

**MUNICIPALITY OF MENNO  
MENNO, SOUTH DAKOTA**

**AUDIT REPORT**

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

*Schoenfish & Co., Inc.*

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

MUNICIPALITY OF MENNO

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MUNICIPAL OFFICIALS  
DECEMBER 31, 2022

MAYOR:

Darrell Mehlhaf

GOVERNING BOARD:

Ronald Diede – President  
Scott Simonsen – Vice-President  
George Cokens  
Jerry Fischer  
John Huber  
Jacob Mettler

FINANCE OFFICER:

Jodi Fischer

ATTORNEY:

Ken Bertsch

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

Governing Board  
Municipality of Menno  
Menno, South Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, and each major fund of the Municipality of Menno, South Dakota (Municipality), as of December 31, 2022 and December 31, 2021, and for each of the two years in the biennial period then ended and have issued our report thereon dated October 19, 2023.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Municipality's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Current Audit Findings as item 2022-001 to be a material weakness.

Compliance and Other Matters

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

opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

#### Municipality's Response to Findings

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

#### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Municipality's internal control or compliance. This report is an entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. As required by South Dakota Codified Law 4-11-11, this report is a matter of public record and its distribution is not limited.



Schoenfish & Co., Inc.  
Certified Public Accountants  
October 19, 2023

*Schoenfish & Co., Inc.*

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SCHEDULE OF PRIOR AUDIT FINDINGS

PRIOR AUDIT FINDINGS:

Internal Control – Related Finding – Material Weakness:

Finding Number 2020-001:

A material weakness in internal controls was noted due to a lack of proper segregation of duties for revenues. This comment has not been corrected and is restated as current audit finding number 2022-001.

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SCHEDULE OF CURRENT AUDIT FINDINGSCURRENT AUDIT FINDINGS:Internal Control – Related Finding – Material Weakness:Finding Number 2022-001:Condition:

A material weakness in internal controls was noted due to a lack of proper segregation of duties for revenues. This is a continuing audit comment since 2007.

Criteria:

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

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

Cause of Condition:

The Finance Officer processes all revenue transactions from beginning to end. The Finance Officer also receives money, issues receipts, records receipts, posts receipts in the accounting records, prepares bank deposits, reconciles bank statements, and prepares financial statements. A lack of proper segregation of duties existed for the revenues resulting in decreased reliability of reported financial data and increased potential for the loss of public assets.

Potential Effect of Condition:

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

Recommendation:

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

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SCHEDULE OF CURRENT AUDIT FINDINGS  
(Continued)

Client Response:

The Municipality of Menno Mayor, Darrell Mehlhaf, is the contact person responsible for the corrective action plan for this comment. This comment is due to the size of the Municipality of Menno, which precludes staffing at a level sufficient to provide an ideal environment for internal controls. We are aware of this problem and are attempting to develop policies and provide compensating controls.

CLOSING CONFERENCE

The audit findings and recommendations were discussed with the officials during the course of the audit and with the Mayor and Finance Officer on October 26, 2023.

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**INDEPENDENT AUDITOR'S REPORT**

Governing Board  
Municipality of Menno  
Menno, South Dakota

**Report on the Audit of the Financial Statements**

***Opinions***

We have audited the accompanying modified cash basis of accounting financial statements of the governmental activities, the business-type activities, and each major fund of the Municipality of Menno, South Dakota, (Municipality) as of December 31, 2022 and December 31, 2021, and for each year in the biennial period then ended, and the related notes to the financial statements, which collectively comprise the Municipality's basic financial statements as listed in the table of contents.

In our opinion, the accompanying modified cash basis of accounting financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Municipality of Menno as of December 31, 2022, and December 31, 2021, and the respective changes in financial position thereof for each of the years in the biennial period then ended in accordance with the modified cash basis of accounting described in Note 1.c. to the financial statements.

***Basis for Opinions***

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

***Emphasis of Matter***

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

***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1.c.; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is responsible for the design, implementation,

and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

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

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

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

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

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

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

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the modified cash basis of accounting financial statements that collectively comprise the Municipality's basic financial statements. The Budgetary Comparison Schedules, the Schedule of the Municipality's Proportionate Share of the Net

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

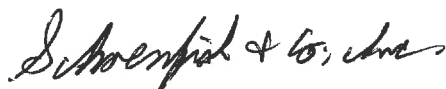
### ***Other Information***

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

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

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 19, 2023 on our consideration of the Municipality's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Municipality's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Municipality's internal control over financial reporting and compliance.



Schoenfish & Co., Inc.  
 Certified Public Accountants  
 October 19, 2023

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

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS:</b>			
Cash and Cash Equivalents	969,884.17	265,232.28	1,235,116.45
Investments	552,152.72	211,593.43	763,746.15
Restricted Assets:			
Cash and Cash Equivalents		78,432.20	78,432.20
Investments		54,057.51	54,057.51
<b>TOTAL ASSETS</b>	<b>1,522,036.89</b>	<b>609,315.42</b>	<b>2,131,352.31</b>
<b>NET POSITION:</b>			
Restricted:			
Debt Service Purposes	138,149.49	132,489.71	270,639.20
Equipment Repair and/or Replacement		170,833.43	170,833.43
Permanently Restricted Purposes:			
Expendable	20,179.86		20,179.86
Non-Expendable	50,000.00		50,000.00
Unrestricted	1,313,707.54	305,992.28	1,619,699.82
<b>TOTAL NET POSITION</b>	<b>1,522,036.89</b>	<b>609,315.42</b>	<b>2,131,352.31</b>

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

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

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
<b>Primary Government:</b>							
General Government	101,589.29	6,730.00		11,138.94	(83,720.35)		(83,720.35)
Public Safety	125,474.01	2.00			(125,472.01)		(125,472.01)
Public Works	396,762.61	63,588.18	65,856.70		(267,317.73)		(267,317.73)
Health and Welfare	20,872.83	26,252.91	51,600.00		56,980.08		56,980.08
Culture and Recreation	97,921.01	8,223.00	1,500.00		(88,198.01)		(88,198.01)
Conservation and Development	15,619.28				(15,619.28)		(15,619.28)
Debt Service	61,387.24				(61,387.24)		(61,387.24)
<b>Total Governmental Activities</b>	<b>819,626.27</b>	<b>104,796.09</b>	<b>118,956.70</b>	<b>11,138.94</b>	<b>(584,734.54)</b>		<b>(584,734.54)</b>
<b>Business-type Activities:</b>							
Water	155,740.95	127,716.08		76,345.47		48,320.60	48,320.60
Sewer	121,286.32	170,110.56		75,625.00		124,449.24	124,449.24
<b>Total Business-Type Activities</b>	<b>277,027.27</b>	<b>297,826.64</b>	<b>0.00</b>	<b>151,970.47</b>		<b>172,769.84</b>	<b>172,769.84</b>
<b>Total Primary Government</b>	<b>1,096,653.54</b>	<b>402,622.73</b>	<b>118,956.70</b>	<b>163,109.41</b>	<b>(584,734.54)</b>	<b>172,769.84</b>	<b>(411,964.70)</b>
<b>General Revenues:</b>							
Taxes:							
Property Taxes					264,989.33		264,989.33
Sales Taxes					273,915.39		273,915.39
State Shared Revenues					8,101.46		8,101.46
Grants and Contributions not Restricted to Specific Programs					21,530.78		21,530.78
Unrestricted Investment Earnings					2,984.40	1,385.56	4,369.96
Miscellaneous Revenue					378,164.06		378,164.06
Transfers					29,736.00	(29,736.00)	0.00
<b>Total General Revenues and Transfers</b>					<b>979,421.42</b>	<b>(28,350.44)</b>	<b>951,070.98</b>
Change in Net Position					394,686.88	144,419.40	539,106.28
Net Position - Beginning					1,127,350.01	464,896.02	1,592,246.03
<b>NET POSITION - ENDING</b>					<b>1,522,036.89</b>	<b>609,315.42</b>	<b>2,131,352.31</b>

