

TOWN OF NEWELL
NEWELL, SOUTH DAKOTA
FINANCIAL REPORT
FOR THE ONE YEAR ENDING DECEMBER 31, 2021
WITH INDEPENDENT AUDITOR'S REPORTS

INDEPENDENT AUDIT SERVICES, P.C.

Benjamin Elliott, CPA
P.O. Box 262
Madison, South Dakota 57042

TOWN OF NEWELL
NEWELL, SOUTH DAKOTA

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FOR THE ONE YEAR ENDING December 31, 2021

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NOTE: All figures shown in this financial report are in U.S. dollars.
For space considerations, the "\$" symbol is not used.

INDEPENDENT AUDIT SERVICES, PC

Benjamin Elliott, CPA
P.O. Box 262
Madison, South Dakota 57042
605.270.3020

Governing Board
Town of Newell
Newell, South Dakota

INDEPENDENT AUDITOR'S REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Unmodified Opinions on Governmental Activities, Business-type Activities, and Each Major Fund:

I have audited the accompanying modified cash basis of accounting financial statements of governmental activities, business-type activities, and each major fund of the Town of Newell (Town), Butte County, South Dakota as of December 31, 2021 and for the year then ended, and the related notes to the financial statements, which collectively comprise the Town of Newell's basic financial statements as listed in the Table of Contents.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of governmental activities, business-type activities, and each major fund of the Town of Newell, South Dakota as of December 31, 2021, and the respective changes in modified cash basis financial position and, where applicable, cash flows thereof for year then ended, in accordance with the modified cash basis of accounting described in Note 1c to the financial statements.

Basis for Unmodified Opinions:

I conducted my audit of the financial statements of the governmental activities, the business-type activities, and each major fund in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standard applicable to financial audits contained in Government Auditing Standards (*Government Auditing Standards*), issued by the Comptroller General of the United States. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of the Town of Newell, South Dakota and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my unmodified audit opinions.

Emphasis of Matter - Basis of Accounting

I draw attention to Note 1-c of these financial statements, which describes the basis of accounting. These 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. My opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements:

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1-c, and for determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also 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 misstatements, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Newell's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibility for the Audit of the Governmental Activities, the Business-Type Activities, and Each Major Fund:

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinions.

Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will 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 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*, I:

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

I am 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 I identified during the audit.

I am required to be independent of the Town of Newell and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements relating to my audit.

Supplementary Information: (no opinion)

Accounting principles generally accepted in the United States of America allow for the budgetary comparison schedules (page 26 to 28), and pension schedules (page 29 to 30) be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is allowed by the Government Accounting Standards Board, who considers it to be an essential part of financial reporting by placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the allowed supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information: (Opinion)

My audit was conducted for the purpose of forming opinions on the modified cash basis of accounting financial statements that collectively comprise the Town of Newell's financial statements. The schedule of changes in long-term liabilities (page 25) is presented for the purpose of additional analysis and is not a required part of the modified cash basis of accounting financial statements.

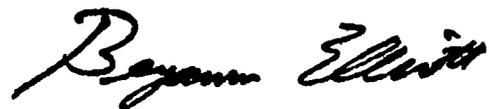
Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the modified cash basis of accounting financial statements. The information has been subject to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements, or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the schedule of changes in long-term liabilities is fairly stated, in all material respects, in relation to the modified cash basis of accounting financial statements as a whole.

Other Reporting Required by Government Auditing Standards:

In accordance with *Government Auditing Standards*, I have also issued my report dated June 30, 2023 (page 31) on my consideration of the Town of Newell's internal control over financial reporting and on my 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 my 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 Town of Newell's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

Independent Audit Services, PC
Benjamin Elliott, CPA
Madison, South Dakota

June 30, 2023



TOWN OF NEWELL

STATEMENT OF NET POSITION
 MODIFIED CASH BASIS
 AS OF DECEMBER 31, 2021

	Primary Government		
	Governmental	Business-	
	Activities	Type	Total
	Activities	Activities	Total
ASSETS:			
Cash and cash equivalents	1,021,156	-14,692	1,006,464
Cash - savings	209,283	97,361	306,644
Certificates of deposit	36,139	11,190	47,329
Restricted assets:			
Cash and cash equivalents	6,396	25,000	31,396
Certificates of deposit	43,604		43,604
Total assets	1,316,578	118,859	1,435,437
NET POSITION:			
Restricted for:			
Cemetery perpetual care	50,000		50,000
Library	6,662		6,662
Other purposes		25,000	25,000
Unrestricted	1,259,916	93,859	1,353,775
Total net position	1,316,578	118,859	1,435,437

See accompanying notes.

TOWN OF NEWELL

STATEMENT OF ACTIVITIES
 MODIFIED CASH BASIS
 FOR THE YEAR ENDING DECEMBER 31, 2021

Functions/Programs:	Program Receipts				Net Receipts (Disbursements) and Changes in Net Position		
	Disbursements	Charges for Services and Reimbursements	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Totals
Primary government:							
<i>Governmental activities:</i>							
General government	158,761	7,187	26,690		-124,884		-124,884
Public safety	78,452	44,897			-33,555		-33,555
Public works	201,678	85,940	26,690		-89,048		-89,048
Health and welfare	15,000	45	3,586		-11,369		-11,369
Culture and recreation	58,016	1,614			-56,402		-56,402
Economic development	2,667				-2,667		-2,667
Total governmental activities	514,574	139,683	56,966	0	-317,925	0	-317,925
<i>Business-type activities:</i>							
Liquor	385,748	433,893				48,145	48,145
Water	169,990	180,174				10,184	10,184
Sewer	87,143	74,036				-13,107	-13,107
Irrigation	5,156	12,714				7,558	7,558
Total business-type activities	648,037	700,817	0	0	0	52,780	52,780
Total primary government	1,162,611	840,500	56,966	0	-317,925	52,780	-265,145

General receipts:

Taxes:

Property taxes	223,605		223,605
Sales taxes	297,272		297,272
Gross receipts business tax	902		902
State shared receipts	44,705		44,705
County shared receipts	10,655		10,655
Interest received	500	64	564
Rents and franchise fees	4,153		4,153
Liquor operating agreement	10,344		10,344
Miscellaneous receipts	7,742		7,742
Transfers	40,258	-40,258	0

Total general receipts	640,136	-40,194	599,942
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Change in net position	322,211	12,586	334,797
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Net position:

January 1, 2021	994,367	66,016	1,060,383
Prior period adjustments:			
Correction of cash balances (Note 10)		40,257	40,257
January 1, 2021, adjusted	994,367	106,273	1,100,640
December 31, 2021	1,316,578	118,859	1,435,437

See accompanying notes.

