

City of Huron

**Independent Auditor's Report
and Financial Statements**

**For the Year Ended
December 31, 2021**

City of Huron
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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***

To the City Council
City of Huron, South Dakota

We have audited in accordance with the 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, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Huron as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the City of Huron’s basic financial statements and have issued our report thereon dated January 27, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Huron’s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Huron’s internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Huron’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 entity’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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Huron's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 entity'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.

A handwritten signature in black ink that reads "CIO of LLC". The signature is written in a cursive, slightly slanted style.

Huron, South Dakota
January 27, 2023



Independent Auditor's Report on Compliance for each Major Program and on Internal Control over Compliance Required by the Uniform Guidance

To the City Council
City of Huron, South Dakota

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited City of Huron's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of City of Huron's major federal programs for the year ended December 31, 2021. City of Huron's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City of Huron 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; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further describe in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of City of Huron's 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 City of Huron'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 City of Huron'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 City of Huron'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 generally accepted auditing standards, 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 City of Huron's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *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 City of Huron'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 City of Huron'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 City of Huron'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

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 combination of deficiencies, in internal control over compliance; such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis.

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 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. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that have not been identified.

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.

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.

A handwritten signature in cursive script that reads "CLO Prof LLC".

Huron, South Dakota
January 27, 2023

City of Huron
 Schedule of Prior and Current Audit Findings and Questioned Costs
 For the Year Ended December 31, 2021

Schedule of Prior Audit Findings

The prior audit report contained no written audit findings.

Schedule of Current Audit Findings

Section I - Summary of Independent Auditor's Results

Financial Statements:

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified: _____ yes X no

Significant deficiencies identified that are not considered to be material weakness(es)? _____ yes X none reported

Noncompliance material to financial statements noted? _____ yes X no

Federal Awards:

Internal control over major programs:

Material weakness(es) identified? _____ yes X no

Significant deficiencies identified _____ yes X none reported

Type of auditor's report issued on compliance for major programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? _____ yes X no

Identification of Major Programs:

CFDA Number(s)	Name of Federal Program or Cluster
14.228	Community Development Block
66.458	Capitalization Grants for Clean Water State Revolving Funds

Dollar threshold used to distinguish between type A and type B programs:

\$ 750,000

Auditee qualified as low-risk auditee? x Yes _____ no

Section II - Financial Statement Findings

There are no findings which are required to be reported in accordance with Government Auditing Standards.

Section III - Financial Statement Findings

There are no findings or questioned costs relating to federal award programs which are required to be reported in accordance with 2 CFR 200.516(a).



Independent Auditor's Report

To the City Council
City of Huron, 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, the discretely presented component unit, each major fund, and aggregate remaining fund information of the City of Huron as of and for the year ended December 31, 2021 and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the Table of Contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Huron 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 and the standards applicable to financial audits contained in *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 City of Huron 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 these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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 City of Huron'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 generally accepted auditing standards 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 generally accepted auditing standards, 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 City of Huron's 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 City of Huron, South Dakota's internal control over compliance. 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 City of Huron, South Dakota'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 Management's Discussion and Analysis (MD&A), Budgetary Comparison Schedules, Schedule of the City's Proportionate Share of the Net Pension Liability (Asset) (SDRS), and Schedule of the City's Contributions (SDRS) as listed in the table of contents, be presented to supplement the basic financial statements.

Such 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. We have applied certain limited procedures to the required supplemental 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements. The Schedule of Expenditures of Federal Awards, which is required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) listed in the Table of Contents is presented for purposes of additional analysis and is 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 supplemental information is fairly stated in all material respects in relation to the basic financial statements as a whole

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 27, 2023-on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, 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 City of Huron's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Huron, South Dakota
January 27, 2023

City of Huron
Management's Discussion and Analysis (MD&A)
December 31, 2021

This section of City of Huron's annual financial report presents our discussion and analysis of the City's financial performance during the fiscal year ended on December 31, 2021. Please read it in conjunction with the City's financial statements, which follow this section.

Financial Highlights

- During the year, the City's revenues of \$30,269,652 generated from taxes, charges for services and other revenues of the governmental and business-type programs were \$4,692,907 more than the \$25,576,745 in governmental and business-type program expenditures. The total cost of the City's programs decreased 8.31% over the prior year.
- The first two statements are government-wide financial statements that provide both long-term and short-term information about the City's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the City government, reporting the City's operations in more detail than the government-wide statements.
 - The governmental fund statements tell how general government services were financed in the short-term as well as what remains for future spending.
 - Proprietary fund statements offer short- and long-term financial information about the activities that the City operates like businesses. The proprietary funds operated by the City are water, sewer, airport, golf and solid waste.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

Figure A-1 summarizes the major features of the City's financial statements, including the portion of the City government covered and the types of information contained. The remainder of the overview section of the management's discussion and analysis explains the structure and contents of each of the statements.

City of Huron
Management's Discussion and Analysis (MD&A)
December 31, 2021

	Government Wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire City government (except fiduciary funds)	The activities of the City that are not proprietary or fiduciary, such as finance office, fire and police	Activities the City operates similar to private businesses, the water and sewer systems, golf, airport, and solid waste
Required Financial Statements	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures and Changes in Fund Balances 	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Revenues, Expenses and Changes in Net Position • Statement of Cash Flows
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of Asset/Liability Information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of Inflow/Outflow Information	All revenues and expenses during year, regardless of when cash is received or paid.	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid

City of Huron
Management's Discussion and Analysis (MD&A)
December 31, 2021

Government-Wide Statements

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets and liabilities. All current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the City's net position and how they have changed. Net position is one way to measure the City's financial health or position.

- Increases or decreases in the City's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the City you need to consider additional nonfinancial factors such as changes in the City's property tax base and changes in the sales tax base.

The government-wide financial statements of the City are reported in two categories:

- **Governmental Activities** – This category includes the City's basic services, such as police, fire, public works, parks department and general administration. Property taxes, sales taxes, charges for services, state and federal grants and interest earning finance most of these activities.
- **Business-type Activities** – The City charges a fee to customers to help cover the costs of certain services it provides. The City's water, sewer, airport, golf, and solid waste systems are included here.
- **Component Units** – The city includes one other entity in its report – the Housing and Redevelopment Commission. Separately issued financial statements may be obtained from: Board of Commissioners, Huron Housing and Redevelopment Authority, Huron SD 57350.

Fund Financial Statements

The fund financial statements provide more detailed information about the City's most significant funds – not the City as a whole. Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes.

- State Law requires some of the funds.
- The City Council establishes other funds to control and manage money for particular purposes.

City of Huron
Management's Discussion and Analysis (MD&A)
December 31, 2021

The City has two kinds of funds:

- **Governmental Funds** – Most of the City's basic services are included in the governmental funds, which focus on (1) how cash and other financial assets that can readily converted to cash flow in and out and (2) the balances left at the year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental fund's statements, or on the subsequent page, that explains the relationship (or differences) between them.
- **Proprietary Funds** – Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both short- and long-term financial information. The City's enterprise funds (one type of proprietary fund) are the same as its business-type activities, but provide more detail and additional information, such as cash flows.

City of Huron
Management's Discussion and Analysis (MD&A)
December 31, 2021

Financial Analysis of the City as a Whole

Net Position

The City's combined net position increased as follows:

Table A-1
Statement of Net Position

	Governmental Activities		Business-Type Activities		Total		Percentage
	2020	2021	2020	2021	2020	2021	Change 2020-2021
Current and Other Assets	\$ 11,872,244	\$ 11,320,981	\$ 8,463,733	\$ 12,482,099	\$ 20,335,977	\$ 23,803,080	17.05%
Capital Assets (Net of Depreciation)	48,746,150	49,747,495	61,454,708	67,626,645	110,200,858	117,374,140	6.51%
Total Assets	<u>60,618,394</u>	<u>61,068,476</u>	<u>69,918,441</u>	<u>80,108,744</u>	<u>130,536,835</u>	<u>141,177,220</u>	8.15%
Pension Related Deferred Outflows	1,826,886	2,693,966	549,835	857,505	2,376,721	3,551,471	49.43%
Total Deferred Outflows of Resources	<u>1,826,886</u>	<u>2,693,966</u>	<u>549,835</u>	<u>857,505</u>	<u>2,376,721</u>	<u>3,551,471</u>	49.43%
Long-Term Liabilities Outstanding	3,042,705	1,834,219	1,659,912	6,501,935	4,702,617	8,336,154	77.27%
Other Liabilities	727,617	231,747	600,054	1,304,992	1,327,671	1,536,739	15.75%
Total Liabilities	<u>3,770,322</u>	<u>2,065,966</u>	<u>2,259,966</u>	<u>7,806,927</u>	<u>6,030,288</u>	<u>9,872,893</u>	63.72%
Pension Related Deferred Inflows	1,655,259	4,092,007	498,194	1,302,511	2,153,453	5,394,518	150.51%
Total Deferred Inflows of Resources	<u>1,655,259</u>	<u>4,092,007</u>	<u>498,194</u>	<u>1,302,511</u>	<u>2,153,453</u>	<u>5,394,518</u>	150.51%
Net Position							
Net Investment in Capital Assets	45,703,446	47,913,276	59,794,798	61,305,176	105,498,244	109,218,452	3.53%
Restricted	1,785,379	1,896,218	55,360	225,246	1,840,739	2,121,464	15.25%
Unrestricted	<u>9,530,874</u>	<u>7,794,975</u>	<u>7,859,958</u>	<u>10,326,389</u>	<u>17,390,832</u>	<u>18,121,364</u>	4.20%
Total Net Position	<u>57,019,699</u>	<u>57,604,469</u>	<u>67,710,116</u>	<u>71,856,811</u>	<u>124,729,815</u>	<u>129,461,280</u>	3.79%
Beginning Net Position	<u>55,561,512</u>	<u>57,019,699</u>	<u>66,911,909</u>	<u>67,710,116</u>	<u>122,473,421</u>	<u>124,729,815</u>	1.84%
Restatement (See note 15)	--	--	--	516,609	--	516,609	100.00%
Increase (Decrease) in Net Position	<u>\$ 1,458,187</u>	<u>\$ 584,770</u>	<u>\$ 798,207</u>	<u>\$ 3,630,086</u>	<u>\$ 2,256,394</u>	<u>\$ 4,214,856</u>	86.80%
Percentage of Increase (Decrease) in Net Position	2.62%	1.03%	1.19%	5.36%	1.84%	3.38%	

The City's combined net position of approximately \$129 million is approximately \$4.7 million or 4% more than on December 31, 2020. Most of the increase is due to the increase in revenue from taxes and a decrease in expenditures.