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

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

	<b>General Fund</b>	<b>Cemetery Perpetual Care Fund</b>	<b>GO Bond Debt Service Fund</b>	<b>Total</b>
<b>ASSETS:</b>				
Cash and Cash Equivalents	891,862.81	1,952.86	76,068.50	969,884.17
Investments	421,844.73	68,227.00	62,080.99	552,152.72
<b>TOTAL ASSETS</b>	<b>1,313,707.54</b>	<b>70,179.86</b>	<b>138,149.49</b>	<b>1,522,036.89</b>
<b>FUND BALANCES:</b>				
Nonspendable for Cemetery Perpetual Care		50,000.00		50,000.00
Restricted for Cemetery Perpetual Care		20,179.86		20,179.86
Restricted for Debt Service			138,149.49	138,149.49
Assigned for Capital Outlay	298,187.49			298,187.49
Unassigned	1,015,520.05			1,015,520.05
<b>TOTAL FUND BALANCES</b>	<b>1,313,707.54</b>	<b>70,179.86</b>	<b>138,149.49</b>	<b>1,522,036.89</b>

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



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

	General Fund	Cemetery Perpetual Care Fund	GO Bond Debt Service Fund	Total
<b>Revenues:</b>				
Taxes:				
General Property Taxes	251,629.31		12,688.57	264,317.88
General Sales and Use Taxes	273,915.39			273,915.39
Penalties & Interest on Delinquent Taxes	637.25		34.20	671.45
Total Taxes	526,181.95	0.00	12,722.77	538,904.72
Licenses and Permits	6,630.00	0.00	0.00	6,630.00
Intergovernmental Revenue:				
Federal Grants	4,169.16			4,169.16
State Grants	1,500.00			1,500.00
State Shared Revenue:				
Bank Franchise Tax	3,799.01			3,799.01
Prorate License Fee	2,558.54			2,558.54
Liquor Tax Reversion	4,302.45			4,302.45
Motor Vehicle Licenses	11,272.69			11,272.69
Local Government Highway and Bridge Fund	17,383.71			17,383.71
County Shared Revenue:				
County Road Tax	984.29			984.29
County Wheel Tax	4,488.31			4,488.31
Total Intergovernmental Revenue	50,458.16	0.00	0.00	50,458.16
Charges for Goods and Services:				
Public Safety	2.00			2.00
Highways & Streets	2,000.00			2,000.00
Sanitation	59,738.18			59,738.18
Culture and Recreation	8,223.00			8,223.00
Ambulance	26,252.91			26,252.91
Cemetery	950.00	900.00		1,850.00
Total Charges for Goods and Services	97,166.09	900.00	0.00	98,066.09
Fines and Forfeits:				
Other	1,510.00			1,510.00
Total Fines and Forfeits	1,510.00	0.00	0.00	1,510.00
Miscellaneous Revenue:				
Investment Earnings	2,787.85		196.55	2,984.40
Rentals	100.00			100.00
Contributions and Donations from Private Sources	98,130.78			98,130.78
Other	7,708.20			7,708.20
Total Miscellaneous Revenue	108,726.83	0.00	196.55	108,923.38
<b>Total Revenue</b>	<b>790,673.03</b>	<b>900.00</b>	<b>12,919.32</b>	<b>804,492.35</b>
<b>Expenditures:</b>				
General Government:				
Legislative	17,431.17			17,431.17
Executive	3,984.43			3,984.43
Financial Administration	72,107.90			72,107.90
Other	8,065.79			8,065.79
Total General Government	101,589.29	0.00	0.00	101,589.29

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



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

	General Fund	Cemetery Perpetual Care Fund	GO Bond Debt Service Fund	Total
<b>Expenditures (Continued):</b>				
Public Safety:				
Police	99,200.24			99,200.24
Fire	26,273.77			26,273.77
Total Public Safety	125,474.01	0.00	0.00	125,474.01
Public Works:				
Highways and Streets	330,846.44			330,846.44
Sanitation	56,705.24			56,705.24
Cemeteries	9,210.93			9,210.93
Total Public Works	396,762.61	0.00	0.00	396,762.61
Health and Welfare:				
Health	1,746.00			1,746.00
Ambulance	19,126.83			19,126.83
Total Health and Welfare	20,872.83	0.00	0.00	20,872.83
Culture and Recreation:				
Recreation	32,404.21			32,404.21
Parks	48,473.67			48,473.67
Libraries	14,269.13			14,269.13
Auditorium	2,000.00			2,000.00
Museums	774.00			774.00
Total Culture and Recreation	97,921.01	0.00	0.00	97,921.01
Conservation and Development:				
Economic Development and Assistance	15,619.28			15,619.28
Total Conservation and Development	15,619.28	0.00	0.00	15,619.28
Debt Service	0.00	0.00	61,387.24	61,387.24
Total Expenditures	758,239.03	0.00	61,387.24	819,626.27
Excess Revenues Over (Under) Expenditures	32,434.00	900.00	(48,467.92)	(15,133.92)
<b>Other Financing Sources (Uses):</b>				
Transfers In			54,736.00	54,736.00
Transfers Out	(25,000.00)			(25,000.00)
Sale of Municipal Property	368,945.86			368,945.86
Compensation for Loss or Damage to Capital Assets	11,138.94			11,138.94
Total Other Financing Sources (Uses)	355,084.80	0.00	54,736.00	409,820.80
Net Change in Fund Balance	387,518.80	900.00	6,268.08	394,686.88
Fund Balance - Beginning	926,188.74	69,279.86	131,881.41	1,127,350.01
FUND BALANCE - ENDING	1,313,707.54	70,179.86	138,149.49	1,522,036.89

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

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

	<b>Enterprise Funds</b>		
	<b>Water Fund</b>	<b>Sewer Fund</b>	<b>Totals</b>
<b>ASSETS:</b>			
Current Assets:			
Cash and Cash Equivalents	50,208.56	215,023.72	265,232.28
Investments	36,420.84	175,172.59	211,593.43
Total Current Assets	86,629.40	390,196.31	476,825.71
Noncurrent Assets:			
Restricted Cash and Cash Equivalents		78,432.20	78,432.20
Restricted Investments		54,057.51	54,057.51
Total Noncurrent Assets	0.00	132,489.71	132,489.71
<b>TOTAL ASSETS</b>	<b>86,629.40</b>	<b>522,686.02</b>	<b>609,315.42</b>
<b>NET POSITION:</b>			
Restricted for:			
Revenue Bond Debt Service		132,489.71	132,489.71
Equipment Repair and/or Replacement	36,420.84	134,412.59	170,833.43
Unrestricted Net Position	50,208.56	255,783.72	305,992.28
<b>TOTAL NET POSITION</b>	<b>86,629.40</b>	<b>522,686.02</b>	<b>609,315.42</b>

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

**MUNICIPALITY OF MENNO**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN**  
**FUND NET POSITION - MODIFIED CASH BASIS**  
**PROPRIETARY FUNDS**

