

City of Mitchell

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

**For the Year Ended
December 31, 2020**

City of Mitchell
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**Independent Auditor’s Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

To the City Council
City of Mitchell, South Dakota

We have audited in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Mitchell as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the City of Mitchell’s basic financial statements and have issued our report thereon dated October 9, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Mitchell’s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Mitchell’s internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Mitchell’s internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

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Mitchell, South Dakota
October 9, 2021



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

To the City Council
City of Mitchell, South Dakota

Report on Compliance for Each Major Federal Program

We have audited City of Mitchell's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of City of Mitchell's major federal programs for the year ended December 31, 2020. City of Mitchell's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Mitchell's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of Mitchell's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion for each major federal program. However, our audit does not provide a legal determination of the City of Mitchell's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Mitchell complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2020.

Report on Internal Control Over Compliance

Management of the City of Mitchell is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Mitchell's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine our auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Mitchell's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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



Mitchell, South Dakota
October 9, 2021

City of Mitchell
Schedule of Prior and Current Audit Findings and Questioned Costs
For the Year Ended December 31, 2020

Schedule of Prior Audit Findings

The prior audit report contained no written audit findings.

Schedule of Current Audit Findings

Section I - Summary of Independent Auditor's Results

Financial Statements:

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified: yes X no

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

Noncompliance material to financial statements noted? yes X no



Independent Auditor's Report

To the City Council
City of Mitchell, South Dakota

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the aggregate discretely presented component unit and aggregate remaining fund information of the City of Mitchell as of and for the year ended December 31, 2020 and the related notes to the financial statements. These financial statements collectively comprise the City's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. Because of the matter described in the "Basis for Disclaimer of Opinion" paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the aggregate discretely presented component units.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements 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 City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate discretely presented component unit and aggregate remaining fund information of the City of Mitchell as of December 31, 2020, and the respective changes in financial position and where applicable, cash flows thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 19 to the financial statements, in 2020, the Municipality implemented Governmental Accounting Standards Board (GASB) Statement No. 84, Fiduciary Activities, which has not resulted in a restatement of the net position for Fiduciary Activities as of January 1, 2020. Our opinions are not modified with respect to this matter.

Also discussed in Note 19 to the financial statements, a restatement of the component unit beginning net position to reflect the correct audited balance.

Other Matters

Required Supplementary Information:

Accounting principles generally accepted in the United States of America require that the Budgetary Comparison Schedules, the Schedule of Changes in Total OPEB Liability, Schedule of the City's Proportionate Share of the Net Pension Liability (Asset) (SDRS), and Schedule of the City's Contributions (SDRS) on pages 59-67, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements. The Schedule of Expenditures of Federal Awards, which is required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) listed in the Table of Contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplemental 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information is fairly stated in all material respects in relation to the basic financial statements as a whole

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 9, 2021-on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Mitchell's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

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Mitchell, South Dakota
October 9, 2021

City of Mitchell
Statement of Net Position
December 31, 2020

	Primary Government		Total	Component Unit
	Governmental Activities	Business-Type Activities		
Assets:				
Cash and cash equivalents	\$ 16,285,765	\$ 7,651,689	\$ 23,937,454	\$ 493,056
Investments	1,810,803	--	1,810,803	--
Accounts receivable, net	3,251,984	1,326,981	4,578,965	983,536
Internal balances	150,000	(150,000)	--	--
Inventories	540,067	427,709	967,776	--
Land and buildings held for resale	--	2,500,300	2,500,300	--
Other assets	--	--	--	1,680
Restricted assets:				
Cash and cash equivalents	2,504,087	27,940	2,532,027	--
Investments	--	1,304,587	1,304,587	--
Deposits	677,892	--	677,892	--
Net pension asset	16,120	5,921	22,041	--
Capital assets:				
Land and construction in progress	8,280,612	4,207,812	12,488,424	--
Other capital assets, net of depreciation	59,125,270	58,425,653	117,550,923	--
Total Assets	92,642,600	75,728,592	168,371,192	1,478,272
Deferred Outflows of Resources:				
Pension related deferred outflows	2,240,506	962,142	3,202,648	--
Liabilities:				
Accounts payable	688,538	183,136	871,674	14,058
Other current liabilities	--	--	--	360
Noncurrent liabilities:				
Net OPEB Obligation	733,168	231,379	964,547	--
Accrued landfill closure and postclosure costs	--	1,090,354	1,090,354	--
Due within one year	1,706,359	841,426	2,547,785	--
Due in more than one year	12,531,323	19,233,071	31,764,394	--
Total Liabilities	15,659,388	21,579,366	37,238,754	14,418
Deferred Inflows of Resources:				
Pension related deferred inflows of resources	2,191,805	722,813	2,914,618	--
Net Position:				
Net Investment in capital assets	53,168,200	43,393,544	96,561,744	--
Restricted for:				
Other-component unit	--	--	--	1,463,854
Debt service purposes	2,957,362	96,605	3,053,967	--
SDPAA	677,892	--	677,892	--
Parks and recreation	233,406	--	233,406	--
Economic development	392,151	--	392,151	--
Public safety	665,261	--	665,261	--
Other purposes	100,099	--	100,099	--
Landfill closure and post-closure costs	--	1,304,587	1,304,587	--
SDRS pension purposes	64,821	245,250	310,071	--
Unrestricted	18,772,721	9,348,569	28,121,290	--
Total Net Position	\$ 77,031,913	\$ 54,388,555	\$ 131,420,468	\$ 1,463,854

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

City of Mitchell
Statement of Activities
For the Year Ended December 31, 2020

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Unit
					Governmental Activities	Business-Type Activities	Total	
Primary Government:								
Governmental Activities:								
General government	\$ 2,056,919	\$ 2,639	\$ 6,804,832	\$ --	\$ 4,750,552	\$ --	\$ 4,750,552	\$ --
Public safety	6,342,642	652,403	259,028	--	(5,431,211)	--	(5,431,211)	--
Public works	4,179,405	142,593	625,198	57,850	(3,353,764)	--	(3,353,764)	--
Health and welfare	1,418,297	299,423	--	--	(1,118,874)	--	(1,118,874)	--
Culture and recreation	4,739,393	714,793	--	--	(4,024,600)	--	(4,024,600)	--
Conservation and development	1,124,162	--	--	--	(1,124,162)	--	(1,124,162)	--
Interest on long-term debt	470,751	--	--	--	(470,751)	--	(470,751)	--
Total Governmental Activities	20,331,569	1,811,851	7,689,058	57,850	(10,772,810)	--	(10,772,810)	--
Business-type Activities:								
Water	3,293,004	3,859,584	--	--	--	566,580	566,580	--
Sewer	1,962,784	2,543,151	22,262	--	--	602,629	602,629	--
Airport	850,879	153,169	166,312	--	--	(531,398)	(531,398)	--
Sanitation	1,953,374	2,394,245	118,000	--	--	558,871	558,871	--
Corn Palace	1,479,079	586,566	--	648,135	--	(244,378)	(244,378)	--
Golf	463,117	422,032	--	--	--	(41,085)	(41,085)	--
Campground	52,513	92,586	--	--	--	40,073	40,073	--
EMS	1,519,989	564,671	785,843	--	--	(169,475)	(169,475)	--
Total Business-type Activities	11,574,739	10,616,004	1,092,417	648,135	--	781,817	781,817	--
Total Primary Government	\$ 31,906,308	\$ 12,427,855	\$ 8,781,475	\$ 705,985	(10,772,810)	781,817	(9,990,993)	--
Component Unit:								
Housing and Redevelopment Commission	\$ 371,077	\$ --	\$ 425,391	\$ --	--	--	--	54,314
General Revenues:								
Taxes:								
Property taxes					6,850,175	--	6,850,175	--
Sales taxes					12,254,425	--	12,254,425	--
State shared revenues					130,520	--	130,520	--
Unrestricted investment earnings					113,433	37,368	150,801	3,772
Miscellaneous revenues					64,367	--	64,367	--
Gain on disposal of assets					--	6,480	6,480	--
Transfers					2,888,651	(2,888,651)	--	--
Total General Revenues and Transfers:					22,301,571	(2,844,803)	19,456,768	3,772
Change in Net Position					11,528,761	(2,062,986)	9,465,775	58,086
Net Position, Beginning of Year,								
As Previously Reported					65,503,152	56,451,541	121,954,693	6,304,214
Restatement (Note 19)					--	--	--	(4,898,446)
Net Position, Beginning of Year,								
Restated					65,503,152	56,451,541	121,954,693	1,405,768
Net Position, End of Year					\$ 77,031,913	\$ 54,388,555	\$ 131,420,468	\$ 1,463,854

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

City of Mitchell
Balance Sheet – Governmental Funds
December 31, 2020

	<u>General Fund</u>	<u>Park Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Cash and cash equivalents	\$ 8,899,349	\$ 294,507	\$ 3,024,540	\$ 12,218,396
Investments	1,810,803	--	--	1,810,803
Taxes receivable-delinquent	84,975	--	--	84,975
Accounts Receivable	10,914	490	10,889	22,293
Special assessments receivable				
Current	21,250	--	--	21,250
Delinquent	7,230	--	--	7,230
Deferred	16,308	--	--	16,308
Due from other funds	175,000	--	--	175,000
Due from other governments	2,826,906	1,880	271,142	3,099,928
Supply inventory	491,641	45,841	2,585	540,067
Restricted deposits	677,892	--	--	677,892
Restricted cash	2,504,087	--	--	2,504,087
Total Assets	<u>\$ 17,526,355</u>	<u>\$ 342,718</u>	<u>\$ 3,309,156</u>	<u>\$ 21,178,229</u>
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	\$ 304,939	\$ 52,352	\$ 17,962	\$ 375,253
Due to other funds	--	--	25,000	25,000
Total Liabilities	<u>304,939</u>	<u>52,352</u>	<u>42,962</u>	<u>400,253</u>
Deferred inflows of resources:				
Unavailable revenue	1,187,456	--	58,031	1,245,487
Total Deferred Inflows of Resources	<u>1,187,456</u>	<u>--</u>	<u>58,031</u>	<u>1,245,487</u>
Fund Balances:				
Nonspendable	1,169,533	45,841	2,585	1,217,959
Restricted	2,504,087	233,406	1,610,786	4,348,279
Assigned	508,909	11,119	1,594,792	2,114,820
Unassigned	11,851,431	--	--	11,851,431
Total Fund Balances	<u>16,033,960</u>	<u>290,366</u>	<u>3,208,163</u>	<u>19,532,489</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 17,526,355</u>	<u>\$ 342,718</u>	<u>\$ 3,309,156</u>	<u>\$ 21,178,229</u>

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

City of Mitchell

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
December 31, 2020

Total Fund Balances Government Funds \$ 19,532,489

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

Net pension asset reported in governmental activities is not available financial resource and therefore is not reported in the funds. 16,120

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. 67,405,882

Pension and OPEB related deferred outflows are components of pension liability (asset)/OPEB liability and therefore are not reported in the funds. 2,240,506

Long-term liabilities, including bonds payable, net pension liability, capital leases payable, accrued leave payable and accrued other post-employment benefits payable are not due and payable in the current period and therefore are not reported in the funds. (14,237,682)

