

CITY OF VOLGA
VOLGA, SOUTH DAKOTA
FINANCIAL REPORT
FOR THE TWO YEARS ENDING DECEMBER 31, 2021
WITH INDEPENDENT AUDITOR'S REPORTS

INDEPENDENT AUDIT SERVICES, P.C.

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CITY OF VOLGA
VOLGA, SOUTH DAKOTA
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FOR THE TWO YEARS 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

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Governing Board
City of Volga
Volga, South Dakota

INDEPENDENT AUDITOR'S REPORT

Disclaimer, Qualified and Unmodified Opinions:

I have audited the accompanying modified cash basis financial statements of governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Volga (City), Brookings County, South Dakota as of December 31, 2021, and for each of the years in the biennial period then ended, and the related notes to the financial statements. I was not engaged to audit the modified cash basis financial statements of the aggregate discretely presented component units. These modified cash basis financial statements collectively comprise the City of Volga's basic modified cash basis financial statements as listed in the table of contents.

Summary of Opinions:

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Governmental Activities	Unmodified
Business-type Activities	Qualified
Aggregate Discretely Presented Component Units	Disclaimer
General Fund	Unmodified
Water Fund	Unmodified
Electric Fund	Qualified
Sewer Fund	Unmodified
Aggregate Remaining Fund Information	Unmodified

Disclaimer of Opinion on the Discretely Presented Component Units:

Because of the significance of the matter described in the Basis for Disclaimer of Opinion, Qualified Opinions and Unmodified Opinions section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the modified cash basis financial statements of the aggregate discretely presented component units of the City of Volga, Brookings County, South Dakota. Accordingly, I do not express an opinion on these modified cash basis financial statements.

Qualified Opinion on Business-type Activities and the Electric Fund:

In my opinion, except for the effects of the matter described in the Basis for Disclaimer of Opinion, Qualified Opinions and Unmodified Opinions section of my report, the modified cash basis financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of business-type activities and the electric fund of the City of Volga, Brookings County, South Dakota as of December 31, 2021, and the respective changes in modified cash basis financial position and, where applicable, cash flows 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.

Unmodified Opinions on Governmental Activities, General Fund, Water Fund, Sewer Fund, and the Aggregate Remaining Fund Information:

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial statements of governmental activities, general fund, water fund, sewer fund, and the aggregate remaining fund information of the City of Volga, Brookings County, South Dakota as of December 31, 2021, and the respective changes in modified cash basis financial position and, where applicable, cash flows 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 Disclaimer of Opinion, Qualified Opinions and Unmodified Opinions:

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. 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 City of Volga, 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 disclaimer, qualified and unmodified audit opinions.

Matter Giving Rise to Disclaimer of Opinion on the Aggregate Discretely Presented Component Units:

The modified cash basis financial statements of the Volga Housing & Redevelopment Commission (VHRC) and the Volga Non-Profit Development Corporation (VDC) have not been audited, and I was not engaged to audit the modified cash basis financial statements of the VHRC and VDC as part of my audit of the City of Volga's basic modified cash basis financial statements. VHRC's and VDC's financial activities are included in the City of Volga's basic modified cash basis financial statements as the aggregate discretely presented component units and represents 100% of cash, net position, receipts and disbursements of the City of Volga's aggregate discretely presented component units.

Matter Giving Rise to the Qualified Opinion on Business-type Activities and the Electric Fund:

Electric fund general ledger 2021 checking cash was \$281,400 less than reconciled bank statement cash and electric fund 2021 general ledger expenses were \$177,672 less than needed to balance the fund's debits and credits. These financial statements arbitrarily increase 2021 electric fund checking cash by \$281,400 and increase 2021 electric fund expenses by \$177,672.

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 qualified and unmodified opinions are 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 City of Volga'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 Financial Statements:

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 City of Lake Norden'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 City of Volga'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.

Other Matters - Supplementary Information (no opinion)

My audit was conducted for the purpose of forming opinions on the modified cash basis of accounting financial statements that collectively comprise the City of Volga, South Dakota basic financial statements. The accompanying budgetary comparison schedule (page 36 to 38) and pension schedules (page 39 to 40) are presented for the purpose 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 modified cash basis of accounting financial statements.

I have applied certain limited procedures to the 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 modified cash basis of accounting 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.

Other Matters - Supplementary Information: (Opinion)

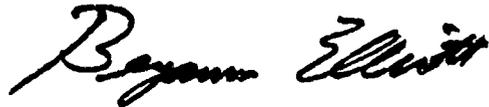
My audit was conducted for the purpose of forming opinions on the modified cash basis of accounting financial statements that collectively comprise the City of Volga's financial statements. The schedule of changes in long-term liabilities (page 29 to 35) is presented for the purpose of additional analysis 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 August 1, 2023 (page 44) on my consideration of the City of Volga'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 City of Volga's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

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



August 1, 2023

CITY OF VOLGA

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

	Primary Government			Component Units NOT AUDITED
	Governmental Activities	Business- Type Activities	Total	
ASSETS:				
Cash and cash equivalents	1,276,278	1,826,368	3,102,646	798,879
Savings		1,968,012	1,968,012	0
Certificates of deposit		591,633	591,633	29,414
Total assets	1,276,278	4,386,013	5,662,291	828,293
NET POSITION:				
Restricted for:				
Debt service	22,409	50,637	73,046	
Customer deposits		59,597	59,597	
ARPA uses	181,330	0	181,330	
Unrestricted	1,072,539	4,275,779	5,348,318	828,293
Total net position	1,276,278	4,386,013	5,662,291	828,293

See accompanying notes.

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

Functions/Programs:	Program Receipts				Net Receipts (Disbursements) and Changes in Net Position			Component Units NOT AUDITED
	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	360,667	58,512	181,330		-120,825		-120,825	
Public safety	194,194	876			-193,318		-193,318	
Public works	1,288,240	129,343	17,945		-1,140,952		-1,140,952	
Culture and recreation	210,940	55,076			-155,864		-155,864	
Economic development	55,731				-55,731		-55,731	
Debt service	413,905				-413,905		-413,905	
Miscellaneous	9,443				-9,443		-9,443	
Total governmental activities	2,533,120	243,807	199,275	0	-2,090,038	0	-2,090,038	0
<i>Business-type activities:</i>								
Water	1,685,384	573,991				-1,111,393	-1,111,393	
Electric	5,706,304	6,238,646				532,342	532,342	
Sewer	1,483,236	579,820				-903,416	-903,416	
Total business-type activities	8,874,924	7,392,457	0	0	0	-1,482,467	-1,482,467	0
Total primary government	11,408,044	7,636,264	199,275	0	-2,090,038	-1,482,467	-3,572,505	0
Component units: (see page xx)								
Volga Housing and Redevelopment Commis	130,085	74,780	53,217	26,630				24,542
Volga Non-Profit Development Corporati	289,469	2,999		22,361				-264,109
Total component units	419,554	77,779	53,217	48,991				-239,567
General receipts:								
Taxes:								
					808,807		808,807	
					666,719		666,719	
					78,217		78,217	
					5,888		5,888	
					7,450		7,450	
					3,283	13,842	17,125	453
					23,365		23,365	
					18,521		18,521	
					6,150		6,150	
					1,050		1,050	
					40		40	205,069
					400,000		400,000	
					0	949,968	949,968	
					0	571,499	571,499	
					2,019,490	1,535,309	3,554,799	205,522
					-70,548	52,842	-17,706	-34,045
Net position:								
					1,346,826	4,333,171	5,679,997	862,338
					1,276,278	4,386,013	5,662,291	828,293

See accompanying notes.