For the Year Ended December 31, 2022

	Enterprise Funds		
	Water Fund	Sewer Fund	Totals
<b>Operating Revenue:</b>			
Charges for Goods and Services	127,094.36	99,102.99	226,197.35
Revenued Dedicated to Servicing Debt		71,007.57	71,007.57
Miscellaneous	21.72		21.72
Total Operating Revenue	127,116.08	170,110.56	297,226.64
<b>Operating Expenses:</b>			
Personal Services	35,609.97	35,488.06	71,098.03
Other Current Expense	23,469.78	10,481.42	33,951.20
Materials	68,926.20		68,926.20
Total Operating Expenses	128,005.95	45,969.48	173,975.43
Operating Income (Loss)	(889.87)	124,141.08	123,251.21
<b>Non-operating Revenue (Expenses):</b>			
Rental Revenue		600.00	600.00
Investment Earnings	144.41	1,241.15	1,385.56
Debt Service (Principal)		(28,822.62)	(28,822.62)
Debt Service (Interest)		(20,869.22)	(20,869.22)
Capital Assets	(27,735.00)	(25,625.00)	(53,360.00)
Total Non-operating Revenue (Expenses)	(27,590.59)	(73,475.69)	(101,066.28)
Income (Loss) Before Capital Contributions and Transfers	(28,480.46)	50,665.39	22,184.93
Capital Contributions	76,345.47	75,625.00	151,970.47
Transfers Out		(29,736.00)	(29,736.00)
Change in Net Position	47,865.01	96,554.39	144,419.40
Net Position - Beginning	38,764.39	426,131.63	464,896.02
NET POSITION - ENDING	86,629.40	522,686.02	609,315.42

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

**MUNICIPALITY OF MENNO**  
**STATEMENT OF NET POSITION - MODIFIED CASH BASIS**  
**December 31, 2021**

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>ASSETS:</b>			
Cash and Cash Equivalents	647,579.63	146,746.59	794,326.22
Investments	479,770.38	185,659.72	665,430.10
Restricted Assets:			
Cash and Cash Equivalents		78,432.20	78,432.20
Investments		54,057.51	54,057.51
<b>TOTAL ASSETS</b>	<b>1,127,350.01</b>	<b>464,896.02</b>	<b>1,592,246.03</b>
<b>NET POSITION:</b>			
Restricted:			
Debt Service Purposes	131,881.41	132,489.71	264,371.12
Equipment Repair and/or Replacement		170,729.22	170,729.22
Permanently Restricted Purposes:			
Expendable	19,279.86		19,279.86
Non-Expendable	50,000.00		50,000.00
Unrestricted	926,188.74	161,677.09	1,087,865.83
<b>TOTAL NET POSITION</b>	<b>1,127,350.01</b>	<b>464,896.02</b>	<b>1,592,246.03</b>

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

**MUNICIPALITY OF MENNO**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**  
For the Year Ended December 31, 2021

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-Type Activities
<b>Primary Government:</b>						
Governmental Activities:						
General Government	114,231.53	5,230.00	139,118.61		30,117.08	30,117.08
Public Safety	103,993.00				(103,993.00)	(103,993.00)
Public Works	565,166.62	66,391.69	34,634.26		(464,140.67)	(464,140.67)
Health and Welfare	39,926.13	38,529.53			(1,396.60)	(1,396.60)
Culture and Recreation	101,327.95	7,708.00			(93,619.95)	(93,619.95)
Conservation and Development	16,600.32				(16,600.32)	(16,600.32)
Debt Service	61,387.24				(61,387.24)	(61,387.24)
<b>Total Governmental Activities</b>	<b>1,002,632.79</b>	<b>117,859.22</b>	<b>173,752.87</b>	<b>0.00</b>	<b>(711,020.70)</b>	<b>(711,020.70)</b>
<b>Business-type Activities:</b>						
Water	122,647.97	128,329.99				5,682.02
Sewer	147,207.91	172,334.22	15,606.85			40,733.16
<b>Total Business-Type Activities</b>	<b>269,855.88</b>	<b>300,664.21</b>	<b>15,606.85</b>	<b>0.00</b>	<b>46,415.18</b>	<b>46,415.18</b>
<b>Total Primary Government</b>	<b>1,272,488.67</b>	<b>418,523.43</b>	<b>189,359.72</b>	<b>0.00</b>	<b>(711,020.70)</b>	<b>(664,605.52)</b>
<b>General Revenues:</b>						
Taxes:						
Property Taxes					248,670.48	248,670.48
Sales Taxes					280,017.76	280,017.76
State Shared Revenues					10,158.63	10,158.63
Grants and Contributions not Restricted to Specific Programs					7,856.50	7,856.50
Unrestricted Investment Earnings					4,929.21	4,929.21
Miscellaneous Revenue					16,937.13	16,937.13
Transfers					29,736.00	(29,736.00)
<b>Total General Revenues and Transfers</b>					<b>598,305.71</b>	<b>571,155.21</b>
Change in Net Position					(112,714.99)	(93,450.31)
Net Position - Beginning					1,240,065.00	1,685,696.34
<b>NET POSITION - ENDING</b>					<b>1,127,350.01</b>	<b>1,592,246.03</b>

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

**MUNICIPALITY OF MENNO**  
**BALANCE SHEET - MODIFIED CASH BASIS**  
**GOVERNMENTAL FUNDS**  
**December 31, 2021**

	<b>General Fund</b>	<b>Cemetery Perpetual Care Fund</b>	<b>GO Bond Debt Service Fund</b>	<b>Total</b>
<b>ASSETS:</b>				
Cash and Cash Equivalents	576,647.94	1,052.86	69,878.83	647,579.63
Investments	349,540.80	68,227.00	62,002.58	479,770.38
<b>TOTAL ASSETS</b>	<b>926,188.74</b>	<b>69,279.86</b>	<b>131,881.41</b>	<b>1,127,350.01</b>
<b>FUND BALANCES:</b>				
Nonspendable for Cemetery Perpetual Care		50,000.00		50,000.00
Restricted for Cemetery Perpetual Care		19,279.86		19,279.86
Restricted for Debt Service			131,881.41	131,881.41
Assigned for Capital Outlay	291,564.97			291,564.97
Unassigned	634,623.77			634,623.77
<b>TOTAL FUND BALANCES</b>	<b>926,188.74</b>	<b>69,279.86</b>	<b>131,881.41</b>	<b>1,127,350.01</b>

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

**MUNICIPALITY OF MENNO**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES - MODIFIED CASH BASIS**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended December 31, 2021**

	General Fund	Cemetery Perpetual Care Fund	GO Bond Debt Service Fund	Total
<b>Revenues:</b>				
Taxes:				
General Property Taxes	235,335.70		12,780.77	248,116.47
General Sales and Use Taxes	280,017.76			280,017.76
Penalties & Interest on Delinquent Taxes	525.54		28.47	554.01
Total Taxes	515,879.00	0.00	12,809.24	528,688.24
Licenses and Permits	5,130.00	0.00	0.00	5,130.00
Intergovernmental Revenue:				
Federal Grants	117,772.61			117,772.61
State Grants	21,346.00			21,346.00
State Shared Revenue:				
Bank Franchise Tax	3,184.84			3,184.84
Liquor Tax Reversion	4,466.59			4,466.59
Motor Vehicle Licenses	11,891.66			11,891.66
Local Government Highway and Bridge Fund	17,245.53			17,245.53
Other	2,507.20			2,507.20
County Shared Revenue:				
County Road Tax	984.29			984.29
County Wheel Tax	4,512.78			4,512.78
Total Intergovernmental Revenue	183,911.50	0.00	0.00	183,911.50
Charges for Goods and Services:				
Highways & Streets	2,080.00			2,080.00
Sanitation	59,111.69			59,111.69
Culture and Recreation	7,708.00			7,708.00
Ambulance	38,529.53			38,529.53
Cemetery	2,600.00	2,600.00		5,200.00
Total Charges for Goods and Services	110,029.22	2,600.00	0.00	112,629.22
Fines and Forfeits:				
Other	1,760.00			1,760.00
Total Fines and Forfeits	1,760.00	0.00	0.00	1,760.00
Miscellaneous Revenue:				
Investment Earnings	4,757.30		171.91	4,929.21
Rentals	100.00			100.00
Contributions and Donations from Private Sources	7,856.50			7,856.50
Other	12,029.13			12,029.13
Total Miscellaneous Revenue	24,742.93	0.00	171.91	24,914.84
Total Revenue	841,452.65	2,600.00	12,981.15	857,033.80
<b>Expenditures:</b>				
General Government:				
Legislative	16,959.35			16,959.35
Executive	3,654.33			3,654.33
Financial Administration	86,261.02			86,261.02
Other	7,356.83			7,356.83
Total General Government	114,231.53	0.00	0.00	114,231.53