The Statement of Net Position reports all financial and capital resources. The statement presents the assets, deferred outflows of resources, liabilities and deferred inflows of resources in order of relative liquidity. The liabilities with average maturities greater than one year are reported in two components – the amount due within one year and the amount due in more than one year. The long-term liabilities of the City, consisting of compensated absences payable and bonds, capital outlay certificates and other loans have been reported in this manner on the Statement of Net Position. The difference between the City's assets plus deferred outflows of resources and liabilities plus deferred inflows of resources is its net position.

City of Huron
Management's Discussion and Analysis (MD&A)
December 31, 2021

Changes in Net Position

The City's total revenues (excluding transfers) totaled \$30,269,652 (See Table A-4). This was approximately a 0.4% increase. Approximately 47% of the City's revenue comes from property and other taxes, with another 43% from charges for services. (See Table A-2.)

Table A-2
Sources of Revenues

Taxes	\$ 14,127,372	46.67%
State Sources	175,161	0.58%
Operating And Capital Grants & Contributi	2,621,225	8.66%
Charges for Services	12,883,991	42.56%
Other Revenues	426,748	1.41%
Unrestricted Investment Earnings	<u>35,155</u>	<u>0.12%</u>
 Total Revenue	 <u><u>\$ 30,269,652</u></u>	 <u><u>100.00%</u></u>

Total cost of all programs and services decreased by approximately 8.31%. The city's expenses totaled \$25,576,745 (See Table A-4). The City's expenses cover a range of services. (See Table A-3.)

Table A-3
Statement of Expenditures

General government	\$ 3,190,941	12.48%
Public safety	5,970,281	23.34%
Public works	1,553,006	6.07%
Culture and recreation	4,102,709	16.04%
Conservation and develop	656,673	2.57%
Interest on long-term debt	89,140	0.35%
Water	3,891,220	15.21%
Sewer	2,136,365	8.35%
Airport	1,396,163	5.46%
Solidwaste	2,059,414	8.05%
Golf	<u>530,833</u>	<u>2.08%</u>
 Total Expenditures	 <u><u>\$ 25,576,745</u></u>	 <u><u>100.00%</u></u>

City of Huron
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Governmental and Business-Type Activities

Table A-4 and the narrative that follows consider the operations of the governmental activities and the business-type activities of the City.

Table A-4
Changes in Net Position

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>		<u>Total</u>
	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>Change</u>
							<u>2020-2021</u>
Revenues							
Program Revenues							
Charges for Services	\$ 1,045,741	\$ 2,166,669	\$ 10,195,159	\$ 10,717,322	\$ 11,240,900	\$ 12,883,991	14.62%
Operating Grants and Contributions	3,220,909	647,035	--	141,273	3,220,909	788,308	-75.53%
Capital Grants and Contributions	616,240	--	353,142	1,832,917	969,382	1,832,917	89.08%
General Revenues							
Taxes	12,213,386	14,127,372	--	--	12,213,386	14,127,372	15.67%
Revenue State Sources	416,084	175,161	--	--	416,084	175,161	-57.90%
Unrestricted Investment Earnings	61,667	20,535	25,448	14,620	87,115	35,155	-59.65%
Other General Revenues	1,949,131	418,039	53,110	8,709	2,002,241	426,748	-78.69%
Total Revenues	<u>19,523,158</u>	<u>17,554,811</u>	<u>10,626,859</u>	<u>12,714,841</u>	<u>30,150,017</u>	<u>30,269,652</u>	0.40%
Expenses							
General government	3,760,635	3,190,941	--	--	3,760,635	3,190,941	-15.15%
Public safety	4,808,408	5,970,281	--	--	4,808,408	5,970,281	24.16%
Public works	4,768,454	1,553,006	--	--	4,768,454	1,553,006	-67.43%
Culture and recreation	3,288,091	4,102,709	--	--	3,288,091	4,102,709	24.77%
Conservation and development	531,966	656,673	--	--	531,966	656,673	23.44%
Interest on long-term debt	105,785	89,140	--	--	105,785	89,140	-15.73%
Water	--	--	3,912,167	3,891,220	3,912,167	3,891,220	-0.54%
Sewer	--	--	2,773,710	2,136,365	2,773,710	2,136,365	-22.98%
Airport	--	--	1,311,883	1,396,163	1,311,883	1,396,163	6.42%
Solidwaste	--	--	581,257	2,059,414	581,257	2,059,414	254.30%
Golf	--	--	2,051,264	530,833	2,051,264	530,833	-74.12%
Total Expenses	<u>17,263,339</u>	<u>15,562,750</u>	<u>10,630,281</u>	<u>10,013,995</u>	<u>27,893,620</u>	<u>25,576,745</u>	-8.31%
Excess (Deficiency) Before Transfers	2,259,819	1,992,061	(3,422)	2,700,846	2,256,397	4,692,907	107.98%
Transfers	<u>(801,629)</u>	<u>(929,240)</u>	<u>801,629</u>	<u>929,240</u>	<u>--</u>	<u>--</u>	0.00%
Change in Accounting Estimate (See note 15)	--	(478,051)	--	--	--	(478,051)	-100.00%
Increase (Decrease) in Net Position	1,458,190	584,770	798,207	3,630,086	2,256,397	4,214,856	86.80%
Beginning Net Position	55,561,509	57,019,699	66,911,909	67,710,116	122,473,418	124,729,815	1.84%
Restatement - see note 15	--	--	--	516,609	--	516,609	
Beginning Net Position, as Restated	<u>55,561,509</u>	<u>57,019,699</u>	<u>66,911,909</u>	<u>68,226,725</u>	<u>122,473,418</u>	<u>125,246,424</u>	2.26%
Ending Net Position	<u>\$ 57,019,699</u>	<u>\$ 57,604,469</u>	<u>\$ 67,710,116</u>	<u>\$ 71,856,811</u>	<u>\$ 124,729,815</u>	<u>\$ 129,461,280</u>	3.79%

Governmental Activities

Decrease in the governmental expenses was 10%, mainly due to decreased spending, and street projects.

Business-Type Activities

Net position of the City's business-type activities increased approximately by \$3.6 million.

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Financial Analysis of the City's Funds

Overall, the governmental funds have a 2.7 million dollar decrease in fund balance over last year. The main cause was due to spending of COVID dollars.

General Fund Budgetary Highlights

Over the course of the year, the City Board revised the City budget several times. These amendments fall into three categories:

- Supplemental appropriations and contingency transfers approved for unanticipated, yet necessary, expenses to provide for items necessary for the education program of this district.
- Increases in appropriations, primarily by contingency transfer, to prevent budget overruns.

There were budget changes for the year due to needing additional funding for general operating expenses in the General Fund.

Capital Asset Administration

By the end of FY 2021, the City had invested \$117,374,140 (net of depreciation) in a broad range of capital assets, including, land, buildings, various machinery and equipment. (See Table A-5.)

Table A-5
Capital Assets
(Net of Depreciation)

	Governmental		Business-type		Total	Total
	Activities		Activities		Dollar	Percentage
	2020	2021	2020	2021	Change	Change
	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020-2021</u>	<u>2020-2021</u>
Land	\$ 3,198,899	\$ 3,160,774	\$ 2,969,349	\$ 2,969,348	\$ (38,126)	-0.62%
Construction in progress	652,763	105,056	879,099	8,957,460	7,530,654	491.60%
Buildings	15,791,258	15,349,398	10,627,886	10,375,853	(693,893)	-2.63%
Improvements other than Bldgs	18,663,134	20,778,144	45,174,748	43,658,257	598,519	0.94%
Machinery and equipment	10,440,096	10,354,123	1,803,626	1,665,727	(223,872)	-1.83%
Total Capital Assets (Net)	<u>\$ 48,746,150</u>	<u>\$ 49,747,495</u>	<u>\$ 61,454,708</u>	<u>\$ 67,626,645</u>	<u>\$ 7,173,282</u>	6.51%

This year's capital asset purchases of \$12 million included construction on a sewage plant and street projects.

City of Huron
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Long-Term Debt

At year-end, the City had \$8,336,154 in general long-term obligations. See individual balances as shown on Table A-6 below.

Table A-6
City of Huron - Outstanding Debt and Obligations

	Governmental Activities		Business-type Activities		Total Dollar Change	Total Percentage Change
	2020	2021	2020	2021	2020-2021	2020-2021
Bonds Payable	\$ 3,042,705	\$ 1,266,010	\$ 1,659,911	\$ 6,321,469	\$ 2,884,863	61.35%
Accrued Compensated Absences	540,031	568,209	185,236	180,466	23,408	3.23%
Total Outstanding Debt and Obligations	<u>\$ 3,582,736</u>	<u>\$ 1,834,219</u>	<u>\$ 1,845,147</u>	<u>\$ 6,501,935</u>	<u>\$ 2,908,271</u>	<u>53.58%</u>

The City issued \$14,946,000 of Bonds and drew down \$4,950,805 of the funds in 2021.

Economic Factors and Next Year's Budgets And Rates

The City's total property valuation is \$703,772,484 increased for 2021 taxes payable in 2022 . Under the state mandated property tax limitation, property taxes from one year to the next may increase 3% or an amount based on the Consumer Price Index (CPI) whichever is lower. The tax levy assessment for the City per thousand dollars in real property value is \$8.471, a decrease of .471 per \$1000 of valuation from the prior year.

One of the primary sources of revenue to the City is based on taxable retail sales in the community (sales tax). The city has experienced an increase in revenue for taxable sales over the prior year, for 2021 sales tax was budgeted at \$3,500,000.

The City's adopted General Fund budget for 2022 will increase .005% to \$14,077,954. The budget has increased due to salary increases and capital projects.

The City's business-type activities budget for 2022 will decrease 28% to \$18,004,374. The water fund is doing large projects for water main, sewer is doing a new treatment system, there are airport projects, Solid waste is purchasing a new truck.

Contacting the City's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional information, contact the Huron City's Business Office, 239 Wisconsin Ave SW, Huron, SD 57350.