CITY OF VOLGA
STATEMENT OF ACTIVITIES
MODIFIED CASH BASIS OF ACCOUNTING
FOR THE YEAR ENDING DECEMBER 31, 2020

Functions/Programs:	Program Receipts				Net Receipts (Disbursements) and Changes in Net Position			Component Units NOT AUDITED
	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	315,331	62,848			-252,483		-252,483	
Public safety	239,960	875			-239,085		-239,085	
Public works	1,111,873	131,374	446,236		-534,263		-534,263	
Culture and recreation	212,725	43,625	2,973		-166,127		-166,127	
Economic development	39,022				-39,022		-39,022	
Debt service	351,993				-351,993		-351,993	
Miscellaneous	4,602				-4,602		-4,602	
Total governmental activities	2,275,506	238,722	449,209	0	-1,587,575	0	-1,587,575	0
<i>Business-type activities:</i>								
Water	499,599	543,756				44,157	44,157	
Electric	5,714,237	6,108,088				393,851	393,851	
Sewer	673,074	422,155				-250,919	-250,919	
Total business-type activities	6,886,910	7,073,999	0	0	0	187,089	187,089	0
Total primary government	9,162,416	7,312,721	449,209	0	-1,587,575	187,089	-1,400,486	0
Component units: (see page xx)								
Volga Housing and Redevelopment Commiss	148,947	98,326	32,995					-17,626
Volga Non-Profit Development Corporatio	108,472	1,800						-106,672
Total component units	257,419	100,126	32,995	0				-124,298
General receipts:								
Taxes:								
Property taxes					739,817		739,817	
Sales taxes					565,293		565,293	
Amusement taxes					72		72	
State shared receipts					72,860		72,860	
County shared receipts					5,799		5,799	
Township shared receipts					7,450		7,450	
Interest received					20,165	20,166	40,331	12,170
Rentals and cable franchise					21,723		21,723	
Donations					2,363		2,363	
Liquor operating agreements					6,325		6,325	
Miscellaneous					1,250		1,250	
Sale of surplus property					44,927		44,927	
Compensation for property damage					3,076		3,076	
General loan proceeds					30,000		30,000	
Motor grader loan proceeds					227,975		227,975	
Water loan proceeds					0	53,760	53,760	
Electric loan proceeds					0	30,000	30,000	
Sewer loan proceeds					0	53,760	53,760	
Sewer revenue bond proceeds					0	191,618	191,618	
Total general receipts					1,749,095	349,304	2,098,399	12,170
Change in net position					161,520	536,393	697,913	-112,128
Net position:								
January 1, 2020					1,185,306	3,796,778	4,982,084	974,466
December 31, 2020					1,346,826	4,333,171	5,679,997	862,338

See accompanying notes.

CITY OF VOLGA

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

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
	-----	-----	-----
ASSETS:			
Cash and cash equivalents	1,072,539	203,739	1,276,278
	-----	-----	-----
Total assets	1,072,539	203,739	1,276,278
	=====	=====	=====
 FUND BALANCES:			
Nonspendable			0
Restricted - ARPA uses		181,330	181,330
Restricted - TIF projects		22,409	22,409
Committed - auditorium	60,000		60,000
Assigned - activity center	50,000		50,000
Assigned - other	15,000		15,000
Unassigned	947,539		947,539
	-----	-----	-----
Total fund balances	1,072,539	203,739	1,276,278 *
	=====	=====	=====

* Also equals net cash assets on statement of net position.

See accompanying notes.

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

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Receipts:			
Receipts from local sources:			
Taxes:			
Ad valorem taxes	472,589	336,218	808,807
General sales and use taxes	666,719		666,719
Licenses and permits:	9,061		9,061
Intergovernmental receipts:			
Federal shared receipts:	17,945	181,330	199,275
State shared receipts:			
Bank franchise tax	8,914		8,914
Motor vehicle commercial	2,314		2,314
Liquor tax reversion	13,616		13,616
Motor vehicle licenses (5%)	15,341		15,341
Fire insurance premium	11,440		11,440
Highway and bridge	26,592		26,592
County shared receipts:			
County road tax	312		312
Wheel tax	5,576		5,576
Township shared receipts - fire	7,450		7,450
Charges for goods and services:			
General government	49,201		49,201
Public safety	876		876
Public works	113		113
Refuse collection	129,230		129,230
Culture and recreation	55,076		55,076
Fines and forfeitures:	250		250
Miscellaneous receipts:			
Interest received	3,283		3,283
Rents and franchise fees	23,365		23,365
Donations	18,521		18,521
Liquor operating agreements	6,150		6,150
Other	1,050		1,050
Total receipts	1,544,984	517,548	2,062,532
Disbursements:			
Current:			
General government:			
Mayor and Council	26,934		26,934
Financial administration	289,134		289,134
Other	44,599		44,599
Public safety:			
Police	127,183		127,183
Fire	56,931		56,931
Public works:			
Highways and streets	247,467		247,467
Sanitation	134,589		134,589
Transit	13,000		13,000
Culture and recreation:			
Recreation	167,864		167,864
Parks	13,280		13,280
Auditorium	11,444		11,444
Economic development:	55,731		55,731
Debt service:	100,096	313,809	413,905
Miscellaneous	9,443		9,443
Capital outlay:	921,616		921,616
Total disbursements	2,219,311	313,809	2,533,120
Excess of receipts over (under) disbursements	-674,327	203,739	-470,588
Other financing sources (uses):			
Sale of surplus property	40		40
Loan proceeds	400,000		400,000
Net change in fund balances	-274,287	203,739	-70,548 *
Fund balances:			
January 1, 2021	1,346,826	0	1,346,826
December 31, 2021	1,072,539	203,739	1,276,278

See accompanying notes.

* Total also equals change in net cash assets on statement of activities.

