

**MUNICIPALITY OF MONTROSE
MONTROSE, SOUTH DAKOTA**

AUDIT REPORT

FOR THE YEAR JANUARY 1, 2020 TO DECEMBER 31, 2020

AND

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

Schoenfish & Co., Inc.

CERTIFIED PUBLIC ACCOUNTANTS

P.O. Box 247

105 EAST MAIN, PARKSTON, SOUTH DAKOTA 57366

MUNICIPALITY OF MONTROSE

MUNICIPAL OFFICIALS
DECEMBER 31, 2021

MAYOR:

Justin Hagemann

GOVERNING BOARD:

Susan Painter – President

Jasen Hanisch – Vice-President

Alex Binder

Nick Vogel

FINANCE OFFICER:

Melody Gross

ATTORNEY:

Dean Hammer

Schoenfish & Co., Inc.

CERTIFIED PUBLIC ACCOUNTANTS

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

Governing Board
Municipality of Montrose
Montrose, South Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the modified cash basis of accounting financial statements of the governmental activities, the business-type activities, and each major fund of the Municipality of Montrose, South Dakota (Municipality), as of December 31, 2021 and December 31, 2020 and for each of the years in the biennial period then ended, and the related notes to the financial statements, which collectively comprise the Municipality's basic financial statements and have issued our report thereon dated July 20, 2022.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify certain deficiencies in internal control, described in the accompanying Schedule of Current Audit Findings as item 2021-001 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Municipality's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and

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

Municipality's Response to Findings

The Municipality's responses to the findings identified in our audit are described in the accompanying Schedule of Current Audit Findings. The Municipality's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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



Schoenfish & Co., Inc.
Certified Public Accountants
July 20, 2022

Schoenfish & Co., Inc.

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SCHEDULE OF PRIOR AUDIT FINDINGSPRIOR OTHER AUDIT FINDINGS:Finding Number 2019-001:

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

Finding Number 2019-002:

Expenditures were in excess of the amounts budgeted in several departments in the General Fund. This comment has not been corrected and is restated as current audit finding number 2021-002.

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SCHEDULE OF CURRENT AUDIT FINDINGSCURRENT AUDIT FINDINGS:Internal Control – Related Finding – Material Weakness:Finding Number 2021-001:

A material weakness in internal controls was noted due to a lack of proper segregation of duties for revenues. This is a continuing audit comment since 2005.

Criteria:

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

Condition:

The Finance Officer processes all revenue transactions from beginning to end. The Finance Officer also receives money, issues receipts, records receipts, posts receipts in the accounting records, prepares bank deposits, reconciles bank statements, and prepares financial statements.

Effect:

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

Recommendation:

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

Management's Response:

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

Compliance –Related Finding:Finding Number 2021-002:

Expenditures were in excess of the amounts budgeted by a significant amount in one department in the General Fund in 2021. This is a continuing audit comment since 2015.

Criteria:

SDCL 9-21-2 states in part, "The governing body of each municipality shall, no later than its first regular meeting in September of each year or within ten days thereafter, introduce the annual appropriation ordinance for the ensuing fiscal year, in which it shall appropriate the sums of money necessary to meet all lawful expenses and liabilities of the municipality." Also, SDCL 9-21-9 states, "Neither the governing body nor any department or office of the municipality shall add to the municipal expenditures in any fiscal year any sum in excess of the amount provided for in the annual appropriation ordinance except as otherwise specially provided. Nor shall the amount spent for any

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SCHEDULE OF CURRENT AUDIT FINDINGS
(Continued)

purpose or any department exceed the total amount appropriated for such purpose or for such department in the annual appropriation ordinance for such year, except as otherwise specially provided.”

Condition:

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

Effect:

Without adopting a budget or limiting expenditures, expenditures are being made without proper authority.

Recommendation:

2. We recommend that expenditures be limited to amounts budgeted or budget supplements be made in accordance with SDCL 9-21-7 to allow for expenditures.

Management's Response:

The Municipality of Montrose Mayor, Justin Hagemann, is the contact person responsible for the corrective action plan for this comment. The Municipality will be more careful to follow the budgetary guidelines prescribed by law.

CLOSING CONFERENCE

The audit findings were discussed with the officials during the course of the audit and with the mayor and finance officer on July 22, 2022.

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INDEPENDENT AUDITOR'S REPORT

Governing Board
Municipality of Montrose
Montrose, South Dakota

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying modified cash basis of accounting financial statements of the governmental activities, the business-type activities, and each major fund of the Municipality of Montrose, South Dakota (Municipality), as of December 31, 2021 and December 31, 2020, and for each of the years in the biennial period then ended, and the related notes to the financial statements, which collectively comprise the Municipality's basic financial statements as listed in the table of contents.

In our opinion, the accompanying modified cash basis of accounting financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Municipality of Montrose as of December 31, 2021 and December 31, 2020, and the respective changes in financial position thereof for each of the years in the biennial period then ended in accordance with the modified cash basis of accounting described in Note 1.c. to the financial statements.

Basis for Opinions

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

Emphasis of Matter

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

Responsibilities of Management for the Financial Statements

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

the financial statements in the circumstances. Management is responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Supplementary Information

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

Schoenfish & Co., Inc.

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

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 20, 2022 on our consideration of the Municipality's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Municipality's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Municipality's internal control over financial reporting and compliance.



Schoenfish & Co., Inc.
Certified Public Accountants
July 20, 2022

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

| | Primary Government | | |
|---------------------------|------------------------------------|-------------------------------------|---------------------|
| | Governmental Activities | Business-Type Activities | Total |
| ASSETS: | | | |
| Cash and Cash Equivalents | 510,283.45 | 113,633.43 | 623,916.88 |
| Investments | 481,100.65 | 83,165.16 | 564,265.81 |
| TOTAL ASSETS | 991,384.10 | 196,798.59 | 1,188,182.69 |
| NET POSITION: | | | |
| Restricted for: | | | |
| Debt Service Purposes | | 51,240.59 | 51,240.59 |
| Unrestricted | 991,384.10 | 145,558.00 | 1,136,942.10 |
| TOTAL NET POSITION | 991,384.10 | 196,798.59 | 1,188,182.69 |

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

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

| Functions/Programs | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position | | |
|---------------------------------------|-------------------|----------------------|------------------------------------|---|-------------------------|--------------------------|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Primary Government | |
| | | | | | Governmental Activities | Business-Type Activities |
| Primary Government: | | | | | | |
| Governmental Activities: | | | | | | |
| General Government | 57,022.26 | 3,116.45 | 80,676.67 | | 26,770.86 | 26,770.86 |
| Public Safety | 26,350.02 | | | | (26,350.02) | (26,350.02) |
| Public Works | 129,943.96 | 42,821.60 | 25,298.20 | 28,085.82 | (33,738.34) | (33,738.34) |
| Health and Welfare | 312.69 | | | | (312.69) | (312.69) |
| Culture and Recreation | 200,984.15 | 44,649.50 | | | (156,334.65) | (156,334.65) |
| Conservation and Development | 31.44 | | | | (31.44) | (31.44) |
| Miscellaneous Expenditures | 240.39 | 7,610.00 | | | 7,369.61 | 7,369.61 |
| Total Governmental Activities | 414,884.91 | 98,197.55 | 105,974.87 | 28,085.82 | (182,626.67) | (182,626.67) |
| Business-type Activities: | | | | | | |
| Water | 124,574.65 | 134,026.75 | | 6,565.43 | | 16,017.53 |
| Sewer | 222,278.63 | 94,128.00 | | | (128,150.63) | (128,150.63) |
| Daycare | 131,984.29 | 103,727.75 | 27,045.58 | | (1,210.96) | (1,210.96) |
| Total Business-Type Activities | 478,837.57 | 331,882.50 | 27,045.58 | 6,565.43 | (113,344.06) | (113,344.06) |
| Total Primary Government | 893,722.48 | 430,080.05 | 133,020.45 | 34,651.25 | (182,626.67) | (295,970.73) |
| General Revenues: | | | | | | |
| Taxes: | | | | | | |
| Property Taxes | | | | | 129,166.60 | 129,166.60 |
| Sales Taxes | | | | | 97,522.34 | 97,522.34 |
| State Shared Revenues | | | | | 4,186.99 | 4,186.99 |
| Unrestricted Investment Earnings | | | | | 4,311.04 | 4,982.69 |
| Debt Issued | | | | | 109,490.00 | 109,490.00 |
| Miscellaneous Revenue | | | | | 15,064.48 | 15,064.48 |
| Total General Revenues | | | | | 250,251.45 | 360,413.10 |
| Change in Net Position | | | | | 67,624.78 | 64,442.37 |
| Net Position - Beginning | | | | | 923,759.32 | 1,123,740.32 |
| NET POSITION - ENDING | | | | | 991,384.10 | 1,188,182.69 |