City of Huron
Statement of Net Position
December 31, 2021

	<u>Primary Government</u>		<u>Total</u>	<u>Component Unit</u>
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>		
Assets:				
Cash and cash equivalents	\$ 8,081,899	\$ 8,118,364	\$ 16,200,263	\$ 719,159
Investments	--	--	--	22,226
Accounts receivable, net	694,270	2,557,657	3,251,927	--
Inventories	439,126	770,688	1,209,814	--
Other assets	--	--	--	6,671
Restricted assets:				
Investments	--	--	--	157,671
Deposits	--	365,138	365,138	431,278
Net pension asset	2,105,686	670,252	2,775,938	--
Capital assets:				
Land and construction in progress	3,265,830	11,926,808	15,192,638	594,578
Other capital assets, net of depreciation	46,481,665	55,699,837	102,181,502	5,288,004
Total Assets	<u>61,068,476</u>	<u>80,108,744</u>	<u>141,177,220</u>	<u>7,219,587</u>
Deferred Outflows of Resources:				
Pension related deferred outflows	<u>2,693,966</u>	<u>857,505</u>	<u>3,551,471</u>	<u>--</u>
Liabilities:				
Accounts payable	23,593	876,597	900,190	33,810
Other current liabilities	208,154	428,395	636,549	137,650
Noncurrent liabilities:				
Due within one year	440,000	299,331	739,331	302,050
Due in more than one year	1,394,219	6,202,604	7,596,823	4,784,923
Total Liabilities	<u>2,065,966</u>	<u>7,806,927</u>	<u>9,872,893</u>	<u>5,258,433</u>
Deferred Inflows of Resources:				
Pension related deferred inflows of resources	<u>4,092,007</u>	<u>1,302,511</u>	<u>5,394,518</u>	<u>--</u>
Net Position:				
Net Investment in capital assets	47,913,276	61,305,176	109,218,452	820,609
Restricted for:				
TIF	533,728	--	533,728	--
E911	14,460	--	14,460	--
3rd Penny	388,819	--	388,819	--
Dakota Learners	3,765	--	3,765	--
BID Assessment	247,801	--	247,801	--
Debt Services	--	--	--	588,949
SDRS pension purposes	707,645	225,246	932,891	--
Unrestricted	<u>7,794,975</u>	<u>10,326,389</u>	<u>18,121,364</u>	<u>551,596</u>
Total Net Position	<u>\$ 57,604,469</u>	<u>\$ 71,856,811</u>	<u>\$ 129,461,280</u>	<u>\$ 1,961,154</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

City of Huron
Statement of Activities
For the Year Ended December 31, 2021

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Unit
					Governmental Activities	Business-Type Activities	Total	
Primary Government:								
Governmental Activities:								
General government	\$ 3,190,941	\$ 554,922	\$ 572,938	\$ --	\$ (2,063,081)	\$ --	\$ (2,063,081)	\$ --
Public safety	5,970,281	424,272	74,097	--	(5,471,912)	--	(5,471,912)	--
Public works	1,553,006	617,019	--	--	(935,987)	--	(935,987)	--
Culture and recreation	4,102,709	570,456	--	--	(3,532,253)	--	(3,532,253)	--
Conservation and development	656,673	--	--	--	(656,673)	--	(656,673)	--
Interest on long-term debt	89,140	--	--	--	(89,140)	--	(89,140)	--
Total Governmental Activities	<u>15,562,750</u>	<u>2,166,669</u>	<u>647,035</u>	<u>--</u>	<u>(12,749,046)</u>	<u>--</u>	<u>(12,749,046)</u>	<u>--</u>
Business-type Activities:								
Water	3,891,220	4,727,452	--	1,196,350	--	2,032,582	2,032,582	--
Sewer	2,136,365	2,991,406	--	290,664	--	1,145,705	1,145,705	--
Airport	1,396,163	323,291	--	345,903	--	(726,969)	(726,969)	--
Solidwaste	2,059,414	2,356,295	141,273	--	--	438,154	438,154	--
Golf	530,833	318,878	--	--	--	(211,955)	(211,955)	--
Total Business-type Activities	<u>10,013,995</u>	<u>10,717,322</u>	<u>141,273</u>	<u>1,832,917</u>	<u>--</u>	<u>2,677,517</u>	<u>2,677,517</u>	<u>--</u>
Total Primary Government	<u>\$ 25,576,745</u>	<u>\$ 12,883,991</u>	<u>\$ 788,308</u>	<u>\$ 1,832,917</u>	<u>(12,749,046)</u>	<u>2,677,517</u>	<u>(10,071,529)</u>	<u>--</u>
Component Unit:								
Housing and Redevelopment Commission	<u>\$ 1,912,775</u>	<u>\$ 1,235,201</u>	<u>\$ 883,094</u>	<u>\$ --</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>205,520</u>
General Revenues:								
Taxes:								
Property taxes					5,738,863	--	5,738,863	--
Sales taxes					8,388,509	--	8,388,509	--
State shared revenues					175,161	--	175,161	--
Grants and Contributions not								
Restricted to Specific Programs					16,996	--	16,996	--
Unrestricted investment earnings					20,535	14,620	35,155	8,583
Miscellaneous revenues					401,043	8,709	409,752	--
Transfers					(929,240)	929,240	--	--
Total General Revenues and Transfers					<u>13,811,867</u>	<u>952,569</u>	<u>14,764,436</u>	<u>8,583</u>
Change in Accounting Estimate (See Note 15)								
					(478,051)	--	(478,051)	--
Change in Net Position								
					584,770	3,630,086	4,214,856	214,103
Net Position, Beginning of Year								
					57,019,699	67,710,116	124,729,815	1,747,051
Restatement (See Note 15)								
					--	516,609	516,609	--
Net Position, End of Year								
					<u>\$ 57,604,469</u>	<u>\$ 71,856,811</u>	<u>\$ 129,461,280</u>	<u>\$ 1,961,154</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

City of Huron
Balance Sheet – Governmental Funds
December 31, 2021

	General Fund	Additional Sales Tax	COVID-19	Other Governmental Funds	Total Governmental Funds
Assets:					
Cash and cash equivalents	\$ 3,742,103	\$ 2,264,272	\$ 940,693	\$ 1,134,831	\$ 8,081,899
Taxes receivable-delinquent	86,750	--	--	--	86,750
Accounts Receivable	170,817	--	--	30,429	201,246
Special assessments receivable					
Current	--	--	--	10,436	10,436
Delinquent	--	--	--	68,149	68,149
Noncurrent	--	--	--	8,467	8,467
Interest receivable - special assessments	--	--	--	39,642	39,642
Due from other governments	188,692	71,888	--	19,000	279,580
Supply inventory	265,258	--	--	173,868	439,126
Total Assets	<u>\$ 4,453,620</u>	<u>\$ 2,336,160</u>	<u>\$ 940,693</u>	<u>\$ 1,484,822</u>	<u>\$ 9,215,295</u>
Liabilities and Fund Balances:					
Liabilities:					
Accounts Payable	\$ --	\$ --	\$ --	\$ 23,593	\$ 23,593
Accrued interest payable	--	--	--	38,423	38,423
Accrued wages payable	123,828	--	--	34,947	158,775
Amounts held for others	--	--	--	10,956	10,956
Total Liabilities	<u>123,828</u>	<u>--</u>	<u>--</u>	<u>107,919</u>	<u>231,747</u>
Deferred inflows of resources:					
Unavailable revenue	--	--	--	8,467	8,467
Total Deferred Inflows of Resources	<u>--</u>	<u>--</u>	<u>--</u>	<u>8,467</u>	<u>8,467</u>
Fund Balances:					
Nonspendable					
Inventory	265,258	--	--	--	265,258
Restricted					
TIF	--	525,000	--	8,728	533,728
E911	--	--	--	14,460	14,460
3rd Penny	--	--	--	388,819	388,819
Dakota Learners	--	--	--	3,765	3,765
BID Assessment	--	--	--	247,801	247,801
Committed					
2nd Penny	--	1,811,160	--	--	1,811,160
Assigned					
General	--	--	--	24,718	24,718
Public Safety	--	--	--	51,785	51,785
Culture & Recreation	--	--	--	287,474	287,474
Unassigned	4,064,534	--	940,693	340,886	5,346,113
Total Fund Balances	<u>4,329,792</u>	<u>2,336,160</u>	<u>940,693</u>	<u>1,368,436</u>	<u>8,975,081</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 4,453,620</u>	<u>\$ 2,336,160</u>	<u>\$ 940,693</u>	<u>\$ 1,484,822</u>	<u>\$ 9,215,295</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

City of Huron

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

Total Fund Balances Government Funds	\$ 8,975,081
Amounts reported for governmental activities in the statement of net position are different because:	
Net pension asset reported in governmental activities is not available financial resource and therefore is not reported in the funds.	2,105,686
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	49,747,495
Pension related deferred outflows are components of pension liability (asset) and therefore are not reported in the funds.	2,693,966
Long-term liabilities, including bonds payable, is not due and payable in the current period and therefore are not reported in the funds.	(1,266,010)
Assets such as taxes receivable (delinquent) and special assessment receivables (current, delinquent and noncurrent) are not available to pay for current period expenditures and therefore are deferred in the funds.	8,467
Accrued leave payable is not due and payable in the current period and therefore is not reported in the funds.	(568,209)
Pension and OPEB related deferred inflows are components of pension liability (asset)/OPEB liability and therefore are not reported in the funds.	<u>(4,092,007)</u>
Net Position Governmental Activities	<u>\$ 57,604,469</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

City of Huron
Statement of Revenues, Expenditures, and Changes in Fund Balance Governmental Funds
For the Year Ended December 31, 2021

Revenues	General Fund	Additional Sales Tax	COVID-19	Other Governmental Funds	Total Governmental Funds
Taxes:					
General property taxes	\$ 5,445,727	\$ --	\$ --	\$ 211,655	\$ 5,657,382
General sales and use taxes	3,982,844	3,982,844	--	422,821	8,388,509
Gross receipts business taxes	81,770	--	--	--	81,770
Penalties and interest on taxes	15,480	--	--	--	15,480
Licenses and permits	261,962	--	--	--	261,962
Intergovernmental Revenue:					
Federal grants	74,097	--	--	--	74,097
State grants	563,113	--	--	9,825	572,938
State shared revenues:					
Bank franchise tax	53,600	--	--	--	53,600
Liquor tax reversion (25%)	121,561	--	--	--	121,561
Motor vehicle licenses	115,961	--	--	--	115,961
Fire insurance premiums reversion	43,870	--	--	--	43,870
Local government highway and bridge	394,078	--	--	--	394,078
911 Remittances	--	--	--	405,459	405,459
County shared revenues:					
Payment in Lieu of Taxes	7,138	--	--	9,858	16,996
County Road Tax	31,931	--	--	--	31,931
Charges for Goods or Services:					
General government	11,480	--	--	281,480	292,960
Public safety	8,287	--	--	--	8,287
Highways and streets	18,567	--	--	--	18,567
Health	9,295	--	--	--	9,295
Culture and recreation	8,818	--	--	561,638	570,456
Cemetery	12,612	--	--	--	12,612
Fines and Forfeits:					
Court fines	1,231	--	--	--	1,231
Miscellaneous Revenue:					
Interest earned	8,406	9,085	--	3,044	20,535
Rentals	127,852	--	--	--	127,852
Special assessments	--	--	--	1,463	1,463
Contributions from private sources	--	--	--	146,820	146,820
Total Revenues	\$ 11,399,680	\$ 3,991,929	\$ --	\$ 2,054,063	\$ 17,445,672

The accompanying Notes to Financial Statements are an integral part of this statement.