CITY OF VOLGA

STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES
-- MODIFIED CASH BASIS OF ACCOUNTING -- GOVERNMENTAL FUNDS
FOR THE ONE YEAR ENDING DECEMBER 31, 2020

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Receipts:	-----	-----	-----
Receipts from local sources:			
Taxes:			
Ad valorem taxes	422,636	317,181	739,817
General sales and use tax	565,293		565,293
Amusement tax	72		72
Licenses and permits:	6,643		6,643
Intergovernmental receipts:			
Federal shared receipts:	82,236		82,236
State shared receipts:			
Grants	366,973		366,973
Bank franchise tax	8,230		8,230
Motor vehicle commercial	2,148		2,148
Liquor tax reversion	12,238		12,238
Motor vehicle licenses (5%)	13,788		13,788
Fire insurance premium	10,935		10,935
Highway and bridge	25,521		25,521
County shared receipts:			
County road tax	312		312
Wheel tax	5,487		5,487
Township shared receipts - fire	7,450		7,450
Charges for goods and services:			
General government	55,892		55,892
Public works	3,933		3,933
Refuse collection	127,441		127,441
Culture and recreation	43,625		43,625
Fines and forfeitures:	1,188		1,188
Miscellaneous receipts:			
Interest received	20,165		20,165
Rents and franchise fees	21,723		21,723
Donations	2,363		2,363
Liquor operating agreements	6,325		6,325
Other	1,250		1,250
Total receipts	1,813,867	317,181	2,131,048
Disbursements:			
Current:			
General government:			
Mayor and Council	27,622		27,622
Financial administration	244,940		244,940
Other	42,769		42,769
Public safety:			
Police	116,360		116,360
Fire	123,600		123,600
Public works:			
Highways and streets	556,602		556,602
Sanitation	124,182		124,182
Transit	13,000		13,000
Culture and recreation:			
Recreation	182,748		182,748
Parks	13,703		13,703
Auditorium	16,274		16,274
Economic development:	39,022		39,022
Debt service:	34,812	317,181	351,993
Miscellaneous:	4,602		4,602
Capital outlay:	418,089		418,089
Total disbursements	1,958,325	317,181	2,275,506
Excess of receipts over (under) disbursements	-144,458	0	-144,458
Other financing sources (uses):			
Sale of surplus property	44,927		44,927
Loan proceeds	30,000		30,000
Motor grader loan proceeds	227,975		227,975
Compensation for damaged pro	3,076		3,076
Net change in fund balances	161,520	0	161,520 *
Fund balances:			
January 1, 2020	1,185,306	0	1,185,306
December 31, 2020	1,346,826	0	1,346,826

See accompanying notes.

* Total also equals change in net cash assets on statement of activities

CITY OF VOLGA

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

	Water Fund	Electric Fund	Sewer Fund	Total Enterprise Funds
	-----	-----	-----	-----
Assets:				
Cash and cash equivalents	476,173	1,542,989	-192,794	1,826,368
Savings		1,921,003	47,009	1,968,012
Certificates of deposit	337,281	50,636	203,716	591,633
	-----	-----	-----	-----
Total assets	813,454	3,514,628	57,931	4,386,013
	=====	=====	=====	=====
Net position:				
Restricted - debt service		50,637		50,637
Restricted - customer deposits	59,597			59,597
Unrestricted	753,857	3,463,991	57,931	4,275,779
	-----	-----	-----	-----
Total net position	813,454	3,514,628	57,931	4,386,013
	=====	=====	=====	=====

See accompanying notes.

CITY OF VOLGA

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

	Water Fund	Electric Fund	Sewer Fund	2021 Totals	Water Fund	Electric Fund	Sewer Fund	2020 Totals
	-----	-----	-----	-----	-----	-----	-----	-----
Operating receipts:								
Charges for goods and ser	573,991	6,238,644	325,215	7,137,850	543,756	6,106,613	253,882	6,904,251
Special surcharge		2	254,605	254,607		1,475	168,273	169,748
Total operating receipts	573,991	6,238,646	579,820	7,392,457	543,756	6,108,088	422,155	7,073,999
Operating disbursements:								
Personal services	41,188	243,912	41,076	326,176	39,342	243,888	39,166	322,396
Other current services	162,023	96,052	403,879	661,954	133,715	40,854	131,912	306,481
Cost of goods sold	53,094	5,200,774	13,573	5,267,441	40,820	4,971,499	12,865	5,025,184
Capital outlay	1,347,282	159,013	864,786	2,371,081	215,710	174,971	452,097	842,778
Total operating disbursemen	1,603,587	5,699,751	1,323,314	8,626,652	429,587	5,431,212	636,040	6,496,839
Total operating income (los	-1,029,596	538,895	-743,494	-1,234,195	114,169	676,876	-213,885	577,160
Nonoperating receipts (disbursements):								
Loan proceeds				0	30,000	30,000	30,000	90,000
Loan proceeds				0	23,760		23,760	47,520
SRF revenue bond proceeds	949,968		571,499	1,521,467			191,618	191,618
Interest received	4,292	6,122	3,428	13,842	4,970	11,460	3,736	20,166
Bond principal payments	-80,193	-5,674	-105,016	-190,883	-70,012	-280,000	-24,721	-374,733
Bond interest payments	-1,604	-879	-54,906	-57,389		-3,025	-12,313	-15,338
Total nonoperating receipts	872,463	-431	415,005	1,287,037	-11,282	-241,565	212,080	-40,767
Income (loss) before transf	-157,133	538,464	-328,489	52,842	102,887	435,311	-1,805	536,393
Transfers - none				0				0
Change in net position	-157,133	538,464	-328,489	52,842	102,887	435,311	-1,805	536,393
Net position:								
January 1, 2020					867,700	2,540,853	388,225	3,796,778
December 31, 2020	970,587	2,976,164	386,420	4,333,171	970,587	2,976,164	386,420	4,333,171
December 31, 2021	813,454	3,514,628	57,931	4,386,013				

See accompanying notes.