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

**MUNICIPALITY OF MENNO**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES - MODIFIED CASH BASIS**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended December 31, 2021**

	General Fund	Cemetery Perpetual Care Fund	GO Bond Debt Service Fund	Total
<b>Expenditures (Continued):</b>				
Public Safety:				
Police	92,068.84			92,068.84
Fire	11,924.16			11,924.16
Total Public Safety	103,993.00	0.00	0.00	103,993.00
Public Works:				
Highways and Streets	492,454.78			492,454.78
Sanitation	63,602.59			63,602.59
Cemeteries	9,109.25			9,109.25
Total Public Works	565,166.62	0.00	0.00	565,166.62
Health and Welfare:				
Health	2,055.87			2,055.87
Ambulance	37,870.26			37,870.26
Total Health and Welfare	39,926.13	0.00	0.00	39,926.13
Culture and Recreation:				
Recreation	73,609.08			73,609.08
Parks	16,611.78			16,611.78
Libraries	8,333.09			8,333.09
Auditorium	2,000.00			2,000.00
Museums	774.00			774.00
Total Culture and Recreation	101,327.95	0.00	0.00	101,327.95
Conservation and Development:				
Economic Development and Assistance	16,600.32			16,600.32
Total Conservation and Development	16,600.32	0.00	0.00	16,600.32
Debt Service	0.00	0.00	61,387.24	61,387.24
Total Expenditures	941,245.55	0.00	61,387.24	1,002,632.79
Excess Revenues Over (Under) Expenditures	(99,792.90)	2,600.00	(48,406.09)	(145,598.99)
<b>Other Financing Sources (Uses):</b>				
Transfers In			54,736.00	54,736.00
Transfers Out	(25,000.00)			(25,000.00)
Compensation for Loss or Damage to Capital Assets	3,148.00			3,148.00
Total Other Financing Sources (Uses)	(21,852.00)	0.00	54,736.00	32,884.00
Net Change in Fund Balance	(121,644.90)	2,600.00	6,329.91	(112,714.99)
Fund Balance - Beginning	1,047,833.64	66,679.86	125,551.50	1,240,065.00
FUND BALANCE - ENDING	926,188.74	69,279.86	131,881.41	1,127,350.01

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



**MUNICIPALITY OF MENNO**  
**STATEMENT OF NET POSITION - MODIFIED CASH BASIS**  
**PROPRIETARY FUNDS**  
**December 31, 2021**

	<b>Enterprise Funds</b>		
	<b>Water Fund</b>	<b>Sewer Fund</b>	<b>Totals</b>
<b>ASSETS:</b>			
Current Assets:			
Cash and Cash Equivalents	2,447.76	144,298.83	146,746.59
Investments	36,316.63	149,343.09	185,659.72
Total Current Assets	38,764.39	293,641.92	332,406.31
Noncurrent Assets:			
Restricted Cash and Cash Equivalents		78,432.20	78,432.20
Restricted Investments		54,057.51	54,057.51
Total Noncurrent Assets	0.00	132,489.71	132,489.71
<b>TOTAL ASSETS</b>	<b>38,764.39</b>	<b>426,131.63</b>	<b>464,896.02</b>
<b>NET POSITION:</b>			
Restricted for:			
Revenue Bond Debt Service		132,489.71	132,489.71
Equipment Repair and/or Replacement	36,316.63	134,412.59	170,729.22
Unrestricted Net Position	2,447.76	159,229.33	161,677.09
<b>TOTAL NET POSITION</b>	<b>38,764.39</b>	<b>426,131.63</b>	<b>464,896.02</b>

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

**MUNICIPALITY OF MENNO**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN**  
**FUND NET POSITION - MODIFIED CASH BASIS**  
**PROPRIETARY FUNDS**  
**For the Year Ended December 31, 2021**

	<b>Enterprise Funds</b>		
	<b>Water Fund</b>	<b>Sewer Fund</b>	<b>Totals</b>
<b>Operating Revenue:</b>			
Charges for Goods and Services	128,329.99	100,977.26	229,307.25
Revenued Dedicated to Servicing Debt		71,356.96	71,356.96
Total Operating Revenue	128,329.99	172,334.22	300,664.21
<b>Operating Expenses:</b>			
Personal Services	33,557.28	33,492.23	67,049.51
Other Current Expense	21,891.19	64,023.84	85,915.03
Materials	67,199.50		67,199.50
Total Operating Expenses	122,647.97	97,516.07	220,164.04
Operating Income (Loss)	5,682.02	74,818.15	80,500.17
<b>Non-operating Revenue (Expenses):</b>			
Operating Grants		15,606.85	15,606.85
Investment Earnings	264.78	2,320.72	2,585.50
Debt Service (Principal)		(28,593.64)	(28,593.64)
Debt Service (Interest)		(21,098.20)	(21,098.20)
Total Non-operating Revenue (Expenses)	264.78	(31,764.27)	(31,499.49)
Income (Loss) Before Transfers	5,946.80	43,053.88	49,000.68
Transfers Out		(29,736.00)	(29,736.00)
Change in Net Position	5,946.80	13,317.88	19,264.68
Net Position - Beginning	32,817.59	412,813.75	445,631.34
NET POSITION - ENDING	38,764.39	426,131.63	464,896.02

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

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## NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

#### a. Financial Reporting Entity:

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

#### b. Basis of Presentation:

##### Government-wide Financial Statements:

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

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

##### Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into two major categories: governmental and proprietary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the Municipality or it meets the following criteria:

1. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and
2. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined, or

See Independent Auditor's Report.

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS  
(Continued)

3. Management has elected to classify one or more governmental or enterprise funds as major for consistency in reporting from year to year, or because of public interest in the fund's operations.

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

**Governmental Funds:**

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

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.

GO Bond Debt Service Fund – to account for property taxes which may be used only for the payment of the debt principal, interest, and related costs. This is a major fund.

Permanent Funds – Permanent funds are used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the Municipality's programs – that is for the benefit of the Municipality and its citizenry.

Cemetery Perpetual Care Fund – to account for the payments received for perpetual care of cemeteries which is permanently set aside and for which only the income from the trust fund investments is used for the care and maintenance of the cemetery. (SDCL 9-32-18) This is a major fund.

**Proprietary Funds:**

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

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

Water Fund – financed primarily by user charges, this fund accounts for the construction and operation of the municipal waterworks system and related facilities. (SDCL 9-47-1) This is a major fund.

Sewer Fund – financed primarily by user charges, this fund accounts for the construction and operation of the municipal sanitary sewer system and related facilities. (SDCL 9-48-2) This is a major fund.