City of Huron
Statement of Revenues, Expenditures, and Changes in Fund Balance Governmental Funds
For the Year Ended December 31, 2021 (Continued)

	<u>General Fund</u>	<u>Additional Sales Tax</u>	<u>COVID-19</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Expenditures</u>					
General Government:					
Legislative	\$ 396,204	\$ --	\$ --	\$ --	\$ 396,204
Financial administration	851,848	--	--	--	851,848
Other	1,215,453	--	--	779,721	1,995,174
Public Safety:					
Police	2,318,678	--	--	--	2,318,678
Fire	1,353,349	--	--	--	1,353,349
Other protection	191,706	--	--	624,722	816,428
Public Works:					
Highways and streets	1,345,280	--	--	--	1,345,280
Culture and Recreation:					
Recreation	--	--	--	1,139,599	1,139,599
Parks	267,944	--	--	930,567	1,198,511
Libraries	882,115	--	--	--	882,115
Conservation and Development:					
Economic development and assistance	231,000	--	--	425,673	656,673
Debt Service	--	--	--	1,865,835	1,865,835
Capital Outlay	2,336,684	--	--	1,721,580	4,058,264
Total Expenditures	<u>11,390,261</u>	<u>--</u>	<u>--</u>	<u>7,487,697</u>	<u>18,877,958</u>
Excess of Revenues Over (Under) Expenditures	<u>9,419</u>	<u>3,991,929</u>	<u>--</u>	<u>(5,433,634)</u>	<u>(1,432,286)</u>
Other Financing Sources (Uses):					
Transfers-in	2,905,688	--	--	5,056,777	7,962,465
Sale of city property	161,443	--	--	5,141	166,584
Transfers out	<u>(3,353,072)</u>	<u>(3,838,452)</u>	<u>(1,632,249)</u>	<u>(67,932)</u>	<u>(8,891,705)</u>
Total Other Financing Sources (Uses)	<u>(285,941)</u>	<u>(3,838,452)</u>	<u>(1,632,249)</u>	<u>4,993,986</u>	<u>(762,656)</u>
Changes in Accounting Estimate (See Note 16)	(478,051)	--	--	--	(478,051)
Net Change in Fund Balances	(754,573)	153,477	(1,632,249)	(439,648)	(2,672,993)
Fund Balance, Beginning of Year	<u>5,084,365</u>	<u>2,182,683</u>	<u>2,572,942</u>	<u>1,808,084</u>	<u>11,648,074</u>
Fund Balance, End of Year	<u>\$ 4,329,792</u>	<u>\$ 2,336,160</u>	<u>\$ 940,693</u>	<u>\$ 1,368,436</u>	<u>\$ 8,975,081</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

City of Huron
 Reconciliation Of The Statement Of Revenues, Expenditures, And Changes In Fund Balances
 To The Statement Of Activities
 For The Year Ended December 31, 2021

Net Change in Fund Balances Total Government Funds \$ (2,672,993)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense. 1,043,021

In the statement of activities, the loss or gain on the sale or disposal of capital assets is reported, whereas in the governmental funds, only the proceeds from these sales are reported. (41,676)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liability in the statement of net assets. 1,776,695

Governmental funds do not reflect the change in accrued leave, but the statement of activities reflects the change in accrued leave through expenditures. (28,178)

Governmental funds report special assessments as revenue when levied and available, but the statement of activities includes special assessments as revenue when levied. (15,769)

Changes in the pension related deferred outflows/inflows are direct components of net pension asset and are not reflected in the governmental funds. 523,670

Change in Net Position of Governmental Activities \$ 584,770

City of Huron
Statement of Net Position – Proprietary Funds
December 31, 2021

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Airport Fund</u>	<u>Solidwaste Fund</u>	<u>Golf Fund</u>	<u>Total</u>
Assets:						
Current Assets:						
Cash and cash equivalents	\$ 4,452,405	\$ 2,105,197	\$ --	\$ 1,560,762	\$ --	\$ 8,118,364
Accounts receivable	273,457	1,686,357	2,622	231,343	529	2,194,308
Due from other governments	--	--	363,349	--	--	363,349
Supply inventory	91,039	12,951	38,371	595,024	33,303	770,688
Total Current Assets	<u>4,816,901</u>	<u>3,804,505</u>	<u>404,342</u>	<u>2,387,129</u>	<u>33,832</u>	<u>11,446,709</u>
Noncurrent Assets:						
Restricted cash and cash equivalents	365,138	--	--	--	--	365,138
Net pension asset	305,856	17,244	61,720	255,715	29,717	670,252
Capital Assets:						
Land	81,165	804,750	1,837,223	110,000	136,210	2,969,348
Buildings and Improvements	32,011,339	32,142,446	29,846,729	1,248,068	2,472,351	97,720,933
Machinery and equipment	760,713	1,280,328	2,464,553	3,426,818	501,763	8,434,175
Construction in progress	--	8,525,010	432,450	--	--	8,957,460
Accumulated depreciation	(13,335,320)	(17,919,931)	(14,032,435)	(3,269,421)	(1,898,164)	(50,455,271)
Total Capital Assets	<u>19,517,897</u>	<u>24,832,603</u>	<u>20,548,520</u>	<u>1,515,465</u>	<u>1,212,160</u>	<u>67,626,645</u>
Total Noncurrent Assets	<u>20,188,891</u>	<u>24,849,847</u>	<u>20,610,240</u>	<u>1,771,180</u>	<u>1,241,877</u>	<u>68,662,035</u>
Total Assets	<u>25,005,792</u>	<u>28,654,352</u>	<u>21,014,582</u>	<u>4,158,309</u>	<u>1,275,709</u>	<u>80,108,744</u>
Deferred Outflows of Resources:						
Pension related deferred outflows	\$ 391,305	\$ 22,062	\$ 78,963	\$ 327,156	\$ 38,019	\$ 857,505
Liabilities:						
Current Liabilities:						
Accounts payable	\$ --	\$ 871,036	\$ --	\$ --	\$ 5,561	\$ 876,597
Accrued Interest Payable	7,802	--	--	--	--	7,802
Accrued Wages Payable	14,758	14,758	3,674	22,746	--	55,936
Customer Deposits	364,657	--	--	--	--	364,657
Bonds payable - current:						
Revenue	299,331	--	--	--	--	299,331
Total Current Liabilities	<u>686,548</u>	<u>885,794</u>	<u>3,674</u>	<u>22,746</u>	<u>5,561</u>	<u>1,604,323</u>
Noncurrent Liabilities:						
Bonds payable:						
Revenue	1,071,334	4,950,804	--	--	--	6,022,138
Accrued leave payable	34,882	34,882	25,236	82,808	2,658	180,466
Total Noncurrent Liabilities	<u>1,106,216</u>	<u>4,985,686</u>	<u>25,236</u>	<u>82,808</u>	<u>2,658</u>	<u>6,202,604</u>
Total Liabilities	<u>1,792,764</u>	<u>5,871,480</u>	<u>28,910</u>	<u>105,554</u>	<u>8,219</u>	<u>7,806,927</u>
Deferred Inflows of Resources:						
Pension related deferred inflows	594,374	33,511	119,942	496,935	57,749	1,302,511
Net Position						
Net investment in capital assets	18,147,232	19,881,799	20,548,520	1,515,465	1,212,160	61,305,176
Restricted for						
SDRS pension purposes	102,787	5,795	20,741	85,936	9,987	225,246
Unrestricted net position	4,759,940	2,883,829	375,432	2,281,575	25,613	10,326,389
Total Net Position	<u>\$ 23,009,959</u>	<u>\$ 22,771,423</u>	<u>\$ 20,944,693</u>	<u>\$ 3,882,976</u>	<u>\$ 1,247,760</u>	<u>\$ 71,856,811</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

City of Huron
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds
For the Year Ended December 31, 2021

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Airport Fund</u>	<u>Solidwaste Fund</u>	<u>Golf Fund</u>	<u>Total</u>
Operating Revenues:						
Charges for goods and services	\$ 4,727,452	\$ 2,991,406	\$ 323,023	\$ 2,356,295	\$ 318,878	\$ 10,717,054
Miscellaneous	--	--	268	--	--	268
Total Operating Revenue	<u>4,727,452</u>	<u>2,991,406</u>	<u>323,291</u>	<u>2,356,295</u>	<u>318,878</u>	<u>10,717,322</u>
Operating Expenses:						
Personal services	512,699	630,897	215,372	839,799	188,466	2,387,233
Other current expense	2,342,849	431,109	371,241	967,710	236,627	4,349,536
Depreciation	984,886	1,074,359	809,550	251,905	105,740	3,226,440
Total Operating Expenses	<u>3,840,434</u>	<u>2,136,365</u>	<u>1,396,163</u>	<u>2,059,414</u>	<u>530,833</u>	<u>9,963,209</u>
Operating Income (Loss)	<u>887,018</u>	<u>855,041</u>	<u>(1,072,872)</u>	<u>296,881</u>	<u>(211,955)</u>	<u>754,113</u>
Nonoperating Revenue (Expense):						
Operating grants	--	--	--	141,273	--	141,273
Interest earned	5,844	6,009	12	2,745	10	14,620
Interest expense	(50,786)	--	--	--	--	(50,786)
Gain on disposition of assets	1,297	1,296	540	5,576	--	8,709
Total Nonoperating Revenue (Expense)	<u>(43,645)</u>	<u>7,305</u>	<u>552</u>	<u>149,594</u>	<u>10</u>	<u>113,816</u>
Net Income (Loss) before Capital Contributions and Transfers	843,373	862,346	(1,072,320)	446,475	(211,945)	867,929
Capital contributions	1,196,350	290,664	345,903	--	--	1,832,917
Transfers in	193,274	12,000	723,653	18,500	163,084	1,110,511
Transfers (out)	--	(181,271)	--	--	--	(181,271)
Change in Net Position	2,232,997	983,739	(2,764)	464,975	(48,861)	3,630,086
Net Position , Beginning of Year	20,776,962	21,271,075	20,947,457	3,418,001	1,296,621	67,710,116
Restatement (See note 15)	--	516,609	--	--	--	516,609
Net Position, End of Year	<u>\$ 23,009,959</u>	<u>\$ 22,771,423</u>	<u>\$ 20,944,693</u>	<u>\$ 3,882,976</u>	<u>\$ 1,247,760</u>	<u>\$ 71,856,811</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