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

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

| | General Fund |
|---------------------------|------------------------------|
| ASSETS: | |
| Cash and Cash Equivalents | <u>510,283.45</u> |
| Investments | <u>481,100.65</u> |
| TOTAL ASSETS | <u><u>991,384.10</u></u> |
| FUND BALANCES: | |
| Unassigned | <u>991,384.10</u> |
| TOTAL FUND BALANCES | <u><u>991,384.10</u></u> |

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

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

| | General Fund | Pool Repair Capital Projects Fund | Total Governmental Funds |
|---|-------------------------|--|---|
| Revenues: | | | |
| Taxes: | | | |
| General Property Taxes | 128,538.37 | | 128,538.37 |
| General Sales and Use Taxes | 97,522.34 | | 97,522.34 |
| Penalties & Interest on Delinquent Taxes | 628.23 | | 628.23 |
| Total Taxes | 226,688.94 | 0.00 | 226,688.94 |
| Licenses and Permits | 1,550.00 | 0.00 | 1,550.00 |
| Intergovernmental Revenue: | | | |
| Federal Grants | 80,676.67 | | 80,676.67 |
| State Shared Revenue: | | | |
| Bank Franchise Tax | 736.11 | | 736.11 |
| Prorate License Fees | 1,530.86 | | 1,530.86 |
| Liquor Tax Reversion | 3,450.88 | | 3,450.88 |
| Motor Vehicle Licenses | 7,805.16 | | 7,805.16 |
| Local Government Highway and Bridge Fund | 12,602.32 | | 12,602.32 |
| County Shared Revenue: | | | |
| County Road Tax | 454.53 | | 454.53 |
| County Wheel Tax | 2,905.33 | | 2,905.33 |
| Total Intergovernmental Revenue | 110,161.86 | 0.00 | 110,161.86 |
| Charges for Goods and Services: | | | |
| General Government | 16.45 | | 16.45 |
| Sanitation | 40,421.60 | | 40,421.60 |
| Culture and Recreation | 44,649.50 | | 44,649.50 |
| Total Charges for Goods and Services | 85,087.55 | 0.00 | 85,087.55 |
| Miscellaneous Revenue: | | | |
| Investment Earnings | 4,311.04 | | 4,311.04 |
| Rentals | 11,560.00 | | 11,560.00 |
| Special Assessments | 28,085.82 | | 28,085.82 |
| Contributions and Donations from Private Sources | 20.16 | | 20.16 |
| Other | 15,044.32 | | 15,044.32 |
| Total Miscellaneous Revenue | 59,021.34 | 0.00 | 59,021.34 |
| Total Revenue | 482,509.69 | 0.00 | 482,509.69 |

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

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

| | General Fund | Pool Repair Capital Projects Fund | Total Governmental Funds |
|--|-------------------------|--|---|
| Expenditures: | | | |
| General Government: | | | |
| Legislative | 13,465.76 | | 13,465.76 |
| Elections | 29.39 | | 29.39 |
| Financial Administration | 23,259.62 | | 23,259.62 |
| Other | 20,267.49 | | 20,267.49 |
| Total General Government | 57,022.26 | 0.00 | 57,022.26 |
| Public Safety: | | | |
| Police | 16,924.08 | | 16,924.08 |
| Fire | 9,425.94 | | 9,425.94 |
| Total Public Safety | 26,350.02 | 0.00 | 26,350.02 |
| Public Works: | | | |
| Highways and Streets | 90,739.75 | | 90,739.75 |
| Sanitation | 39,204.21 | | 39,204.21 |
| Total Public Works | 129,943.96 | 0.00 | 129,943.96 |
| Health and Welfare: | | | |
| Health | 312.69 | | 312.69 |
| Total Health and Welfare | 312.69 | 0.00 | 312.69 |
| Culture and Recreation: | | | |
| Recreation | 77,245.19 | | 77,245.19 |
| Parks | 123,738.96 | | 123,738.96 |
| Total Culture and Recreation | 200,984.15 | 0.00 | 200,984.15 |
| Conservation and Development: | | | |
| Economic Development and Assistance | 31.44 | | 31.44 |
| Total Conservation and Development | 31.44 | 0.00 | 31.44 |
| Miscellaneous: | | | |
| Liquor Operating Agreements | 240.39 | | 240.39 |
| Total Miscellaneous | 240.39 | 0.00 | 240.39 |
| Total Expenditures | 414,884.91 | 0.00 | 414,884.91 |
| Excess Revenue Over (Under) Expenditures | 67,624.78 | 0.00 | 67,624.78 |
| Other Financing Sources (Uses): | | | |
| Transfers In | | 3,859.23 | 3,859.23 |
| Transfers Out | (3,859.23) | | (3,859.23) |
| Total Other Financing Sources (Uses) | (3,859.23) | 3,859.23 | 0.00 |
| Net Change in Fund Balance | 63,765.55 | 3,859.23 | 67,624.78 |
| Fund Balance - Beginning | 927,618.55 | (3,859.23) | 923,759.32 |
| FUND BALANCE - ENDING | 991,384.10 | 0.00 | 991,384.10 |

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

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

| | Enterprise Funds | | | |
|--|-------------------------|-----------------------|-------------------------|---------------|
| | Water Fund | Sewer Fund | Daycare Fund | Totals |
| ASSETS: | | | | |
| Current Assets: | | | | |
| Cash and Cash Equivalents | 8,092.24 | 91,346.41 | 14,194.78 | 113,633.43 |
| Investments | 33,026.33 | 50,138.83 | | 83,165.16 |
| Total Current Assets | 41,118.57 | 141,485.24 | 14,194.78 | 196,798.59 |
| TOTAL ASSETS | 41,118.57 | 141,485.24 | 14,194.78 | 196,798.59 |
| NET POSITION: | | | | |
| Restricted Net Assets, Restricted for: | | | | |
| Revenue Bond Debt Service | | 51,240.59 | | 51,240.59 |
| Unrestricted | 41,118.57 | 90,244.65 | 14,194.78 | 145,558.00 |
| TOTAL NET POSITION | 41,118.57 | 141,485.24 | 14,194.78 | 196,798.59 |