Assets such as taxes receivable (delinquent) and special assessment receivables (current, delinquent and deferred) are not available to pay for current period expenditures and therefore are not deferred in the funds. 129,763

Sales tax and revenue from sale of goods and services received after the "availability" period is deferred in the funds' statements. 1,115,723

Pension and OPEB related deferred inflows are components of pension liability (asset)/OPEB liability and therefore are not reported in the funds. (2,924,972)

Internal service funds are used by management to charge the costs of activities, such as insurance, to individual funds. The assets and liabilities of internal service funds are included in governmental activities in the statement of net position. 3,754,084

Net Position Governmental Activities \$ 77,031,913

City of Mitchell

Statement of Revenues, Expenditures, and Changes in Fund Balance Governmental Funds For the Year Ended December 31, 2020

	<u>General Fund</u>	<u>Park Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues				
Taxes:				
General property taxes	\$ 5,440,473	\$ --	\$ 1,188,827	\$ 6,629,300
General sales and use taxes	11,300,878	--	977,562	12,278,440
Gross receipts business taxes	195,655	--	--	195,655
Amusement taxes	1,188	--	--	1,188
Penalties and interest on taxes	10,635	--	--	10,635
Licenses and permits	197,454	--	--	197,454
Intergovernmental Revenue:				
Federal grants	3,327,170	52,492	1,636,277	5,015,939
State grants	1,239,432	21,769	62,311	1,323,512
State shared revenues:				
Bank franchise tax	51,743	--	--	51,743
Prorate license fees	14,833	--	--	14,833
Liquor tax reversion (25%)	78,777	--	--	78,777
Motor vehicle licenses	125,404	--	--	125,404
Fire insurance premiums reversion	63,037	--	--	63,037
Local government highway and bridge	421,923	--	--	421,923
911 Remittances	--	--	259,028	259,028
County shared revenues	1	--	--	1
Charges for Goods or Services:				
General government	2,564	--	--	2,564
Public safety	122,132	--	306,491	428,623
Highways and streets	14,998	--	--	14,998
Health	--	--	299,423	299,423
Culture and recreation	--	699,169	--	699,169
Cemetery	127,595	--	--	127,595
Fines and Forfeits:				
Court fines	3,952	--	--	3,952
Animal control fines	9,021	--	--	9,021
Parking meter fines	13,353	--	--	13,353
Library	--	--	15,624	15,624
Miscellaneous Revenue:				
Interest earned	113,433	--	--	113,433
Rentals	75	--	--	75
Special assessments	5,924	--	40,538	46,462
Contributions from private sources	5,590	67,475	392,316	465,381
Other	53,087	1,533	9,747	64,367
Total Revenues	<u>22,940,327</u>	<u>842,438</u>	<u>5,188,144</u>	<u>28,970,909</u>

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

City of Mitchell

Statement of Revenues, Expenditures, and Changes in Fund Balance Governmental Funds
For the Year Ended December 31, 2020 (Continued)

	<u>General Fund</u>	<u>Park Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Expenditures				
General Government:				
Legislative	148,343	\$ --	\$ --	\$ 148,343
Executive	237,565	--	--	237,565
Elections	66	--	--	66
Financial administration	1,252,016	--	--	1,252,016
Other	668,035	--	--	668,035
Public Safety:				
Police	3,537,801	--	--	3,537,801
Fire	1,494,788	--	--	1,494,788
Other protection	--	--	1,044,270	1,044,270
Public Works:				
Highways and streets	3,332,484	--	--	3,332,484
Cemeteries	356,245	--	--	356,245
Health and Welfare:				
Health	48,500	--	1,187,009	1,235,509
Humane society	60,119	--	--	60,119
Culture and Recreation:				
Recreation	74,650	2,081,758	108,185	2,264,593
Parks	--	1,057,415	--	1,057,415
Libraries	714,587	--	7,674	722,261
Conservation and Development:				
Urban Redevelopment and Housing	--	--	892,162	892,162
Economic development and assistance	232,000	--	--	232,000
Debt Service	946,639	--	1,508,916	2,455,555
Capital Outlay	5,300,454	174,130	220,738	5,695,322
Total Expenditures	<u>18,404,292</u>	<u>3,313,303</u>	<u>4,968,954</u>	<u>26,686,549</u>
Excess of Revenues Over (Under) Expenditures	<u>4,536,035</u>	<u>(2,470,865)</u>	<u>219,190</u>	<u>2,284,360</u>
Other Financing Sources (Uses):				
Transfers-in	4,397,646	2,647,385	660,700	7,705,731
Sale of city property	3,371	1,150	25	4,546
Compensation for loss or damage to capital assets	3,987	1,159	5,854	11,000
Transfers out	(4,477,080)	--	(340,000)	(4,817,080)
Total Other Financing Sources (Uses)	<u>(72,076)</u>	<u>2,649,694</u>	<u>326,579</u>	<u>2,904,197</u>
Net Change in Fund Balances	4,463,959	178,829	545,769	5,188,557
Fund Balance, Beginning of Year	<u>11,570,001</u>	<u>111,537</u>	<u>2,662,394</u>	<u>14,343,932</u>
Fund Balance, End of Year	<u>\$ 16,033,960</u>	<u>\$ 290,366</u>	<u>\$ 3,208,163</u>	<u>\$ 19,532,489</u>

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

City of Mitchell

Reconciliation Of The Statement Of Revenues, Expenditures, And Changes In Fund Balances To The Statement Of Activities For The Year Ended December 31, 2020

Net Change in Fund Balances Total Government Funds	\$ 5,188,557
Amounts reported for governmental activities in the statement of activities are different because:	
This amount represents capital asset purchases which are reported as expenditures on the fund financial statements but increase assets on the government wide statements.	5,695,322
This amount represents the current year depreciation expense reported in the statement of activities which is not reported on the fund financial statements because it does not require the use of current financial resources.	(2,044,482)
In the statement of activities, losses of \$8,506 of disposal of capital assets are reported, whereas, in the governmental funds, the proceeds \$15,546 from the disposal of capital assets are reflected, regardless of whether a gain or loss is realized.	(24,052)
Payment of principal on long-term debt is an expenditure in the governmental funds but the payment reduces long-term liabilities in the statement of net assets.	1,984,804
The fund financial statement governmental fund property tax accruals differ from the government wide statement property tax accruals in the the fund financial statements require the amounts to be "available".	13,397
The fund financial statement governmental fund sales and use tax tax accruals differ from the government wide statement sales and use tax accruals in that the fund financial statements require the amounts to be "available".	(24,015)
Governmental funds report special assessments as revenue when "available", but the statement of activities includes the full amount of special assessments as revenue upon completion of the project at the point when an enforceable legal claim arises.	11,388
Governmental funds recognize expenditures for amounts of compensated absences actually paid to employees with current financial resources during the year. Amounts of compensated absences earned by employees are not recognized in the funds. In the statement of activities, expenses for these benefits are recognized when the employees earn leave credits.	43,631
Changes in the Net OPEB obligation and pension related deferred outflows/inflows are direct components of pension liability (asset)/OPEB liability and are not reflected in the governmental funds.	(676,216)
Internal services funds are used by management to charge the costs of certain activities, such as insurance to individual funds. The net revenue (expense) of the internal service fund is reported with governmental activities.	<u>1,360,427</u>
Change in Net Position of Governmental Activities	<u><u>\$ 11,528,761</u></u>

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

City of Mitchell
Statement of Net Position – Proprietary Funds
December 31, 2020

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Airport Fund</u>	<u>Sanitation Fund</u>	<u>Corn Palace Fund</u>	<u>Golf Fund</u>	<u>Campground Fund</u>	<u>EMS Fund</u>	<u>Total</u>	<u>Internal Service Fund</u>
Assets:										
Current Assets:										
Cash and cash equivalents	\$ 2,331,074	\$ 1,712,686	\$ 76,868	\$ 2,788,815	\$ 74,663	\$ 50,969	\$ 74,981	\$ 541,633	\$ 7,651,689	\$ 4,067,369
Accounts receivable	418,045	388,215	--	339,893	131	--	--	5,756	1,152,040	--
Due from other governments	--	--	--	--	--	--	--	174,941	174,941	--
Supply inventory	319,739	32,142	4,571	21,696	18,942	18,276	--	12,343	427,709	--
Total Current Assets	3,068,858	2,133,043	81,439	3,150,404	93,736	69,245	74,981	734,673	9,406,379	4,067,369
Noncurrent Assets:										
Restricted cash and cash equivalents	--	--	--	27,940	--	--	--	--	27,940	--
Restricted investments	--	--	--	1,304,587	--	--	--	--	1,304,587	--
Net pension asset	844	713	140	1,171	735	366	--	1,952	5,921	--
Land and buildings held for resale	2,500,300	--	--	--	--	--	--	--	2,500,300	--
Capital Assets:										
Land	1,780,600	163,092	39,743	550,373	50,650	169,843	--	--	2,754,301	--
Buildings	12,935,319	291,263	571,487	2,179,002	8,445,556	314,500	--	--	24,737,127	--
Improvements other than buildings	27,644,867	15,487,585	17,237,290	2,680,945	894,970	1,171,581	--	--	65,117,238	--
Machinery and equipment	3,808,021	6,605,189	729,039	3,545,133	783,227	631,298	--	--	16,101,907	--
Construction in progress	342,337	467,028	--	--	644,146	--	--	--	1,453,511	--
Intangible assets	--	2,500	--	--	--	--	--	--	2,500	--
Accumulated depreciation	(17,142,490)	(8,724,975)	(13,444,378)	(3,835,235)	(2,633,220)	(1,752,821)	--	--	(47,533,119)	--
Total Capital Assets	29,368,654	14,291,682	5,133,181	5,120,218	8,185,329	534,401	--	--	62,633,465	--
Total Noncurrent Assets	31,869,798	14,292,395	5,133,321	6,453,916	8,186,064	534,767	--	1,952	66,472,213	--
Total Assets	34,938,656	16,425,438	5,214,760	9,604,320	8,279,800	604,012	74,981	736,625	75,878,592	4,067,369
Deferred Outflows of Resources:										
Pension related deferred outflows	133,642	127,397	22,398	189,404	151,983	53,717	--	283,601	962,142	--

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

City of Mitchell
Statement of Net Position – Proprietary Funds
December 31, 2020 (Continued)