City of Huron
Statement of Cash Flows – Proprietary Funds
For the Year Ended December 31, 2021

	Water Fund	Sewer Fund	Airport Fund	Solidwaste Fund	Golf Fund	Total
Cash Flows from Operating Activities:						
Receipts from customers	\$ 4,830,459	\$ 1,550,911	\$ 70,092	\$ 2,343,418	\$ 319,280	\$ 9,114,160
Payments to employees for services	(591,533)	(630,016)	(229,156)	(906,798)	(196,681)	(2,554,184)
Payments to suppliers	(2,405,929)	439,931	(368,417)	(1,003,462)	(235,293)	(3,573,170)
Net Cash Provided (Used) by Operating Activities	<u>1,832,997</u>	<u>1,360,826</u>	<u>(527,481)</u>	<u>433,158</u>	<u>(112,694)</u>	<u>2,986,806</u>
Cash Flows from Non-Capital Financing Activities:						
Transfers in from other funds	193,274	12,000	723,653	18,500	163,084	1,110,511
Transfers (to) other funds	--	(181,271)	--	--	--	(181,271)
Operating grants received	--	--	--	141,273	--	141,273
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>193,274</u>	<u>(169,271)</u>	<u>723,653</u>	<u>159,773</u>	<u>163,084</u>	<u>1,070,513</u>
Cash Flows from Capital and Related Financing Activities:						
Proceeds of capital debt	--	4,950,804	--	--	--	4,950,804
Capital contributions	1,196,350	290,664	345,903	--	--	1,832,917
Proceeds from sale of capital assets	--	1,296	540	5,576	(50,400)	(42,988)
Purchase of capital assets	(191,094)	(8,006,170)	(542,627)	(90,179)	--	(8,830,070)
Debt principal paid	(289,247)	--	--	--	--	(289,247)
Debt interest paid	(53,321)	--	--	--	--	(53,321)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>662,688</u>	<u>(2,763,406)</u>	<u>(196,184)</u>	<u>(84,603)</u>	<u>(50,400)</u>	<u>(2,431,905)</u>
Cash Flows from Investing Activities:						
Cash received for interest	5,844	6,009	12	2,745	10	14,620
Net Cash Provided by Investing Activities	<u>5,844</u>	<u>6,009</u>	<u>12</u>	<u>2,745</u>	<u>10</u>	<u>14,620</u>
Net Increase (Decrease) in Cash and Cash Equivalents	2,694,803	(1,565,842)	--	511,073	--	1,640,034
Cash and Cash Equivalents, Beginning of Year	<u>2,122,740</u>	<u>3,671,039</u>	<u>--</u>	<u>1,049,689</u>	<u>--</u>	<u>6,843,468</u>
Cash and Cash Equivalents, End of Year	<u>\$ 4,817,543</u>	<u>\$ 2,105,197</u>	<u>\$ --</u>	<u>\$ 1,560,762</u>	<u>\$ --</u>	<u>\$ 8,483,502</u>
Reconciliation of Operating Income (Loss) to Net Cash Flows Provided (Used) by Operating Activities:						
Operating Income (Loss)	\$ 887,018	\$ 855,041	\$ (1,072,872)	\$ 296,881	\$ (211,955)	\$ 754,113
Adjustments to reconcile operating (loss) to net cash provided (used) by operating activities:						
Depreciation	984,886	1,074,359	809,550	251,905	105,740	3,226,440
Changes in Assets and Liabilities:						
Receivables	91,887	(1,440,495)	12,185	(12,877)	402	(1,348,898)
Due from other governments	--	--	(265,384)	--	--	(265,384)
Customer deposits	11,120	--	--	--	--	11,120
Inventories	(63,219)	--	2,762	(35,848)	(1,213)	(97,518)
Net pension asset/liability	(79,206)	508	(15,427)	(69,489)	(6,272)	(169,886)
Accounts and other payables	139	871,040	62	96	2,547	873,884
Accrued leave, Accrued landfill closure and postclosure costs, and OPEB payable	372	373	1,643	2,490	(1,943)	2,935
Cash Flows Provided (Used) by Operating Activities	<u>\$ 1,832,997</u>	<u>\$ 1,360,826</u>	<u>\$ (527,481)</u>	<u>\$ 433,158</u>	<u>\$ (112,694)</u>	<u>\$ 2,986,806</u>
Reconciliation of Cash and Cash Equivalents						
Cash and cash equivalents	\$ 4,452,405	\$ 2,105,197	\$ --	\$ 1,560,762	\$ --	\$ 8,118,364
Restricted cash and cash equivalents	365,138	--	--	--	--	365,138
	<u>\$ 4,817,543</u>	<u>\$ 2,105,197</u>	<u>\$ --</u>	<u>\$ 1,560,762</u>	<u>\$ --</u>	<u>\$ 8,483,502</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

City of Huron
Notes to Financial Statements
December 31, 2021

1. Summary of Significant Accounting Policies:

a. Financial Reporting Entity:

The Municipality of Huron, South Dakota, was incorporated under the laws of the State of South Dakota on February 1, 1881. The municipality operates under a commission form of government and provides the following services as authorized by its charter: public safety (police and fire), public works (water, sewer, airport and solid waste), highways and streets, health, culture and recreation, public improvements, planning and zoning and general administrative services.

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

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

The Housing and Redevelopment Commission of the Municipality of Huron, South Dakota (Commission) is a proprietary fund-type, discretely-presented component unit. The five members of the Commission are appointed by the Mayor, with the approval of the City Commission, for five-year, staggered terms. The Commission elects its own chairperson and recruits and employs its own management personnel and other workers. The City Commission, though, retains the statutory authority to approve or deny or otherwise modify the Commission's plans to construct low-income housing units, or to issue debt, which gives the City Commission the ability to impose its will on the Commission. Separately issued financial statements of the Housing and Redevelopment Commission may be obtained from: Board of Commissioners, Huron Housing and Redevelopment Authority, Huron, SD 57350.

b. Basis of Presentation:

Government-Wide Financial Statements:

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

1. Summary of Significant Accounting Policies: (Continued)

Discretely presented component units are legally separate organizations that meet certain criteria, as described in note 1.a., above, and may be classified as either governmental or business-type activities. See the discussion of individual component units in Note 1.a. above.

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

Fund Financial Statements:

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

1. Total assets, liabilities, revenues or expenditures/expenses of the individual governmental or enterprise fund are at least 10% 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% of the corresponding total for all governmental and enterprise funds combined, or
3. Management has elected to classify one or more governmental or enterprises funds as major for consistency in reporting from year to year, or because of public interest in the fund's operations.

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

Governmental Funds:

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

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.

City of Huron
Notes to Financial Statements
December 31, 2021

1. Summary of Significant Accounting Policies: (Continued)

Additional Sales Tax Fund: The Special Sales Tax Fund is used to account for an additional one percent sales tax which may be used for debt retirement, capital improvements, land acquisition, vehicles and equipment, and emergency response equipment, passed by ordinance in 2003.

CARES COVID-19 Fund – Covid-19 Fund is used to account for the funds received through the grants received in 2020 for Public Safety and the Beadle County Unified Task Force expenses.

The remaining Special Revenue funds are not considered major funds: Park, Softball Development, Community Gardens, Central Park Operations, BBB Tax, Community Campus, E911, Huron Event Center, TIF #3, TIF #4, Library-Smogard Estate, Library Endowment, Florence Grant Estate, Bowe/Lampert Estate, Library Trustee Memorial, Payment in Lieu of Taxes, Community Bike Program, Pop Machine Money, Janette Lust Estate, Norma Gilbert Charitable, DARE, City Cafeteria Fund, Park and Rec SP Projects, Soccer, Ravine Park Trust, Dakota Learners, BID Tax, and Huron Get Fit. These funds are reported on the fund financial statements as “Other Governmental Funds.”

Debt Service Funds – Debt service funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

2012 Curb/Gutter/Street, Sales Tax Bonds, and TIF #5 – to account for property taxes which may be used only for the payment of the debt principal, interest, and related costs. These are not major funds.

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 payable “solely” from the revenues of the activity.)
- b. Laws or regulation 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.

City of Huron
Notes to Financial Statements
December 31, 2021

1. Summary of Significant Accounting Policies: (Continued)

- 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.

Solid Waste Fund – Financed primarily by user charges, this fund accounts for the operation of the related facilities of the restricted use site. This is a major fund.

Golf Fund – Financed by user charges, this fund accounts for operation of the City golf course. This is a major fund.

Airport Fund – Financed by federal grants, state grants, transfers-in from General Fund and user fees, this fund accounts for operation of the City airport. 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, business-type activities and component units are presented using the economic resources measurement focus, applied on the accrual basis of accounting.

Fund Financial Statements – In the fund financial statements, the “current financial resources” measurement focus, and the modified accrual basis of accounting are applied to governmental fund types, while the “economic resources” measurement focus and the accrual basis of accounting are applied to the proprietary and fiduciary fund types.

Basis of Accounting:

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

City of Huron
Notes to Financial Statements
December 31, 2021

1. Summary of Significant Accounting Policies: (Continued)

Fund Financial Statements – All governmental fund types 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 for the City of Huron is 30 days. The revenues which are accrued at December 31, 2021 are sales tax, real estate taxes, state shared revenues, and miscellaneous other revenues.

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 revenues 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 debt which are recognized when due.

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

d. 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:

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

City of Huron
Notes to Financial Statements
December 31, 2021

1. Summary of Significant Accounting Policies: (Continued)

f. Capital Assets:

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

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 government-wide or fund financial statements.

Government-Wide Statements:

Capital assets are recorded at historical cost or estimated cost where actual historical cost could not be determined. Donated capital assets are valued at their estimated fair 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.

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

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the government-wide Statement of Activities, with net capital assets reflected in the Statement of Net Position. Accumulated depreciation is reported on the government-wide Statement of Net Position and on the 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 financial statements and proprietary funds are as follows:

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Land	All	-- *	--
Buildings	\$ 50,000	straight-line	40-99 years
Improvements other than buildings	50,000	straight-line	10-50 years
Machinery and equipment	10,000-25000	straight-line	3-25 years

*Land is an inexhaustible capital asset and is not depreciated.

1. Summary of Significant Accounting Policies: (Continued)

Fund Financial Statements:

In the fund financial statements, capital assets used in governmental fund operations are accounted for as 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 financial statements.

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 financial statements. The long-term liabilities primarily consist of compensated absences and revenue bonds.