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

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

| | Enterprise Funds | | | |
|--|-------------------------|-----------------------|-------------------------|---------------|
| | Water Fund | Sewer Fund | Daycare Fund | Totals |
| Operating Revenue: | | | | |
| Charges for Goods and Services | 125,905.97 | 42,092.27 | 100,492.75 | 268,490.99 |
| Surcharge as Security for Debt | 8,120.78 | 52,035.73 | | 60,156.51 |
| Miscellaneous | | | 3,235.00 | 3,235.00 |
| Total Operating Revenue | 134,026.75 | 94,128.00 | 103,727.75 | 331,882.50 |
| Operating Expenses: | | | | |
| Personal Services | 29,465.45 | 28,726.94 | 117,456.33 | 175,648.72 |
| Other Current Expense | 77,908.55 | 169,397.16 | 14,527.96 | 261,833.67 |
| Total Operating Expenses | 107,374.00 | 198,124.10 | 131,984.29 | 437,482.39 |
| Operating Income (Loss) | 26,652.75 | (103,996.10) | (28,256.54) | (105,599.89) |
| Nonoperating Revenue (Expense): | | | | |
| Operating Grants | | | 27,045.58 | 27,045.58 |
| Investment Earnings | 375.31 | 296.34 | | 671.65 |
| Debt Service (Principal) | (6,786.83) | (12,324.63) | | (19,111.46) |
| Debt Service (Interest) | (10,413.82) | (11,829.90) | | (22,243.72) |
| Long-Term Debt Issued | 3,899.00 | 105,591.00 | | 109,490.00 |
| Total Nonoperating Revenue (Expense) | (12,926.34) | 81,732.81 | 27,045.58 | 95,852.05 |
| Income (Loss) Before Contributions | 13,726.41 | (22,263.29) | (1,210.96) | (9,747.84) |
| Capital Contributions | 6,565.43 | | | 6,565.43 |
| Change in Net Position | 20,291.84 | (22,263.29) | (1,210.96) | (3,182.41) |
| Net Position - Beginning | 20,826.73 | 163,748.53 | 15,405.74 | 199,981.00 |
| NET POSITION - ENDING | 41,118.57 | 141,485.24 | 14,194.78 | 196,798.59 |

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

MUNICIPALITY OF MONTROSE
STATEMENT OF NET POSITION - MODIFIED CASH BASIS
December 31, 2020

| | Primary Government | | |
|---------------------------|--------------------|-------------------|---------------------|
| | Governmental | Business-Type | |
| | Activities | Activities | Total |
| ASSETS: | | | |
| Cash and Cash Equivalents | 443,658.89 | 117,157.80 | 560,816.69 |
| Investments | 480,100.43 | 82,823.20 | 562,923.63 |
| TOTAL ASSETS | 923,759.32 | 199,981.00 | 1,123,740.32 |
| NET POSITION: | | | |
| Restricted for: | | | |
| Debt Service Purposes | | 31,520.71 | 31,520.71 |
| Unrestricted | 923,759.32 | 168,460.29 | 1,092,219.61 |
| TOTAL NET POSITION | 923,759.32 | 199,981.00 | 1,123,740.32 |

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

MUNICIPALITY OF MONTROSE
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For the Year Ended December 31, 2020

| Functions/Programs | Program Revenues | | | | Net (Expense) Revenue and Changes in Net Position | | |
|----------------------------------|------------------|-------------------------|--|--|--|-----------------------------|--------------|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Primary Government | | |
| | | | | | Governmental Activities | Business-Type Activities | Total |
| Primary Government: | | | | | | | |
| Governmental Activities: | | | | | | | |
| General Government | 59,732.04 | 4,747.00 | | | (54,985.04) | | (54,985.04) |
| Public Safety | 26,691.72 | | | | (26,691.72) | | (26,691.72) |
| Public Works | 195,326.05 | 42,252.48 | 24,387.84 | 90,647.52 | (38,038.21) | | (38,038.21) |
| Health and Welfare | 39,513.11 | | 18,903.26 | | (20,609.85) | | (20,609.85) |
| Culture and Recreation | 76,233.37 | 40,378.64 | | 840.80 | (35,013.93) | | (35,013.93) |
| Conservation and Development | 4,071.71 | 5,950.00 | | | 1,878.29 | | 1,878.29 |
| Miscellaneous | 14,499.17 | | | | (14,499.17) | | (14,499.17) |
| Total Governmental Activities | 416,067.17 | 93,328.12 | 43,291.10 | 91,488.32 | (187,959.63) | | (187,959.63) |
| Business-type Activities: | | | | | | | |
| Water | 471,146.03 | 116,063.23 | | 178,763.57 | | (176,319.23) | (176,319.23) |
| Sewer | 88,118.95 | 77,971.25 | 8,059.28 | | | (2,088.42) | (2,088.42) |
| Daycare | 138,555.91 | 147,041.65 | 6,920.00 | | | 15,405.74 | 15,405.74 |
| Total Business-Type Activities | 697,820.89 | 341,076.13 | 14,979.28 | 178,763.57 | | (163,001.91) | (163,001.91) |
| Total Primary Government | 1,113,888.06 | 434,404.25 | 58,270.38 | 270,251.89 | (187,959.63) | (163,001.91) | (350,961.54) |
| General Revenues: | | | | | | | |
| Taxes: | | | | | | | |
| Property Taxes | | | | | 121,487.90 | | 121,487.90 |
| Sales Taxes | | | | | 85,149.55 | | 85,149.55 |
| State Shared Revenues | | | | | 3,892.40 | | 3,892.40 |
| Unrestricted Investment Earnings | | | | | 12,385.78 | 2,061.59 | 14,447.37 |
| Debt Issued | | | | | | 166,113.00 | 166,113.00 |
| Miscellaneous Revenue | | | | | 3,773.91 | | 3,773.91 |
| Total General Revenues | | | | | 226,689.54 | 168,174.59 | 394,864.13 |
| Change in Net Position | | | | | 38,729.91 | 5,172.68 | 43,902.59 |
| Net Position - Beginning | | | | | 885,029.41 | 194,808.32 | 1,079,837.73 |
| NET POSITION - ENDING | | | | | 923,759.32 | 199,981.00 | 1,123,740.32 |

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

MUNICIPALITY OF MONTROSE
BALANCE SHEET - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
December 31, 2020

| | General Fund | Pool Repair Capital Projects Fund | Total Governmental Funds |
|---------------------------------|-------------------------|--|---|
| ASSETS: | | | |
| Cash and Cash Equivalents | 443,658.89 | | 443,658.89 |
| Investments | 480,100.43 | | 480,100.43 |
| Due from Pool Repair Fund | 3,859.23 | | 3,859.23 |
| TOTAL ASSETS | <u>927,618.55</u> | <u>0.00</u> | <u>927,618.55</u> |
| LIABILITIES: | | | |
| Due to General Fund | | 3,859.23 | 3,859.23 |
| TOTAL LIABILITIES | <u>0.00</u> | <u>3,859.23</u> | <u>3,859.23</u> |
| FUND BALANCES: | | | |
| Assigned for Next Year's Budget | 5,509.00 | | 5,509.00 |
| Assigned for Equipment | 14,921.03 | | 14,921.03 |
| Unassigned | 907,188.52 | (3,859.23) | 903,329.29 |
| TOTAL FUND BALANCES | <u>927,618.55</u> | <u>(3,859.23)</u> | <u>923,759.32</u> |

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

MUNICIPALITY OF MONTROSE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2020

| | General Fund | Pool Repair Capital Projects Fund | Total Governmental Funds |
|---|-----------------|---|--------------------------------|
| Revenues: | | | |
| Taxes: | | | |
| General Property Taxes | 120,615.21 | | 120,615.21 |
| General Sales and Use Taxes | 85,149.55 | | 85,149.55 |
| Amusement Tax | 72.00 | | 72.00 |
| Penalties & Interest on Delinquent Taxes | 800.69 | | 800.69 |
| Total Taxes | 206,637.45 | 0.00 | 206,637.45 |
| Licenses and Permits | 1,347.00 | 0.00 | 1,347.00 |
| Intergovernmental Revenue: | | | |
| Federal Grants | 74,732.29 | | 74,732.29 |
| State Grants | 8,568.14 | | 8,568.14 |
| State Shared Revenue: | | | |
| Bank Franchise Tax | 625.34 | | 625.34 |
| Prorate License Fees | 1,385.69 | | 1,385.69 |
| Liquor Tax Reversion | 3,267.06 | | 3,267.06 |
| Motor Vehicle Licenses | 7,646.88 | | 7,646.88 |
| Local Government Highway and Bridge Fund | 12,094.91 | | 12,094.91 |
| County Shared Revenue: | | | |
| County Road Tax | 454.53 | | 454.53 |
| County Wheel Tax | 2,805.83 | | 2,805.83 |
| Total Intergovernmental Revenue | 111,580.67 | 0.00 | 111,580.67 |
| Charges for Goods and Services: | | | |
| Sanitation | 42,252.48 | | 42,252.48 |
| Culture and Recreation | 40,378.64 | | 40,378.64 |
| Total Charges for Goods and Services | 82,631.12 | 0.00 | 82,631.12 |
| Miscellaneous Revenue: | | | |
| Investment Earnings | 12,385.78 | | 12,385.78 |
| Rentals | 9,350.00 | | 9,350.00 |
| Maintenance Assessments | 26,250.35 | | 26,250.35 |
| Contributions and Donations from Private Sources | | 840.80 | 840.80 |
| Other | 3,773.91 | | 3,773.91 |
| Total Miscellaneous Revenue | 51,760.04 | 840.80 | 52,600.84 |
| Total Revenue | 453,956.28 | 840.80 | 454,797.08 |