CITY OF VOLGA

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

	Water Fund	Electric Fund	Sewer Fund	2021 Totals	Water Fund	Electric Fund	Sewer Fund	2020 Totals
Cash flows from:								
Operating activities:								
Receipts from customers	551,991	6,133,646	557,820	7,243,457	521,756	6,003,088	400,155	6,924,999
Receipts from interfund, est	22,000	105,000	22,000	149,000	22,000	105,000	22,000	149,000
Payments to employees	-41,188	-243,912	-41,076	-326,176	-39,342	-243,888	-39,166	-322,396
Payments to suppliers	-159,117	-5,276,826	-414,452	-5,850,395	-119,535	-4,993,353	-141,777	-5,254,665
Payments for capital assets	-1,347,282	-159,013	-864,786	-2,371,081	-215,710	-174,971	-452,097	-842,778
Payments for interfund, est	-56,000	-20,000	-3,000	-79,000	-55,000	-19,000	-3,000	-77,000
Net cash provided (used) by operating activities	-1,029,596	538,895	-743,494	-1,234,195	114,169	676,876	-213,885	577,160
Noncapital financing activities:								
None				0				0
Capital financing activities:								
Loan proceeds				0	30,000	30,000	30,000	90,000
Loan proceeds				0	23,760		23,760	47,520
SRF revenue bond proceeds	949,968		571,499	1,521,467			191,618	191,618
Bond payments - principal	-80,193	-5,674	-105,016	-190,883	-70,012	-280,000	-24,721	-374,733
Bond payments - interest	-1,604	-879	-54,906	-57,389		-3,025	-12,313	-15,338
Investing activities:								
Interest received	4,292	6,122	3,428	13,842	4,970	11,460	3,736	20,166
Purchase certificates of depts	-4,292	-968	-3,385	-8,645	-4,970	-952	-3,689	-9,611
Net increase (decrease) in cash and cash equivalents:	-161,425	537,496	-331,874	44,197	97,917	434,359	-5,494	526,782
Cash and cash equivalents:								
January 1, 2020					539,681	2,492,137	191,583	3,223,401
December 31, 2020	637,598	2,926,496	186,089	3,750,183	637,598	2,926,496	186,089	3,750,183
December 31, 2021	476,173	3,463,992	-145,785	3,794,380				
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:								
Operating income (loss)	-1,029,596	538,895	-743,494	-1,234,195	114,169	676,876	-213,885	577,160
Net cash provided (used) by operating activities	-1,029,596	538,895	-743,494	-1,234,195	114,169	676,876	-213,885	577,160
Noncash investing, capital and financing activities: None								

See accompanying notes.

CITY OF VOLGA
 COMBINING STATEMENT OF NET POSITION - COMPONENT UNITS
 MODIFIED CASH BASIS OF ACCOUNTING
 AS OF DECEMBER 31, 2021 AND DECEMBER 31, 2020

	2021			2020		
	Volga Housing & Redevelop. Commission Ending 3-31-2021	Volga Non-Profit Develop. Corporation Ending 12-31-2021	Total Component Units	Volga Housing & Redevelop. Commission Ending 3-31-2020	Volga Non-Profit Develop. Corporation Ending 12-31-2020	Total Component Units
ASSETS:						
Cash and cash equivalents	770,630	28,249	798,879	775,102	87,236	862,338
CDS	29,414		29,414			0
Total assets	800,044	28,249	828,293	775,102	87,236	862,338
NET POSITION:						
Unrestricted	800,044	28,249	828,293	775,102	87,236	862,338
Total net position	800,044	28,249	828,293	775,102	87,236	862,338

COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS,
 AND CHANGES IN NET POSITION - COMPONENT UNITS
 MODIFIED CASH BASIS OF ACCOUNTING
 FOR THE TWO YEARS ENDING DECEMBER 31, 2021

Operating receipts:						
Charges for goods and service	74,780	2,999	77,779	98,326	1,800	100,126
Sale of property	0	205,069	205,069			0
Total operating revenue	74,780	208,068	282,848	98,326	1,800	100,126
Operating disbursements:						
Personal (administration)			0			0
Other current costs	130,085	29,821	159,906	148,947	7,472	156,419
Capital purchases		259,648	259,648		101,000	101,000
Total operating disbursements	130,085	289,469	419,554	148,947	108,472	257,419
Total operating income (loss)	-55,305	-81,401	-136,706	-50,621	-106,672	-157,293
Nonoperating receipts (disbursements):						
Transfer in			0			0
Transfer out			0			0
Grants	53,217		53,217	32,995		32,995
Interest received	400	53	453	11,341	829	12,170
Principal paid			0			0
Interest paid			0			0
Total nonoperating receipts (disbursements)	53,617	53	53,670	44,336	829	45,165
Income (loss) before transfers and capital contributions	-1,688	-81,348	-83,036	-6,285	-105,843	-112,128
Capital contributions:						
Capital grants - City of Volga		22,361	22,361			0
Capital grants - HUD	26,630		26,630			0
Change in net position	24,942	-58,987	-34,045	-6,285	-105,843	-112,128
Net position:						
Beginning of period				781,387	193,079	974,466
End of period	775,102	87,236	862,338	775,102	87,236	862,338
End of period	800,044	28,249	828,293			

See accompanying notes.

CITY OF VOLGA
 COMBINING STATEMENT OF CASH FLOWS - COMPONENT UNITS
 FOR THE TWO YEARS ENDING DECEMBER 31, 2021

	----- 2021 -----			----- 2020 -----		
	Volga Housing & Redevelop. Commission Ending 3-31-2021	Volga Non-Profit Develop. Corporation Ending 12-31-2021	Total Component Units	Volga Housing & Redevelop. Commission Ending 3-31-2020	Volga Non-Profit Develop. Corporation Ending 12-31-2020	Total Component Units
Cash flows from:						
Operating activities:						
Receipts from customers	74,780	2,999	77,779	98,326	1,800	100,126
Pymts to employees (admin)			0			0
Pymts to suppliers	-130,085	-29,821	-159,906	-148,947	-7,472	-156,419
Net cash provided (used) by operating activities	-55,305	-26,822	-82,127	-50,621	-5,672	-56,293
Noncapital financing activities:						
Operating grants	53,217		53,217	32,995		32,995
Transfer in			0			0
Transfer out			0			0
Capital financing activities:						
Capital grants	26,630	22,361	48,991			0
Capital purchases		-259,648	-259,648		-101,000	-101,000
Sale of property		205,069	205,069			0
Debt service - principal			0			0
Debt service - interest			0			0
Investing activities:						
Interest received	400	53	453	11,341	829	12,170
Purchase CD	-29,414		-29,414			0
Redsem CD			0			0
Net increase (decrease) in cash and cash equivalent	-4,472	-58,987	-63,459	-6,285	-105,843	-112,128
Cash and cash equivalents:						
Beginning of period				781,387	193,079	974,466
End of period	775,102	87,236	862,338	775,102	87,236	862,338
End of period	770,630	28,249	798,879			
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:						
Operating income (loss)	-55,305	-26,822	-82,127	-50,621	-5,672	-56,293
Net cash provided (used) by operating activities	-55,305	-26,822	-82,127	-50,621	-5,672	-56,293
Noncash investing, capital and financing activities: None						

See accompanying notes.