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS  
(Continued)

c. Measurement Focus and Basis of Accounting:

Measurement focus is a term used to describe "how" transactions are recorded within the various financial statements. Basis of accounting refers to "when" revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements, regardless of the measurement focus.

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

Measurement Focus:

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

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

Basis of Accounting:

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

The modified cash basis of accounting involves the measurement of cash and cash equivalents and changes in cash and cash equivalents resulting from cash receipt and disbursement transactions. Under the modified cash basis of accounting, transactions are recorded in the accounts when cash and/or cash equivalents are received or disbursed and assets and liabilities are recognized to the extent that cash has been received or disbursed. Acceptable modifications to the cash basis of accounting implemented by the Municipality in these financial statements are:

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

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

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

d. Deposits and Investments:

For the purpose of financial reporting, "cash and cash equivalents" includes all demand and savings accounts and certificates of deposit or short-term investments with a term to maturity at date of acquisition of three

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS  
(Continued)

months or less. Investments in open-end mutual fund shares, or similar investments in external investment pools, are also considered to be cash equivalents.

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

e. Long-Term Liabilities:

Long-term liabilities include, but are not limited to, General Obligation Bonds, and Revenue Bonds.

As discussed in Note 1c. above the government-wide Statement of Net Position and Statement of Activities and the fund financial statements, governmental, and business-type are presented using a modified cash basis of accounting. The Municipality has not elected to modify their cash basis presentation by recording long-term debt arising from cash transactions so any outstanding indebtedness is not reported on the financial statements of the Municipality. The Municipality does report the principal and interest payments on long-term debt as Debt Service expenditures on the Statement of Revenues, Expenditures and Changes in Fund Balances. On the Statement of Activities, the principal portion of these Debt Service payments are reported within the appropriate expense function while the interest portion is reported as Interest on Long-Term Debt.

The Municipality has presented as Supplementary Information a Schedule of Changes in Long-Term Debt along with related notes that include details of any outstanding Long-Term Debt.

f. Revenue Received in Advance:

Under the modified cash basis of accounting, cash may have been received in advance of the Municipality's providing a good or service to a customer. These amounts are reported in the financial statements, in the year the cash is received.

g. Program Revenues:

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

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

h. Proprietary Funds Revenue and Expense Classifications:

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



NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS  
(Continued)

i. Equity Classifications:

Government-wide Statements:

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

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

Fund Financial Statements:

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

j. Application of Net Position:

It is the Municipality's policy to first use restricted net position, prior to the use of unrestricted net position, when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

k. Fund Balance Classification Policies and Procedures:

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

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

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

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

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS  
(Continued)

**2. DEPOSITS AND INVESTMENTS, FAIR VALUE MEASUREMENT, CREDIT RISK, CONCENTRATION OF CREDIT RISK AND INTEREST RATE RISK**

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

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

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

As of December 31, 2022 and December 31, 2021, the Municipality did not have any investments. The investments reported in the financial statements consist of only certificates of deposit.

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

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

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

**Assignment of Investment Income** – State law allows income from deposits and investments to be credited to either the General Fund or the fund making investment. The Municipality's policy is to credit all income from deposits and investments to the fund making the investment.

**3. PROPERTY TAXES**

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

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

See Independent Auditor's Report.



NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS  
(Continued)

4. WATER PURCHASE AGREEMENT

In 1986, the Municipality of Menno entered into a 40-year agreement with B-Y Water to provide water to the Municipality. A monthly service charge in the amount of \$680 is paid by the Municipality to B-Y Water along with a charge of \$3.10 per 1,000 gallons of water consumed. The monthly service charge represents a contribution by the Municipality to aid B-Y Water in the construction of the facilities necessary to provide the Municipality with water. The Municipality will not acquire ownership of any of these water facilities through these payments. Payments are made from the Municipality's Water Fund.

5. RESTRICTED NET POSITION

Restricted net position for the two years ended December 31, 2022 were as follows:

Major Funds	<u>12/31/2021</u>	<u>12/31/2022</u>
Cemetery Perpetual Care Fund		
Expendable	19,279.86	20,179.86
Non-Expendable	50,000.00	50,000.00
Debt Service		
General Obligation Bond Fund	131,881.41	138,149.42
Water Fund		
Sewer Fund	132,489.71	132,489.71
Equipment Repair and/or Replacement		
Water Fund	36,316.63	36,420.84
Sewer Fund	134,412.59	134,412.59
Total Restricted Net Position	<u>504,380.20</u>	<u>511,652.42</u>

These balances are restricted due to statutory requirements and loan agreements.

6. PENSION PLAN

Plan Information:

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

Benefits Provided:

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

Members that were hired before July 1, 2017, are Foundation members. Class A Foundation members and Class B Foundation members who retire after age 65 with three years of contributory service are entitled to an

See Independent Auditor's Report.

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS  
(Continued)

unreduced annual retirement benefit. An unreduced annual retirement benefit is also available after age 55 for Class A Foundation members where the sum of age and credited service is equal to or greater than 85 or after age 55 for Class B Foundation judicial members where the sum of age and credited service is equal to or greater than 80. Class B Foundation public safety members can retire with an unreduced annual retirement benefit after age 55 with three years of contributory service. An unreduced annual retirement benefit is also available after age 45 for Class B Foundation safety members where the sum of age and credited service is equal to or greater than 75. All Foundation retirement benefits that do not meet the above criteria may be payable at a reduced level. Class A and B eligible spouses of Foundation members will receive a 60 percent joint survivor benefit when the member dies.

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

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

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

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

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

Contributions:

Per SDCL 3-12, contribution requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A Members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. The Municipality's share of contributions to the SDRS for the fiscal years ended December 31, 2022, 2021, and 2020, were \$13,404.19, \$11,537.35, and \$11,758.38, respectively, equal to the required contributions each year.

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS  
(Continued)

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

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

Proportionate share of pension liability	\$ 1,175,490.88
Less proportionate share of net pension restricted for pension benefits	<u>\$ 1,176,277.84</u>
Proportionate share of net pension liability (asset)	<u><u>\$ (786.96)</u></u>

The net pension liability (asset) was measured as of June 30, 2022 and the total pension liability (asset) used to calculate the net pension liability (asset) was based on a projection of the Municipality's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2022, the Municipality's proportion was 0.00832700%, which is a increase(decrease) of (0.0000680%) from its proportion measured as of June 30, 2021.

At June 30, 2021, SDRS is 105.53% funded and accordingly has net pension asset. The proportionate shares of the components of the net pension asset of the South Dakota Retirement System, for the Municipality as of the measurement period ending June 30, 2021 and reported by the Municipality as of December 31, 2021 are as follows:

Proportionate share of pension liability	\$ 1,164,081.78
Less proportionate share of net pension restricted for pension benefits	<u>\$ 1,228,373.11</u>
Proportionate share of net pension liability (asset)	<u><u>\$ (64,291.33)</u></u>

The net pension liability (asset) was measured as of June 30, 2021 and the total pension liability (asset) used to calculate the net pension liability (asset) was based on a projection of the Municipality's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2021, the Municipality's proportion was 0.00839500%, which is an increase (decrease) of (0.0000739%) from its proportion measured as of June 30, 2020.

Actuarial Assumptions:

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

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

See Independent Auditor's Report.

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS  
(Continued)

Mortality Rates

All mortality rates based on Pub-2010 amount-weighted mortality tables, projected

Generationally with improvement scale MP-2020

Active and Terminated Vested Members:

Teachers, Certified Regents, and Judicial PubT-2010

Other Class A Members: PubG-2010

Public Safety Members: PubS-2010

Retired Members:

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

Other Class A Retirees: PubG-2010, 93% of rates through age 74, increasing by 2% per

Year until 111% of rates at age 83 and above.