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

MUNICIPALITY OF MONTROSE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2020

| | General Fund | Pool Repair Capital Projects Fund | Total Governmental Funds |
|------------------------------------|-----------------|---|--------------------------------|
| Expenditures: | | | |
| General Government: | | | |
| Legislative | 22,611.59 | | 22,611.59 |
| Elections | 19.47 | | 19.47 |
| Financial Administration | 17,595.95 | | 17,595.95 |
| Other | 19,505.03 | | 19,505.03 |
| Total General Government | 59,732.04 | 0.00 | 59,732.04 |
| Public Safety: | | | |
| Police | 16,900.08 | | 16,900.08 |
| Fire | 9,644.93 | | 9,644.93 |
| Protective Inspection | 146.71 | | 146.71 |
| Total Public Safety | 26,691.72 | 0.00 | 26,691.72 |
| Public Works: | | | |
| Highways and Streets | 158,734.05 | | 158,734.05 |
| Sanitation | 36,592.00 | | 36,592.00 |
| Total Public Works | 195,326.05 | 0.00 | 195,326.05 |
| Health and Welfare: | | | |
| Health | 39,513.11 | | 39,513.11 |
| Total Health and Welfare | 39,513.11 | 0.00 | 39,513.11 |
| Culture and Recreation: | | | |
| Recreation | 76,233.37 | | 76,233.37 |
| Total Culture and Recreation | 76,233.37 | 0.00 | 76,233.37 |
| Conservation and Development: | | | |
| Economic Opportunity | 4,071.71 | | 4,071.71 |
| Total Conservation and Development | 4,071.71 | 0.00 | 4,071.71 |
| Miscellaneous: | | | |
| Liquor Operating Agreements | 14,499.17 | | 14,499.17 |
| Total Miscellaneous | 14,499.17 | 0.00 | 14,499.17 |
| Total Expenditures | 416,067.17 | 0.00 | 416,067.17 |
| Net Change in Fund Balance | 37,889.11 | 840.80 | 38,729.91 |
| Fund Balance - Beginning | 889,729.44 | (4,700.03) | 885,029.41 |
| FUND BALANCE - ENDING | 927,618.55 | (3,859.23) | 923,759.32 |

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

MUNICIPALITY OF MONTROSE
STATEMENT OF NET POSITION - MODIFIED CASH BASIS
PROPRIETARY FUNDS
December 31, 2020

| | Enterprise Funds | | | |
|--|-------------------------|-----------------------|-------------------------|---------------|
| | Water Fund | Sewer Fund | Daycare Fund | Totals |
| ASSETS: | | | | |
| Current Assets: | | | | |
| Cash and Cash Equivalents | | 101,752.06 | 15,405.74 | 117,157.80 |
| Investments | 32,750.39 | 50,072.81 | | 82,823.20 |
| Due from Water Fund | | 11,923.66 | | 11,923.66 |
| Total Current Assets | 32,750.39 | 163,748.53 | 15,405.74 | 211,904.66 |
| TOTAL ASSETS | 32,750.39 | 163,748.53 | 15,405.74 | 211,904.66 |
| LIABILITIES: | | | | |
| Current Liabilities: | | | | |
| Due to Sewer Fund | 11,923.66 | | | 11,923.66 |
| Total Current Liabilities | 11,923.66 | 0.00 | 0.00 | 11,923.66 |
| TOTAL LIABILITIES | 11,923.66 | 0.00 | 0.00 | 11,923.66 |
| NET POSITION: | | | | |
| Restricted Net Assets, Restricted for: | | | | |
| Revenue Bond Debt Service | 8,161.32 | 23,359.39 | | 31,520.71 |
| Unrestricted | 12,665.41 | 140,389.14 | 15,405.74 | 168,460.29 |
| TOTAL NET POSITION | 20,826.73 | 163,748.53 | 15,405.74 | 199,981.00 |

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

MUNICIPALITY OF MONTROSE
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
FUND NET POSITION - MODIFIED CASH BASIS
PROPRIETARY FUNDS
For the Year Ended December 31, 2020

| | Enterprise Funds | | | |
|---|-------------------------|-----------------------|-------------------------|---------------------|
| | Water Fund | Sewer Fund | Daycare Fund | Totals |
| Operating Revenue: | | | | |
| Charges for Goods and Services | 107,901.91 | 54,611.86 | 142,904.65 | 305,418.42 |
| Revenue Dedicated to Servicing Debt | 8,161.32 | 23,359.39 | | 31,520.71 |
| Miscellaneous | | | 4,137.00 | 4,137.00 |
| Total Operating Revenue | 116,063.23 | 77,971.25 | 147,041.65 | 341,076.13 |
| Operating Expenses: | | | | |
| Personal Services | 24,916.84 | 23,000.09 | 123,404.46 | 171,321.39 |
| Other Current Expense | 44,169.22 | 32,952.82 | 15,151.45 | 92,273.49 |
| Materials | 45,265.40 | | | 45,265.40 |
| Total Operating Expenses | 114,351.46 | 55,952.91 | 138,555.91 | 308,860.28 |
| Operating Income (Loss) | 1,711.77 | 22,018.34 | 8,485.74 | 32,215.85 |
| Nonoperating Revenue (Expense): | | | | |
| Operating Grants | | 8,059.28 | 6,920.00 | 14,979.28 |
| Investment Earnings | 661.04 | 1,400.55 | | 2,061.59 |
| Capital Assets | (342,148.45) | | | (342,148.45) |
| Debt Service (Principal) | (7,392.91) | (15,974.26) | | (23,367.17) |
| Debt Service (Interest) | (7,253.21) | (16,191.78) | | (23,444.99) |
| Long-Term Debt Issued | 166,113.00 | | | 166,113.00 |
| Total Nonoperating Revenue (Expense) | (190,020.53) | (22,706.21) | 6,920.00 | (205,806.74) |
| Income (Loss) Before Contributions | (188,308.76) | (687.87) | 15,405.74 | (173,590.89) |
| Capital Contributions | 178,763.57 | | | 178,763.57 |
| Change in Net Position | (9,545.19) | (687.87) | 15,405.74 | 5,172.68 |
| Net Position - Beginning | 30,371.92 | 164,436.40 | 0.00 | 194,808.32 |
| NET POSITION - ENDING | 20,826.73 | 163,748.53 | 15,405.74 | 199,981.00 |

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

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a. Financial Reporting Entity:

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

b. Basis of Presentation:

Government-wide Financial Statements:

The Statement of Net Position and Statement of Activities display information about the reporting entity as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities 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.

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

Fund Financial Statements:

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

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

See Independent Auditor's Report.

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
(Continued)

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

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

Governmental Funds:

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

Capital Projects 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).

Pool Repair Capital Projects Fund – to account for financial resources to be used for the repair of the pool. This is a major fund. This fund was closed in 2021.

Proprietary Funds:

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

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

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

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

Daycare Fund – financed primarily by user charges, this fund accounts for the operation of a daycare facility. This is a major fund.

c. Measurement Focus and Basis of Accounting:

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

See Independent Auditor's Report.