TOWN OF NEWELL

BALANCE SHEET -- MODIFIED CASH BASIS
 ALL GOVERNMENTAL FUNDS
 AS OF DECEMBER 31, 2021

	General Fund	Library Memorial Fund	Cemetery Perpetual Care Fund	Total
	-----	-----	-----	-----
ASSETS:				
Cash and cash equivalents	994,941	1,104	25,111	1,021,156
Cash - money market	209,283			209,283
Certificates of deposit	30,581	5,558		36,139
Restricted assets:				
Cash and cash equivalents			6,396	6,396
Certificates of deposit			43,604	43,604
	-----	-----	-----	-----
Total assets	1,234,805	6,662	75,111	1,316,578
	=====	=====	=====	=====
FUND BALANCES:				
Nonspendable			50,000	50,000
Restricted		6,662		6,662
Committed				0
Assigned - perpetual care			25,111	25,111
Assigned - fire department	159,709			159,709
Assigned - museum	2,769			2,769
Unassigned	1,072,327			1,072,327
	-----	-----	-----	-----
Total fund balances	1,234,805	6,662	75,111	1,316,578*
	=====	=====	=====	=====

* Equals net position on
 statement of net position

See accompanying notes.

TOWN OF NEWELL

STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND
BALANCES -- MODIFIED CASH BASIS -- ALL GOVERNMENTAL FUNDS
FOR THE YEAR ENDING DECEMBER 31, 2021

	General Fund	Library Memorial Fund	Cemetery Perpetual Care Fund	Total
Receipts:				
Local sources:				
Taxes:				
Ad valorem taxes	223,605			223,605
General sales and use taxes	297,272			297,272
Gross receipts business tax	902			902
Licenses and permits:	5,175			5,175
Intergovernmental:				
Federal shared revenue: Covid	53,380			53,380
State shared revenue:				
Grants	3,586			3,586
Bank franchise tax	2,954			2,954
Commercial vehicle prorata	3,455			3,455
Liquor tax reversion	4,382			4,382
Motor vehicle licenses (5%)	11,571			11,571
Highway and bridge	22,344			22,344
County shared revenue	10,655			10,655
Charges for goods and services:				
Fire	44,897			44,897
Sanitation	78,946			78,946
Cemetery	1,030		5,964	6,994
Liquor mark-up	10,344			10,344
Other	875	1,614		2,489
Fines and forfeits:	2,012			2,012
Miscellaneous:				
Interest received	293	59	148	500
Rents and cable franchise	4,153			4,153
Other	6,911			6,911
Total receipts	788,742	1,673	6,112	796,527
Disbursements:				
Current:				
General government:				
Mayor and Council	15,291			15,291
Elections	960			960
Financial administration	80,131			80,131
Other	62,379			62,379
Public safety:				
Police	51,334			51,334
Fire	27,118			27,118
Public works:				
Highways and streets	107,035			107,035
Sanitation	82,571			82,571
Cemetery	11,760		312	12,072
Health and welfare:				
Ambulance	15,000			15,000
Culture and recreation:				
Recreation	0			0
Parks	24,122			24,122
Library	22,836	2,393		25,229
Museum	8,665			8,665
Conservation and development:				
Economic development	2,667			2,667
Capital outlay:	0			0
Total disbursements	511,869	2,393	312	514,574
Excess of receipts over (under) disbursements	276,873	-720	5,800	281,953
Other financing sources (uses):				
Transfer in - water	40,258			40,258
Net change in fund balance	317,131	-720	5,800	322,211**
Fund balance:				
January 1, 2021	917,674	7,382	69,311	994,367
December 31, 2021	1,234,805	6,662	75,111	1,316,578

** Equals change in net position on
Statement of Activities

See accompanying notes.

TOWN OF NEWELL

STATEMENT OF NET POSITION
 MODIFIED CASH BASIS
 ENTERPRISE FUNDS
 AS OF DECEMBER 31, 2021

	Liquor Fund	Water Fund	Sewer Fund	Irrigation Fund	Total Enterprise Funds
	-----	-----	-----	-----	-----
ASSETS					
Current assets:					
Cash and cash equivalent	-42,075	-47,728	63,594	11,517	-14,692
Cash - savings	21,270		76,091		97,361
Certificates of deposit			11,190		11,190
Restricted assets:					
Cash and cash equivalent			25,000		25,000
Total assets	-20,805	-47,728	175,875	11,517	118,859
	=====	=====	=====	=====	=====
NET POSITION					
Restricted - debt service		0			0
Restricted - other purposes			25,000		25,000
Unrestricted	-20,805	-47,728	150,875	11,517	93,859
Total net position	-20,805	-47,728	175,875	11,517	118,859
	=====	=====	=====	=====	=====

See accompanying notes.

TOWN OF NEWELL

STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
 IN NET POSITION -- MODIFIED CASH BASIS
 ENTERPRISE FUNDS
 FOR THE YEAR ENDING DECEMBER 31, 2021

	Liquor Fund	Water Fund	Sewer Fund	Irrigation Fund	Total Enterprise Funds
Operating receipts:					
Charges for goods and services	402,580	180,174	74,036	12,714	669,504
Video lottery, net	31,313				31,313
Total operating receipts	433,893	180,174	74,036	12,714	700,817
Operating disbursements:					
Personal services	128,973	49,729	35,969		214,671
Other current services	47,637	90,315	48,468	5,156	191,576
Cost of goods sold	209,138				209,138
Capital assets					0
Total operating disbursements	385,748	140,044	84,437	5,156	615,385
Excess operating receipts (disbursements)	48,145	40,130	-10,401	7,558	85,432
Nonoperating receipts (disbursements):					
Interest received	32		32		64
Loan pymts - principal		-21,179	-1,111		-22,290
- interest		-8,767	-1,595		-10,362
Total nonoperating receipts (disbursements)	32	-29,946	-2,674	0	-32,588
Excess receipts (disbursements) before transfers	48,177	10,184	-13,075	7,558	52,844
Transfer out - general		-40,258			-40,258
Change in net position	48,177	-30,074	-13,075	7,558	12,586
Net position:					
January 1, 2021	-68,982	-57,911	188,950	3,959	66,016
Prior period adjustment:					
Correction of cash balance (Note 10)		40,257			40,257
January 1, 2021, adjusted	-68,982	-17,654	188,950	3,959	106,273
December 31, 2021	-20,805	-47,728	175,875	11,517	118,859

See accompanying notes.