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Airport Fund</u>	<u>Sanitation Fund</u>	<u>Corn Palce Funds</u>	<u>Golf Funds</u>	<u>Campground Fund</u>	<u>EMS Fund</u>	<u>Total</u>	<u>Internal Service Fund</u>
Liabilities:										
Current Liabilities:										
Accounts payable	\$ 71,065	31,767	\$ 14,269	\$ 24,443	\$ 17,910	\$ 635	\$ 1,017	\$ 22,030	\$ 183,136	\$ 130,285
Due to other funds	--	75,000	--	--	--	75,000	--	--	150,000	--
Incurred but not reported claims payable	--	--	--	--	--	--	--	--	--	183,000
Compensated absences payable current	6,627	9,109	858	8,417	4,661	763	--	5,291	35,726	--
Bonds payable - current:										
Revenue	442,406	236,607	--	126,687	--	--	--	--	805,700	--
Total Current Liabilities	520,098	352,483	15,127	159,547	22,571	76,398	1,017	27,321	1,174,562	313,285
Noncurrent Liabilities:										
Bonds payable:										
Revenue	6,287,836	12,273,072	--	564,989	--	--	--	--	19,125,897	--
Accrued leave payable	19,880	27,327	2,573	25,251	13,983	2,288	--	15,872	107,174	--
Accrued landfill closure and postclosure costs	--	--	--	1,090,354	--	--	--	--	1,090,354	--
Net OPEB Obligation	30,665	30,665	5,575	55,754	33,452	8,363	--	66,905	231,379	--
Total Noncurrent Liabilities	6,338,381	12,331,064	8,148	1,736,348	47,435	10,651	--	82,777	20,554,804	--
Total Liabilities	6,858,479	12,683,547	23,275	1,895,895	70,006	87,049	1,017	110,098	21,729,366	313,285
Deferred Inflows of Resources:										
Pension related deferred inflows	91,460	88,487	19,533	142,668	93,930	28,640	--	258,095	722,813	--
Net Position										
Net investment in capital assets	22,638,412	1,782,003	5,133,181	5,120,218	8,185,329	534,401	--	--	43,393,544	--
Restricted for										
Revenue bond debt service	68,665	--	--	27,940	--	--	--	--	96,605	--
Landfill closure and post-closure costs	--	--	--	1,304,587	--	--	--	--	1,304,587	--
SDRS pension purposes	43,026	39,623	3,005	47,907	58,788	25,443	--	27,458	245,250	--
Unrestricted net position	5,372,256	1,959,175	58,164	1,254,509	23,730	(17,804)	73,964	624,575	9,348,569	3,754,084
Total Net Position	\$ 28,122,359	\$ 3,780,801	\$ 5,194,350	\$ 7,755,161	\$ 8,267,847	\$ 542,040	\$ 73,964	\$ 652,033	\$ 54,388,555	\$ 3,754,084

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

City of Mitchell

Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds For the Year Ended December 31, 2020

	Water Fund	Sewer Fund	Airport Fund	Sanitation Fund	Corn Palace Fund	Golf Fund	Campground Fund	EMS Fund	Total	Internal Service Fund
Operating Revenues:										
Charges for goods and services	\$ 3,859,584	\$ 2,543,151	\$ 153,169	\$ 2,394,245	\$ 567,574	\$ 417,532	\$ 92,586	\$ 564,671	\$ 10,592,512	\$ --
Contributions and donations	--	--	--	--	18,992	4,500	--	--	23,492	--
Miscellaneous	--	--	--	--	--	--	--	--	--	4,578,082
Total Operating Revenue	3,859,584	2,543,151	153,169	2,394,245	586,566	422,032	92,586	564,671	10,616,004	4,578,082
Operating Expenses:										
Personal services	591,786	580,538	117,012	893,567	653,040	218,909	14,774	1,362,434	4,432,060	--
Cost of sales	896,031	--	--	--	115,896	--	--	--	1,011,927	--
Other current expense	831,538	913,873	262,129	632,966	489,123	177,564	37,739	157,555	3,502,487	3,217,655
Depreciation	704,526	437,531	471,738	401,262	221,020	66,644	--	--	2,302,721	--
Total Operating Expenses	3,023,881	1,931,942	850,879	1,927,795	1,479,079	463,117	52,513	1,519,989	11,249,195	3,217,655
Operating Income (Loss)	835,703	611,209	(697,710)	466,450	(892,513)	(41,085)	40,073	(955,318)	(633,191)	1,360,427
Nonoperating Revenue (Expense):										
Operating grants	--	22,262	166,312	118,000	--	--	--	785,843	1,092,417	--
Interest earned	13,007	8,228	--	16,133	--	--	--	--	37,368	--
Interest expense	(269,123)	(30,842)	--	(25,579)	--	--	--	--	(325,544)	--
Gain on disposition of assets	25	--	--	--	2,120	545	1,168	2,622	6,480	--
Total Nonoperating Revenue (Expense)	(256,091)	(352)	166,312	108,554	2,120	545	1,168	788,465	810,721	--
Net Income (Loss) before Capital Contributions and Transfers	579,612	610,857	(531,398)	575,004	(890,393)	(40,540)	41,241	(166,853)	177,530	1,360,427
Capital contributions	--	--	--	--	648,135	--	--	--	648,135	--
Transfers in	85,000	--	--	--	605,109	--	--	818,886	1,508,995	--
Transfers (out)	(95,000)	(4,302,646)	--	--	--	--	--	--	(4,397,646)	--
Change in Net Position	569,612	(3,691,789)	(531,398)	575,004	362,851	(40,540)	41,241	652,033	(2,062,986)	1,360,427
Net Position , Beginning of Year	27,552,747	7,472,590	5,725,748	7,180,157	7,904,996	582,580	32,723	--	56,451,541	2,393,657
Net Position , End of Year	\$ 28,122,359	\$ 3,780,801	\$ 5,194,350	\$ 7,755,161	\$ 8,267,847	\$ 542,040	\$ 73,964	\$ 652,033	\$ 54,388,555	\$ 3,754,084

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

City of Mitchell
Statement of Cash Flows – Proprietary Funds
For the Year Ended December 31, 2020

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Airport Fund</u>	<u>Sanitation Fund</u>	<u>Corn Palace Fund</u>	<u>Golf Fund</u>	<u>Campground Fund</u>	<u>EMS Fund</u>	<u>Total</u>	<u>Internal Service Fund</u>
Cash Flows from Operating Activities:										
Receipts from customers	\$ 3,884,845	\$ 2,578,422	\$ 153,169	\$ 2,413,488	\$ 590,720	\$ 422,032	\$ 92,586	\$ 383,974	\$ 10,519,236	\$ 4,578,082
Payments to employees for services	(551,323)	(535,067)	(107,999)	(807,459)	(610,690)	(219,434)	(14,774)	(1,301,824)	(4,148,570)	--
Payments to suppliers	(1,828,682)	(1,010,149)	(263,299)	(955,500)	(613,884)	(184,940)	(37,140)	(147,868)	(5,041,462)	(3,277,374)
Net Cash Provided (Used) by Operating Activities	<u>1,504,840</u>	<u>1,033,206</u>	<u>(218,129)</u>	<u>650,529</u>	<u>(633,854)</u>	<u>17,658</u>	<u>40,672</u>	<u>(1,065,718)</u>	<u>1,329,204</u>	<u>1,300,708</u>
Cash Flows from Non-Capital Financing Activities:										
Transfers in from other funds	85,000	--	--	--	605,109	--	--	818,886	1,508,995	--
Transfers (to) other funds	(95,000)	(4,302,646)	--	--	--	--	--	--	(4,397,646)	--
Operating grants received	--	22,262	166,312	118,000	--	--	--	785,843	1,092,417	--
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>(10,000)</u>	<u>(4,280,384)</u>	<u>166,312</u>	<u>118,000</u>	<u>605,109</u>	<u>--</u>	<u>--</u>	<u>1,604,729</u>	<u>(1,796,234)</u>	<u>--</u>
Cash Flows from Capital and Related Financing Activities:										
Proceeds of capital debt	375,918	4,554,223	--	--	--	--	--	--	4,930,141	--
Capital contributions	--	--	--	--	648,135	--	--	--	648,135	--
Proceeds from sale of capital assets	--	--	--	--	2,120	545	1,168	2,622	6,455	--
Purchase of capital assets	(335,990)	(626,636)	--	(1,237,446)	(720,925)	--	--	--	(2,920,997)	--
Debt principal paid	(351,409)	(98,652)	--	(122,587)	--	--	--	--	(572,648)	--
Debt interest paid	(269,123)	(30,842)	--	(25,579)	--	--	--	--	(325,544)	--
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(580,604)</u>	<u>3,798,093</u>	<u>--</u>	<u>(1,385,612)</u>	<u>(70,670)</u>	<u>545</u>	<u>1,168</u>	<u>2,622</u>	<u>1,765,542</u>	<u>--</u>
Cash Flows from Investing Activities:										
Transfer from restricted cash	--	80,000	--	(104,144)	--	--	--	--	(24,144)	--
Cash received for interest	13,007	8,228	--	16,133	--	--	--	--	37,368	--
Net Cash Provided (Used) by Investing Activities	<u>13,007</u>	<u>88,228</u>	<u>--</u>	<u>(88,011)</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>13,224</u>	<u>--</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>927,243</u>	<u>639,143</u>	<u>(51,817)</u>	<u>(705,094)</u>	<u>(99,415)</u>	<u>18,203</u>	<u>41,840</u>	<u>541,633</u>	<u>1,311,736</u>	<u>1,300,708</u>
Cash and Cash Equivalents, Beginning of Year	<u>1,403,831</u>	<u>1,073,543</u>	<u>128,685</u>	<u>3,493,909</u>	<u>174,078</u>	<u>32,766</u>	<u>33,141</u>	<u>--</u>	<u>6,339,953</u>	<u>2,766,661</u>
Cash and Cash Equivalents, End of Year	<u>\$ 2,331,074</u>	<u>\$ 1,712,686</u>	<u>\$ 76,868</u>	<u>\$ 2,788,815</u>	<u>\$ 74,663</u>	<u>\$ 50,969</u>	<u>\$ 74,981</u>	<u>\$ 541,633</u>	<u>\$ 7,651,689</u>	<u>\$ 4,067,369</u>
Reconciliation of Operating Income (Loss) to Net Cash Flows (Used) by Operating Activities:										
Operating Income (Loss)	\$ 835,703	\$ 611,209	\$ (697,710)	\$ 466,450	\$ (892,513)	\$ (41,085)	\$ 40,073	\$ (955,318)	\$ (633,191)	\$ 1,360,427
Adjustments to reconcile operating (loss) to net cash provided (used) by operating activities:										
Depreciation	704,526	437,531	471,738	401,262	221,020	66,644	--	--	2,302,721	--
Changes in Assets and Liabilities:										
Receivables	25,261	35,271	--	19,243	4,154	--	--	(5,756)	78,173	--
Due from other governments	--	--	--	--	--	--	--	(174,941)	(174,941)	--
Inventories	(22,874)	(335)	924	(13,923)	747	1,501	--	(12,343)	(46,303)	--
Net pension asset/liability	29,370	28,726	6,397	47,603	30,794	8,011	--	(27,458)	123,443	--
Accounts and other payables	(78,239)	(95,941)	(2,094)	(353,028)	(9,612)	(8,877)	599	22,030	(525,162)	(59,719)
Accrued leave, Accrued landfill closure and postclosure costs, and OPEB payable	11,093	16,745	2,616	82,922	11,556	(8,536)	--	88,068	204,464	--
Cash Flows Provided (Used) by Operating Activities	<u>\$ 1,504,840</u>	<u>\$ 1,033,206</u>	<u>\$ (218,129)</u>	<u>\$ 650,529</u>	<u>\$ (633,854)</u>	<u>\$ 17,658</u>	<u>\$ 40,672</u>	<u>\$ (1,065,718)</u>	<u>\$ 1,329,204</u>	<u>\$ 1,300,708</u>

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

City of Mitchell
Statement of Net Position – Fiduciary Funds
December 31, 2020

	Custodial Funds
Assets:	
Cash and Cash Equivalents	\$ 924,586
Other Assets	<u>97,006</u>
Total Assets	<u>1,021,592</u>
Liabilities:	
Accounts Payable	<u>8,483</u>
Total Liabilities	<u>8,483</u>
Net Position	<u><u>\$ 1,013,109</u></u>

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

City of Mitchell
Statement of Changes in Net Position – Fiduciary Funds
December 31, 2020

	<u>Custodial Funds</u>
Additions:	
Funds received into custody	\$ 500,356
Deductions:	
Funds released from custody	<u>524,609</u>
Change in Net Position	(24,253)
Restatement (Note 19)	1,037,362
Net Position - Beginning	<u>1,037,362</u>
Net Position - Ending	<u>\$ 1,013,109</u>

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

City of Mitchell
Notes to Financial Statements
December 31, 2020

1. Summary of Significant Accounting Policies:

a. Financial Reporting Entity:

The reporting entity of the City of Mitchell (City) 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); those organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete.