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
(Continued)

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

Measurement Focus:

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

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

Basis of Accounting:

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

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

- a. Recording long-term investments in marketable securities (those with maturities more than 90-days (three months) from the date of acquisition) acquired with cash assets at cost.
- b. Recording assets and liabilities related to interfund receivables and payables resulting from cash transactions between funds.

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

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

d. Deposits and Investments:

For the purpose of financial reporting, "cash and cash equivalents" includes all demand and savings accounts and certificates of deposit or short-term investments with a term to maturity at date of acquisition of three months or less. Investments in open-end mutual fund shares, or similar investments in external investment pools, are also considered to be cash equivalents.

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
(Continued)

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

e. Capital Assets:

Under the modified cash basis of accounting, capital assets are recorded when they result from cash transactions, and are depreciated, where appropriate. The accounting treatment for property, plant and equipment (capital assets) depends on whether the assets are used in governmental fund operations or proprietary fund and similar discretely presented component unit operations and whether they are reported in the government-wide or fund financial statements.

Government-wide Financial Statements:

As discussed in Note 1.c. above, the government-wide Statement of Net Position and Statement of Activities and the fund financial statements, governmental, and business-type, are presented using a modified cash basis of accounting. The Municipality has not elected to modify their cash basis presentation by recording capital assets arising from cash transactions and depreciating those assets where appropriate so any capital assets owned by the Municipality and the related depreciation are not reported on the financial statements of the Municipality. Under the modified cash basis of accounting, capital assets are considered a cost of the program for which they were acquired, for the amount paid in cash. In the Statement of Activities, cash payments for capital assets are recorded in the program category for which they were acquired. Allocations between programs are made, where necessary to match the cost with the program that benefits from the use of the capital assets.

f. Long-Term Liabilities:

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

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

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

g. Revenue Received in Advance:

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

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
(Continued)

h. Program Revenues:

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

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

i. Proprietary Funds Revenue and Expense Classifications:

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

j. Cash and Cash Equivalents:

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

k. Equity Classifications:

Government-wide Statements:

Equity is classified as net position and is displayed in one component as unrestricted.

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

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.

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
(Continued)

I. Application of Net Position:

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

m. Fund Balance Classification Policies and Procedures:

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

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

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

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

2. VIOLATIONS OF FINANCE-RELATED LEGAL AND CONTRACTUAL PROVISIONS:

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

| | Year Ended 12-31-21 |
|---------------|------------------------|
| General Fund: | |
| Parks | \$ 65,238.96 |

The Municipality plans to take the following actions to address these violations: use contingency transfers and supplements when needed.

3. DEFICIT FUND BALANCES / NET POSITION OF INDIVIDUAL FUNDS

As of December 31, 2020, the following individual fund had a deficit fund balance/net position in the amounts shown:

| | |
|------------------|-------------|
| Pool Repair Fund | \$ 3,859.23 |
|------------------|-------------|

See Independent Auditor's Report.

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
(Continued)

The Governing Board transferred money from the General Fund to eliminate this deficit.

4. DEPOSITS AND INVESTMENTS, CREDIT RISK, CONCENTRATIONS OF CREDIT RISK AND INTEREST RATE RISK

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

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

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

As of December 31, 2021 or December 31, 2020, the Municipality did not have any investments. The investments reported in the financial statements consist of only certificates of deposit.

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

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

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

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

5. PROPERTY TAXES

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

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

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
(Continued)

6. SIGNIFICANT COMMITMENTS

The Municipality of Montrose entered into a forty year agreement with Kingbrook Rural Water System to provide water to the Municipality. A monthly service charge in the amount of \$90.00 is paid by the Municipality to Kingbrook Rural Water System along with a charge of \$3.45 per 1,000 gallons of water consumed with a minimum of 760,000 gallons per month. The monthly service charge represents a contribution by the Municipality to aid Kingbrook Rural Water System in the construction of the facilities necessary to provide the Municipality with water. The Municipality will not acquire ownership of any of these water facilities through these payments. Payments are made from the Municipality's Water Fund.

7. INDIVIDUAL FUND INTERFUND RECEIVABLE AND PAYABLE BALANCES

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

| <u>Fund</u> | <u>Interfund Receivables</u> | <u>Interfund Payables</u> |
|------------------------------|----------------------------------|-------------------------------|
| Governmental Funds: | | |
| General Fund | \$ 3,859.23 | |
| Pool Repair Capital Projects | | \$ 3,859.23 |
| Proprietary Funds: | | |
| Water Fund | | \$ 11,923.66 |
| Sewer Fund | \$ 11,923.66 | |

The purposes for the interfund receivable and payable balances are to eliminate temporary cash deficits. The Municipality expects all interfund receivables and payables to be repaid within one year.

8. RESTRICTED NET POSITION

Restricted Net Position for the years ended December 31, 2021 and 2020 are as follows:

| <u>Major Purposes:</u> | <u>2021</u> | <u>2020</u> |
|-------------------------------|---------------------|---------------------|
| Debt Service Purposes: | | |
| Water Fund | | \$ 8,161.32 |
| Sewer Fund | \$ 51,240.59 | 23,359.39 |
| Total Restricted Net Position | <u>\$ 51,240.59</u> | <u>\$ 31,520.71</u> |

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

9. INTERFUND TRANSFERS

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

| <u>Transfers From:</u> | <u>Transfers To: Pool Repair Fund</u> |
|------------------------|---|
| Major Funds: | |
| General Fund | <u>\$ 3,859.23</u> |

The Municipality budgeted transfers to the Pool Repair Fund to close the fund.

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
(Continued)

10. PENSION PLAN

Plan Information:

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

Benefits Provided:

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

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

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

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

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

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
(Continued)

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

Contributions:

Per SDCL 3-12, contribution requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A Members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. The Municipality's share of contributions to the SDRS for the fiscal years ended December 31, 2021, 2020, and 2019, were \$7,965.91, \$9,291.69, and \$9,643.04, respectively, equal to the required contributions each year.

Pension Liabilities (Assets):

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

| | |
|---|-----------------------|
| Proportionate share of net position restricted for pension benefits | \$ 927,798.83 |
| Less proportionate share of total pension liability | <u>\$ 979,040.44</u> |
| Proportionate share of net pension liability (asset) | <u>\$ (51,241.61)</u> |

The net pension liability (asset) was measured as of June 30, 2021 and the total pension liability (asset) used to calculate the net pension liability (asset) was based on a projection of the Municipality's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2021, the Municipality's proportion was 0.00669100%, which is an increase (decrease) of (0.0004525%) from its proportion measured as of June 30, 2020.

At June 30, 2020, SDRS is 100.04% funded and accordingly has net pension asset. The proportionate shares of the components of the net pension asset of the South Dakota Retirement System, for the Municipality as of the measurement period ending June 30, 2020 are as follows:

| | |
|---|----------------------|
| Proportionate share of net position restricted for pension benefits | \$ 878,150.12 |
| Less proportionate share of total pension liability | <u>\$ 878,460.36</u> |
| Proportionate share of net pension liability (asset) | <u>\$ (310.24)</u> |

The net pension liability (asset) was measured as of June 30, 2020 and the total pension liability (asset) used to calculate the net pension liability (asset) was based on a projection of the Municipality's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2020, the Municipality's proportion was 0.00714350%, which is an increase (decrease) of (0.0002151%) from its proportion measured as of June 30, 2019.

Actuarial Assumptions:

The total pension liability (asset) in the June 30, 2021 and 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

See Independent Auditor's Report.

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
(Continued)

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

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

The actuarial assumptions used in the June 30, 2021 and 2020 valuations were based on the results of an actuarial experience study for the period of July 1, 2011 to June 30, 2016.