TOWN OF NEWELL

STATEMENT OF CASH FLOWS -- MODIFIED CASH BASIS
ENTERPRISE FUNDS
FOR THE YEAR ENDING DECEMBER 31, 2021

	Liquor Fund	Water Fund	Sewer Fund	Irrigation Fund	Total Enterprise Funds
	-----	-----	-----	-----	-----
Cash flows from:					
Operating activities:					
Receipts from customers	433,893	180,174	74,036	12,714	700,817
Payments to employees	-128,973	-49,729	-35,969		-214,671
Payments to suppliers	-256,775	-90,315	-48,468	-5,156	-400,714
Payments for capital assets					0
Net cash provided (used) by operating activities	48,145	40,130	-10,401	7,558	85,432
Noncapital financing activities:					
Transfer out - general		-40,258			-40,258
Capital financing activities:					
RD loan pymts - principal		-21,179	-1,111		-22,290
- interest		-8,767	-1,595		-10,362
Investing activities:					
Interest received	32		32		64
Purchase cert. of deposits					0
Net increase (decrease) in cash and cash equivalents	48,177	-30,074	-13,075	7,558	12,586
Cash and cash equivalents:					
January 1, 2021	-68,982	-57,911	177,760	3,959	54,826
Prior period adjustment:					
Correction of cash balance (Note 10)		40,257			40,257
January 1, 2021, adjusted	-68,982	-17,654	177,760	3,959	95,083
December 31, 2021	-20,805	-47,728	164,685	11,517	107,669
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	48,145	40,130	-10,401	7,558	85,432
Net cash provided (used) by operating activities	48,145	40,130	-10,401	7,558	85,432
Noncash investing, capital and financing activities: None					

See accompanying notes.

TOWN OF NEWELL
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

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. Reporting Entity:

The funds and account groups included in this report are controlled by or dependent upon the Town of Newell's (Town) Governing Board.

The Town's officials at December 31, 2021 are:

Mayor:	Finance Officer:
Kenneth Wetz	Jennifer Parrow
Governing Board:	Attorney:
Allen Youngberg, President	Bennett Main Gubbrud & Willert, P.C.
Donald Adams	
Lorretta Olson	
Tiffany Tennis	

The Town's financial reporting entity is composed of the following:

Financial Reporting Entity:
Primary Government: - The Town of Newell
Component Unit: - None

To determine the financial reporting entity, the Town complies with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*.

The reporting entity of the Town of Newell consists of (1) 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; (2) those organizations for which the primary government is financially accountable; and (3) other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete.

Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The Town is financially accountable if its governing board appoints a voting majority of another organization's governing body and it has the ability to impose its will on that organization, or there is a potential for that organization to provide specific financial benefits to, or impose specific financial burdens on the Town (the primary government). The Town may also be financially accountable for another organization if that organization is fiscally dependent on the Town unless that organization can, without the approval of the Town: (1) set its own budget; (2) determine its own rates or charges; and (3) borrow money.

Based upon the application of these criteria, the Town of Newell does not have any component units.

b. Basis of Presentation:

Government-wide Financial Statements:

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

The Statement of Net Position reports all cash assets. Net position is displayed in two components: restricted (distinguishing between major categories of restrictions) and unrestricted.

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

Fund Financial Statements:

The fund financial statements include specific information about individual funds used by the reporting entity. Each fund is considered a separate accounting entity with a separate set of self-balancing accounts that constitutes its cash, net position, receipts and disbursements. Funds are organized into three major categories: governmental, enterprise, and fiduciary (if any). An emphasis is placed on major funds within the governmental and enterprise categories. A fund is considered major if it is the primary operating fund of the Town or if it meets the following criteria:

- a. Total cash, receipts or disbursements of the individual governmental or enterprise fund are at least 10 percent of the corresponding element total (cash, receipts or disbursements) for all funds of that category (that is, total governmental or total enterprise), and
- b. The same element that meets the 10 percent criterion in (a) is at least 5 percent of the corresponding element total for all governmental and enterprise funds combined
- c. In addition to funds that meet the major fund criteria, any other governmental or enterprise fund that the government's official believe is particularly important to financial statement users (for example, because of public interest or consistency) may be reported as a major fund.

The Town has elected to classify all of its funds as major funds.

Funds of the Town are described below within their respective fund type:

Governmental Funds

General Fund - a fund established by South Dakota Codified Law (SDCL) 4-11-6 to met all the general operational costs of the Town except those required to be accounted for in another fund. The general fund is always a major fund.

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

Library Memorial Fund - A fund allowed by SDCL 14-2-42 and AGR 82-33 to account for the collection and disbursement of library fines and gifts. The library memorial fund is a major fund.

Permanent Funds - permanent funds are used to account for resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the Town's programs - that is, for the benefit of the Town or its citizenry. The Town's only permanent fund is:

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

Enterprise Funds (Business-Type)

Enterprise Funds - Enterprise funds are used to account for activity for which a fee is charged to external users for goods or services. The Town has the following enterprise funds:

Liquor Fund - A fund allowed by SDCL 35-3-21 to account for the operation of an on-sale and/or off-sale municipal liquor store. The liquor fund is a major fund.

Water Fund - A fund allowed by SDCL 9-47-1 to provide water to customers within the Town of Newell. The water fund is a major fund.