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

The Housing and Redevelopment Commission of the City of Mitchell, South Dakota (Commission) is a proprietary fund-type, discretely presented component unit. The five members of the Commission are appointed by the Mayor with the approval of the Governing Board for five-year staggered terms. The Commission elects its own chairperson and recruits and employs its own management personnel and other workers. The Governing Board, though, retains the statutory authority to approve or deny or otherwise modify the Commission's plans to construct a low-income housing unit, or to issue debt, which gives the Governing Board the ability to impose its will on the Commission. Separately issued financial statements of the Housing and Redevelopment Commission may be obtained from: The Housing and Redevelopment Commission of the City of Mitchell, Tammy Frost, Executive Director, 200 East 15th Mitchell, SD 57301. The June 30, 2020 year-end statements are presented in these financial statements.

b. Basis of Presentation:

Government-Wide Financial Statements:

The Statement of Net Position and Statement of Activities display information about the reporting entity as a whole. They include all funds of the reporting entity, except for fiduciary funds. The statements distinguish between governmental and business-type activities and discretely presented component units. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. Discretely presented component units are legally separate organizations that meet certain criteria, as described in note 1.a., above, and may be classified as either governmental or business-type activities. See the discussion of individual component units in Note 1.a. above.

1. Summary of Significant Accounting Policies: (Continued)

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

Fund Financial Statements:

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

1. Total assets, liabilities, revenues or expenditures/expenses of the individual governmental or enterprise fund are at least 10% of the corresponding total for all funds of that category or type, and
2. Total assets, liabilities, revenues or expenditures/expenses of the individual governmental or enterprise fund are at least 5% of the corresponding total for all governmental and enterprise funds combined, or
3. Management has elected to classify one or more governmental or enterprises funds as major for consistency in reporting from year to year, or because of public interest in the fund's operations.

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

Governmental Funds:

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

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

Park Fund – To account for charges for goods and services of the recreation center, ice skating rinks and other recreational facilities maintained by the city and the related costs of these facilities. This is a major fund.

City of Mitchell
Notes to Financial Statements
December 31, 2020

1. Summary of Significant Accounting Policies: (Continued)

The remaining Special Revenue funds are not considered major funds: Liquor, Lodging and Dining Gross Receipts Tax Fund, BID #3 Fund, Special Assessment Revolving Fund, 911 Emergency Fund, RSVP Fund, Nutrition Fund, and Library Fines Fund. These funds are reported on the fund financial statements as "Other Governmental Funds."

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

Tax Increment Financing (TIF) Funds – to account for the property taxes which may be used only for the payment of the applicable TIF bonds. The City has fourteen (14) of these debt service funds. None of the TIF funds are major funds.

Capital Project Funds – Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds or trust funds for individuals, private organizations, or other governments).

Proprietary Funds:

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

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

City of Mitchell
Notes to Financial Statements
December 31, 2020

1. Summary of Significant Accounting Policies: (Continued)

Sanitation Fund – Financed primarily by user charges, this fund accounts for the operation of the City sanitation system. This is a major fund.

Corn Palace Fund – Financed by user charges and transfers in from the General and Liquor, Lodging and Dining Gross Receipts Tax Funds, this fund accounts for the operation of the Corn Palace. This is a major fund.

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

Airport Fund – Financed by federal grants, state grants, transfers-in from General Fund and user fees, this fund accounts for operation of the City airport. This is a major fund.

Campground Fund – Financed by charges for services this fund accounts for operation of the campground. This is a major fund.

EMS Fund – Financed by federal grants, transfers-in from General Fund, and Medicare/Medicaid payments, this fund accounts for operation of the City's EMS. This is a major fund.

Internal Services Funds – Internal services funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the primary government and its component units or to other governments, on a cost-reimbursement basis. The particular types of services provided to other funds is coverage of employee medical expenses. Internal Service Funds are never considered to be major funds. The Health Insurance Fund is the only internal service fund maintained by the City.

Fiduciary Funds:

Fiduciary funds consist of the following sub-category and are never considered to be major funds.

Custodial Funds – Custodial funds are used to report fiduciary activities that are not required to be reported in pension (and other employee benefit) trust funds, investment trust funds, or private-purpose trust funds. Custodial funds consist of special assessment projects and payroll-related withholdings.

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.

City of Mitchell
Notes to Financial Statements
December 31, 2020

1. Summary of Significant Accounting Policies: (Continued)

Measurement Focus:

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

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

Basis of Accounting:

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

Fund Financial Statements – All governmental fund types are accounted for using the modified accrual basis of accounting. Their revenues, including property taxes, are recognized when they become measurable and available. “Available” means resources are collected or to be collected soon enough after the end of the fiscal year that they can be used to pay the bills of the current period. The accrual period for the City of Mitchell is 30 days. The revenues which are accrued at December 31, 2020 are sales tax, real estate taxes, state shared revenues, and miscellaneous other revenues.

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

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

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

d. Interfund Eliminations and Reclassifications:

Government-Wide Financial Statements:

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

City of Mitchell
Notes to Financial Statements
December 31, 2020

1. Summary of Significant Accounting Policies: (Continued)

1. In order to minimize the grossing-up effect on assets and liabilities within the governmental and business-type activities columns of the primary government, amounts reported as interfund receivables and payables have been eliminated in the governmental and business-type activities columns, except for the net, residual amounts due between governmental and business-type activities, which are presented as Internal Balances.
2. In order to minimize the doubling-up effect of internal service fund activity, certain “centralized expenses” including employee health insurance, are charged as direct expenses to funds or programs in order to show all expenses that are associated with a service, program, department, or fund. When expenses are charged, in this manner, expense reductions occur in the Internal Service Fund so that expenses are reported only in the function to which they relate.

e. Deposits and Investments:

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

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

f. Capital Assets:

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

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

Government-Wide Statements:

Capital assets are recorded at historical cost or estimated cost where actual historical cost could not be determined. Donated capital assets are valued at their estimated fair value on the date donated. Reported cost values include ancillary charges necessary to place the asset into its intended location and condition for use. Subsequent to initial capitalization, improvements or betterments that are significant, and which extend the useful life of a capital asset are also capitalized.

City of Mitchell
Notes to Financial Statements
December 31, 2020

1. Summary of Significant Accounting Policies: (Continued)

The total December 31, 2020 balance of governmental activities capital assets includes approximately 50% for which the costs were determined by estimates of the original costs. The total December 31, 2020 balance of business-type capital assets includes approximately 60% for which costs were determined by estimates of the original costs. These estimated original costs were established by appraisals or deflated current replacement cost.

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

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

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

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

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Land	All	-- *	--
Buildings	\$ 50,000	straight-line	20-100 years
Improvements other than buildings	25,000	straight-line	15-50 years
Machinery and equipment	\$ 5,000	straight-line	4-20 years

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

Fund Financial Statements:

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

City of Mitchell
Notes to Financial Statements
December 31, 2020

1. Summary of Significant Accounting Policies: (Continued)

g. Long-term Liabilities:

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

All long-term liabilities to be repaid from governmental and business-type resources are reported as liabilities in the government-wide financial statements. The long-term liabilities primarily consist of compensated absences, other post-employment benefits, revenue bonds and capital leases.

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

h. Program Revenues:

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

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

i. Proprietary Funds Revenue and Expense Classifications:

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

City of Mitchell
Notes to Financial Statements
December 31, 2020

1. Summary of Significant Accounting Policies: (Continued)

j. Deferred Inflows and Deferred Outflows of Resources:

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

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

k. Cash and Cash Equivalents:

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

l. Equity Classifications:

Government-Wide Financial Statements:

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

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

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.

1. Summary of Significant Accounting Policies: (Continued)

m. Application of Net Position:

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

n. Fund Balance Classification Policies and Procedures:

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

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

The Nonspendable Fund Balance is comprised of the following:

- Amount reported in non-spendable form such as inventory.
- Amount legally or contractually required to be maintained intact such as vested balance of liability insurance premiums with South Dakota Public Assurance Alliance.

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

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

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

Park Fund – Charges for goods and services.

City of Mitchell
Notes to Financial Statements
December 31, 2020

1. Summary of Significant Accounting Policies: (Continued)

A schedule of fund balances is provided as follows:

	<u>General Fund</u>	<u>Park Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Non-spendable:				
Inventory	\$ 491,641	\$ 45,841	\$ 2,585	\$ 540,067
Deposits	677,892	--	--	677,892
	<u>1,169,533</u>	<u>45,841</u>	<u>2,585</u>	<u>1,217,959</u>
Restricted for:				
Debt service	2,504,087	--	453,275	2,957,362
Parks and recreation	--	233,406	--	233,406
Economic development	--	--	392,151	392,151
Public safety	--	--	665,261	665,261
Library	--	--	100,099	100,099
	<u>2,504,087</u>	<u>233,406</u>	<u>1,610,786</u>	<u>4,348,279</u>
Assigned to:				
Applied to Next Year's Budget	253,533	--	1,090,362	1,343,895
Fire and EMS equipment	101,801	--	230,561	332,362
Community projects	153,575	11,119	273,869	438,563
	<u>508,909</u>	<u>11,119</u>	<u>1,594,792</u>	<u>2,114,820</u>
Unassigned:	<u>11,851,431</u>	<u>--</u>	<u>--</u>	<u>11,851,431</u>
Total Fund Balance	<u>\$ 16,033,960</u>	<u>\$ 290,366</u>	<u>\$ 3,208,163</u>	<u>\$ 19,532,489</u>

o. Pensions:

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

City of Mitchell
Notes to Financial Statements
December 31, 2020

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

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

Deposits:

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

Investments:

In general, SDLC 4-5-6 permits City funds to be invested only in:

- a. Securities of the United States and securities guaranteed by the United States Government either directly or indirectly; or
- b. Repurchase agreements fully collateralized by securities described in a. above; or in shares of an open-end, no load fund administered by an investment company whose investments are in securities described in a. above and repurchase agreements described in b. above.

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

Credit Risk:

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

As of December 31, 2020, the City had the following investments:

<u>Investment - Primary Government</u>	<u>Credit Rating</u>	<u>Maturities</u>	<u>Fair Value</u>
<u>External Investment Pools:</u>			
SDFIT	Not Rated	N/A	<u>\$ 363,208</u>

City of Mitchell
Notes to Financial Statements
December 31, 2020

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

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

Other items classified as investments are certificates of deposit having a maturity of over 90 days from the date of acquisition.