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 financial statements.

h. Program Revenues:

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

1. Charges for services – These arise from charges to customers, applicants, or others who purchase, use, or directly benefit from the goods, services, or privileges provided, or are otherwise directly affected by the services.
2. Program-specific operating grants and contributions – These arise from mandatory and voluntary non-exchange transactions with other governments, 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.

1. Summary of Significant Accounting Policies: (Continued)

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 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 or expenses.

k. Cash and Cash Equivalents:

The City 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 Financial Statements:

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

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

City of Huron
Notes to Financial Statements
December 31, 2021

1. Summary of Significant Accounting Policies: (Continued)

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 City’s policy to first use restricted net position, prior to the use of unrestricted net position, when an expense is incurred for purposes for which both restricted and unrestricted net positions 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 City classifies governmental fund balances as follows:

1. Nonspendable – Includes fund balance amounts that cannot be spent either because they are not in spendable form or because of legal or contractual constraints.
2. Restricted – Includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.
3. Assigned – Includes fund balance amounts that are intended to be used for specific purposes that are not considered restricted. Fund Balance may be assigned by the Finance Officer.
4. Unassigned – Includes positive fund balances within the General Fund which has not been classified within the above-mentioned categories and negative fund balances in other governmental funds.

The Nonspendable Fund Balance is comprised of the following:

- Amount reported in non-spendable form such as inventory.

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

Fund Balance Type	Amount	Action
2 nd Penny Fund	\$1,811,160	City Ordinance

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

Additional Sales Tax Fund – Accounts for the collections of the second cent of City sales tax and the uses of these funds for capital improvement projects (and other related costs) and debt service.

City of Huron
Notes to Financial Statements
December 31, 2021

1. Summary of Significant Accounting Policies: (Continued)

COVID-19 Fund – Accounts for the funds received through grants in 2020 for Public Safety and the Beadle County Unified Task Force expenses.

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

The City 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. Deposits and Investments, Credit Risk, Concentrations of Credit Risk, and Interest Rate Risk:

The City follows the practice of aggregating the cash assets of various funds to maximize cash management efficiency and returns. Various restrictions on deposits and investments are imposed by statutes. These restrictions are summarized below:

Deposits:

The City's cash deposits are made in qualified public depositories as defined by SDCL 4-6A-1, 9-22-6, 9-22-6.1, and 9-22-6.2, and may be in the form of demand or time deposits. Qualified depositories are required by SDCL 4-6A-3 to maintain at all times, segregated from their other assets, eligible collateral having a value equal to at least 100% 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, SDLC 4-5-6 permits City 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-

City of Huron
Notes to Financial Statements
December 31, 2021

2. Deposits and Investments, Credit Risk, Concentrations of Credit Risk, and Interest Rate Risk: (Continued)

end, no load fund administered by an investment company whose investments are in securities described in a. above and repurchase agreements described in b. above.

Also, SDCL 4-5-9 requires investments to be in the physical custody of the political subdivision or may be deposited in a safekeeping account with any bank or trust company designated by the political subdivision as its fiscal agent.

As of December 31, 2021 the City did not have any investments.

Credit Risk:

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

Custodial Credit Risk – Deposits:

The risk that, in the event of a depository failure, the City’s deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. As of December 31, 2021, the City’s deposits in financial institutions were not exposed to custodial credit risk.

Interest-rate Risk:

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

Concentration of Credit Risk:

The City places no limit on the amount that may be invested in any one issuer.

Assignment of Investment Income:

State law allows income from deposits and investments to be credited to either the General Fund or the fund making the investment. The City’s policy is to credit all income from investments to the fund making the investment.

3. Restricted Cash and Investments:

Assets restricted to use for a specific purpose through segregation of balances in separate accounts are as follows:

<u>Amount</u>	<u>Purpose</u>
\$ 365,138	Customer deposits

City of Huron
Notes to Financial Statements
December 31, 2021

4. Receivables and Payables:

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

December 31, 2021	Water	Sewer	Solid Waste
Gross Receivables	\$ 283,246	\$ 1,693,771	\$ 235,886
Less Allowance for Uncollectible	9,789	7,414	4,543
Net Receivables	\$ 273,457	\$ 1,686,357	\$ 231,343

5. Restricted Net Position:

Restricted Net Position for the year ended December 31, 2021 was as follows:

Restricted for:	
TIF	\$ 533,728
E911	14,460
3rd Penny	388,819
Dakota Learners	3,765
BID Assessment	247,801
Debt Services (Component Unit)	588,949
SDRS Pension Purposes	932,891
Total Restricted Net Position	\$ 2,710,413

These balances are restricted due to federal grant, debt covenants and statutory requirements.

6. Inventory:

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

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

Government-Wide Financial Statements:

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

City of Huron
Notes to Financial Statements
December 31, 2021

6. Inventory: (Continued)

Fund Financial Statements:

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

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

City of Huron
Notes to Financial Statements
December 31, 2021

8. Changes in Capital Assets:

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

	<u>Balance</u> <u>1/01/21</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>12/31/21</u>
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 3,198,899	\$ --	\$ (38,125)	\$ 3,160,774
Construction in progress	652,763	1,691,958	(2,239,665)	105,056
Total, not being depreciated	<u>3,851,662</u>	<u>1,691,958</u>	<u>(2,277,790)</u>	<u>3,265,830</u>
Capital assets, being depreciated:				
Buildings	25,438,326	--	--	25,438,326
Improvements other than buildings	64,074,272	3,622,583	--	67,696,855
Machinery and equipment	18,780,759	983,388	(241,376)	19,522,771
Total, being depreciated	<u>108,293,357</u>	<u>4,605,971</u>	<u>(241,376)</u>	<u>112,657,952</u>
Less accumulated depreciation for:				
Buildings	9,647,069	441,859	--	10,088,928
Improvements other than buildings	45,411,138	1,507,573	--	46,918,711
Machinery and equipment	8,340,662	1,065,811	(237,825)	9,168,648
Total accumulated depreciation	<u>63,398,869</u>	<u>3,015,243</u>	<u>(237,825)</u>	<u>66,176,287</u>
Governmental Activity				
Capital Assets, Net	<u>\$ 48,746,150</u>	<u>\$ 3,282,686</u>	<u>\$ (2,281,341)</u>	<u>\$ 49,747,495</u>

Depreciation expense was charged to functions as follows:

General government	\$ 443,207
Public safety	1,481,826
Public works	207,726
Culture and recreation	882,484
Total Depreciation Expense	
Governmental Activities	<u>\$ 3,015,243</u>

City of Huron
Notes to Financial Statements
December 31, 2021

8. Changes in Capital Assets: (Continued)

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

	<u>Balance</u> <u>1/01/21</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>12/31/2021</u>
Business-Type Activities:				
Capital assets, not being depreciated:				
Land	\$ 2,969,348	\$ --	\$ --	\$ 2,969,348
Construction in progress	879,098	8,929,681	(851,319)	8,957,460
Total, not being depreciated	<u>3,848,446</u>	<u>8,929,681</u>	<u>(851,319)</u>	<u>11,926,808</u>
Capital assets, being depreciated:				
Buildings	19,220,760	98,598	(60,000)	19,259,358
Improvements other than buildings	77,632,405	851,319	(22,149)	78,461,575
Machinery and equipment	8,208,659	370,098	(144,582)	8,434,175
Total, being depreciated	<u>105,061,824</u>	<u>1,320,015</u>	<u>(226,731)</u>	<u>106,155,108</u>
Less accumulated depreciation for:				
Buildings	8,592,874	350,631	(60,000)	8,883,505
Improvements other than buildings	32,457,657	2,367,810	(22,149)	34,803,318
Machinery and equipment	6,405,031	507,999	(144,582)	6,768,448
Total accumulated depreciation	<u>47,455,562</u>	<u>3,226,440</u>	<u>(226,731)</u>	<u>50,455,271</u>
Business-Type Activities				
Capital Assets, Net	<u>\$ 61,454,708</u>	<u>\$ 7,023,256</u>	<u>\$ (851,319)</u>	<u>\$ 67,626,645</u>

Depreciation expense was charged to functions as follows:

Water	\$ 984,886
Sewer	1,074,359
Airport	809,550
Golf	105,740
Solidwaste	<u>251,905</u>
Total Depreciation Expense	
Business-Type Activities	<u>\$ 3,226,440</u>

City of Huron
Notes to Financial Statements
December 31, 2021

8. Changes in Capital Assets: (Continued)

Construction work in progress at December 31, 2021 is composed of the following:

<u>Project Name</u>	<u>Expended thru 12/31/2021</u>
3rd Street Bridge Preservation	\$ 24,015
2021 Dispatch Work Station	81,041
Vantage Park Sanitary Sewer Project	1,320,162
SBR Wastewater Plant Project	7,204,848
Fuel Farm Relocation Project	107,577
Airport Project	324,873
	<u>\$ 9,062,516</u>

9. Changes in Component Unit Capital Assets

Construction work in progress at December 31, 2021 is composed of the following:

	<u>Balance 1/01/21</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 12/31/2021</u>
Capital assets, not being depreciated:				
Land	\$ 594,578	\$ --	\$ --	\$ 594,578
Total, not being depreciated	<u>594,578</u>	<u>--</u>	<u>--</u>	<u>594,578</u>
Capital assets, being depreciated:				
Buildings & Improvements	9,873,054	50,831	--	9,923,885
Machinery and equipment	563,780	17,062	--	580,842
Total, being depreciated	<u>10,436,834</u>	<u>67,893</u>	<u>--</u>	<u>10,504,727</u>
Less accumulated depreciation	<u>4,936,072</u>	<u>280,651</u>	<u>--</u>	<u>5,216,723</u>
Capital Assets, Net	<u>\$ 6,095,340</u>	<u>\$ (212,758)</u>	<u>\$ --</u>	<u>\$ 5,882,582</u>

City of Huron
Notes to Financial Statements
December 31, 2021

10. Long-Term Liabilities:

A summary of changes in long-term liabilities follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Primary Government					
Governmental Activities:					
Bonds Payable:					
Revenue	\$ 3,042,705	\$ --	\$ (1,776,695)	\$ 1,266,010	\$ 440,000
Total Debt	3,042,705	--	(1,776,695)	1,266,010	440,000
Accrued Compensated Absences	540,031	322,737	(294,559)	568,209	--
Total Governmental Activities	<u>\$ 3,582,736</u>	<u>\$ 322,737</u>	<u>\$ (2,071,254)</u>	<u>\$ 1,834,219</u>	<u>\$ 440,000</u>
Business-type Activities:					
Bonds Payable:					
Revenue	\$ 1,659,911	\$ 4,950,805	\$ (289,247)	\$ 6,321,469	\$ 299,331
Total Debt	1,659,911	4,950,805	(289,247)	6,321,469	299,331
Accrued Compensated Absences	185,236	119,936	(124,706)	180,466	--
Total Business Type Activities	<u>\$ 1,845,147</u>	<u>\$ 5,070,741</u>	<u>\$ (413,953)</u>	<u>\$ 6,501,935</u>	<u>\$ 299,331</u>
Component Unit:					
Long-term debt	\$ 5,343,246	\$ --	\$ (256,273)	\$ 5,086,973	\$ 302,050
Total Debt	<u>\$ 5,343,246</u>	<u>\$ --</u>	<u>\$ (256,273)</u>	<u>\$ 5,086,973</u>	<u>\$ 302,050</u>

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

Revenue Bonds:

Series 2014 Refunding Bonds

In June 2014, the municipality authorized the issuance of refunded bonds in the amount of \$7,060,000 sales tax revenue bonds for the Huron Event Center and Splash Central/Central Park. These bonds carry an interest rate of 3.1% the repayment period begins in June 2014 for 17 years ending in 2031.