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

Beneficiaries:

PubG-2010 contingent survivor mortality table

Disabled Members:

Public Safety: PubS-2010 disabled member mortality table

Others: PubG-2010 disabled member mortality table

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

Actuarial Assumptions:

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

Inflation	2.25 percent
Salary Increases	Graded by years of service, from 6.50% at entry to 3.00% after 25 years of service
Discount Rate	6.50% net of plan investment expense. This is composed of an average inflation rate of 2.25% and real returns of 4.25%
Future COLAs	2.25%

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

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NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS  
(Continued)

class included in the pension plan's target asset allocation as of June 30, 2022 (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	58.0%	5.1%
Fixed Income	30.0%	1.5%
Real Estate	10.0%	6.2%
Cash	2.0%	1.0%
Total	100%	2.70%

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

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

Discount Rate:

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

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

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

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Municipality's proportionate share of the net pension liability (asset)	\$ 163,403.71	\$(786.96)	\$(134,974.10)

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



NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS  
(Continued)

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Municipality's proportionate share of the net pension liability (asset)	\$ 104,103.66	\$(64,291.33)	\$(200,988.87)

Pension Plan Fiduciary Net Position:

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

**7. SIGNIFICANT CONTINGENCIES - LITIGATION**

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

**8. RISK MANAGEMENT**

The Municipality is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the period ended December 31, 2022, the Municipality managed its risks as follows:

Employee Health Insurance:

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

Liability Insurance:

The Municipality purchases liability insurance for risks related to torts; theft of or damage to property; and errors and omissions of public officials from a commercial insurance carrier. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

Worker's Compensation:

The Municipality joined the South Dakota Municipal League Worker's Compensation Fund (Fund), a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The objective of the Fund is to formulate, develop, and administer, on behalf of the member organizations, a program of worker's compensation coverage, to obtain lower costs for that coverage, and to develop a comprehensive loss control program. The Municipality's responsibility is to initiate and maintain a safety program to give its employees safe and sanitary working conditions and to promptly report to and cooperate with the Fund to resolve any worker's compensation claims. The Municipality pays an annual premium, to provide worker's compensation coverage for its employees, under a retrospectively rated policy 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 and has reinsurance which covers up to an additional \$2,000,000 per individual per incident.

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

Unemployment Benefits:

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

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS  
(Continued)

9. INTERFUND TRANSFERS

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

<u>Transfers From:</u>	<u>Transfers to:</u> G.O. Bond Debt Service Fund
Major Funds:	
General Fund	\$ 25,000.00
Sewer Fund	29,736.00
Total	<u>\$ 54,736.00</u>

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

<u>Transfers From:</u>	<u>Transfers to:</u> G.O. Bond Debt Service Fund
Major Funds:	
General Fund	\$ 25,000.00
Sewer Fund	29,736.00
Total	<u>\$ 54,736.00</u>

The Municipality typically budgets transfers to the G.O. Bond Debt Service Fund to conduct the indispensable functions of the Municipality.

10. RELATED PARTIES

George Cokens, a municipal council member, is the father of Anthony Cokens, a municipal employee. This could cause a conflict of interest when making certain decisions.

Jacob Mettler is part owner of Mettler Implement and the Municipality did some business with them during the audit period. This contract falls within the provisions of SDCL 6-1-2.

11. SUBSEQUENT EVENTS

Management has evaluated whether any subsequent events have occurred through October 19, 2023, the date on which the financial statements were available to be issued.

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

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>(Budgetary Basis)</b>	<b>Final Budget - Positive (Negative)</b>
<b>Revenues:</b>				
<b>Taxes:</b>				
General Property Taxes	259,063.00	259,063.00	251,629.31	(7,433.69)
General Sales and Use Taxes	225,000.00	225,000.00	273,915.39	48,915.39
Amusement Taxes	50.00	50.00	0.00	(50.00)
Penalties and Interest on Delinquent Taxes	300.00	300.00	637.25	337.25
<b>Total Taxes</b>	<b>484,413.00</b>	<b>484,413.00</b>	<b>526,181.95</b>	<b>41,768.95</b>
<b>Licenses and Permits</b>	<b>4,800.00</b>	<b>4,800.00</b>	<b>6,630.00</b>	<b>1,830.00</b>
<b>Intergovernmental Revenue:</b>				
Federal Grants	0.00	0.00	4,169.16	4,169.16
State Grants	1,200.00	1,200.00	1,500.00	300.00
<b>State Shared Revenue:</b>				
Bank Franchise Tax	3,000.00	3,000.00	3,799.01	799.01
Prorate License Fees	2,000.00	2,000.00	2,558.54	558.54
Liquor Tax Reversion	3,700.00	3,700.00	4,302.45	602.45
Motor Vehicle Licenses	10,000.00	10,000.00	11,272.69	1,272.69
Local Government Highway and Bridge Fund	16,000.00	16,000.00	17,383.71	1,383.71
<b>County Shared Revenue:</b>				
County Road Tax	900.00	900.00	984.29	84.29
County Wheel Tax	4,000.00	4,000.00	4,488.31	488.31
<b>Total Intergovernmental Revenue</b>	<b>40,800.00</b>	<b>40,800.00</b>	<b>50,458.16</b>	<b>9,658.16</b>
<b>Charges for Goods and Services:</b>				
Public Safety	0.00	0.00	2.00	2.00
Highways and Streets	2,000.00	2,000.00	2,000.00	0.00
Sanitation	58,850.00	58,850.00	59,738.18	888.18
Culture and Recreation	6,000.00	6,000.00	8,223.00	2,223.00
Ambulance	40,000.00	40,000.00	26,252.91	(13,747.09)
Cemetery	500.00	500.00	950.00	450.00
<b>Total Charges for Goods and Services</b>	<b>107,350.00</b>	<b>107,350.00</b>	<b>97,166.09</b>	<b>(10,183.91)</b>
<b>Fines and Forfeits:</b>				
Other	2,000.00	2,000.00	1,510.00	(490.00)
<b>Total Fines and Forfeits</b>	<b>2,000.00</b>	<b>2,000.00</b>	<b>1,510.00</b>	<b>(490.00)</b>
<b>Miscellaneous Revenue:</b>				
Investment Earnings	3,500.00	3,500.00	2,787.85	(712.15)
Rentals	100.00	100.00	100.00	0.00
Contributions and Donations from Private Sources	1,500.00	7,500.00	98,130.78	90,630.78
Other	5,700.00	5,700.00	7,708.20	2,008.20
<b>Total Miscellaneous Revenue</b>	<b>10,800.00</b>	<b>16,800.00</b>	<b>108,726.83</b>	<b>91,926.83</b>
<b>Total Revenue</b>	<b>650,163.00</b>	<b>656,163.00</b>	<b>790,673.03</b>	<b>134,510.03</b>