Custodial Credit Risk – Deposits:

The risk that, in the event of a depository failure, the City’s deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. As of December 31, 2020, the City’s deposits in financial institutions were not exposed to custodial credit risk.

Interest-rate Risk:

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

Concentration of Credit Risk:

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

Assignment of Investment Income:

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

3. Restricted Cash and Investments:

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

<u>Amount</u>	<u>Purpose</u>
\$ 2,532,027	For debt service, by debt covenants
\$ 1,304,587	For landfill closure and post-closure care costs
\$ 677,892	For risk pool capitalization contribution

City of Mitchell
Notes to Financial Statements
December 31, 2020

4. Receivables and Payables:

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

5. Restricted Net Position:

Restricted Net Position for the year ended December 31, 2020 was as follows:

Restricted for:	
Other-component unit	\$ 1,463,854
Debt service purposes	3,053,967
SDPAA	677,892
Parks and recreation	233,406
Economic development	392,151
Public safety	665,261
Library	100,099
Landfill closure and post-closure costs	1,304,587
SDRS pension purposes	310,071
Total Restricted Net Position	<u>\$ 8,201,288</u>

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

6. Inventory:

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

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

Government-Wide Financial Statements:

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

Fund Financial Statements:

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

City of Mitchell
Notes to Financial Statements
December 31, 2020

7. Deferred Inflows of Resources:

Deferred inflows of resources represent unavailable revenue as follows:

	<u>General Fund</u>	<u>Other Governmental Funds</u>
Sales tax	\$ 1,057,692	\$ 58,031
Property tax	84,976	--
Special assessments	44,788	--
	<u>\$ 1,187,456</u>	<u>\$ 58,031</u>

8. Property Taxes:

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

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

City of Mitchell
Notes to Financial Statements
December 31, 2020

9. Changes in Capital Assets:

A summary of changes in capital assets for the year ended December 31, 2020 is as follows:

	Balance 1/01/20	Increases	Decreases	Balance 12/31/20
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 4,802,560	\$ 35,657	\$ (19,052)	\$ 4,819,165
Construction in progress	7,660,995	3,461,447	(7,660,995)	3,461,447
Total, not being depreciated	12,463,555	3,497,104	(7,680,047)	8,280,612
Capital assets, being depreciated:				
Buildings	29,617,669	400,114	--	30,017,783
Improvements	31,481,222	8,918,361	(20,440)	40,379,143
Machinery and equipment	15,967,962	559,790	(367,144)	16,160,608
Total, being depreciated	77,066,853	9,878,265	(387,584)	86,557,534
Less accumulated depreciation for:				
Buildings	5,974,939	587,330	--	6,562,269
Improvements	8,113,018	595,575	(4,085)	8,704,508
Machinery and equipment	11,663,357	861,577	(359,447)	12,165,487
Total accumulated depreciation	25,751,314	2,044,482	(363,532)	27,432,264
Governmental Activity Capital Assets, Net	\$ 63,779,094	\$ 11,330,887	\$ (7,704,099)	\$ 67,405,882

Depreciation expense was charged to functions as follows:

General government	\$ 470,230
Public safety	265,783
Public works	490,676
Health and welfare	122,669
Culture and recreation	695,124
Total Depreciation Expense Governmental Activities	\$ 2,044,482

City of Mitchell
Notes to Financial Statements
December 31, 2020

9. Changes in Capital Assets: (Continued)

A summary of changes in capital assets for the year ended December 31, 2020 is as follows: (continued)

	<u>Balance 1/01/20</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 12/31/2020</u>
Business-Type Activities:				
Capital assets, not being depreciated:				
Land	\$ 5,214,757	\$ 42,344	\$ (2,502,800)	\$ 2,754,301
Construction in progress	2,290,065	1,453,511	(2,290,065)	1,453,511
Total, not being depreciated	<u>7,504,822</u>	<u>1,495,855</u>	<u>(4,792,865)</u>	<u>4,207,812</u>
Capital assets, being depreciated:				
Buildings	24,737,127	--	--	24,737,127
Improvements	62,918,503	2,513,804	(315,069)	65,117,238
Intangible assets	2,500	--	--	2,500
Machinery and equipment	15,331,086	1,382,912	(612,091)	16,101,907
Total, being depreciated	<u>102,989,216</u>	<u>3,896,716</u>	<u>(927,160)</u>	<u>105,958,772</u>
Less accumulated depreciation for:				
Buildings	8,812,352	477,668	--	9,290,020
Improvements	26,655,589	1,223,022	(207,977)	27,670,634
Machinery and equipment	10,510,633	602,031	(540,199)	10,572,465
Total accumulated depreciation	<u>45,978,574</u>	<u>2,302,721</u>	<u>(748,176)</u>	<u>47,533,119</u>
Business-Type Activities				
Capital Assets, Net	<u>\$ 64,515,464</u>	<u>\$ 3,089,850</u>	<u>\$ (4,971,849)</u>	<u>\$ 62,633,465</u>

Depreciation expense was charged to functions as follows:

Water	\$ 704,526
Sewer	437,531
Airport	471,738
Sanitation	401,262
Corn Palace	221,020
Golf	66,644
Total Depreciation Expense	
Business-Type Activities	<u>\$ 2,302,721</u>

City of Mitchell
Notes to Financial Statements
December 31, 2020

9. Changes in Capital Assets: (Continued)

Construction work in progress at December 31, 2020 is composed of the following:

<u>Project Name</u>	<u>Expended thru 12/31/2020</u>
Windows/Tuckpointing-Western on Main Bldg-101	\$ 60,639
Sanborn-Phase II & III-Street-101	2,485,883
Sanborn-Phase II & III-Storm Drainage-101	914,925
Shoreline Restoration-West Harmon-602	5,880
Sanborn-Phase II & III-Water-602	336,457
Dailey Drive Lift Station-604	50,454
Sanborn-Phase II & III-Wastewater-604	416,575
Corn Palace Plaza-613	644,145
	<u>\$ 4,914,958</u>

10. Long-Term Liabilities:

A summary of changes in long-term liabilities follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Primary Government					
Governmental Activities:					
Bonds Payable:					
Revenue	\$ 15,705,708	\$ --	\$ (1,984,804)	\$ 13,720,904	\$ 1,577,165
Total Debt	15,705,708	--	(1,984,804)	13,720,904	1,577,165
Accrued Compensated Absences	560,409	62,847	(106,478)	516,778	129,194
Total Governmental Activities	<u>\$ 16,266,117</u>	<u>\$ 62,847</u>	<u>\$ (2,091,282)</u>	<u>\$ 14,237,682</u>	<u>\$ 1,706,359</u>
Business-type Activities:					
Bonds Payable:					
Revenue	\$ 15,574,104	\$ 4,930,141	\$ (572,648)	\$ 19,931,597	\$ 805,700
Total Debt	15,574,104	4,930,141	(572,648)	19,931,597	805,700
Accrued Compensated Absences	124,110	42,369	(23,579)	142,900	35,726
Total Business Type Activities	<u>\$ 15,698,214</u>	<u>\$ 4,972,510</u>	<u>\$ (596,227)</u>	<u>\$ 20,074,497</u>	<u>\$ 841,426</u>

City of Mitchell
Notes to Financial Statements
December 31, 2020

10. Long-Term Liabilities: (Continued)

Debt payable at December 31, 2020 is comprised of the following:

Revenue Bonds:

Series 2019 Sales Tax Revenue Refunding Bonds	2.15%-3% depending on length to maturity of individual bonds; bond matures and final principal payment due December 1, 2032. This debt is serviced by the General Fund.	\$ 8,245,000
Indoor swimming pool	"COP" 2.95% debt payable biannually with payments of \$130,973; bond matures and final payment due December 2028. This debt is serviced by the General Fund.	1,646,926
Series 2016 TIF No. 8 Bonds	2.50%; bond matures and final principal payment due June 1, 2026. This debt is serviced by the applicable TIF debt service fund.	800,056
Note Payable TIF No. 8; Subordinated to Series 2007 TIF No. 8 Bonds above	7.25%; due in 2014, but no later than December 31, 2027. This debt is serviced by the applicable TIF debt service fund.	100,000
Series 2010 TIF No. 14	5.5%; Terms are for semi-annual payments of \$23,572, matures December 1, 2029. This debt is serviced by the applicable TIF debt service fund.	322,565
Series 2006 TIF No. 7 Bonds	6.75%; Terms are for semi-annual payments of \$94,716, matures December 1, 2031. This debt is serviced by the applicable TIF debt service fund.	771,655
Note Payable TIF No. 16, Subordinated to Series 2006 TIF No. 7	After the TIF No. 7 bonds are paid in full, the tax incremental funds will be applied until paid in full or until the expiration at the end of calendar year 2031.	261,829
Series 2011 TIF No. 15 Bonds	5.5%; Terms are for semi-annual payments of \$15,237, matures December 1, 2030. This debt is serviced by the applicable TIF debt service fund.	102,739
Series 2017 TIF No. 9 Bonds	3.5%; Terms are for annual payments of \$57,266, matures December 1, 2027. This debt is serviced by the applicable TIF debt service fund.	307,244
Series 2012 TIF No. 17 Bonds	4.56%; Terms are interest only semi-annual until maturity, matures March 7, 2032. Amounts above interest will be applied to principal. This debt is serviced by the applicable TIF debt service fund.	204,035
Series 2012 TIF No. 18 Bonds	5.00%; Terms are semi-annual payments of \$36,516, matures July 1, 2025. This debt is serviced by the applicable TIF debt service fund.	370,291
Series 2012 TIF No. 19 Bonds	6.00%; Terms are semi-annual payments of \$9,500, matures July 1, 2036. This debt is serviced by the applicable TIF debt service fund.	163,783
Series 2012 TIF No. 20 Bonds	5.00%; Terms are interest only semi-annual until maturity, matures November 1, 2033. Amounts above interest will be applied to principal. This debt is serviced by the applicable TIF debt service fund.	132,584
Series 2018 TIF No. 21 Bonds	4.75%; Terms are annual payments of \$10,250, matures June 30, 2035. This debt is serviced by the applicable TIF debt service fund.	292,197
	Subtotal Governmental Revenue Bonds	13,720,904

City of Mitchell
Notes to Financial Statements
December 31, 2020

10. Long-Term Liabilities: (Continued)

Debt payable at December 31, 2020 is comprised of the following: (continued)