Sewer Fund - A fund allowed by SDCL 9-48-2 to provide sewer services to customers within the Town of Newell. The sewer fund is a major fund.

Irrigation Fund - A fund allowed by SDCL 9-47-1 to provide water irrigation services to customers of the Newell. The irrigation fund is a major fund.

Fiduciary Funds

Fiduciary funds are never considered to be major funds. The Town had no fiduciary funds in 2021.

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 (disbursements) are recognized in the accounts and reported in the financial statements, regardless of the measurement focus. The Town's basis of accounting is the modified cash basis of accounting, which is a basis of accounting other than US-GAAP. Under US-GAAP, transactions are recorded in the accounts when revenues are earned and liabilities are incurred. Under the modified cash basis of accounting, transactions are recorded when cash is received or disbursed.

Measurement Focus:

Government-wide Financial Statements:

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

Fund Financial Statements:

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used, applied within 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, business-type, and major fund 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 receipts and disbursement transactions. Under the modified cash basis of accounting, the statement of net position reports only cash and cash equivalents. 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 cash has been received or disbursed. Acceptable modifications to the cash basis of accounting implemented by the Town in these financial statements are certificates of deposit (if any) whose maturity when purchased is more than 90 days.

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 and services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

If the Town applied US-GAAP, the fund financial statements for governmental funds would use the modified accrual basis of accounting and the fund financial statements for enterprise funds and fiduciary funds (if any) would use the accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

d. Cash and Cash Equivalents:

For purposes 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 (if any) in open-end mutual funds shares or similar investments in external investment pools, are also considered to be cash equivalents.

The Town's certificates of deposit have a maturity of more than three months when purchased and are not considered a cash equivalent.

e. Interfund Transactions:

Transactions that constitute reimbursements to a fund for disbursements made from it, and that are properly applicable to another fund, are recorded as a disbursement in the reimbursing fund and as reductions of disbursements in the fund that is reimbursed. All other interfund transactions are reported as transfers.

f. Program Receipts and General Receipts:

Program Receipts:

In the government-wide Statement of Activities, reported program receipts derive directly from the program itself or from parties other than the Town's taxpayers or citizenry, as a whole. Program receipts are classified in 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 contribution - 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 contribution - These arise from mandatory and voluntary non-exchange transactions with other government, organization, or individuals that are restricted for the acquisition of capital assets for use in a particular program.

General Receipts:

General receipts include all receipts not specifically earmarked for a specific program. General receipts include all taxes, interest received, unrestricted receipts from federal, state, or county governments, and miscellaneous receipts not related to a program. These receipts are not restricted and can be used for the regular operation of the Town.

g. Enterprise Fund Receipt Classifications:

In both the government-wide statements and fund financial statements, enterprise fund operating receipts, such as charges for liquor, water, sewer, and irrigation services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, if any, such as grants, operating subsidies, interest received, and transfers in, result from nonexchange transactions.

h. Equity Classifications:

Government-wide financial Statements:

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

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

Fund Financial Statements:

Governmental fund equity is classified as "Fund Balance", and may distinguish between "Nonspendable", "Restricted", "Committed", "Assigned", and "Unassigned" components. Enterprise fund equity is classified as "Net Position", the same as in the government-wide financial statements. Fiduciary fund equity (if any) is reported as "Custodial Net Position".

i. Application of Net Position:

It is the Town's policy to first use restricted net position, prior to the use of unrestricted net position, when an expense is incurred which can be charged to either restricted or unrestricted net position.

j. 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 Town classifies governmental fund balances as follows:

- * Nonspendable - includes fund cash balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
- * Restricted - includes fund cash 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 cash balance amounts that are constrained for specific purposes that are internally imposed (or modified or rescinded) by the government through formal action at the highest level of decision making authority and does not lapse at year-end.
- * Assigned - includes fund cash balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund cash balance may be assigned by the Board of Trustees or Finance Officer.
- * Unassigned - includes positive fund cash balance within the general fund which has not been classified within the above categories and negative fund balance amounts in other governmental funds.

The Town of Newell fund cash balance classifications are made up of:

<u>Fund Balance Classifications</u>	<u>Account or Fund</u>	<u>Authority or Action</u>	<u>Amount</u>
Nonspendable	Cemetery Perpetual Care	Statute	50,000
Restricted	Library Memorial	Statute	6,662
Committed	None		0
Assigned	Cemetery Perpetual Care	Finance Officer	25,111
Assigned	Fire department	Finance Officer	159,709
Assigned	Museum	Finance Officer	2,769
Unassigned	General fund		1,072,327

			1,316,578

The Town uses "restricted" and "committed" amounts first when 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 Town would first use "committed", then "assigned", and lastly "unassigned" amounts of unrestricted fund balance when expenditures are made.

The Town does not have a formal minimum fund cash balance policy.

The Town has one special revenue fund.

The purpose of the special revenue fund and its revenue source is:

Special Revenue Fund:	Purpose:	Revenue Source:
* Library Memorial	Receive gifts and collect fines	See page 7

2. VIOLATIONS OF FINANCE-RELATED LEGAL AND CONTRACTUAL PROVISIONS

The Town is prohibited by statute from spending in excess of appropriated amounts by department within a fund. The following are overdrafts of departmental disbursement compared to appropriations.

General fund - Public safety/fire	13,668
Library Memorial fund - Culture and recreation/library	2,393

This is not considered significant violations of a departmental expenditure compared to appropriations. In the future, the Town expects to make contingency transfers or adopt supplemental appropriations to cover expenditures that will exceed their original appropriation.

3. DEPOSITS, INVESTMENTS AND RELATED RISKS

Except for restricted cash held by 3rd parties and bank certificates of deposit purchased for an individual fund, the Town follows the practice of aggregating deposits of its 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 Town 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. 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 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.

Deposits are reported at cost, plus interest, if the account is the add-on type.

Actual bank balances at December 31, 2021 were as follows: Insured \$500,000, Collateralized ** \$951,426, for a total of \$1,451,426.

** Uninsured, collateral jointly held by state's/municipality's agent in the name of the state and the pledging financial institution.

The carrying amount of these deposits at December 31, 2021 was \$1,060,383 held as follows.