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

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

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 | 100% | |

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
(Continued)

Discount Rate:

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

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

At December 31, 2021, the following presents the Municipality's proportionate share of net pension liability (asset) calculated using the discount rate of 6.50 percent, as well as what the Municipality's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage point lower (5.50%) or 1-percentage point higher (7.50%) than the current rate:

| | <u>1%</u> <u>Decrease</u> | <u>Current</u> <u>Discount</u> <u>Rate</u> | <u>1%</u> <u>Increase</u> |
|---|------------------------------|--|------------------------------|
| Municipality's proportionate share of the net pension liability (asset) | \$ 82,972.91 | \$(51,241.61) | \$(160,192.56) |

At December 31, 2020, the following presents the Municipality's proportionate share of net pension liability (asset) calculated using the discount rate of 6.50 percent, as well as what the Municipality's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage point lower (5.50%) or 1-percentage point higher (7.50%) than the current rate:

| | <u>1%</u> <u>Decrease</u> | <u>Current</u> <u>Discount</u> <u>Rate</u> | <u>1%</u> <u>Increase</u> |
|---|------------------------------|--|------------------------------|
| Municipality's proportionate share of the net pension liability (asset) | \$ 120,352.87 | \$(310.24) | \$(99,010.29) |

Pension Plan Fiduciary Net Position:

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

11. SIGNIFICANT CONTINGENCIES – LITIGATION

At December 31, 2021 and 2020, the Municipality was not involved in any litigation.

12. RISK MANAGEMENT

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

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
(Continued)

Liability Insurance:

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

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:

| <u>Years</u> | <u>Percentage</u> |
|--------------|-------------------|
| 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 Municipality is considered a deposit for financial reporting purposes.

As of December 31, 2020, the Municipality's balance available to be refunded per the SDPAA was \$21,114.00, which was an increase of \$448.00 from the previous year.

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

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

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
(Continued)

Workmen's Compensation:

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

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

Unemployment Benefits:

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

13. SUBSEQUENT EVENTS

Management has evaluated whether any subsequent events have occurred through July 20, 2022, the date on which the financial statements were available to be issued.

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

| | Budgeted Amounts | | Actual Amounts | Variance with |
|---|-------------------------|--------------|--------------------------|---|
| | Original | Final | (Budgetary Basis) | Final Budget - Positive (Negative) |
| Revenues: | | | | |
| Taxes: | | | | |
| General Property Taxes | 127,948.00 | 127,948.00 | 128,538.37 | 590.37 |
| General Sales and Use Taxes | 80,000.00 | 80,000.00 | 97,522.34 | 17,522.34 |
| Penalties and Interest on Delinquent Taxes | 350.00 | 350.00 | 628.23 | 278.23 |
| Total Taxes | 208,298.00 | 208,298.00 | 226,688.94 | 18,390.94 |
| Licenses and Permits | 1,200.00 | 1,200.00 | 1,550.00 | 350.00 |
| Intergovernmental Revenue: | | | | |
| Federal Grants | 0.00 | 0.00 | 80,676.67 | 80,676.67 |
| State Grants | 1,100.00 | 1,100.00 | 0.00 | (1,100.00) |
| State Shared Revenue: | | | | |
| Bank Franchise Tax | 600.00 | 600.00 | 736.11 | 136.11 |
| Proate License Fee | 1,100.00 | 1,100.00 | 1,530.86 | 430.86 |
| Liquor Tax Reversion | 3,000.00 | 3,000.00 | 3,450.88 | 450.88 |
| Motor Vehicle Licenses | 7,000.00 | 7,000.00 | 7,805.16 | 805.16 |
| Local Government Highway and Bridge Fund | 11,000.00 | 11,000.00 | 12,602.32 | 1,602.32 |
| County Shared Revenue: | | | | |
| County Road Tax | 450.00 | 450.00 | 454.53 | 4.53 |
| County Wheel Tax | 2,600.00 | 2,600.00 | 2,905.33 | 305.33 |
| Total Intergovernmental Revenue | 26,850.00 | 26,850.00 | 110,161.86 | 83,311.86 |
| Charges for Goods and Services: | | | | |
| General Government | 0.00 | 0.00 | 16.45 | 16.45 |
| Sanitation | 41,800.00 | 41,800.00 | 40,421.60 | (1,378.40) |
| Culture and Recreation | 21,000.00 | 21,000.00 | 44,649.50 | 23,649.50 |
| Total Charges for Goods and Services | 62,800.00 | 62,800.00 | 85,087.55 | 22,287.55 |
| Miscellaneous Revenue: | | | | |
| Investment Earnings | 8,000.00 | 8,000.00 | 4,311.04 | (3,688.96) |
| Rentals | 11,000.00 | 11,000.00 | 11,560.00 | 560.00 |
| Special Assessments | 56,000.00 | 56,000.00 | 28,085.82 | (27,914.18) |
| Contributions & Donations from Private Sources | 0.00 | 0.00 | 20.16 | 20.16 |
| Other | 550.00 | 550.00 | 15,044.32 | 14,494.32 |
| Total Miscellaneous Revenue | 75,550.00 | 75,550.00 | 59,021.34 | (16,528.66) |
| Total Revenue | 374,698.00 | 374,698.00 | 482,509.69 | 107,811.69 |
| Expenditures: | | | | |
| General Government: | | | | |
| Legislative | 18,630.00 | 18,630.00 | 13,465.76 | 5,164.24 |
| Elections | 625.00 | 625.00 | 29.39 | 595.61 |
| Financial Administration | 23,357.00 | 23,357.00 | 23,259.62 | 97.38 |
| Other | 27,500.00 | 27,500.00 | 20,267.49 | 7,232.51 |
| Total General Government | 70,112.00 | 70,112.00 | 57,022.26 | 13,089.74 |

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

| | Budgeted Amounts | | Actual Amounts | Variance with |
|--|-------------------------|--------------|--------------------------|----------------------------|
| | Original | Final | (Budgetary Basis) | Final Budget - |
| | | | | Positive (Negative) |
| Expenditures: (continued) | | | | |
| Public Safety: | | | | |
| Police | 12,000.00 | 17,000.00 | 16,924.08 | 75.92 |
| Fire | 12,100.00 | 12,100.00 | 9,425.94 | 2,674.06 |
| Total Public Safety | 24,100.00 | 29,100.00 | 26,350.02 | 2,749.98 |
| Public Works: | | | | |
| Highways and Streets | 173,170.00 | 173,170.00 | 90,739.75 | 82,430.25 |
| Sanitation | 40,000.00 | 40,000.00 | 39,204.21 | 795.79 |
| Total Public Works | 213,170.00 | 213,170.00 | 129,943.96 | 83,226.04 |
| Health and Welfare: | | | | |
| Health | 1,100.00 | 1,100.00 | 312.69 | 787.31 |
| Total Health and Welfare | 1,100.00 | 1,100.00 | 312.69 | 787.31 |
| Culture and Recreation: | | | | |
| Recreation | 49,490.00 | 84,490.00 | 77,245.19 | 7,244.81 |
| Parks | 8,500.00 | 58,500.00 | 123,738.96 | (65,238.96) |
| Total Culture and Recreation | 57,990.00 | 142,990.00 | 200,984.15 | (57,994.15) |
| Conservation and Development: | | | | |
| Economic Development and Assistance | 100.00 | 100.00 | 31.44 | 68.56 |
| Total Conservation and Development | 100.00 | 100.00 | 31.44 | 68.56 |
| Miscellaneous: | | | | |
| Liquor Operating Agreements | 6,000.00 | 6,000.00 | 240.39 | 5,759.61 |
| Total Miscellaneous | 6,000.00 | 6,000.00 | 240.39 | 5,759.61 |
| Total Expenditures | 372,572.00 | 462,572.00 | 414,884.91 | 47,687.09 |
| Excess of Revenue Over (Under) | | | | |
| Expenditures | 2,126.00 | (87,874.00) | 67,624.78 | 155,498.78 |
| Other Financing Sources (Uses): | | | | |
| Transfers Out | (4,365.00) | (4,365.00) | (3,859.23) | 505.77 |
| Total Other Financing Sources (Uses) | (4,365.00) | (4,365.00) | (3,859.23) | 505.77 |
| Net Change in Fund Balances | (2,239.00) | (92,239.00) | 63,765.55 | 156,004.55 |
| Fund Balance - Beginning | 927,618.55 | 927,618.55 | 927,618.55 | 0.00 |
| FUND BALANCE - ENDING | 925,379.55 | 835,379.55 | 991,384.10 | 156,004.55 |