2009 State Revolving Fund Loan	2%; Payable in quarterly installments of \$23,316; matures July 15, 2029. This debt is being repaid by the Sewer Fund.	862,383
2002 State Revolving Fund Loan	4.0%; payable in quarterly installments of \$50,909; matures April 1, 2024. This debt is being repaid by the Water Fund.	675,343
2005 Regional Landfill Fund Loan	3.0%; payable in semi-annual installment of \$14,317; matures December 1, 2026. This debt is being repaid by the Sanitation	156,167
2004 Regional Landfill Fund Loan	3.0%; payable in semi-annual payments of \$13,622; matures June 1, 2025. This debt is being repaid by the Sanitation Fund.	113,886
2010 State Revolving Fund Loan	3.0%; payable in quarterly installments of \$27,734; matures January 1, 2032. this debt is being repaid by the Water Fund.	1,055,905
2010 "Borrower Bond"	2.0%; payable in quarterly installments of \$2,296; matures July 15, 2031. This debt is being repaid by the Water Fund.	88,646
2004 State Revolving Fund Loan	3.50%; payable in quarterly installments of \$23,071; matures October 1, 2025. This debt is being repaid by the Sanitation Fund.	421,623
2013 State Revolving Fund Loan	3.0%; payable in quarterly installments of \$9,058; matures August 15, 2034. This debt is being repaid by the Sewer Fund.	407,004
2019 Sales Tax Revenue Bonds (Near Lake Property)	Interest varies 1.8% to 4%; payable in variable annual installments of \$292,074; matures December 1, 2038.	3,975,000
2019 Series Drinking Water Bond (Sanborn Ph II & III)	1.25%; payable in quarterly installments of \$14,543; matures August 15, 2041.	935,348
2019 Series Drinking Water Bond (E Central Drain)	2.25%; payable in quarterly installments of \$10,734; matures August 15, 2041.	690,000
2019 Series Clean Water Bond (Sanborn II & III)	2.25%; payable in quarterly installments of \$12,146; matures August 15, 2041.	6,977,942
2019 Series Clean Water Bond (E Central Drain)	1.25%; payable in quarterly installments of \$50,575; matures August 15, 2041.	3,572,350
	Subtotal Business-type Revenue Bonds	19,931,597
Compensated Absences:	The liability for compensated absences represents leave benefits earned as of December 31, 2020. The compensated absences in the Governmental Activities are currently paid from the General Fund and Park Fund. The compensated absences in the Business-Type Activities are currently paid from the Water Fund, Sewer Fund, Airport Fund, Sanitation	\$ 659,678
Grand Total		\$34,312,179

City of Mitchell
Notes to Financial Statements
December 31, 2020

10. Long-Term Liabilities: (Continued)

The annual requirements to amortize all debt outstanding as of December 31, 2020 except for compensated absences are as follows:

Annual Requirements to Amortize Long-Term Debt
December 31, 2020

Years Ending December	Revenue	
	Principal	Interest
2021	\$ 2,382,865	\$ 1,309,158
2022	2,612,308	889,694
2023	2,693,999	806,702
2024	2,673,409	725,278
2025	2,982,179	635,050
2026-2030	10,294,580	2,162,155
2031-2035	6,600,424	981,636
2036-2040	2,774,144	317,592
2041	638,593	6,149
Totals	<u>\$ 33,652,501</u>	<u>\$ 7,833,414</u>

11. Individual Fund Interfund Receivable and Payable Balances:

Interfund receivable and payable balances at December 31, 2020 were:

	Interfund Receivables	Interfund Payables
Governmental Funds:		
General Fund	\$ 175,000	\$ --
Highland Fund TIF	--	25,000
Enterprise Funds:		
Sewer Fund	--	75,000
Golf Fund	--	75,000
	<u>\$ 175,000</u>	<u>\$ 175,000</u>

The purpose of the interfund receivable and payable balances is loans made to temporarily fund operations of the funds receiving the loans.

City of Mitchell
Notes to Financial Statements
December 31, 2020

12. Interfund Transfers:

Interfund transfers for the year ended December 31, 2020 were as follows:

	In	Out
General Fund	\$ 4,397,646	\$ 4,477,080
Special Revenue Funds:		
Park	2,647,385	--
Entertainment tax	--	340,000
E-911	421,762	--
RSVP	141,981	--
Other governmental	96,957	--
Enterprise Funds:		
Water	85,000	95,000
Sewer	--	4,302,646
Sanitation	--	--
Corn Palace	605,109	--
EMS Fund	818,886	--
Total	\$ 9,214,726	\$ 9,214,726

Transfers are used to move revenues from the fund with collection authorization to the fund with expenditure authorization and move unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

The City typically budgets transfers to the General Fund, Park Fund, E-911 Fund and Corn Palace Fund to conduct the indispensable functions of the City. The Enterprise funds transferred out a large amount for their portion of the construction projects.

13. Pension Plan:

Plan Information:

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

13. Pension Plan: (Continued)

Benefits Provided:

SDRS has three different classes of employees, Class A general members, Class B public safety and judicial members, and Class C Cement Plant Retirement Fund members.

Members that were hired before July 1, 2017, are Foundation members. Class A Foundation members and Class B Foundation members who retire after age 65 with three years of contributory service are entitled to an unreduced annual retirement benefit. An unreduced annual retirement benefit is also available after age 55 for Class A Foundation members where the sum of age and credited service is equal to or greater than 85 or after age 55 for Class B Foundation judicial members where the sum of age and credited service is equal to or greater than 80. Class B Foundation public safety members can retire with an unreduced annual retirement benefit after age 55 with three years of contributory service. An unreduced annual retirement benefit is also available after age 45 for Class B Foundation public safety members where the sum of age and credited service is equal to or greater than 75. All Foundation retirements that do not meet the above criteria may be payable at a reduced level.

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

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

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

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

City of Mitchell
Notes to Financial Statements
December 31, 2020

13. Pension Plan: (Continued)

Contributions:

Per SDCL 3-12, contribution requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A Members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer contribute an amount equal to the employee's contribution. The City's share of contributions to the SDRS for the fiscal years ended December 31, 2020, 2019, and 2018, equal to the required contributions each year, were as follows:

2020	\$	686,997
2019		661,363
2018	\$	640,177

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

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

Proportionate share of pension liability	\$ 62,388,377
Less proportionate share of net pension restricted for pension benefits	62,410,418
Proportionate share of net pension (asset)	\$ (22,041)

At December 31, 2020, the City reported an asset of \$22,041 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2020 and the total pension asset used to calculate the net pension asset was based on a projection of the City's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2020, the City's proportion was 0.50751160%, which is a decrease of 0.0003659% from its proportion measured as of June 30, 2019.

City of Mitchell
Notes to Financial Statements
December 31, 2020

13. Pension Plan: (Continued)

For the year ended December 31, 2020, the City recognized pension expense of \$1,005,605. At December 31, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 84,319	\$ 17,266
Changes in assumption	709,962	2,863,317
Net Difference between projected and actual earnings on pension plan investments	2,048,615	--
Changes in proportion and difference between City contributions and proportionate share of contributions	7,249	34,035
City contributions subsequent to the measurement date	352,503	--
	\$ 3,202,648	\$ 2,914,618

\$352,503 reported as deferred outflow of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (reduction of pension expense) as follows:

Year Ended December 31:	
2021	\$ (277,614)
2022	(201,193)
2023	32,360
2024	381,974
2025	--
	\$ (64,473)

City of Mitchell
Notes to Financial Statements
December 31, 2020

13. Pension Plan: (Continued)

Actuarial Assumptions:

The total pension asset in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period of July 1, 2011 to June 30, 2016.

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

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

City of Mitchell
Notes to Financial Statements
December 31, 2020

13. Pension Plan: (Continued)

Discount Rate:

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

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

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

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
City's proportionate share of the net pension	\$ 8,550,497	\$ (22,041)	\$ (7,034,209)

Pension Plan Fiduciary Net Position:

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

14. Other Postemployment Benefits – Healthcare Plan:

Plan Administration: The City administers an Other Postemployment Benefits (OPEB) plan providing medical, prescription drug, and dental benefits to retired employees and their dependents under certain conditions. The City does not issue a separate report that includes financial statements and required supplementary information for the OPEB plan.

Benefits Provided: Individuals who are employed by the City and are eligible to participate in the group health plan are eligible to continue healthcare benefits upon retirement from service with the City. Coverage during retirement continues in the group health plans. Employees covered by the plan make contributions toward the plan premiums.

City of Mitchell
Notes to Financial Statements
December 31, 2020

14. Other Postemployment Benefits – Healthcare Plan: (Continued)

Plan Membership: As of January 1, 2020, plan membership consisted of the following:

Inactive members currently receiving benefits	8
Inactive members entitled to but not yet receiving benefits	0
Active members	132
Total	140

Investment Policy: The City obligation is unfunded at January 1, 2020. There are no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No 75.

Annual OPEB Cost and Net OPEB Obligation: The City’s annual OPEB expense is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liability over a period not to exceed thirty years. The following table shows the financial components of the plan:

	Total OPEB Liability
Total OPEB Liability Beginning of Year, Restated	\$ 1,029,237
Change for the Year:	
Service Cost	24,179
Interest	40,538
Difference between Expected and Actual Experience	-
Change in Assumptions	-
Benefit Payments	(129,407)
Net Change in Total OPEB Liability	(64,690)
Total OPEB Liability - End of Year	\$ 964,547
Covered-Employee Payroll	7,643,641
Total OPEB Liability as a Percentage of the Covered-Employee Payroll	12.62%

Funded Status: The Plan is on a “pay-as-you-go” basis, therefore it is not funded as of December 31, 2020 and was determined by an actuarial valuation as of December 31, 2019.

Total OPEB Liability: The City’s total OPEB liability of \$964,547 was measured as of December 31, 2020 and was determined by an actuarial valuation as of December 31, 2019.

City of Mitchell
Notes to Financial Statements
December 31, 2020

14. Other Postemployment Benefits – Healthcare Plan: (Continued)

Actuarial Assumptions: The total OPEB liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions and the entry age actuarial cost method, applied to all periods included in the measurement, unless otherwise specified:

Inflation	3.0% Per Year
Discount Rate	4.10% Per Year
Health Care Cost Trend Rate	All Years, 5%
Mortality	RP 2014 annuitant distinct mortality tables - Adjusted to 2006 with MP 2018 generational projection

Discount Rate: As an unfunded plan, the discount rate reflects the index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher as of the measurement date. The index rate used to measure the total liability was 4.10% as of January 1, 2020.

Mortality Rates: The mortality rates used to measure the total OPEB liability were based on RP-2014 annuitant distinct mortality table adjusted to 2006 with MP 2018 generational projection of future mortality improvement.

The actuarial assumptions used in the December 31, 2020 valuation were based on the results of an actuarial experience study using the current healthcare cost trend.

Sensitivity of the Total OPEB Liability to changes in the Healthcare Cost Trend Rate*: The following presents the total OPEB liability, calculated using the current healthcare cost trend rate of 5%, as well as the total OPEB liability calculated using a healthcare cost trend rate that is 1 percentage point lower (4%) or 1 percentage point higher (6%) than the current rate:

	<u>1% Decrease</u> <u>3.10%</u>	<u>Current Healthcare</u> <u>Cost Trend Rate 5%</u>	<u>1% Increase</u> <u>6%</u>
Total OPEB liability	\$ 888,635	\$ 964,547	\$ 1,052,205

Sensitivity of the Total OPEB Liability to changes in the Discount Rate*: The following presents the total OPEB liability, calculated using the current discount rate of 4.10%, as well as the total OPEB liability calculated using a discount trend rate that is 1 percentage point lower (3.10%) or 1 percentage point higher (5.10%) than the current rate:

	<u>1% Decrease</u> <u>3.10%</u>	<u>Current Discount</u> <u>Rate 4.10%</u>	<u>1% Increase</u> <u>5.10%</u>
Total OPEB liability	\$ 1,037,150	\$ 964,547	\$ 899,970

*Assumes all actuarial assumptions are exactly realized. Update procedures were used to roll forward the Service Cost and Total OPEB liability to the December 31, 2020 measurement date.