First National Bank, (Newell, SD):	
Checking	1,028,144
Savings	306,644
Certificates of deposit	90,933

	1,425,721
Petty cash	9,716

	1,435,437
	=====

Certificates of deposit (if any), with a term to maturity of greater than 3 months when purchased, were insured or collateralized and are considered deposits.

4. INVESTMENTS AND RELATED RISKS

In general, SDCL 4-5-6 permits Town money to be invested only in (a) securities of the United States and securities guaranteed by the United States government either directly or indirectly or (b) repurchase agreements fully collateralized by securities described in (a) or (c) in shares of an open-end, no-load fund administered by an investment company whose investments are in securities described in (a) and repurchase agreements described in (b). 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. During 2021 the Town had no investments.

Investment Risk - State law limits eligible investments for the Town as discussed above. The Town has no investment policy that would further limit its investment choices.

Custodial Risk (Investments) - The risk that, in the event of a default by the counterparty to a transaction, the Town will not be able to recover the value of an investment or collateral securities held by the counterparty. During 2019 and 2020 the Town had no investments and was not exposed to custodial risk for investments.

Custodial Risk (Deposits) - The risk that, in the event of a depository failure, the Town's deposits may not be returned to it. At December 31, 2021, the Town's deposits in financial institutions were not exposed to custodial deposit risks.

Concentration of Credit Risk - the Town places no limit on the amount that may be invested in any one institution. The amount of investment in an institution is shown above.

Interest Rate Risk - The Town 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 Town's policy is to credit all income from deposits and investments to the fund making the investment.

5. LONG-TERM LIABILITIES

A summary of changes in long-term liabilities is presented as supplementary information on page 25. The Town did not have any short-term or conduit debt in 2021.

6. FUTURE REVENUES PLEDGED TO SECURE DEBT

All water and sewer fund net revenue (after normal operating, repair and maintenance expenses) is pledged to secure a Water Project Revenue Bond and two State Revolving Loans which have a remaining balance of \$413,102 at December 31, 2021. These debts were incurred to cover the cost of water improvements. The bonds/loan will mature in 2025, 2042 and 2048. In 2021 the debt had pledged water revenue of \$40,130, pledged sewer revenue of \$-10,401, and total payments of \$32,652.

7. RESTRICTED NET POSITION

The following table shows the December 31, 2021 net position restricted for specific purposes as shown on the statement of net position

Purpose:	Restricted By:	Governmental	Business-Type
Cemetery Perpetual Care	Statute	50,000	
Library	Statute	6,662	
Other purposes	Contract		25,000
		-----	-----
Total Restricted Net Position		56,662	25,000

8. NEGATIVE FUND BALANCES

The liquor and water December 31, 2021 negative fund balances are expected to be reversed in 2022 from operating activities.

9. PRIOR PERIOD CORRECTION

Water fund cash was increased \$40,257 to account for the close out of a water fund construction checking account.

10. INTERFUND TRANSFERS

In 2021 the water fund transferred \$40,258 to the general fund from the close out of a water fund construction checking account.

11. PENSION PLAN

Summary of Significant Accounting Policies:

As mentioned in note 1c above, these financial statements, both government-wide and fund financial statements, are presented on a modified cash basis of accounting rather than an accrual/modified accrual basis of accounting. Consequently, these financial statements do not measure the net pension (assets)/liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense (revenue), and information about the fiduciary net position of the South Dakota Retirement System (SDRS).

Plan Description:

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 South Dakota Codified Law 3-12. SDRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained at <http://sdrs.sd.gov/publications.aspx> or by writing to SDRS, PO Box 1098, Pierre, SD 57501-1098 or calling (605) 773-3731.

Benefits Provided:

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

Members that were hired before July 1, 2017 are Foundation members. Class A Foundation members and Class B Foundation members who retire after age 65 with three years of contributory service are entitled to an unreduced annual retirement benefit. An unreduced annual retirement benefit is also available after age 55 for Class A Foundation members where the sum of age and credited service is equal to or greater than 85 or after age 55 for Class B Foundation judicial members where the sum of age and credited service is equal to or greater than 80.

Class B Foundation public safety members can retire with an unreduced annual retirement benefit after age 55 with three years of contributory service. An unreduced annual retirement benefit is also available after age 45 for Class B Foundation public safety members where the sum of age and credited service is equal to or greater than 75. All Foundation retirements that do not meet the above criteria may be payable at a reduced level.

Members that were hired on or 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 long-term inflation assumption of 2.25%.
- > If the fair value of assets is equal to or greater 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 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 equal to or greater than the accrued liabilities.

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

Contributions:

Per SDCL 3-12, contributions requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A Members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. The Town's share of contributions to the SDRS for the calendar years ending December 31, 2021, 2020, and 2019 were \$14,370, \$12,395 and \$13,234 respectively (employer's share) equal to the required contribution each year.

Pension (Assets)/Liabilities:

At June 30, 2021 SDRS is 105.52% funded and accordingly has net pension (asset). The proportionate shares of the components of the net pension (asset) of South Dakota Retirement System, for the Town as of this measurement period ending June 30, 2021 and reported by the Town as of December 31, 2021 are as follows:

Proportionate share of total pension liability	\$ 1,270,991
Less: Proportionate share of net position restricted for pension benefits	(1,341,187)

Proportionate share of net pension (asset)/liability	\$ (70,196)
	=====

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 Town's share of contribution to the pension plan relative to the contributions of all participating entities. At June 30, 2021, the Town's proportion was .000091660 which is an decrease of .00009493 over its proportion measured as of June 30, 2020.

Actuarial Assumptions:

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

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

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

Mortality rates for disabled members were based on the RP-2014 Disabled Retiree Mortality Table, adjusted to 2006 and projected generationally with Scale MP-2016.

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

Investments

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 (ie: 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 weighting 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:

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

	100.0%	

Discount Rate:

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

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

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

	1% Decrease 5.50%	Current Discount Rate 6.50%	1% Increase 7.50%
Town's proportionate share of the net pension (asset)/liability	\$113,664	\$(70,196)	\$(219,448)

Pension Plan Fiduciary Net Position:

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

12. PROPERTY TAX

Taxes are levied on or before October 1, attach as an enforceable lien on property, become due and payable on the following January 1, and are payable in two installments on or before the following April 30 and October 31. The county bills and collects the Town's taxes and remits them to the Town. Because the Town is on the modified cash basis of accounting, all property taxes received in cash are considered revenue for the period in which it was collected.