CITY OF VOLGA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Volga uses a modified cash basis of accounting, which does not conform to generally accepted accounting principles applicable to government entities in the United States of America. See note 1c.

a. Reporting Entity:

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

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

Governing Board:	City Administrator:
Randy Santema, Mayor	Michael Schulte
Ken Fideler, President	
Bev Cotton	Finance Officer:
Nichole Hofer	Krista Larson
Matt Jaquet	
Kelly VanderWal	Attorney:
Doug Wermedal	Steven Britzman

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

Financial Reporting Entity:

Primary Government: - The City of Volga
Component Units: - Volga Housing and Redevelopment Commission
- Volga Non-Profit Development Corporation

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

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

Based upon application of criteria above, the City of Volga has 2 component units in these financial statements: Volga Housing and Redevelopment Commission (VHRC) and Volga Non-Profit Development Corporation (VDC). These legally separate component units represent 100% of the balances and activity in the aggregate discretely presented component unit column of these financial statements.

The City appoints the five members to VHRC's governing board and approves its annual operating plan. Also, VHRC is required by statute to get the City's approval before it can start any specific project or issue debt. (SDCL 11-7-24, 11-7-49, and 11-7-53)

VHRC is a non-profit organization organized to provide 20 units of residential housing rentals to elderly and lower income individuals, complying with the requirements of the U.S. Department of Housing and Urban Development. VHRC is a Housing and Redevelopment Commission, established under SDCL 11-7-7.

VHRC does elect its own chairperson and recruits its own employees. VHRC has a March 31st fiscal year-end. Except for utilities, no significant transactions occurred between the City and VHRC. Separately issued financial statements of VHRC may be obtained from: 601 Samara Avenue, Volga, SD 57071.

The Volga Non-Profit Development Corporation is considered to be a component unit of the City of Volga because the City's governing board can impose its will on the Volga Non-Profit Development Corporation. Separately issued financial statements of the Volga Non-Profit Development Corporation are available at Volga City Hall.

b. Basis of Presentation:

Government-wide Statements:

The modified cash basis of accounting financial statement of net position and statement of activities display information about the City of Volga as a whole. These statements include all funds of the primary government, including component units (if any), but not including fiduciary funds (if any). These statements distinguish between the governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. The aggregate discretely presented component units are legally separate organizations that meet certain criteria, as described in note 1a above, and may be classified as either governmental or business-type activities.

The statement of net position reports all cash and cash equivalents of the City. Net position is displayed in two components, restricted (if any), 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 City's governmental activities and for each segment of business-type activities of the City. Direct disbursements are those that are specifically associated with a program or function and, therefore, 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 present the City's 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 cash and cash equivalents, net position, receipts and disbursements. Funds are grouped in 3 major categories: governmental, enterprise, and fiduciary (if any). An emphasis is placed on major funds within the governmental and enterprise groupings. A fund is considered a major fund if it is the primary operating fund of the City or 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.

Funds of the City 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 City 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 City has the following special revenue fund:

ARPR Fund - A fund established by the City to account for America Rescue Plan Act (ARPA) receipts and expenditures of resources received from federal grants. This fund is a nonmajor fund.

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

Tax Increment Financing District Funds - Funds allowed by SDCL 11-9-24 to account for the proceeds of incremental property taxes, restricted to the payment of principal and interest on debt (developer advance) issued to finance a public improvement. The City accounts for seven legally separate TIF debt issues through its TIF #1, TIF #2, TIF #3, TIF #4, TIF #5, TIF #6, and TIF #7 debt service funds. TIF #1, TIF #2, TIF #3, TIF #4, TIF #5, TIF #6 and TIF #7 debt service funds are nonmajor funds.

Enterprise Funds:

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

Water Fund - A fund established by SDCL 9-47-1 to provide water to customers within the City of Volga. The water fund is a major fund.

Electric fund - A fund allowed by SDCL 9-39-1 and 9-39-26 to provide electric services to customers within the City of Volga. The electric fund is a major fund.

Sewer Fund - A fund established by SDCL 9-48-2 to provide sewer services to customers within the City of Volga. The sewer fund is a major fund.

Fiduciary Funds:

Fiduciary funds - fiduciary funds are never considered to be major funds.

The City has no fiduciary funds.

c. Basis of Accounting:

Basis of accounting refers to when revenues (receipts) and expenditures or expenses (disbursements) are recognized in the accounts and reported in the financial statements.

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. The cash basis has been modified by including certificates of deposit whose maturity when purchased is more than 90 days and investments.

This basis recognizes only cash, certificates of deposit, money market investments, net position, receipts and disbursements. Consequently, revenues (receipts) are recognized when received and expenditures or expenses (disbursements) are recognized when paid. This basis of accounting is a special purpose framework basis of accounting other than accounting principles generally accepted in the United States of America.

If the City utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting and the fund financial statements for enterprise fund types would use the full accrual basis of accounting. All government-wide financials would be presented on the full accrual basis of accounting.

d. Cash and Cash Equivalents:

In the enterprise funds' statement of cash flows, the City considers all highly liquid investments and deposits (including restricted assets) with a term to maturity of 3 months or less when purchased to be cash equivalents. Those portions of the enterprise funds' cash resources that are included in the City's internal cash management pool are considered to be cash and cash equivalents, regardless of the form in which they are held, because use of the pool provides each enterprise fund with access to its cash resources essentially on demand.

For the years ending December 31, 2020 and December 31, 2021, all enterprise fund deposits are considered to be cash and cash equivalent for purposes of the statement of cash flow except for certificates of deposit whose maturity is greater than 3 months when purchased, which are:

	2020	2021
Water fund	332,989	337,281
Electric fund	49,668	50,637
Sewer fund	200,331	203,716

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 City's taxpayers or citizenry, as a whole. Program receipts 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 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 contributions - 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 City.

g. Enterprise Fund Receipt Classifications:

In both the government-wide statements and fund financial statements, enterprise fund operating receipts, such as charges for water and sewer 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* receipts, if any, such as grants, investment earnings, and transfers in, result from non-exchange 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 its 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 City's policy to first use restricted net position, prior to the use of unrestricted net position, when a disbursement 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 City 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 (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 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 Council or the Finance Officer.
- * Unassigned - includes positive fund balance within the general fund which has not been classified within the above categories and negative fund balances in other governmental funds.

The City of Volga fund 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	None		0
Restricted	ARPA uses		181,330
Restricted	TIF infrastructure projects		22,409
Committed	Auditorium	Several Ordinances	60,000
Assigned	Activity Center	Resolution	50,000
Assigned	Other		15,000
Unassigned	General		947,539

			1,276,278

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

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

The City's special revenue ARPA fund received its revenue from a federal grant.