City of Mitchell
Notes to Financial Statements
December 31, 2020

14. Other Postemployment Benefits – Healthcare Plan: (Continued)

OPEB Expense and Deferred Outflows of Resources Related to OPEB*: For the year ended December 31, 2020, the City recognized OPEB expense of \$137,569. At December 31, 2020, the City reported inflows of resources related to OPEB from the following resources:

	Fiscal Year Ending December 31, 2020
Service Cost	\$ 24,179
Interest on Total OPEB Liability	40,538
Effect of Plan Changes	--
Administrative Expenses	--
Recognition of Deferred (Inflows)/Outflows of Resources	--
Economic/Demographic (Gains)/Losses Assumption Changes	71,858
OPEB Expense	994
	\$ 137,569

	Amount Recognized in Expense 12/31/20	Balance of Deferred Inflows 12/31/20	Balance of Deferred Outflows 12/31/20
Economic/Demographic (Gains)/Losses	71,858	--	503,005
Assumption Changes (Gains)/Losses	994	(20,059)	24,701
Investment (Gains)/Losses	--	--	--

Other amounts currently reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in future years' OPEB expense as follows:

Year Ended December 31,		
2021	\$	72,852
2022		72,852
2023		72,852
2024		72,852
2025		72,852
Thereafter		143,387
Total	\$	507,647

*Assumes all actuarial assumptions are exactly realized. Update procedures were used to roll forward the Service Cost and Total OPEB liability to the December 31, 2020 measurement date.

City of Mitchell
Notes to Financial Statements
December 31, 2020

15. Risk Management:

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended December 31, 2020 the City managed its risks as follows:

Employee Health Insurance:

The City has established a group health self-insurance fund to pay for medical claims of city employees and their covered dependents. Payments to the fund are actuarially determined and are to cover individual claims up to \$60,000 and any administrative costs relative to the processing of the claims. Medical claims exceeding this amount are covered through a private insurance carrier. An estimated liability for claims incurred but not paid is accrued based upon the past experience of the Plan. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

Changes in the aggregate liabilities of the Group Health Insurance Fund during 2020 were as follows:

Benefit claims payable, at the beginning of year	\$ 373,004
Employees' health and related benefits incurred attributable to insured events of the current year	3,157,936
Employee health and related benefits paid	<u>(3,217,655)</u>
Benefit claims payable, at the end of year	<u>\$ 313,285</u>

Workers' Compensation:

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

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

15. Risk Management: (Continued)

Liability Insurance:

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

- General liability, vehicles and equipment

Effective January 1, 2018, the SDPAA revised the method of calculating the amount available to be refunded to a withdrawing member. Upon giving proper written notice to the SDPAA a member may withdraw. Within 120 days following withdrawal, or as soon thereafter as the next Annual Budget is completed, the SDPAA will advise the withdrawing member of its total calculated portion of contributions made to the SDPAA that shall be refunded. Refunds are calculated based on the pool's total contributions, along with the member's total contributions, current losses, unpaid losses, and loss expenses, the member's loss ratio, and number of membership years.

A member who withdraws from the SDPAA shall receive a calculated portion of their contributions refunded for unpaid casualty losses, based on the following schedule:

Years	Percentage
1	55%
2	50%
3	40%
4	35%
5	30%
6+	20%

All refunds shall be paid to the withdrawing Member over a five-year term.

The amount available for refund to the City is considered a deposit for financial reporting purposes.

As of December 31, 2020, the City's balance available to be refunded per the SDPAA was \$677,892, which was an increase of \$5,499 from the previous year. The change in the amount available for refund was accounted for as an increase or decrease in the insurance expenditure/expenses.

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

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

15. Risk Management: (Continued)

Unemployment Benefits:

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

16. Landfill Closure and Post – Closure Care Cost:

State and federal laws and regulations require the City to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring function at the site for thirty years after closure. Although closure and post-closure care costs will be paid only near or after the date that the landfill stops accepting waste, the City reports a portion of these closure and post-closure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$1,090,354 reported as landfill closure and post-closure care liability at December 31, 2020 represents the cumulative amount reported to date based on the use of 100% of the estimated capacity of the old landfill which was closed in 2005 and 29% of the new landfill opened in 2005. The City will recognize the remaining estimated cost of closure and post-closure care of \$1,929,059 as the remaining estimated capacity is filled. This landfill has an estimated remaining life of 84 years as of December 31, 2020. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

The City is required by state and federal laws and regulations to make annual contributions to a trust to finance closure and post-closure care. The City has contributed \$1,304,587 to this trust as of December 31, 2020.

17. Tax Abatement:

The City of Mitchell has created tax increment districts under the authority granted by South Dakota Codified Laws Section 11-9. The tax increment districts were created to stimulate and develop the general economic welfare and prosperity of the City through the promotion and advance of industrial, commercial, manufacturing, and agricultural, or natural resources; and the improvement of the area will likely enhance significantly the value of substantially all of the other real property in the tax increment district.

The taxes levied on all taxable property within a tax incremental district on the increase in assessed value of the taxable property is allocated to pay for the cost of improvements in the district. The tax increments are allocated until all costs of the tax increment district project has been repaid; however, it cannot exceed 20 years. The project sponsor bears the risk that the increments collected over the life of the TIF district will be less than sufficient to cover all eligible project expenses and the City bears no responsibility to make up any shortfall.

The City of Mitchell has 14 active tax increment districts in which taxes are passed directly to developers. Because the general property taxes on tax increment districts are allocated to the districts, these taxes are not available to the City during the life of the tax increment district. The portion of general property taxes levied for these tax increment districts during the calendar year ended December 31, 2020, that was not available to the City of Mitchell was \$1,188,827.

City of Mitchell
Notes to Financial Statements
December 31, 2020

18. Significant Contingencies – Litigation:

At December 31, 2020, the City was involved in several lawsuits. No determination can be made at this time regarding the potential outcome of these lawsuits. However, as discussed in the Risk Management note, the City has liability coverage for itself and its employees with the South Dakota Public Assurance Alliance. Therefore, no material effects are anticipated to the City as a result of the potential outcome of these lawsuits.

19. Restatement and Implementation of New Standards:

As of January 1, 2020, due to the implementation of GASB 84, Fiduciary Activities, the City has determined that the balance of the City’s funds held on behalf of others as a result of special assessment projects and payroll-related withholdings should be included on the financial statements of the City of Mitchell as custodial funds in the Fiduciary Funds based on this statement. As a result of this conclusion, there has been a restatement of the beginning net position and fund balances of the City to retroactively restate beginning fund balance to include the December 31, 2019 fund balance. The adjustment to net position balance is as follows:

<u>Fiduciary Activities - Custodial Funds:</u>	
Net Position - December 31, 2019, as previously reported	\$ --
Restatement due to the inclusion of amounts held for others	<u>1,037,362</u>
Net Position - January 1, 2020, as restated	<u><u>\$ 1,037,362</u></u>

In the prior audit the component unit was “unaudited” and amounts incorrectly included a component unit of the component unit (Meadowlawn Plaza LLC). Meadowlawn Plaza LLC has separately issued audited financials. There has been a restatement of the beginning net position to reflect the audited balance as of July 1, 2019. The adjustment to beginning net position for the component unit is as follows:

<u>Component Unit:</u>	
Net Position - June 30, 2019 as previously reported ("unaudited")	\$ 6,304,214
Restatement to reflect June 30, 2019 restated balance	<u>(4,898,446)</u>
Net Position -June 30, 2019, as restated	<u><u>\$ 1,405,768</u></u>

20. Emerging Accounting Standards:

In June 2017, the GASB issued Statement No. 87, Leases, which requires the recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows of resources or outflows of resources based on the terms of the lease. The statement requires a lessee to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The Municipality has not yet determined the specific impact of this statement on the financial statements. The standard is effective for the City's year ending December 31, 2022.

Required Supplemental Information

City of Mitchell
 Budgetary Comparison Schedule – General Fund
 For the Year Ended December 31, 2020

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues</u>				
Taxes:				
General property taxes	\$ 5,412,514	\$ 5,412,514	\$ 5,440,473	\$ 27,959
General sales and use taxes	10,836,665	10,836,665	11,300,878	464,213
Gross receipts business taxes	192,000	192,000	195,655	3,655
Amusement taxes	1,600	1,600	1,188	(412)
Penalties and interest on taxes	9,000	9,000	10,635	1,635
Licenses and permits	213,000	213,000	197,454	(15,546)
Intergovernmental Revenue:				
Federal grants	15,004	15,004	3,327,170	3,312,166
State grants	517,865	517,865	1,239,432	721,567
State shared revenues:				
Bank franchise tax	40,000	40,000	51,743	11,743
Prorate license fees	14,000	14,000	14,833	833
Liquor tax reversion (25%)	121,000	121,000	78,777	(42,223)
Motor vehicle licenses	120,000	120,000	125,404	5,404
Fire insurance premiums reversion	52,000	52,000	63,037	11,037
Local government highway and bridge fund	400,000	400,000	421,923	21,923
County shared revenues	--	--	1	1
Charges for Goods or Services:				
General government	2,900	2,900	2,564	(336)
Public safety	129,300	129,300	122,132	(7,168)
Highways and streets	12,500	12,500	14,998	2,498
Cemetery	121,500	121,500	127,595	6,095
Fines and Forfeits:				
Court fines	3,000	3,000	3,952	952
Animal control fines	7,500	7,500	9,021	1,521
Parking meter fines	13,000	13,000	13,353	353
Miscellaneous Revenue:				
Interest earned	161,500	161,500	113,433	(48,067)
Rentals	--	--	75	75
Special assessments	11,600	11,600	5,924	(5,676)
Contributions from private sources	--	--	5,590	5,590
Other	67,210	67,210	53,087	(14,123)
Total Revenues	<u>18,474,658</u>	<u>18,474,658</u>	<u>22,940,327</u>	<u>4,465,669</u>

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

City of Mitchell
 Budgetary Comparison Schedule – General Fund
 For the Year Ended December 31, 2020 (Continued)