SUPPLEMENTARY INFORMATION
MUNICIPALITY OF MONTROSE
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
For the Year Ended December 31, 2020

| | Budgeted Amounts | | Actual Amounts | Variance with |
|---|-------------------------|-------------------|--------------------------|---|
| | Original | Final | (Budgetary Basis) | Final Budget - Positive (Negative) |
| Revenues: | | | | |
| Taxes: | | | | |
| General Property Taxes | 123,676.00 | 123,676.00 | 120,615.21 | (3,060.79) |
| General Sales and Use Taxes | 71,000.00 | 71,000.00 | 85,149.55 | 14,149.55 |
| Amusement Taxes | 0.00 | 0.00 | 72.00 | 72.00 |
| Penalties & Interest on Delinquent Taxes | 350.00 | 350.00 | 800.69 | 450.69 |
| Total Taxes | 195,026.00 | 195,026.00 | 206,637.45 | 11,611.45 |
| Licenses and Permits | 1,500.00 | 1,500.00 | 1,347.00 | (153.00) |
| Intergovernmental Revenue: | | | | |
| Federal Grants | 0.00 | 50,000.00 | 74,732.29 | 24,732.29 |
| State Grants | 1,000.00 | 1,400.00 | 8,568.14 | 7,168.14 |
| State Shared Revenue: | | | | |
| Bank Franchise Tax | 550.00 | 550.00 | 625.34 | 75.34 |
| Prorate License Fees | 1,100.00 | 1,100.00 | 1,385.69 | 285.69 |
| Liquor Tax Reversion | 3,000.00 | 3,000.00 | 3,267.06 | 267.06 |
| Motor Vehicle Licenses | 7,000.00 | 7,000.00 | 7,646.88 | 646.88 |
| Local Government Highway and Bridge Fund | 11,000.00 | 11,000.00 | 12,094.91 | 1,094.91 |
| County Shared Revenue: | | | | |
| County Road Tax | 450.00 | 450.00 | 454.53 | 4.53 |
| County Wheel Tax | 2,600.00 | 2,600.00 | 2,805.83 | 205.83 |
| Total Intergovernmental Revenue | 26,700.00 | 77,100.00 | 111,580.67 | 34,480.67 |
| Charges for Goods and Services: | | | | |
| Sanitation | 41,600.00 | 41,600.00 | 42,252.48 | 652.48 |
| Culture and Recreation | 17,000.00 | 17,000.00 | 40,378.64 | 23,378.64 |
| Other - Day Care Fees | 163,600.00 | 163,600.00 | 0.00 | (163,600.00) |
| Total Charges for Goods & Services | 222,200.00 | 222,200.00 | 82,631.12 | (139,568.88) |
| Miscellaneous Revenue: | | | | |
| Investment Earnings | 2,500.00 | 2,500.00 | 12,385.78 | 9,885.78 |
| Rentals | 11,800.00 | 11,800.00 | 9,350.00 | (2,450.00) |
| Maintenance Assessments | 0.00 | 0.00 | 26,250.35 | 26,250.35 |
| Other | 5,700.00 | 5,700.00 | 3,773.91 | (1,926.09) |
| Total Miscellaneous Revenue | 20,000.00 | 20,000.00 | 51,760.04 | 31,760.04 |
| Total Revenue | 465,426.00 | 515,826.00 | 453,956.28 | (61,869.72) |

SUPPLEMENTARY INFORMATION
MUNICIPALITY OF MONTROSE
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
For the Year Ended December 31, 2020

| | Budgeted Amounts | | Actual Amounts | Variance with |
|--|-------------------------|--------------|--------------------------|---|
| | Original | Final | (Budgetary Basis) | Final Budget - Positive (Negative) |
| Expenditures: | | | | |
| General Government: | | | | |
| Legislative | 28,775.00 | 28,775.00 | 22,611.59 | 6,163.41 |
| Contingency | 1,500.00 | 1,500.00 | | |
| Amount Transferred | | 0.00 | | 1,500.00 |
| Elections | 625.00 | 625.00 | 19.47 | 605.53 |
| Financial Administration | 31,970.00 | 31,970.00 | 17,595.95 | 14,374.05 |
| Other | 31,100.00 | 31,100.00 | 19,505.03 | 11,594.97 |
| Total General Government | 93,970.00 | 93,970.00 | 59,732.04 | 34,237.96 |
| Public Safety: | | | | |
| Police | 17,000.00 | 17,000.00 | 16,900.08 | 99.92 |
| Fire | 9,550.00 | 9,750.00 | 9,644.93 | 105.07 |
| Other Protection | 100.00 | 200.00 | 146.71 | 53.29 |
| Total Public Safety | 26,650.00 | 26,950.00 | 26,691.72 | 258.28 |
| Public Works: | | | | |
| Highways and Streets | 100,600.00 | 170,600.00 | 158,734.05 | 11,865.95 |
| Sanitation | 41,500.00 | 41,500.00 | 36,592.00 | 4,908.00 |
| Total Public Works | 142,100.00 | 212,100.00 | 195,326.05 | 16,773.95 |
| Health and Welfare: | | | | |
| Health | 1,000.00 | 51,400.00 | 39,513.11 | 11,886.89 |
| Total Health and Welfare | 1,000.00 | 51,400.00 | 39,513.11 | 11,886.89 |
| Culture and Recreation: | | | | |
| Recreation | 57,680.00 | 109,680.00 | 76,233.37 | 33,446.63 |
| Total Culture and Recreation | 57,680.00 | 109,680.00 | 76,233.37 | 33,446.63 |
| Conservation and Development: | | | | |
| Economic Opportunity | 163,490.00 | 163,490.00 | 4,071.71 | 159,418.29 |
| Total Conservation and Development | 163,490.00 | 163,490.00 | 4,071.71 | 159,418.29 |
| Miscellaneous: | | | | |
| Liquor Operating Agreements | 5,100.00 | 15,100.00 | 14,499.17 | 600.83 |
| Total Miscellaneous | 5,100.00 | 15,100.00 | 14,499.17 | 600.83 |
| Total Expenditures | 489,990.00 | 672,690.00 | 416,067.17 | 256,622.83 |
| Excess of Revenue Over (Under) Expenditures | (24,564.00) | (156,864.00) | 37,889.11 | 194,753.11 |
| Other Financing Sources (Uses): | | | | |
| Transfers In | 27,788.00 | 27,788.00 | 0.00 | (27,788.00) |
| Total Other Financing Sources (Uses) | 27,788.00 | 27,788.00 | 0.00 | (27,788.00) |
| Net Change in Fund Balances | 3,224.00 | (129,076.00) | 37,889.11 | 166,965.11 |
| Fund Balance - Beginning | 889,729.44 | 889,729.44 | 889,729.44 | 0.00 |
| FUND BALANCE - ENDING | 892,953.44 | 760,653.44 | 927,618.55 | 166,965.11 |

NOTES TO THE SUPPLEMENTARY INFORMATION

Schedules of Budgetary Comparisons for the General Fund
with a legally required budget.

Note 1. Budgets and Budgetary Accounting:

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

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

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

The Municipality did not encumber any amounts at December 31, 2021 or December 31, 2020.