The Town is permitted by state statute to levy the following amounts of taxes per \$1,000 of taxable valuation of the property in the Town: a) general fund \$27.00; b) bond redemption funds: Amts required by Bond Agreements; c) judgment fund (upon a judgment being made) \$10.00. State statute allows the tax rates to be raised by special election of the voters.

13. AMBULANCE SERVICE

The Town contributed \$15,000 in 2021 to the Butte County Ambulance Service.

14. INSURANCE

The Town 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 one year ending December 31, 2021 the Town managed its risks as follows:

Employee Health Insurance:

The Town purchases health insurance for its employees from a commercial carrier. The Town does not carry additional health insurance coverage to pay claims in excess of this upper limit. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

Liability Insurance:

The Town 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 Town'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 Town. The Town pays a Members' Annual Operating Contribution, to provide liability coverage detailed below, under an occurrence-based 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 Town pays an annual premium to the pool to provide coverage for general liability, auto liability, auto damage, property, and property insurance.

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 expense whether reported or unreported at the time of their departure from 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 Town 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.

Worker's Compensation:

The Town joined the South Dakota Municipal League Workers' Compensation Fund (Fund), a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities.

The objective of the Fund is to formulate, develop, and administer, on behalf of the member organizations, a program of worker's compensation coverage, to obtain lower costs for that coverage, and to develop a comprehensive loss control program. The Town'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 Town pays an annual premium, to provide worker's compensation coverage for its employees, under a self-funded program and the premiums are accrued based on the ultimate cost of the experience to date of the Fund members. Coverage limits are set by state statute. The pool pays the first \$650,000 of any claim per individual. The pool has reinsurance which covers up to statutory limits in addition to a separate combined employer liability limit of \$2,000,000 per incident.

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

Unemployment Benefits:

The Town has elected to be self-insured and retain all risk for liabilities resulting from claims for unemployment benefits. No unemployment benefits were paid in 2021 and none are expected to be paid in 2022.

14. TAX ABATEMENTS

As of December 31, 2021 the Town did not provide any tax abatement incentives through a Tax Increment Financing District Project (of which the Town has none) or through other agreements that are considered tax abatements in accordance with the provisions of GASB Statement No. 77.

15. LITIGATION

At December 31, 2021, the Town was not a party to litigation or pending legal action, other than compliance with a state approved ADA plan. However, as discussed in the risk management note above, the Town has liability coverage for itself and its employees through South Dakota Public Assurance Alliance. Therefore, should there be legal action, it is not expected to have a material effect on the Town's financial statements.

16. OTHER DISCLOSURES AND SUBSEQUENT EVENTS

The Town has no material unallowed related party activity.

The Town does not offer any Other Post Employment Benefits.

The Town has a rubble site. It does not have a landfill with any associated closure costs or liabilities.

In 2022 the Town received Covid money of approximately \$53,000.

In 2022 the Town purchased a loader for approximately \$154,000 to be used at its rubble site.

In 2023 the Town began work on a water/sewer project that is expected to cost approximately \$1,851,000.

SCHEDULE OF CHANGES IN LONG-TERM LIABILITIES
FOR THE ONE YEAR ENDING DECEMBER 31, 2021

	Beginning 12-31-20	2021 Additions	2021 (Deletions)	Governmental	Enterprise	Principal Payments Due in 2022
				Funds	Funds	
				Ending 12-31-21	Ending 12-31-21	
BUSINESS-TYPE						
2009 Water Project Bond:						
Original amount of \$114,000						
Maturing in 2048						
Interest at 3.625%						
Monthly payments of \$451						
Paid by the water and sewer fund	93,652		-2,222		91,430	2,098
2010 SRF Drinking Water #1 Loan:						
Original amount of \$714,774						
Principal forgiveness of \$322,750						
Maturing in January 2042						
Interest at 2.25%						
Quarterly payments of \$4,503						
Paid by the water fund	303,608		-11,277		292,331	11,533
2013 SRF Drinking Water #2 Loan:						
Original amount of \$230,952						
Principal forgiveness of \$144,345						
Maturing in April 2025						
Interest at 1.25%						
Quarterly payments of \$2,306.70						
Paid by the water fund	38,132		-8,791		29,341	8,902
Totals	435,392	0	-22,290		413,102	22,533

SCHEDULE OF PAYMENTS FOR LONG-TERM LIABILITIES
AT DECEMBER 31, 2021

	Total Payment	Principal	Interest	Balance
2009 Water Project Bond:				
2022	5,412	2,098	3,314	89,332
2023	5,412	2,174	3,238	87,158
2024	5,412	2,252	3,160	84,906
2025	5,412	2,334	3,078	82,572
2026	5,412	2,419	2,993	80,153
2027-2031	27,060	13,474	13,586	66,679
2032-2036	27,060	16,100	10,960	50,579
2037-2041	27,060	19,238	7,822	31,341
2042-2046	27,060	22,987	4,073	8,354
2047-2048	8,775	8,354	421	0
Totals	144,075	91,430	52,645	
2010 SRF Drinking Water #1 Loan:				
2022	18,014	11,533	6,481	280,798
2023	18,013	11,795	6,218	269,003
2024	18,014	12,062	5,952	256,941
2025	18,013	12,336	5,677	244,605
2026	18,014	12,616	5,398	231,989
2027-2031	90,068	67,505	22,563	164,484
2032-2036	90,067	75,520	14,547	88,964
2037-2041	90,068	84,485	5,583	4,479
2042	4,503	4,479	24	0
Totals	364,774	292,331	72,443	
2013 SRF Drinking Water #2 Loan:				
2022	9,227	8,902	325	20,439
2023	9,227	9,013	214	11,426
2024	9,227	9,127	100	2,299
2025	2,306	2,299	7	0
Totals	29,987	29,341	646	

TOWN OF NEWELL

SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
 FOR THE YEAR ENDING DECEMBER 31, 2021