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

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>(Budgetary Basis)</b>	<b>Final Budget - Positive (Negative)</b>
<b>Expenditures:</b>				
General Government:				
Legislative	18,040.00	18,040.00	17,431.17	608.83
Contingency	15,000.00	15,000.00		
Amount Transferred		(2,100.00)		12,900.00
Executive	4,135.00	4,135.00	3,984.43	150.57
Elections	815.00	815.00	0.00	815.00
Financial Administration	87,315.00	87,315.00	72,107.90	15,207.10
Other	10,037.00	10,037.00	8,065.79	1,971.21
Total General Government	135,342.00	133,242.00	101,589.29	31,652.71
Public Safety:				
Police	101,875.00	101,875.00	99,200.24	2,674.76
Fire	24,663.00	26,363.00	26,273.77	89.23
Total Public Safety	126,538.00	128,238.00	125,474.01	2,763.99
Public Works:				
Highways and Streets	174,997.00	347,397.00	330,846.44	16,550.56
Sanitation	61,660.00	61,660.00	56,705.24	4,954.76
Cemeteries	13,470.00	13,470.00	9,210.93	4,259.07
Total Public Works	250,127.00	422,527.00	396,762.61	25,764.39
Health and Welfare:				
Health	3,840.00	3,840.00	1,746.00	2,094.00
Ambulance	27,075.00	27,075.00	19,126.83	7,948.17
Total Health and Welfare	30,915.00	30,915.00	20,872.83	10,042.17
Culture and Recreation:				
Recreation	34,777.00	34,777.00	32,404.21	2,372.79
Parks	17,305.00	53,175.05	48,473.67	4,701.38
Libraries	8,745.00	14,745.00	14,269.13	475.87
Auditorium	2,500.00	2,500.00	2,000.00	500.00
Museums	774.00	774.00	774.00	0.00
Total Culture and Recreation	64,101.00	105,971.05	97,921.01	8,050.04
Conservation and Development:				
Economic Development and Assistance	18,140.00	18,140.00	15,619.28	2,520.72
Total Conservation and Development	18,140.00	18,140.00	15,619.28	2,520.72
Total Expenditures	625,163.00	839,033.05	758,239.03	80,794.02
Excess of Revenues Over (Under)				
Expenditures	25,000.00	(182,870.05)	32,434.00	215,304.05
<b>Other Financing Sources (Uses):</b>				
Transfers Out	(25,000.00)	(25,000.00)	(25,000.00)	0.00
Sale of Municipal Property	0.00	0.00	368,945.86	368,945.86
Compensation for Loss or				
Damage to Capital Assets	0.00	6,283.31	11,138.94	4,855.63
Total Other Financing Sources (Uses)	(25,000.00)	(18,716.69)	355,084.80	373,801.49
Net Change in Fund Balances	0.00	(201,586.74)	387,518.80	589,105.54
Fund Balance - Beginning	926,188.74	926,188.74	926,188.74	0.00
<b>FUND BALANCE - ENDING</b>	<b>926,188.74</b>	<b>724,602.00</b>	<b>1,313,707.54</b>	<b>589,105.54</b>

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

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>(Budgetary Basis)</b>	<b>Final Budget - Positive (Negative)</b>
<b>Revenues:</b>				
Taxes:				
General Property Taxes	248,626.00	248,626.00	235,335.70	(13,290.30)
General Sales and Use Taxes	220,000.00	220,000.00	280,017.76	60,017.76
Amusement Taxes	50.00	50.00	0.00	(50.00)
Penalties and Interest on Delinquent Taxes	500.00	500.00	525.54	25.54
Total Taxes	469,176.00	469,176.00	515,879.00	46,703.00
Licenses and Permits	5,100.00	5,100.00	5,130.00	30.00
Intergovernmental Revenue:				
Federal Grants	0.00	0.00	117,772.61	117,772.61
State Grants	1,200.00	1,200.00	21,346.00	20,146.00
State Shared Revenue:				
Bank Franchise Tax	3,000.00	3,000.00	3,184.84	184.84
Liquor Tax Reversion	3,700.00	3,700.00	4,466.59	766.59
Motor Vehicle Licenses	10,000.00	10,000.00	11,891.66	1,891.66
Local Government Highway and Bridge Fund	16,000.00	16,000.00	17,245.53	1,245.53
Other	2,000.00	2,000.00	2,507.20	507.20
County Shared Revenue:				
County Road Tax	900.00	900.00	984.29	84.29
County Wheel Tax	4,000.00	4,000.00	4,512.78	512.78
Total Intergovernmental Revenue	40,800.00	40,800.00	183,911.50	143,111.50
Charges for Goods and Services:				
Highways and Streets	2,000.00	2,000.00	2,080.00	80.00
Sanitation	57,600.00	57,600.00	59,111.69	1,511.69
Culture and Recreation	6,000.00	6,000.00	7,708.00	1,708.00
Ambulance	40,000.00	40,000.00	38,529.53	(1,470.47)
Cemetery	500.00	500.00	2,600.00	2,100.00
Total Charges for Goods and Services	106,100.00	106,100.00	110,029.22	3,929.22
Fines and Forfeits:				
Other	2,000.00	2,000.00	1,760.00	(240.00)
Total Fines and Forfeits	2,000.00	2,000.00	1,760.00	(240.00)
Miscellaneous Revenue:				
Investment Earnings	3,500.00	3,500.00	4,757.30	1,257.30
Rentals	100.00	100.00	100.00	0.00
Contributions and Donations from Private Sources	1,500.00	1,500.00	7,856.50	6,356.50
Other	5,700.00	5,700.00	12,029.13	6,329.13
Total Miscellaneous Revenue	10,800.00	10,800.00	24,742.93	13,942.93
Total Revenue	633,976.00	633,976.00	841,452.65	207,476.65

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

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>(Budgetary Basis)</b>	<b>Final Budget - Positive (Negative)</b>
<b>Expenditures:</b>				
General Government:				
Legislative	17,335.00	17,335.00	16,959.35	375.65
Contingency	15,000.00	15,000.00		
Amount Transferred		(10,000.00)		5,000.00
Executive	4,125.00	4,125.00	3,654.33	470.67
Elections	815.00	815.00	0.00	815.00
Financial Administration	92,065.00	92,065.00	86,261.02	5,803.98
Other	9,937.00	9,937.00	7,356.83	2,580.17
Total General Government	139,277.00	129,277.00	114,231.53	15,045.47
Public Safety:				
Police	98,975.00	98,975.00	92,068.84	6,906.16
Fire	24,651.00	24,651.00	11,924.16	12,726.84
Total Public Safety	123,626.00	123,626.00	103,993.00	19,633.00
Public Works:				
Highways and Streets	170,897.00	494,473.51	492,454.78	2,018.73
Sanitation	57,460.00	63,660.00	63,602.59	57.41
Cemeteries	13,470.00	13,470.00	9,109.25	4,360.75
Total Public Works	241,827.00	571,603.51	565,166.62	6,436.89
Health and Welfare:				
Health	3,340.00	3,340.00	2,055.87	1,284.13
Ambulance	26,175.00	40,852.12	37,870.26	2,981.86
Total Health and Welfare	29,515.00	44,192.12	39,926.13	4,265.99
Culture and Recreation:				
Recreation	33,827.00	76,797.00	73,609.08	3,187.92
Parks	17,155.00	17,155.00	16,611.78	543.22
Libraries	8,645.00	8,645.00	8,333.09	311.91
Auditorium	2,500.00	2,500.00	2,000.00	500.00
Museums	774.00	774.00	774.00	0.00
Total Culture and Recreation	62,901.00	105,871.00	101,327.95	4,543.05
Conservation and Development:				
Economic Development and Assistance	17,830.00	17,830.00	16,600.32	1,229.68
Total Conservation and Development	17,830.00	17,830.00	16,600.32	1,229.68
Total Expenditures	614,976.00	992,399.63	941,245.55	51,154.08
Excess of Revenues Over (Under)				
Expenditures	19,000.00	(358,423.63)	(99,792.90)	258,630.73
<b>Other Financing Sources (Uses):</b>				
Transfers Out	(25,000.00)	(25,000.00)	(25,000.00)	0.00
Sale of Municipal Property	0.00	0.00	3,148.00	3,148.00
Total Other Financing Sources (Uses)	(25,000.00)	(25,000.00)	(21,852.00)	3,148.00
Net Change in Fund Balances	(6,000.00)	(383,423.63)	(121,644.90)	261,778.73
Fund Balance - Beginning	1,047,833.64	1,047,833.64	1,047,833.64	0.00
FUND BALANCE - ENDING	1,041,833.64	664,410.01	926,188.74	261,778.73

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NOTES TO THE SUPPLEMENTARY INFORMATION

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

Note 1. Budgets and Budgetary Accounting:

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

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

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

The Municipality did not encumber any amounts at December 31, 2021 or December 31, 2022.