\$ 1,266,010

Subtotal Governmental Revenue Bonds

1,266,010

City of Huron
Notes to Financial Statements
December 31, 2021

10. Long-Term Liabilities: (Continued)

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

Series 2002 SRF	In September 2002, the municipality obtained funding in the amount of \$4,000,000.00 through the South Dakota Revolving Loan Fund for the upgrade of the water treatment system. This loan carries a fixed interest rate of 3.5 percent. The repayment period of 20 years began July 1, 2004 with quarterly payments due every January, April, July and October 1.	678,005
Series 2010 SRF	In February 2010, the municipality obtained funding in the amount of \$383,683 through the South Dakota Revolving Loan Fund for the upgrade of the water treatment system. This loan carries a fixed interest rate of 3 percent. The repayment period of 20 years began July 1, 2011 with quarterly payments due every January, April, July and October 1.	210,777
Series 2012 SRF	In December 2012, the municipality obtained funding in the amount of \$592,073 thru the South Dakota Revolving Loan Fund for construction of a water tower. This loan carries a fixed interest rate of 3.250%. The repayment period of 30 years begins January 15, 2015 with quarterly payments due every January, April, July and October 15.	481,882
Series 2021 Clean Water	2.125%; Terms are for quarterly of 168,760, matures January 15, 2053. Total issuance is \$14,946,000	<u>4,950,805</u>
	Subtotal Business-type Revenue Bonds	<u>6,321,469</u>
Compensated Absences:	The liability for compensated absences represents leave benefits earned as of December 31, 2021. The compensated absences in the Governmental Activities are currently paid from the General Fund and Park Fund. The compensated absences in the Business-Type Activities are currently paid from the Water Fund, Sewer Fund, Airport Fund, Sanitation Fund, Corn Palace Fund, Golf Course Fund, and EMS Fund.	<u>748,675</u>
Grand Total		<u><u>\$ 8,336,154</u></u>

City of Huron
Notes to Financial Statements
December 31, 2021

10. Long-Term Liabilities: (Continued)

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

Years Ending December 31,	Revenue	
	Principal	Interest
2022	\$ 739,331	\$ 121,217
2023	1,034,270	1,021,540
2024	914,809	382,289
2025	412,405	362,185
2026	421,583	346,792
2027-2031	2,239,143	1,489,073
2032-2036	1,637,152	840,265
2037-2041	130,758	18,413
2042-2043	58,028	1,607
Totals	\$ 7,587,479	\$ 4,583,381

City of Huron
Notes to Financial Statements
December 31, 2021

11. Interfund Transfers:

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

Fund	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 2,905,688	\$ 3,353,072
Park and Recreation	1,076,322	1,020
Community Gardens	--	8,692
Splash Central/Central Park	375,438	--
3rd Penny	--	52,500
Huron Community Campus	261,629	--
Dispatch	304,542	--
Huron Event Center	199,229	--
2nd Penny	--	3,838,452
Debt Service	1,872,806	--
Capital Projects 3rd Street	957,784	--
Water	193,274	--
Sewer	12,000	181,271
Airport	723,653	--
Golf	163,084	--
Solidwaste	18,500	--
Smogar Estate	--	5,720
Library Trust	5,720	--
COVID 2020	--	1,632,249
Get Fit	3,307	--
	<u>\$ 9,072,976</u>	<u>\$ 9,072,976</u>

The above transfers were made as budgeted spending transfers to subsidized operation of the various funds, for capital purchase, and to credit interest earned from various funds to the general fund.

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

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

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

- Baseline actuarial accrued liabilities will be calculated assuming the COLA is equal to the long-term inflation assumption of 2.25%.

City of Huron
Notes to Financial Statements
December 31, 2021

12. Pension Plan: (Continued)

- 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. State statute also requires the employer contribute an amount equal to the employee's contribution. The City's share of contributions to the SDRS for the fiscal years ended December 31, 2021, 2019, and 2018, equal to the required contributions each year, were as follows:

2021	\$	491,974
2020	\$	486,640
2019	\$	487,163

Pension Liabilities (Assets), Pension Expense, 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 share of the components of the net pension asset of the South Dakota Retirement System, for the City as of the measurement period ending June 30, 2021 and reported by the City as of December 31, 2021 are as follows:

Proportionate share of pension liability	\$ 50,262,125
Less proportionate share of net pension restricted for pension benefits	<u>53,038,063</u>
Proportionate share of net pension (asset)	<u><u>\$ (2,775,938)</u></u>

At December 31, 2021, the City reported an asset of \$(2,775,938) for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2021 and the total pension asset used to calculate the net pension asset was based on a projection of the City's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2021, the City's proportion was 0.36247500%, which is a decrease of -0.0074692% from its proportion measured as of June 30, 2020.

City of Huron
Notes to Financial Statements
December 31, 2021

12. Pension Plan: (Continued)

For the year ended December 31, 2021, the City recognized a reduction of pension expense of \$(693,554). At December 31, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 99,663	\$ 7,278
Changes in assumption	3,192,301	1,390,150
Net Difference between projected and actual earnings on pension plan investments	--	3,965,483
Changes in proportion and difference between City contributions and proportionate share of contributions	18,706	31,607
City contributions subsequent to the measurement date	240,801	--
	<u>\$ 3,551,471</u>	<u>\$ 5,394,518</u>

\$240,801 reported as deferred outflow of resources related to pensions resulting from City 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	\$ (516,819)
2023	(354,988)
2024	(96,455)
2025	(1,115,586)
2026	--
	<u>\$ (2,083,848)</u>

Actuarial Assumptions:

The total pension 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%
Salary increases	Graded by years of service, 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%

City of Huron
Notes to Financial Statements
December 31, 2021

12. Pension Plan: (Continued)

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

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

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

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

Discount Rate:

The discount rate used to measure the total pension 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 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 (asset).

City of Huron
Notes to Financial Statements
December 31, 2021

12. Pension Plan: (Continued)

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

The following presents the City's proportionate share of net pension (asset) calculated using the discount rate of 6.50%, as well as what the City'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>
City's proportionate share of the net pension (asset)	\$ 4,494,934	\$ (2,775,938)	\$ (8,678,194)

Pension Plan Fiduciary Net Position:

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

13. Risk Management:

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

Employee Health Insurance:

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

Liability Insurance:

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

General liability, vehicles and equipment

13. Risk Management: (Continued)

Effective October 5, 2021, the SDPAA adopted a new policy on member departures. Departing members will no longer be eligible for any partial refund of the calculated portion of their contributions which was previously allowed. The prior policy provided the departing member with such a partial refund because the departing member took sole responsibility for all claims and claims expenses whether reported or unreported at the time of their departure from the SDPAA. With such partial refund being no longer available, the SDPAA will now assume responsibility for all reported claims of a departing member pursuant to the revised IGC.

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

The City's deductibles range from \$1,000-\$5,000 and a \$10,000 deductible for larger equipment.

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

Workers' Compensation:

The City joined the South Dakota Municipal League Workers' Compensation Fund (Fund), a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The objective of the Fund is to formulate, develop, and administer, on behalf of the member organizations, a program of workers' compensation coverage, to obtain lower costs for that coverage, and to develop a comprehensive loss control program. The City's responsibility is to initiate and maintain a safety program to give its employees safe and sanitary working conditions and to promptly report to and cooperate with the Fund to resolve any workers' compensation claims. The City pays an annual premium to provide workers' compensation coverage for its employees, under a self-funded program and the premiums are accrued based on the ultimate cost of the experience to date of the Fund members. Coverage limits are set by state statute. The pool pays the first \$650,000 of any claim per individual. The pool has reinsurance which covers up to statutory limits in addition to a separate combined employer liability limit of \$2,000,000 per incident.

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

Unemployment Benefits:

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

City of Huron
Notes to Financial Statements
December 31, 2021

14. Significant Contingencies – Litigation:

At December 31, 2021, the City was involved in several lawsuits. No determination can be made at this time regarding the potential outcome of these lawsuits. However, as discussed in the Risk Management note, the City has liability coverage for itself and its employees with the South Dakota Public Assurance Alliance. Therefore, no material effects are anticipated to the City as a result of the potential outcome of these lawsuits.