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

Note 2. GAAP/Budgetary Accounting Basis Differences:

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

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

South Dakota Retirement System

*Last 10 Years

| | 2021 | 2020 | 2019 | 2018 | 2017 |
|---|-------------|------------|------------|------------|------------|
| Municipality's proportion of the net pension liability/asset | 0.0066910% | 0.0071435% | 0.0073586% | 0.0075488% | 0.0021639% |
| Municipality's proportionate share of net pension liability (asset) | \$ (51,242) | \$ (310) | \$ (780) | \$ (176) | \$ (196) |
| Municipality's covered-employee payroll | \$ 148,306 | \$ 156,848 | \$ 156,457 | \$ 153,980 | \$ 43,968 |
| Municipality's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll | 34.55% | 0.20% | 0.50% | 0.11% | 0.45% |
| Plan fiduciary net position as a percentage of the total pension liability (asset) | 105.52% | 100.04% | 100.09% | 100.02% | 100.10% |

* The amounts presented for each 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 Municipality will present information for those years for which information is available.

SUPPLEMENTARY INFORMATION
 SCHEDULE OF THE MUNICIPALITY CONTRIBUTIONS
 South Dakota Retirement System

*Last 10 Years

| | 2021 | 2020 | 2019 | 2018 | 2017 |
|--|------------|------------|------------|------------|------------|
| Contractually required contribution | \$ 7,966 | \$ 9,292 | \$ 9,643 | \$ 9,083 | \$ 7,318 |
| Contributions in relation to the contractually required contribution | \$ 7,966 | \$ 9,292 | \$ 9,643 | \$ 9,083 | \$ 7,318 |
| Contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - | \$ - |
| Municipality's covered-employee payroll | \$ 131,837 | \$ 154,933 | \$ 160,716 | \$ 151,374 | \$ 121,972 |
| Contributions as a percentage of covered-employee payroll | 6.04% | 6.00% | 6.00% | 6.00% | 6.00% |

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

**Notes to Supplementary Information
for the Year Ended December 31, 2021**

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

Changes from Prior Valuation

The June 30, 2021 Actuarial Valuation reflects no changes in actuarial methods from the June 30, 2020 Actuarial Valuation. One change in actuarial assumptions and two plan provision changes are reflected and described below.

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

Benefit Provision Changes

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

Actuarial Assumption Changes

The SDRS COLA equals the percentage increase in the most recent third calendar quarter CPI-W over the prior year, no less than 0.5% 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, 2020 and July 2021 SDRS COLA was limited to a restricted maximum of 1.41%. As of June 30, 2021, the FVFR assuming the COLA is equal to the baseline COLA assumption is greater than 100%. The July 2022 SDRS COLA will equal inflation, between 0% and 3.5%. For the June 30, 2020 Actuarial Valuation, future COLAs were assumed to equal the restricted maximum COLA of 1.41%. For this June 30, 2021 Actuarial Valuation, future COLAs are assumed to equal the baseline COLA assumption of 2.25%.

The change in the COLA assumption increased the Actuarial Accrued Liability by \$1.135 million, or 8.9% of the Actuarial Accrued Liability based on the 1.41% restricted maximum COLA.

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

SUPPLEMENTARY INFORMATIONLONG-TERM DEBT

A summary of changes in long-term debt follows:

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Deletions</u> | <u>Ending Balance</u> | <u>Due Within One Year</u> |
|---|------------------------------|-------------------|------------------|---------------------------|--------------------------------|
| Primary Government: | | | | | |
| Business-Type Activities: | | | | | |
| Bonds Payable: | | | | | |
| Revenue - State Revolving Fund - Clean Water #2 | 504,158.34 | | 28,299.04 | 475,859.30 | 16,905.26 |
| Revenue - State Revolving Fund - Drinking Water #1 | 244,528.46 | | 13,084.39 | 231,444.07 | 7,789.89 |
| Revenue - State Revolving Fund - Drinking Water #2 | 16,988.00 | 170,012.00 | 1,095.33 | 185,904.67 | 4,443.30 |
| Revenue - State Revolving Fund - Clean Water #4 | 0.00 | 105,591.00 | | 105,591.00 | 0.00 |
| Total Primary Government | <u>765,674.80</u> | <u>275,603.00</u> | <u>42,478.76</u> | <u>998,799.04</u> | <u>29,138.45</u> |

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

Revenue Bonds:

| | |
|--|---------------|
| State Revolving Fund Loan Program Clean Water # 2, Maturity Date 1-15-2042, Interest Rate 3.25%, Paid by Sewer Fund | \$ 475,859.30 |
| State Revolving Fund Loan Program Drinking Water # 1, Maturity Date 4-15-2043, Interest Rate 2.5%, Paid by Water Fund | \$ 231,444.07 |
| State Revolving Fund Loan Program Drinking Water # 2, Maturity Date 8-15-2051, Interest Rate 2.25%, Paid by Water Fund | \$ 185,904.67 |
| State Revolving Fund Loan Program Clean Water # 4, Maturity Date 2-15-2053, Interest Rate 2.125%, Paid by Sewer Fund | \$ 105,591.00 |

SUPPLEMENTARY INFORMATION

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

Annual Requirements to Amortize Long-Term Debt
December 31, 2021

| Year Ending Dec. 31, | Clean Water State Revolving Fund Loan Program # 2 | | Drinking Water State Revolving Fund Loan Program # 1 | | Clean Water State Revolving Fund Loan Program # 4 | |
|----------------------------|--|------------|---|-----------|--|-----------|
| | Principal | Interest | Principal | Interest | Principal | Interest |
| 2022 | 16,905.26 | 15,260.78 | 7,789.89 | 6,856.23 | | |
| 2023 | 17,461.40 | 14,704.64 | 8,026.23 | 6,619.89 | 1,904.00 | 1,672.78 |
| 2024 | 18,035.86 | 14,130.18 | 8,269.74 | 6,376.38 | 2,586.21 | 2,182.83 |
| 2025 | 18,629.21 | 13,536.83 | 8,520.64 | 6,125.48 | 2,641.60 | 2,127.44 |
| 2026 | 19,242.08 | 12,923.96 | 8,779.15 | 5,866.97 | 2,698.19 | 2,070.85 |
| 2027-2031 | 106,132.76 | 54,697.44 | 48,056.36 | 25,174.24 | 14,383.02 | 9,462.18 |
| 2032-2036 | 124,777.74 | 36,052.46 | 55,802.28 | 17,428.32 | 15,990.89 | 7,854.31 |
| 2037-2041 | 146,698.22 | 14,131.98 | 64,796.72 | 8,433.88 | 17,778.45 | 6,066.75 |
| 2042-2046 | 7,976.77 | 64.74 | 21,403.06 | 566.12 | 19,765.85 | 4,079.35 |
| 2047-2051 | | | | | 21,975.40 | 1,869.81 |
| 2052-2056 | | | | | 5,867.39 | 93.91 |
| Totals | 475,859.30 | 175,503.01 | 231,444.07 | 83,447.51 | 105,591.00 | 37,480.21 |

| Year Ending Dec. 31, | Drinking Water State Revolving Fund Loan Program # 2 | | Totals | |
|----------------------------|---|-----------|------------|------------|
| | Principal | Interest | Principal | Interest |
| 2022 | 4,443.30 | 4,145.54 | 29,138.45 | 26,262.55 |
| 2023 | 4,544.13 | 4,044.71 | 31,935.76 | 27,042.02 |
| 2024 | 4,647.23 | 3,941.61 | 33,539.04 | 26,631.00 |
| 2025 | 4,752.68 | 3,836.16 | 34,544.13 | 25,625.91 |
| 2026 | 4,860.52 | 3,728.32 | 35,579.94 | 24,590.10 |
| 2027-2031 | 26,007.84 | 16,936.36 | 194,579.98 | 106,270.22 |
| 2032-2036 | 29,095.47 | 13,848.73 | 225,666.38 | 75,183.82 |
| 2037-2041 | 32,549.66 | 10,394.54 | 261,823.05 | 39,027.15 |
| 2042-2046 | 36,413.94 | 6,530.26 | 85,559.62 | 11,240.47 |
| 2047-2051 | 38,589.90 | 2,207.17 | 60,565.30 | 4,076.98 |
| 2052-2056 | | | 5,867.39 | 93.91 |
| Totals | 185,904.67 | 69,613.40 | 998,799.04 | 366,044.13 |