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive
	<u>Original</u>	<u>Final</u>		
<u>Expenditures</u>				
General Government:				
Legislative	\$ 153,562	\$ 163,562	\$ 148,343	\$ 15,219
Contingency	882,686	429,011	--	429,011
Executive	242,990	247,550	237,565	9,985
Elections	7,500	7,500	66	7,434
Financial administration	1,277,994	1,332,747	1,252,016	80,731
Other	501,545	851,545	668,035	183,510
Public Safety:				
Police	3,858,691	3,921,691	3,724,077	197,614
Fire	1,447,134	1,720,634	1,494,788	225,846
Public Works:				
Highways and streets	10,327,498	12,599,602	8,446,662	4,152,940
Cemeteries	314,634	414,634	356,245	58,389
Health and Welfare:				
Health	48,500	48,500	48,500	--
Humane society	100,699	100,699	60,119	40,580
Culture and Recreation:				
Recreation	118,250	118,250	74,650	43,600
Libraries	709,388	729,388	714,587	14,801
Conservation and Development:				
Economic development and assistance	232,000	232,000	232,000	--
Debt Service	982,576	982,576	946,639	35,937
Total Expenditures	<u>21,205,647</u>	<u>23,899,889</u>	<u>18,404,292</u>	<u>5,495,597</u>
Excess of Revenues Over (Under)				
Expenditures	<u>(2,730,989)</u>	<u>(5,425,231)</u>	<u>4,536,035</u>	<u>9,961,266</u>
Other Financing Sources (Uses):				
Transfers-in	95,000	95,000	4,397,646	4,302,646
Sale of city property	5,000	5,000	3,371	(1,629)
Compensation for loss or damage to capital assets	--	--	3,987	3,987
Long-term debt issued	5,525,125	5,525,125	--	(5,525,125)
Transfers-out	<u>(4,282,123)</u>	<u>(4,985,123)</u>	<u>(4,477,080)</u>	<u>508,043</u>
	<u>1,343,002</u>	<u>640,002</u>	<u>(72,076)</u>	<u>(712,078)</u>
Net Change in Fund Balances	(1,387,987)	(4,785,229)	4,463,959	9,249,188
Fund Balance, Beginning of Year	<u>11,570,001</u>	<u>11,570,001</u>	<u>11,570,001</u>	<u>--</u>
Fund Balance, End of Year	<u>\$ 10,182,014</u>	<u>\$ 6,784,772</u>	<u>\$ 16,033,960</u>	<u>\$ 9,249,188</u>

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

City of Mitchell
 Budgetary Comparison Schedule – Park Fund
 For the Year Ended December 31, 2020

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues</u>				
Taxes:				
Federal grants	\$ --	\$ --	\$ 52,492	\$ 52,492
State grants	--	--	21,769	21,769
Culture and recreation	974,754	974,754	699,169	(275,585)
Contributions from private sources	28,500	28,500	67,475	38,975
Other	1,876	1,876	1,533	(343)
Total Revenues	<u>1,005,130</u>	<u>1,005,130</u>	<u>842,438</u>	<u>(162,692)</u>
<u>Expenditures</u>				
Culture and Recreation:				
Recreation	2,527,290	2,776,333	2,255,888	520,445
Parks	1,122,492	1,162,293	1,057,415	104,878
Total Expenditures	<u>3,649,782</u>	<u>3,938,626</u>	<u>3,313,303</u>	<u>625,323</u>
Excess of Revenues Over (Under)				
Expenditures	<u>(2,644,652)</u>	<u>(2,933,496)</u>	<u>(2,470,865)</u>	<u>462,631</u>
Other Financing Sources (Uses):				
Transfers-in	2,647,385	2,647,385	2,647,385	--
Sale of city property	--	--	1,150	1,150
Compensation for loss or damage to capital assets	--	--	1,159	1,159
	<u>2,647,385</u>	<u>2,647,385</u>	<u>2,649,694</u>	<u>2,309</u>
Net Change in Fund Balances	2,733	(286,111)	178,829	464,940
Fund Balance, Beginning of Year	<u>111,537</u>	<u>111,537</u>	<u>111,537</u>	<u>--</u>
Fund Balance, End of Year	<u>\$ 114,270</u>	<u>\$ (174,574)</u>	<u>\$ 290,366</u>	<u>\$ 464,940</u>

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

City of Mitchell
Notes to the Required Supplemental Information
December 31, 2020

1. Budgets and Budgetary Accounting:

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

1. At the first regular board meeting in September of each year, or within ten days thereafter, the governing board introduces the annual appropriation ordinance for the ensuing fiscal year.
2. After adoption by the governing board, the operating budget is legally binding and actual expenditures for each purpose cannot exceed the amounts budgeted, except as indicated in number 4.
3. A line item for contingencies may be included in the annual budget. Such a line item may not exceed 5% of the total city budget and may be transferred by resolution of the governing board to any other budget category that is deemed insufficient during the year.
4. If it is determined during the year that sufficient amounts have not been budgeted, state statute allows the adoption of supplemental budgets.
5. Unexpended appropriations lapse at year-end unless encumbered by resolution of the governing board.
6. Formal budgetary integration is employed as a management control device during the year for the General Fund and special revenue funds.
7. Budgets for the General Fund and special revenue funds are adopted on a basis consistent with accounting principles generally accepted in the United States (USGAAP).
8. GAAP/Budgetary Accounting Basis Differences:

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

City of Mitchell
 Schedule of Changes in Total OPEB Liability
 December 31, 2020

	Fiscal Year Ending December 31, 2020
Total OPEB Liability Beginning of Year	\$ 1,029,237
Change for the Year:	
Service Cost	24,179
Interest	40,538
Benefit Payments	<u>(129,407)</u>
Net Change in Total OPEB Liability	<u>(64,690)</u>
Total OPEB Liability - End of Year	<u><u>\$ 964,547</u></u>
Covered-Employee Payroll	\$ 7,643,641
Total OPEB Liability as a Percentage of the Covered-Employee Payroll	12.62%

* Due to the unavailability of historical data, we were not able to present ten years of data. Changes in Assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period.

Year ended December 31, 2020	4.10%
Year ended December 31, 2019	4.10%
Year ended December 31, 2018	3.44%
Year ended December 31, 2017	6.50%

City of Mitchell
Schedule of the Municipality's Proportionate Share of the Net Pension Liability (Asset) (SDRS)
December 31, 2020

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
City's proportion of the net pension liability (asset)	0.5075116%	0.5078775%	0.5109759%	0.4948779%	0.4934279%	0.50751950%
City's proportionate share of net pension liability (asset)	\$ (22,041)	\$ (53,821)	\$ (11,917)	\$ (44,910)	\$ 1,666,751	\$ (2,152,535)
City's covered-employee payroll	\$ 10,084,654	\$ 9,786,376	\$ 9,587,383	\$ 9,074,462	\$ 8,432,118	\$ 8,349,579
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	0.22%	0.55%	0.12%	0.49%	19.77%	25.78%
Plan fiduciary net position as a percentage of the total pension liability (asset)	100.04%	100.09%	100.02%	100.10%	96.89%	104.10%

* The amounts presented for each fiscal year were determined as of the measurement date of the collective net pension liability (asset) which is 6/30. Until a full 10-year trend is compiled, the City will present information for those years for which information is available.

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

City of Mitchell
Schedule of the Municipality's Contributions (SDRS)
Year Ended December 31, 2020

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 686,997	\$ 661,363	\$ 640,177	\$ 627,894	\$ 572,793	\$ 561,032
Contributions in relation to the contractually required contribution	<u>686,997</u>	<u>661,363</u>	<u>640,177</u>	<u>627,894</u>	<u>572,793</u>	<u>561,032</u>
Contribution deficiency (excess)	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
City's covered-employee payroll	\$ 10,358,234	\$ 9,990,216	\$ 9,638,565	\$ 9,444,255	\$ 8,607,689	\$ 8,446,184
Contributions as a percentage of covered-employee payroll	6.63%	6.62%	6.64%	6.65%	6.65%	6.64%

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

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

City of Mitchell

Notes to Required Supplementary Information

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

Changes from Prior Valuation:

The June 30, 2020 Actuarial Valuation reflects no changes in actuarial methods from the June 30, 2019 Actuarial Valuation. One change in actuarial assumptions and two plan provision changes are reflected and described below.

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

Benefit Provision Changes:

Legislation enacted in 2020 established a Qualified Benefit Preservation Arrangement (QBPA) under Section 415(m) of the Internal Revenue Code (IRC). The QBPA is effective July 1, 2020 and pays a portion of SDRS benefits that are restricted by IRC Section 415(b). The total benefits paid from SDRS and the QBPA will be limited to the applicable 415(b) annual limit, unreduced for early commencement if Members retire prior to age 62 and actuarially increased for late retirement up to age 70 if Members retire after age 65. The Actuarial Valuation considers benefits payable from both SDRS and the QBPA.

Legislation enacted in 2020 also brought the assets and the liabilities of the South Dakota Department of Labor and Regulation Plan into SDRS effective July 1, 2020. With the exception of the accounting results presented in Section 6 of this report, all exhibits include the assets, liabilities, and member counts of the former Department of Labor and Regulation Plan Members.

Actuarial Assumption Changes:

The SDRS COLA equals the percentage increase in the most recent third calendar quarter CPI-W over the prior year, no less than 0.5% and no greater than 3.5%. However, if the FVFR assuming the long-term COLA is equal to the baseline COLA assumption (currently 2.25%) is less than 100%, the maximum COLA payable will be limited to the increase that if assumed on a long-term basis, results in a FVFR equal to or exceeding 100%. That condition existed as of June 30, 2019 and exists again this year as of June 30, 2020. Future COLAs are assumed to equal the current restricted maximum COLA which was 1.88% as of June 30, 2019 and is 1.41% as of June 30, 2020.

The changes in actuarial assumptions due to the 1.41% restricted maximum COLA decreased the Actuarial Accrued Liability by \$595 million, or 4.6% of the Actuarial Accrued Liability based on the 1.88% restricted maximum COLA.

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

Actuarial Method Changes:

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

Supplemental Information

City of Mitchell
Supplemental Information
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2020

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Federal Expenditures
US Department of Transportation		
Pass-Through the SD Department of Transportation		
Airport Improvement Program	20.106	\$ 162,062
Federal Transit Formula Grants	20.507	69,905
Formula Grants for Rural Areas	20.509	683,134
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	689
Highway Safety Cluster		
National Priority Safety Programs	20.616	<u>6,645</u>
Subtotal - Highway Safety Cluster		<u>6,645</u>
Total US Department of Transportation		<u>922,435</u>
US Department of the Treasury		
Pass-Through SD Bureau of Finance and Management		
Coronavirus Relief Fund	21.019	<u>4,672,417</u>
General Services Administration		
Pass-Through the SD Federal Property Agency		
Donation of Federal Surplus Personal Property (see note 3)	39.003	<u>1,161</u>
National Endowment for the Humanities		
Promotion of the Humanities Federal/State Partnership	45.129	<u>20,000</u>
United States Environmental Protection Agency		
Pass-Through the SD Department of Environmental and Natural Resources		
Capitalization Grants for Clean Water State Revolving Funds	66.458	544,020
Capitalization Grants for Drinking Water State Revolving Funds	66.468	<u>219,742</u>
Total Department of United States Environmental Protection Agency		<u>763,762</u>
Department of Health and Human Services		
Pass-Through the SD Department of Social Services		
Aging Cluster		
Special Programs for the Aging Title III, Part B - Grants for Supportive Service and Senior Center	93.044	11,523
Special Programs for the Aging Title III, Part C - Nutrition Services	93.045	161,163
Nutrition Services Incentive Program	93.053	<u>38,076</u>
Subtotal - Aging Cluster		<u>210,762</u>
Provider Relief Fund	93.498	<u>24,898</u>
Total Department of Health and Human Services		<u>235,660</u>
Department of Homeland Security		
Pass-Through the SD Department of Public Safety, Office of Emergency Management		
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	<u>139,844</u>
Grand Total		<u>\$ 6,755,279</u>

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

City of Mitchell
Supplemental Information
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2020 (Continued)

Note 1: Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of the City under programs of the federal government for the year ended December 31, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City.

Note 2: Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The City has elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 3: Federal Surplus Property

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