GENERAL FUND	Budgeted Amounts			Actual (Modified Cash Basis)	Variance Positive (Negative)
	Original	Contingency Transfers	Supplemental Final		
Receipts:					
Receipts from local sources:					
Taxes:	467,842			521,779	53,937
Licenses and permits:	3,850			5,175	1,325
Intergovernmental receipts:	61,600			112,327	50,727
Charges for goods and services:	87,100			136,092	48,992
Fines and forfeits	1,100			2,012	912
Miscellaneous receipts:	51,000			11,357	-39,643
Total receipts	672,492	0	0	788,742	116,250
Disbursements:					
General government:					
Mayor and Council	14,226	1,066		15,292	1
Contingency	9,000	-9,000		0	0
Amount transferred				0	0
Elections	1,400			960	440
Financial administration	81,905			80,131	1,774
Other	64,375			62,379	1,996
Public safety:					
Police	53,225			51,334	1,891
Fire	13,450			27,118	-13,668
Public works:					
Highways and streets	238,469			107,035	131,434
Sanitation	81,714	7,934	807	82,571	7,884
Cemetery	19,814			11,760	8,054
Health and welfare:					
Ambulance	15,000			15,000	0
Culture and recreation:					
Recreation	0			0	0
Parks	41,624			24,122	17,502
Library	26,165			22,836	3,329
Museum	9,125			8,665	460
Conservation and development:					
Economic development	3,000			2,667	333
Total disbursements	672,492	0	807	511,869	161,430
Excess of receipts over (under) disbursements	0	0	-807	276,873	277,680
Other financing sources (uses):					
Transfer in - water				40,258	40,258
Net change in fund balance	0	0	-807	317,131	317,938
Fund balance:					
January 1, 2021	917,674			917,674	0
December 31, 2021	917,674	0	-807	1,234,805	317,938

TOWN OF NEWELL

SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
 FOR THE YEAR ENDING DECEMBER 31, 2021

LIBRARY MEMORIAL FUND	Budgeted Amounts			Actual (Modified Cash Basis)	Variance Positive (Negative)
	Original	Supplementals	Final		
Receipts:					
Fines and forfeits			0		0
Miscellaneous receipts:					
Interest			0	59	59
Other			0	1,614	1,614
Total receipts	0	0	0	1,673	1,673
Disbursements:					
General government:					
Contingency			0		0
Culture and recreation:					
Library			0	2,393	-2,393
Total disbursements	0	0	0	2,393	-2,393
Excess of receipts over (under) disbursements	0	0	0	-720	-720
Other financing sources (uses):					
None			0		0
Change in fund balance	0	0	0	-720	-720
Fund balance:					
January 1, 2021	7,382		7,382	7,382	0
December 31, 2021	7,382	0	7,382	6,662	-720

TOWN OF NEWELL

NOTES TO SUPPLEMENTARY INFORMATION - BUDGETS

SCHEDULE OF BUDGETARY COMPARISONS FOR THE GENERAL FUND AND
LIBRARY MEMORIAL FUND FOR THE ONE YEAR ENDING DECEMBER 31, 2021

1. BUDGETS AND BUDGETARY ACCOUNTING

The Town of Newell (Town) follows these procedures in establishing the budgetary data reflected in the budgetary supplementary information:

- a. 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.
- b. 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 d.
- c. 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.
- d. If it is determined during the year that sufficient amounts have not been budgeted, state statute allows the adoption of supplemental budgets. During 2021 there was one supplemental budget to the general fund. See pages 26.
- e. Formal budgetary integration is employed as a management control device for the general fund and library memorial fund.
- f. Budgets for the general fund and library memorial fund are not adopted on a basis consistent with generally accepted accounting principles (GAAP) because all accounting, and the adoption of the all budgets, is on a modified cash basis of accounting.

2. GAAP AND BUDGETARY ACCOUNTING BASIS DIFFERENCE:

The financial statements prepared in conformity with US-GAAP (within the context of the modified cash basis of accounting) present capital outlay disbursement information as a separate category of disbursements. Under the budgetary basis of accounting, capital outlay disbursements are reported within the function to which they relate. For example, the purchase of a road grader would be reported as a capital outlay disbursement in the governmental funds statement of receipts, disbursements and changes in fund cash balance. However, in the budgetary supplementary information schedule, the purchase of a road grader would be reported as a disbursement in the public works function of general fund, along with all other current public works disbursements.

TOWN OF NEWELL
FOR THE EIGHT YEARS ENDING DECEMBER 31, 2021

SUPPLEMENTARY INFORMATION - PENSION

SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE
SOUTH DAKOTA RETIREMENT SYSTEM'S NET PENSION (ASSET)/LIABILITY

SDRS Measurement Date Year Ended (1)	Town's Pension Allocation Percentage	Town's Share of Net Pension (Asset) Liability	Town's Covered Employee Payroll for a June 30th Year End	Town's Proportionate Share of the Net Pension (Asset) Liability as a Percentage of Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
June 30, 2021	0.0091660%	-70,196	208,000	(33.75%)	105.53%
June 30, 2020	0.0101153%	-439	222,000	(00.20%)	100.04%
June 30, 2019	0.0106853%	-1,132	227,200	(00.50%)	100.09%
June 30, 2018	0.0102113%	-238	212,283	(00.11%)	100.02%
June 30, 2017	0.0116843%	-1,060	237,400	(00.45%)	100.10%
June 30, 2016	0.0085642%	28,929	162,850	17.76%	96.89%
June 30, 2015	0.0082461%	-34,974	150,550	(23.23%)	104.10%
June 30, 2014	0.0102986%	-74,197	180,100	(41.20%)	107.30%

(1) The amounts presented for each fiscal year were determined as of the collective net pension liability (asset) which is 6-30 of the Town's current calendar year.