2. VIOLATIONS OF FINANCE-RELATED LEGAL AND CONTRACTUAL PROVISIONS

Budget Overdrafts:

The City is prohibited by statute from spending in excess of appropriated amounts by department within a fund.

In 2021 the general fund/public safety/police line item went over its budget by \$5,860, the general fund/public works/sanitation line item went over its budget by \$12,843, the general fund/economic development line item went over its budget by \$4,831, the general fund/debt service line item went over its budget by \$13,398, and the general fund/miscellaneous line item went over its budget by \$9,443.

In 2020 the general fund/public safety/fire line item went over its budget by \$1,164, the general fund/public works/highways line item went over its budget by \$312,633, the general fund/debt service line item went over its budget by \$34,796, and the general fund/miscellaneous line item went over its budget by \$4,602.

The over budget amounts are isolated not considered significantly material to these financial statements. In the future, the City expects to make contingency transfers or adopt supplemental appropriations to cover expenditures that will exceed their original appropriation.

3. DEPOSITS AND RELATED RISKS

The City follows the practice of aggregating deposits of its various funds for cash management efficiency and returns, except for restricted cash held by 3rd parties and certificates of deposits purchased for an individual fund.

The City's 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 \$750,000, Collateralized ** \$4,947,315 for a total of \$5,697,315.

** 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 \$5,662,291.

Certificates of deposit, with a term to maturity of greater than 90 days when purchased, are insured or collateralized and are considered deposits.

Deposit Credit Risk - State law limits eligible deposits for the City, as discussed above. The City has no deposit policy that would further limit its deposit choices.

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

Concentration of Credit Risk - The City places no limit on the amount that may be deposited in any one institution. All of the City's deposits are with BankStar Financial - Volga and Dakotaland Federal Credit Union.

Assignment of Deposit Income - State law allows income from deposits to be credited to either the general fund or the fund making the deposit. The City's policy is to credit all income from deposits to the fund making the deposit.

4. INVESTMENTS AND RELATED RISKS

In general, SDCL 4-5-6 permits City 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.

The City did not have investments during the two years ending December 31, 2021.

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

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

Concentration of Credit Risk - the City places no limit on the amount that may be invested in any one institution. For the two years ending December 31, 2021, the City had no investments.

Assignment of Investment Income - State law allows income from investments to be credited to either the general fund or the fund making the investment. The City's policy is to credit all income from investments to the fund making the investment.

5. RESTRICTED NET POSITION

The following are restricted amounts shown on the statement of net position.

Purpose:	Restricted By:	Government-Wide	Business-Type
Debt service	Covenant	22,409	50,637
Customer deposits	Contract		59,597
		-----	-----
		22,409	110,234

6. LONG-TERM LIABILITIES

A summary of changes in long-term liabilities is presented as supplementary information on pages 29-35. The City has no: (a) unused lines-of-credit, (b) short-term debt, (c) debt extinguishments, defeasances, refundings or troubled debt restructuring, (d) special assessment debt, (e) conduit debt, (f) derivatives or hedging of variable rate debt, (g) debt related to claims and judgments, or (h) other than the collateral specified, terms in debt agreements related to significant (1) events of default with finance-related consequences, (2) termination events with finance-related consequences or (3) subjective acceleration clauses.

7. INTERFUND TRANSFERS

There were no transfers between funds in 2020 or 2021.

8. 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 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 greater or equal to 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 City's share of contributions to the SDRS for the calendar years ending December 31, 2021, 2020, and 2019 were \$26,006, \$24,419 and \$24,881 respectively (employer's share) equal to the required contribution each year.

Pension (Assets)/Liabilities:

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 South Dakota Retirement System, for the City as of this measurement period ending June 30, 2021 and reported by the City as of December 31, 2021 are as follows:

Proportionate share of total pension liability	\$ 2,618,525
Less: Proportionate share of net position restricted for pension benefits	(2,763,144)

Proportionate share of net pension (asset)/liability	\$ (144,619)
	=====

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 City's share of contribution to the pension plan relative to the contributions of all participating entities. At June 30, 2021, the City's proportion was .000188840 which is an increase of .000004797 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 my 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 City's proportionate share of the net pension (asset)/liability of SDRS, calculated using the discount rate of 6.50%, as well as what the City'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%
City's proportionate share of the net pension (asset)/liability	\$234,173	\$(144,619)	\$(452,111)

Pension Plan Fiduciary Net Position:

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

9. 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 City's taxes and remits them to the City. Because the City 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.

10. JOINT POWERS AGREEMENT

In 2006 the City joined the Regional Economic Development Partnership coordinated by the Brookings Economic Development Corporation (BEDC). The purpose of the Partnership is to (1) establish a regional economic development plan, (2) cooperation in such areas as joint bidding, fire and police protection, animal control, code enforcement, and mosquito abatement, and (3) availability of "Technical Assistance" from City of Brookings staff. In 2020 the City of Volga paid dues of \$5,000 to BEDC for participation in the Partnership. In 2021 the City of Volga paid dues of \$5,000 to BEDC for participation in the Partnership.

At December 31, 2021 BEDC had total AUDITED equity of \$3,958,171 and \$68,558 in long-term debt. The BEDC can be reached through the City of Brookings at P.O. Box 270, Brookings, SD 57006 or by calling 605.697.8103.

11. INSURANCE

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

Employee Health Insurance:

The City joined the South Dakota Municipal League Health Pool of South Dakota. This is a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The City pays a monthly premium to the pool to provide health insurance coverage for its employees. The pool purchases reinsurance coverage with the premiums it receives from the members. The coverage includes a lifetime medical maximum of \$2,000,000 per person.

The City 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 City joined the South Dakota Public Assurance Alliance (SDPAA), a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The objective of the SDPAA is to administer and provide risk management services and risk sharing facilities to the members and to defend and protect the members against liability, to advise members on loss control guidelines and procedures, and provide them with risk management services, loss control and risk reduction information and to obtain lower costs for that coverage. The City's responsibility is to promptly report to and cooperate with the SDPAA to resolve any incident which could result in a claim being made by or against the City. The City pays a Members' Annual Operating Contribution, to provide liability coverage detailed below, under 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 City pays an annual premium to the pool to provide coverage for general liability, auto liability, auto damage, property, and equipment breakdown 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 City does not carry additional insurance to cover claims in excess of the upper limit. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

Worker's Compensation:

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

The objective of the Fund is to formulate, develop, and administer, on behalf of the member organizations, a program of worker's compensation coverage, to obtain lower costs for that coverage, and to develop a comprehensive loss control program. The City's responsibility is to initiate and maintain a safety program to give its employees safe and sanitary working conditions and to promptly report to and cooperate with the Fund to resolve any worker's compensation claims.

