Other Governments	11,150.35										11,150.35
TOTAL ASSETS	183,936.96	5,810.19	45,900.00	486,059.52	26,485.89	16,093.54	0.00	0.00	140,376.90	599,963.33	1,504,626.33
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES:											
Liabilities:											
Accounts Payable		570.65							113,201.56		113,772.21
Due to General Fund							27,451.95	25,962.50	1,222.64		54,637.09
Unearned Revenue										599,963.33	599,963.33
Total Liabilities	0.00	570.65	0.00	0.00	0.00	0.00	27,451.95	25,962.50	114,424.20	599,963.33	768,372.63
Deferred Inflows of Resources:											
Unavailable Revenue--Sales and Use Taxes	1,021.11										1,021.11
Total Deferred Inflows of Resources	1,021.11	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1,021.11
Fund Balances:											
Restricted:											
City Promotion/Parks	182,915.85										182,915.85
Storm Sewer Maintenance			45,900.00								45,900.00
Street Maintenance				486,059.52							486,059.52
Economic Development					26,485.89	16,093.54			25,952.70		68,532.13
Street Lighting		5,239.54									5,239.54
Unassigned							(27,451.95)	(25,962.50)			(53,414.45)
Total Fund Balances	182,915.85	5,239.54	45,900.00	486,059.52	26,485.89	16,093.54	(27,451.95)	(25,962.50)	25,952.70	0.00	735,232.59
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	183,936.96	5,810.19	45,900.00	486,059.52	26,485.89	16,093.54	0.00	0.00	140,376.90	599,963.33	1,504,626.33

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

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

	LLD Fund	Street Lighting Service Fee Fund	Stormwater Basin Development Fund	Arterial Street Fee Fund	TIF 2 Fund	TIF 3 Fund	TIF 4 Fund	TIF 5 Fund	TIF 8 Fund	CLFRF Fund	Total Governmental Funds
Revenues:											
Taxes:											
General Property Taxes											
General Sales and Use Taxes											
Charges for Goods and Services:											
General Government			35,500.00	628,453.37							663,953.37
Highways and Streets		52,221.94									52,221.94
Miscellaneous Revenue:											
Investment Earnings	5.87										5.87
Total Revenue	100,173.64	52,221.94	35,500.00	628,453.37	60,950.58	35,555.50	70,480.56	0.00	281,753.84	0.00	1,265,095.30
Expenditures:											
General Government											
Financial Administration											
Total General Government	0.00	0.00	0.00	0.00	0.00	0.00	0.00	25,962.50	0.00	0.00	25,962.50
Public Works:											
Highways and Streets		39,051.04									39,051.04
Total Public Works	0.00	39,051.04	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	39,051.04
Conservation and Development:											
Economic Development and Assistance	64,420.00				54,848.06	5,341.86	63,432.51		240,440.81		428,483.24
Total Conservation and Development	64,420.00	0.00	0.00	0.00	54,848.06	5,341.86	63,432.51	0.00	240,440.81	0.00	428,483.24
Capital Outlay											
Total Expenditures	64,420.00	39,051.04	0.00	148,263.36	54,848.06	5,341.86	63,432.51	25,962.50	240,440.81	0.00	148,263.36
Net Change in Fund Balances	35,759.51	13,170.90	35,500.00	480,190.01	6,102.52	30,213.64	7,048.05	(25,962.50)	41,313.03	0.00	641,760.14
Fund Balance - Beginning	147,156.34	(7,931.36)	10,400.00	5,869.51	20,383.37	(14,120.10)	(34,500.00)	0.00	(15,360.33)	0.00	111,897.43
FUND BALANCE - ENDING	182,915.85	5,239.54	45,900.00	486,059.52	26,485.89	16,093.54	(27,451.95)	(25,962.50)	25,952.70	0.00	735,232.59

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

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

Federal Grantor/Pass-Through Grantor Program or Cluster Title	Federal ALN Number	Pass-Through Entity Identifying Number	Total Federal Expenditures 2021
US Environmental Protection Agency - Pass-Through Programs: SD Department of Environment and Natural Resources, Capitalization Grants for Clean Water State Revolving Funds (Note 3)	66.458		5,827,500.00
Total US Environmental Protection Agency			5,827,500.00
GRAND TOTAL			5,827,500.00

Note 1: Basis of Presentation

This accompanying Schedule of Expenditures of Federal Awards includes the federal grant 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 cash basis of accounting. 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 not 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.