15. Restatement and Change in Accounting Estimate:

<u>Governmental - General Fund</u>	
Change in Accounting Estimate - See Note 13	\$ (478,051)
Elimination of Deposit due to change in SDPAA policy	
<u>Business-type Activities - Sewer Fund</u>	
Net Position - December 31, 2020 as previously reported	\$ 21,271,075
Restatement to capitalize Construction in Progress	<u>516,609</u>
Net Position -December 31, 2020 as restated	<u>\$ 21,787,684</u>

Required Supplemental Information

City of Huron
 Budgetary Comparison Schedule – General Fund
 For the Year Ended December 31, 2021

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
310 Taxes:				
311 General Property Taxes	\$ 5,485,557	\$ 5,485,557	\$ 5,445,727	\$ (39,830)
313 General Sales and Use Taxes	3,500,000	3,500,000	3,982,844	482,844
314 Gross Receipts Business Taxes	80,250	80,250	81,770	1,520
315 Amusement Taxes	800	800	--	(800)
318 Tax Deed Revenue	100	100	--	(100)
319 Penalties and Interest on Delinquent Taxes	15,000	15,000	15,480	480
320 Licenses and Permits	253,750	253,750	261,962	8,212
330 Intergovernmental Revenue:				
331 Federal Grants	--	--	74,097	74,097
334 State Grants	387,750	387,750	40,000	(347,750)
334.02 Surface Transportation Program	458,000	458,000	523,113	65,113
335 State Shared Revenue:				
335.01 Bank Franchise Tax	50,000	50,000	53,600	3,600
335.03 Liquor Tax Reversion	85,000	85,000	121,561	36,561
335.04 Motor Vehicle Licenses (5%)	115,000	115,000	115,961	961
335.06 Fire Insurance Premiums Reversion	42,000	42,000	43,870	1,870
335.08 Local Government Highway and Bridge Fund	400,000	400,000	394,078	(5,922)
338 County Shared Revenue:				
338.01 County Road Tax (25%)	30,000	30,000	31,931	1,931
339 County Payments in Lieu of Taxes	7,500	7,500	7,138	(362)
340 Charges for Goods and Services:				
341 General Government	8,100	8,100	11,480	3,380
342 Public Safety	123,900	123,900	8,287	(115,613)
343 Highways and Streets	13,500	13,500	18,567	5,067
345 Health	6,000	6,000	9,295	3,295
346 Culture and Recreation	15,000	15,000	8,818	(6,182)
349 Other	70,000	70,000	12,612	(57,388)
350 Fines and Forfeits:				
351 Court Fines and Costs	750	750	1,231	481
360 Miscellaneous Revenue:				
361 Investment Earnings	35,000	35,000	8,406	(26,594)
362 Rentals	49,000	49,000	127,852	78,852
369 Other	10,000	10,000	--	(10,000)
Total Revenue	\$ 11,241,957	\$ 11,241,957	\$ 11,399,680	\$ 157,723

The accompanying Notes to Required Supplementary Information are an integral part of this statement.

City of Huron
 Budgetary Comparison Schedule – General Fund
 For the Year Ended December 31, 2021 (Continued)

Expenditures:				
410 General Government:				
411 Legislative	\$ 386,741	\$ 417,079	\$ 396,204	\$ 20,875
414 Financial Administration	741,206	821,817	851,848	(30,031)
419 Other	1,312,949	1,329,123	1,218,642	110,481
Total General Government	2,440,896	2,568,019	2,466,694	101,325
420 Public Safety:				
421 Police	2,452,721	2,452,721	2,318,678	134,043
422 Fire	920,063	1,408,473	1,405,108	3,365
429 Other Protection	127,031	193,070	191,706	1,364
Total Public Safety	3,499,815	4,054,264	3,915,492	138,772
430 Public Works:				
431 Highways and Streets	3,432,272	3,641,748	3,627,016	14,732
Total Public Works	3,432,272	3,641,748	3,627,016	14,732
450 Culture and Recreation:				
452 Parks	517,000	517,000	267,944	249,056
455 Libraries	959,280	959,280	882,115	77,165
Total Culture and Recreation	1,476,280	1,476,280	1,150,059	326,221
460 Conservation and Development:				
465 Economic Development and Assistance (Industrial Development)	231,000	231,000	231,000	--
Total Conservation and Development	<u>231,000</u>	<u>231,000</u>	<u>231,000</u>	<u>--</u>
Total Expenditures	<u>11,080,263</u>	<u>11,971,311</u>	<u>11,390,261</u>	<u>581,050</u>
Excess of Revenue Over (Under)				
Expenditures	161,694	(729,354)	9,419	738,773
Other Financing Sources (Uses):				
391.01 Transfers In	2,048,009	2,048,009	2,905,688	857,679
511 Transfers Out (Enter as negative)	(2,282,315)	(2,282,315)	(3,353,072)	(1,070,757)
391.03 Sale of Municipal Property	--	--	161,443	161,443
Total Other Financing Sources (Uses)	<u>(234,306)</u>	<u>(234,306)</u>	<u>(285,941)</u>	<u>(51,635)</u>
Net Change in Fund Balances	<u>(72,612)</u>	<u>(963,660)</u>	<u>(276,522)</u>	<u>687,138</u>
Fund Balance - Beginning	5,084,365	5,084,365	5,084,365	--
Adjustments:				
Change in accounting estimate	<u>--</u>	<u>--</u>	<u>(478,051)</u>	<u>(478,051)</u>
Adjusted Fund Balance - Beginning	<u>5,084,365</u>	<u>5,084,365</u>	<u>4,606,314</u>	<u>(478,051)</u>
Fund Balance - Ending	<u>\$ 5,011,753</u>	<u>\$ 4,120,705</u>	<u>\$ 4,329,792</u>	<u>\$ 209,087</u>

The accompanying Notes to Required Supplementary Information are an integral part of this statement.

City of Huron
 Budgetary Comparison Schedule – Additional Sales Tax
 For the Year Ended December 31, 2021

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
310 Taxes:				
313 General Sales and Use Taxes	\$ 3,500,000	\$ 3,500,000	\$ 3,982,844	\$ 482,844
360 Miscellaneous Revenue:				
361 Investment Earnings	<u>40,000</u>	<u>40,000</u>	<u>9,085</u>	<u>(30,915)</u>
Total Revenue	<u>3,540,000</u>	<u>3,540,000</u>	<u>3,991,929</u>	<u>451,929</u>
Other Financing Sources (Uses):				
511 Transfers Out (Enter as negative)	<u>(3,517,414)</u>	<u>(3,517,414)</u>	<u>(3,838,452)</u>	<u>(321,038)</u>
Total Other Financing Sources (Uses)	<u>(3,517,414)</u>	<u>(3,517,414)</u>	<u>(3,838,452)</u>	<u>(321,038)</u>
Net Change in Fund Balances	22,586	22,586	153,477	130,891
Fund Balance - Beginning	<u>2,182,683</u>	<u>2,182,683</u>	<u>2,182,683</u>	<u>--</u>
Fund Balance- Ending	<u>\$ 2,205,269</u>	<u>\$ 2,205,269</u>	<u>\$ 2,336,160</u>	<u>\$ 130,891</u>

The accompanying Notes to Required Supplementary Information are an integral part of this statement.

City of Huron
Notes to the Required Supplemental Information
December 31, 2021

1. Budgets and Budgetary Accounting:

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

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% of the total city 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. Unexpended appropriations lapse at year-end unless encumbered by resolution of the governing board.
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).
8. GAAP/Budgetary Accounting Basis Differences:

The financial statements prepared in conformity with USGAAP applied within the context of the modified cash basis of accounting present capital outlay expenditure information in a separate category of expenditures. Under the budgetary basis of accounting, capital outlay expenditures are reported within the function to which they relate. For example, the purchase of a new fire truck would be reported as a capital outlay expenditure on the Governmental Funds Statement of 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.

City of Huron
Schedule of the Municipality's Proportionate Share of the Net Pension Liability (Asset) (SDRS)
December 31, 2021

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
City's proportion of the net pension liability (asset)	0.3624750%	0.3699442%	0.3755122%	0.3563720%	0.3820293%	0.3808731%	0.37967930%	0.38306980%
City's proportionate share of net pension liability (asset)	\$ (2,775,938)	\$ (16,066)	\$ (39,794)	\$ (8,311)	\$ (34,670)	\$ 1,286,552	\$ (1,610,328)	\$ (2,759,861)
City's covered-employee payroll	\$ 7,516,508	\$ 7,411,271	\$ 7,281,981	\$ 6,754,831	\$ 7,061,709	\$ 6,581,182	\$ 6,301,692	\$ 6,162,569
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	36.93%	0.22%	0.55%	0.12%	0.49%	19.55%	25.55%	44.78%
Plan fiduciary net position as a percentage of the total pension liability (asset)	105.52%	100.04%	100.09%	100.02%	100.10%	96.89%	104.10%	107.30%

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

The accompanying Notes to Required Supplementary Information are an integral part of this statement.

City of Huron
Schedule of the Municipality's Contributions (SDRS)
Year Ended December 31, 2021

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 491,974	\$ 486,640	\$ 487,163	\$ 460,561	\$ 444,772	\$ 443,984	\$ 440,748	\$ 408,434
Contributions in relation to the contractually required contribution	<u>491,974</u>	<u>486,640</u>	<u>487,163</u>	<u>460,561</u>	<u>444,772</u>	<u>443,984</u>	<u>440,748</u>	<u>408,434</u>
Contribution deficiency (excess)	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
City's covered-employee payroll	\$ 7,504,697	\$ 7,386,955	\$ 7,411,918	\$ 7,016,671	\$ 6,743,131	\$ 6,727,853	\$ 6,692,422	\$ 6,162,569
Contributions as a percentage of covered-employee payroll	6.56%	6.59%	6.57%	6.56%	6.60%	6.60%	6.59%	6.63%

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

The accompanying Notes to Required Supplementary Information are an integral part of this statement.

City of Huron

Notes to Required Supplementary Information

Schedule of 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 one plan provision change are reflected and described below.

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

Benefit Provision Changes

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

Actuarial Assumption Changes

The SDRS COLA equals the percentage increase in the most recent third calendar quarter CPI-W over the prior year, no less than 0% (0.5% 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.

Supplemental Information

City of Huron
 Schedule of Expenditures of Federal Awards
 Year Ended December 31, 2021

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures
US Department of Housing and Urban Development			
Pass-Through the SD Governors's Office of Economic Development Community Development Block Grant	14.228		<u>\$ 254,044</u>
US Department of Transportation			
Pass-Through the SD Department of Transportation			
Airport Improvement Program	20.106		292,646
Airport Improvement Program - Covid 19	20.106		30,000
Highway Safety Cluster			
State and Community Highway Safety	20.600		<u>24,044</u>
Total US Department of Transportation			<u>346,690</u>
US Department of Education			
Pass-Through SD Department of Education			
Coronavirus Relief Fund	21.019		<u>1,196,350</u>
US General Services Administration			
Pass-Through the SD Federal Property Agency			
Donation of Federal Surplus Personal Property (see note 3)	39.003		<u>2,374</u>
United States Environmental Protection Agency			
Pass-Through the SD Department of Environmental and Natural Resources			
Capitalization Grants for Clean Water State Revolving Funds	66.458		<u>4,950,804</u>
US Department of Homeland Security			
Homeland Security Grant Program			
Disaster Grants - Public Assistance	97.036		81,511
Direct funding - Assistance to Firefighters Grant	97.067		<u>50,053</u>
Total US Department of Homeland Security			<u>131,564</u>
Grand Total			<u><u>\$ 6,881,826</u></u>

The accompanying Notes to Required Supplementary Information are an integral part of this statement.

City of Huron
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2021 (Continued)

Note 1: Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of the City 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 City, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City.

Note 2: Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual 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. The City has elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 3: Federal Surplus Property

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

Note 4: Indirect Cost Rate

The City does not draw for indirect administrative expenses and has not elected to use the 10% de minimus cost rate.