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

Unemployment Benefits:

The City provides coverage for unemployment benefits by paying into the Unemployment Compensation Fund established by state law and managed by the State of South Dakota. No unemployment payments were made during the two years ending December 31, 2021 and none are expected in 2022.

12. LITIGATION

At December 31, 2021 the City was not a party to litigation. However, as discussed in the risk management note above, the City has liability coverage for itself and its employees through South Dakota Public Assurance Alliance. Any potential litigation is not expected to have a material effect on the City's financial statements.

13. MAJOR CUSTOMER

Approximately 60% of the City's electrical receipts and 30% of its sewer receipts are received from South Dakota Soybean Processors.

14. TAX ABATEMENTS

As of December 31, 2021 the City did not provide any tax abatement incentives through its Tax Increment Financing District Projects or through other agreements that are considered tax abatements in accordance with the provisions of GASB Statement No. 77.

15. OTHER DISCLOSURES AND SUBSEQUENT EVENTS

The City does not operate a landfill. Solid waste is trucked to the Brookings landfill where normal tipping fees are paid.

In January 2023 the City finalized a Clean Water State Revolving Fund loan for \$1,388,278. At December 31, 2021 loan proceeds of \$571,499 had been received.

In March 2021 the City an application for financial assistance from the South Dakota Board of Water and Natural Resources for water tower improvements not to exceed \$3,700,000. At December 31, 2021 financial assistance of \$949,968 had been received.

CITY OF VOLGA
 SCHEDULE OF CHANGES IN LONG-TERM LIABILITIES
 FOR THE TWO YEARS ENDING DECEMBER 31, 2021

	Beginning 12-31-19	2020 Additions (Deletions)	2021 Additions (Deletions)	Ending Balance Governmental Activities 12-31-21	Ending Balance Business-Type Activities 12-31-21	Principal Payment Due In 2022
GOVERNMENTAL - DIRECT BORROWING						
2018 Fire Truck Bank Loan:						
Purchase price: \$305,892						
Down payment: \$150,000						
Bank loan: \$155,892						
Maturing on October 1, 2023						
Fixed interest at 3.75%						
Annual payment of \$34,812						
Collateral: 2018 International 4400 Chassis/EVI 18 ft Crew-Body Rescue Vehicle						
Paid by general fund	126,942	-29,972	-31,125	65,845		32,308
2021 Bank Loan:						
Bank loan: \$30,037.50						
Maturing on March 17, 2025						
Fixed interest at 2.95%						
Annual payment of \$6,553.16						
Collateral: 42x104 storage building						
Paid by general fund	0	30,037	-5,674	24,363		5,824
2021 Bank Loan:						
Bank loan: \$400,000						
Maturing on June 1, 2036						
Fixed interest at 3.90%						
Semi-annual payment of \$19,828.85						
Collateral: Creekside Industrial Park						
Paid by general fund	0		400,000	400,000		0
2021 Bank Loan:						
Amount: \$227,975						
Maturing on January 24, 2025						
Fixed interest at 3.75%						
Annual payment of \$50,931.04						
Collateral: Motor Grader		227,975				
Paid by general fund	0		-41,646	186,329		43,944

CITY OF VOLGA
 SCHEDULE OF CHANGES IN LONG-TERM LIABILITIES (continued)
 FOR THE TWO YEARS ENDING DECEMBER 31, 2021

	2020	2021	Ending Balance	Ending Balance	Principal Payment
Beginning	Additions	Additions	Governmental	Business-Type	Due In
12-31-19	(Deletions)	(Deletions)	Activities	Activities	2022
-----	-----	-----	-----	-----	-----
GOVERNMENTAL - OTHER DEBT					
2012 Developer Advance to TIF #1:					
Total advance plus est. interest: \$393,716					
Repayment as tax incremental revenues					
received over a period of 20 yea 41,110 Beg balance adj					
Paid by TIF #1 fund	53,330	-71,235	-23,205	0	0
2015 Developer Advance to TIF #2:					
Total advance plus est. interest: \$627,806					
Repayment as tax incremental revenues					
received over a period of 20 yea 108,127 Beg balance adj					
Paid by TIF #2 fund	365,082	-46,717	-53,049	373,443	27,000
2015 Developer Advance to TIF #3:					
Total advance plus est. interest: \$596,449					
Repayment as tax incremental revenues					
received over a period of 20 yea -75,568 Beg balance adj					
Paid by TIF #3 fund	509,389	-107,175	-115,829	210,817	34,000
2018 Developer Advance to TIF #4:					
Total advance plus est. interest: \$674,993					
Repayment as tax incremental revenues					
received over a period of 20 yea 71,900 Beg balance adj					
Paid by TIF #4 fund	725,940	-39,971	-58,929	698,940	38,000
2019 Developer Advance to TIF #5:					
Total advance plus est. interest: \$468,000					
Repayment as tax incremental revenues					
received over a period of 20 yea 196,126 Beg balance adj					
Paid by TIF #5 fund	264,778	-11,297	-16,235	433,372	27,000
2021 Developer Advance to TIF #6:					
Total advance plus est. interest: \$1,492,987					
Repayment as tax incremental revenues					
received over a period of 20 years					
Paid by TIF #6 fund	0	484,997	484,997		25,000
20XX Developer Advance to TIF #7:					
Total advance plus est. interest: \$551,615					
Repayment as tax incremental revenues					
received over a period of 15 years					
Paid by TIF #7 fund	0			0	0
Totals	2,260,214	-276,395	217,750	2,201,569	151,000
	=====	=====	=====	=====	=====

CITY OF VOLGA

SCHEDULE OF CHANGES IN LONG-TERM LIABILITIES (continued)

FOR THE TWO YEARS ENDING DECEMBER 31, 2021

	Beginning	2020	2021	Ending	Ending	Principal
	12-31-19	Additions	Additions	Governmental	Business-Type	Payment
	12-31-19	(Deletions)	(Deletions)	12-31-21	12-31-21	Due In
	-----	-----	-----	-----	-----	-----
BUSINESS-TYPE - DIRECT BORROWING						
2014 Electric Revenue Bond:						
Original issue of \$920,000						
Maturing on August 1, 2021						
Interest at 2.85%						
Callable on or after August 6, 2019						
Payable exclusively out of pledged revenue of the electric fund. Not a general obligation of the City of Volga.						
Paid by the electric fund	280,000	-280,000			0	0
2018 Clean Water SRF Revenue Bond:						
Issued for \$2,380,509						
Maturing on August 15, 2040						
Interest at 2.25%						
Prepayment is not allowed without lender's prior written consent						
Payable exclusively out of pledged revenue from segregated customer surcharge receipts of the sewer fund.						
Not a general obligation of the City of Volga.		191,618				
Paid by the sewer fund	2,188,891	-24,722	-94,835		2,260,952	97,265
2019 Heartland REDLG Loan.						
Original issue of \$400,000						
Maturing on August 16, 2029						
Interest at 0.00%						
Prepayments can be made at any time without penalty						
Secured by a UCC filing against all of the City's personal and intangible property, including equipment and motor vehicles						
Paid by the water fund	389,995	-40,012	-40,012		309,971	40,012
2019 Heartland REDLG Loan.						
Original issue of \$300,000						
Maturing on August 16, 2029						
Interest at 0.00%						
Prepayments can be made at any time without penalty						
Secured by a UCC filing against all of the City's personal and intangible property, including equipment and motor vehicles						
Paid by the water fund	292,500	-30,000	-30,000		232,500	30,000