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 are adopted on a basis consistent with the modified cash basis of accounting.

Note 2. GAAP/Budgetary Accounting Basis Differences:

The Municipality's budgetary process accounts for certain transactions on a basis other than GAAP. The major differences between the budgetary basis and the GAAP basis lie in the manner in which revenues and expenditures are recorded. Under the budgetary basis, revenue and expenditures are recognized on a modified cash basis. Utilizing the modified cash basis, revenues are recorded when received in cash and expenditures are recorded when paid. Under the GAAP basis, revenues and expenditures are recorded on the modified accrual basis of accounting on the governmental fund statements and on the full accrual basis on the government-wide statements.

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

## South Dakota Retirement System

## Last Eight Years \*

	<u>Municipality's proportion of the net pension liability/asset</u>	<u>Municipality's proportionate share of net pension liability (asset)</u>	<u>Municipality's covered-employee payroll</u>	<u>Municipality's proportionate share of the net pension liability (asset) as a percentage of its covered payroll</u>	<u>Plan fiduciary net position as a percentage of the total pension liability (asset)</u>
2022	0.0083270%	(786.96)	\$ 183,797.02	0.43%	100.10%
2021	0.0083950%	(64,291.33)	\$ 175,936.33	36.54%	105.52%
2020	0.0084689%	(367.80)	\$ 171,795.00	0.21%	100.04%
2019	0.0084940%	(900.13)	\$ 166,914.57	0.54%	100.09%
2018	0.0083754%	(195.33)	\$ 149,011.14	0.13%	100.02%
2017	0.0083793%	(760.43)	\$ 157,352.34	0.48%	100.10%
2016	0.0093035%	(31,426.31)	\$ 164,797.43	19.07%	98.89%
2015	0.0083145%	(35,264.17)	\$ 143,273.33	24.61%	104.10%

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

REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF THE PENSION CONTRIBUTIONS

South Dakota Retirement System

Last Eight Years \*

	<u>Contractually required contribution</u>	<u>Contributions in relation to the contractually required contribution</u>	<u>Contribution deficiency (excess)</u>	<u>Municipality's covered payroll</u>	<u>Contributions as a percentage of covered payroll</u>
2022	13,404.19	13,404.19	\$ -	208,119.95	6.44%
2021	11,537.35	11,537.35	\$ -	177,594.56	6.50%
2020	11,758.38	11,758.38	\$ -	181,077.07	6.49%
2019	11,090.70	11,090.70	\$ -	170,950.69	6.49%
2018	10,632.82	10,632.82	\$ -	151,916.55	7.00%
2017	10,131.64	10,131.64	\$ -	155,751.47	6.51%
2016	10,618.70	10,618.70	\$ -	164,272.53	6.46%
2015	10,110.10	10,110.10	\$ -	156,922.65	6.44%

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

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

**Changes from Prior Valuation**

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

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

**Benefit Provision Changes**

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

**Actuarial Assumption Changes**

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

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

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

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

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



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

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

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

**Actuarial Method Changes**

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

SUPPLEMENTARY INFORMATION

SCHEDULE OF LONG-TERM DEBT

A summary of changes in long-term debt follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
<b>Primary Government:</b>					
<b>Governmental Activities:</b>					
Bonds Payable:					
G.O. Borrower Bond, Series 2013	1,017,537.35		58,030.01	959,507.34	30,448.64
<b>Total Governmental Activities</b>	<u>1,017,537.35</u>	<u>0.00</u>	<u>58,030.01</u>	<u>959,507.34</u>	<u>30,448.64</u>
<b>Business-Type Activities:</b>					
Bonds Payable:					
Sewer Project Revenue Bonds, Series 2014	963,140.43		38,416.84	924,723.59	20,010.11
SRF Clean Water Revenue Bonds, Series 2010	123,791.81		18,590.71	105,201.10	9,720.48
<b>Total Business-Type Activities</b>	<u>1,086,932.24</u>	<u>0.00</u>	<u>57,007.55</u>	<u>1,029,924.69</u>	<u>29,730.59</u>
<b>TOTAL PRIMARY GOVERNMENT</b>	<u>2,104,469.59</u>	<u>0.00</u>	<u>115,037.56</u>	<u>1,989,432.03</u>	<u>60,179.23</u>

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

General Obligation Bonds:

General Obligation Borrower Bond, Series 2013  
Interest Rate at 3.25%; Maturity Date of June 15, 2045;  
Paid by Debt Service Fund

\$ 959,507.34

Revenue Bonds:

SRF Clean Water Revenue Bonds - Series 2010;  
Interest Rate at 3.0%; Maturity Date of April 15, 2032;  
Paid by Sewer Fund

\$ 105,201.10

Rural Development Sewer Project Revenue  
Bond Series 2014  
Interest Rate: 1.85% Maturity Date of August 9, 2056  
Paid by Sewer Fund

\$ 924,723.59

**SUPPLEMENTARY INFORMATION**  
(Continued)

The annual requirements to amortize all debt outstanding as of December 31, 2022, including interest payments of \$725,489.73, are as follows:

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

Year Ending Dec. 31,	General Obligation Borrower Bond Series 2013		SRF Clean Water Revenue Bond Series 2010	
	Principal	Interest	Principal	Interest
2023	30,448.64	30,938.60	9,720.48	3,047.36
2024	31,446.26	29,940.98	10,015.40	2,752.44
2025	32,476.57	28,910.67	10,319.25	2,448.59
2026	33,540.64	27,846.60	10,632.33	2,135.51
2027	34,639.56	26,747.68	10,954.91	1,812.93
2028-2032	190,984.03	115,952.17	53,558.73	3,896.55
2033-2037	224,389.55	82,546.65		
2038-2042	263,638.12	43,298.08		
2043-2047	117,943.97	4,830.51		
2048-2052				
2053-2057				
Totals	<u>959,507.34</u>	<u>391,011.94</u>	<u>105,201.10</u>	<u>16,093.38</u>

Year Ending Dec. 31,	RD Sewer Project Revenue Bond Series 2014		TOTALS	
	Principal	Interest	Principal	Interest
2023	20,010.11	16,913.89	60,179.23	50,899.85
2024	20,383.46	16,540.54	61,845.12	49,233.96
2025	20,763.75	16,160.25	63,559.57	47,519.51
2026	21,151.15	15,772.85	65,324.12	45,754.96
2027	21,545.78	15,378.22	67,140.25	43,938.83
2028-2032	113,911.00	70,709.00	358,453.76	190,557.72
2033-2037	124,941.58	59,678.42	349,331.13	142,225.07
2038-2042	137,040.27	47,579.73	400,678.39	90,877.81
2043-2047	150,310.55	34,309.45	268,254.52	39,139.96
2048-2052	164,865.88	19,754.12	164,865.88	19,754.12
2053-2057	129,800.06	5,587.94	129,800.06	5,587.94
Totals	<u>924,723.59</u>	<u>318,384.41</u>	<u>1,989,432.03</u>	<u>725,489.73</u>