Note: This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

TOWN OF NEWELL
FOR THE EIGHT YEARS ENDING DECEMBER 31, 2021

SUPPLEMENTARY INFORMATION - PENSION

SCHEDULE OF THE TOWN'S CONTRIBUTIONS
TO THE SOUTH DAKOTA RETIREMENT SYSTEM

Town's Year Ended	Contractually Required Contribution	Contractually Required Contribution	Contribution Deficiency (Excess)	Town's Covered Employee Payroll for its Calendar Year End	Contributions as a Percentage of Covered Employee Payroll
December 31, 2021	14,370	14,370	0	239,500	6.00%
December 31, 2020	12,395	12,395	0	206,583	6.00%
December 31, 2019	13,234	13,234	0	220,567	6.00%
December 31, 2018	13,022	13,022	0	217,033	6.00%
December 31, 2017	12,473	12,473	0	207,883	6.00%
December 31, 2016	12,615	12,615	0	210,250	6.00%
December 31, 2015	9,452	9,452	0	157,533	6.00%
December 31, 2014	11,324	11,324	0	188,733	6.00%

Note: This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

TOWN OF NEWELL

NOTES TO SUPPLEMENTARY INFORMATION - PENSION

SCHEDULE OF THE PROPORTIONATE SHARE OF NET PENSION (ASSET)/LIABILITY AND
SCHEDULE OF PENSION CONTRIBUTIONS FOR THE ONE YEAR ENDING December 31, 2021

Changes of Prior Valuation:

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

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

Benefit Provision Changes:

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

Actuarial Assumption Changes:

The SDRS COLA equals the percentage increase in the most recent third calendar quarter CPI-W over the prior year, no less than 0.0% (0.5% prior to 2021) and no greater than 3.5%. However, if the FVFR assuming the long-term COLA is equal to the baseline COLA assumption (currently 2.25%) is less than 100%, the maximum COLA payable will be limited to the increase that if assumed on a long-term basis, results in a FVFR equal to or exceeding 100%. The condition existed as of June 30, 2020 and the July 2021 SDRS COLA was limited to a restricted maximum of 1.41%. As of June 30, 2021, the FVFR assuming the COLA is equal to the baseline COLA assumption is greater than 100%. The July 2022 SDRS COLA will equal inflation, between 0% and 3.5%. For the June 30, 2020 actuarial valuation, future COLAs were assumed to equal the restricted maximum of 1.41%. For this June 30, 2021 actuarial valuation, future COLAs are assumed to equal the baseline COLA assumption of 2.25%.

The change in the COLA assumption increased the actuarial accrued liability by \$1,135 million, or 8.9% of the actuarial accrued liability based on the 1.41% restricted maximum COLA.

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

Actuarial Method Changes:

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

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

Governing Board
Town of Newell
Newell, South Dakota

INDEPENDENT AUDITOR'S REPORT

I 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 accompanying modified cash basis of accounting financial statements of governmental activities, business-type activities and each major fund of the Town of Newell (Town), Butte County, South Dakota as of December 31, 2021 and for the year then ended, and the related notes to the financial statements, which collectively comprise the Town of Newell's basic financial statements and have issued my report thereon dated June 30, 2023 which was unmodified.

Report on Internal Control Over Financial Reporting:

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

A *deficiency in internal control* exist 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 Town's financial statements will not be prevented, or detected and corrected on a timely basis.

A *significant deficiency*, is a deficiency, or 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.

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

I did identify a deficiency in internal control, described in the accompanying schedule of findings and responses, as item 2021-01 that I consider to be significant deficiency.

Government Auditing Standards require the auditor to perform limited procedures on the Town's responses to the internal control over financial reporting findings identified in my audit described in the accompanying schedule of findings and responses. The Town's responses were not subject to the other auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on the responses.

Town of Newell
Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters -- Page Two

I also noted minor matters involving internal control that I reported to the governing body and management of the Town of Newell in a separate Letter of Comments dated June 30, 2023.

Compliance and Other Matters:

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

The results of my tests did not disclose an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards*.

I did note minor matters involving compliance that I reported to the governing body and management of the Town of Newell in a separate Letter of Comments dated June 30, 2023.

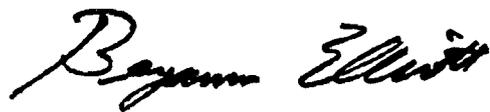
Purpose of this Report

The purpose of this report is solely to describe the scope of my 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 Town's internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting 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.

Independent Audit Services, PC
Benjamin Elliott, CPA
Madison, South Dakota

June 30, 2023



TOWN OF NEWELL
SCHEDULES OF FINDINGS AND RESPONSES
December 31, 2021

SCHEDULE OF PRIOR AUDIT FINDINGS

Prior Federal Compliance Audit finding:
Not applicable

Prior Other Audit Findings:
2020-01: [Claims Not Authorized in Minutes] - Moot
2020-02: [Transferring Money Between Funds] - Moot

SCHEDULE OF CURRENT AUDIT FINDINGS AND RESPONSES

Part I - Summary of the Audit:

Financial Statements:

Type of auditor's report issued:	Unmodified on: Governmental Activities Business-type Activities Major Funds
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Material noncompliance noted:	None reported
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Internal control over financial reporting: * Material weakness(es) identified?	None reported
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* Significant deficiency(ies) identified that are not considered to be material weaknesses?	Finding 2021-01
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Part II - Findings Relating to the Financial Statements

Finding 2021-01: Preparation of Financial Statements
(internal control - first reported in 2021)

Condition:

As the auditor, I was requested to draft these financial statements and accompanying notes to the financial statements.

Criteria:

A good system of internal control contemplates an adequate system for recording and processing entries material to the financial statements and the preparation of the financial statements.

Cause of the Condition:

The Town Council has elected not to have an internal control system designed to provide for the preparation of the financial statement being audited.

Effect:

This control deficiency could result in a misstatement of the financial statements that would not be prevented or detected.

Recommendation:

This situation is not unusual for an entity of this Town's size. It is the responsibility of management, and those charged with governance, to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

SCHEDULE OF CURRENT AUDIT FINDINGS AND RESPONSES (continued)

Management Response:

Due to cost constraints, the Town Council has decided to continue having the auditor draft the financial statements and accompanying notes to the financial statements.

Government Auditing Standards requires the auditor to perform limited procedures on the Town of Newell's response to the finding identified in my audit and described in the above Schedule of Findings and Responses. The Town of Newell's response was not subject to the other auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on the response.