CITY OF VOLGA
 SCHEDULE OF CHANGES IN LONG-TERM LIABILITIES (continued)
 FOR THE TWO YEARS ENDING DECEMBER 31, 2021

	Beginning 12-31-19 -----	2020 Additions (Deletions) -----	2021 Additions (Deletions) -----	Ending Balance Governmental Activities 12-31-21 -----	Ending Balance Business-Type Activities 12-31-21 -----	Principal Payment Due In 2022 -----
2021 Bank Loan:						
Bank loan: \$90,112.50						
Maturing on March 17, 2025						
Fixed interest at 2.95%						
Annual payment of \$19,659.48						
Collateral: 42x104 storage building						
Paid equally by water, electric, and sewer funds	0	90,113	-17,022		73,091	17,472
2021 Bank Loan:						
Bank loan: \$47,520.98						
Maturing on March 17, 2025						
Fixed interest at 3.25%						
Annual payment of \$10,464.37						
Collateral: 2020 Ditch Witch HX30 Vacuum						
Paid equally by water and sewer	0	47,521	-9,014		38,507	9,170
2021 Clean Water SRF Revenue Bond:						
Issued for \$1,388,278						
Maturity to be determined						
Interest to be determined						
Prepayment is not allowed without lender's prior written consent						
Payable exclusively out of pledged revenue from segregated customer surcharge receipts of the sewer fund.						
Not a general obligation of the City of Volga.						
For sewer rehabilitation - CIPP						
Paid by the sewer fund	0		571,499		571,499	0
2021 Drinking Water SRF Revenue Bond:						
Issue not to exceed \$3,700,000						
Maturity to be determined						
Interest to be determined						
Prepayment is not allowed without lender's prior written consent						
Payable exclusively out of pledged revenue from segregated customer surcharge receipts of the sewer fund.						
Not a general obligation of the City of Volga.						
For a new water tower						
Paid by the water fund	0		949,968		949,968	0
	-----	-----	-----	-----	-----	-----
Totals	3,151,386	-45,482	1,330,584	0	4,436,488	193,919
	=====	=====	=====	=====	=====	=====

CITY OF VOLGA
SCHEDULE OF CHANGES IN LONG-TERM LIABILITIES (continued)
FOR THE TWO YEARS ENDING DECEMBER 31, 2021

Payment Schedules:		Total Payment	Principal	Interest	Remaining Balance
		-----	-----	-----	-----
2018 Fire Truck Bank Loan:					
	2022	34,812	32,308	2,504	33,537
	2023	34,812	33,537	1,275	0
		-----	-----	-----	
		<u>69,624</u>	<u>65,845</u>	<u>3,779</u>	
2021 Bank Loan:					
	2022	6,553	5,824	729	18,539
	2023	6,553	5,999	554	12,540
	2024	6,553	6,177	376	6,363
	2025	6,553	6,363	190	0
		-----	-----	-----	
		<u>26,212</u>	<u>24,363</u>	<u>1,849</u>	
2021 Bank Loan:					
	2022	15,600	0	15,600	400,000
	2023	27,629	12,029	15,600	387,971
	2024	39,658	24,766	14,892	363,205
	2025	39,658	25,741	13,917	337,464
	2026	39,657	26,755	12,902	310,709
	2027-2031	198,288	150,434	47,854	160,275
	2032-2036	178,460	160,275	18,185	0
		-----	-----	-----	
		<u>538,950</u>	<u>400,000</u>	<u>138,950</u>	
2021 Bank Loan:					
	2022	50,931	43,944	6,987	142,385
	2023	50,931	45,592	5,339	96,793
	2024	50,931	47,301	3,630	49,492
	2025	50,931	49,492	1,439	0
		-----	-----	-----	
		<u>203,724</u>	<u>186,329</u>	<u>17,395</u>	
2015 Developer Advance to TIF #2: (estimated payments inclusive of interest)					
	2022	27,000	27,000	0	346,443
	2023	27,000	27,000	0	319,443
	2024	27,000	27,000	0	292,443
	2025	27,000	27,000	0	265,443
	2026	27,000	27,000	0	238,443
	2027-2031	120,000	120,000	0	118,443
	2032-2035	118,443	118,443	0	0
		-----	-----	-----	
		<u>373,443</u>	<u>373,443</u>	<u>0</u>	
2015 Developer Advance to TIF #3: (estimated payments inclusive of interest)					
	2022	34,000	34,000	0	176,817
	2023	34,000	34,000	0	142,817
	2024	34,000	34,000	0	108,817
	2025	34,000	34,000	0	74,817
	2026	34,000	34,000	0	40,817
	2027-2028	40,817	40,817	0	0
		-----	-----	-----	
		<u>210,817</u>	<u>210,817</u>	<u>0</u>	

CITY OF VOLGA

SCHEDULE OF CHANGES IN LONG-TERM LIABILITIES (continued)

FOR THE TWO YEARS ENDING DECEMBER 31, 2021

Payment Schedules:	Total Payment	Principal	Interest	Remaining Balance
	-----	-----	-----	-----
2018 Developer Advance to TIF #4: (estimated payments inclusive of interest)				
2022	38,000	38,000	0	660,940
2023	38,000	38,000	0	622,940
2024	38,000	38,000	0	584,940
2025	38,000	38,000	0	546,940
2026	38,000	38,000	0	508,940
2027-2031	190,000	190,000	0	318,940
2032-2036	190,000	190,000	0	128,940
2037-2039	128,940	128,940	0	0
	-----	-----	-----	
	698,940	698,940	0	
	=====	=====	=====	
2019 Developer Advance to TIF #5: (estimated payments inclusive of interest)				
2022	27,000	27,000	0	406,372
2023	27,000	27,000	0	379,372
2024	27,000	27,000	0	352,372
2025	27,000	27,000	0	325,372
2026	27,000	27,000	0	298,372
2027-2031	135,000	135,000	0	163,372
2032-2036	135,000	135,000	0	28,372
2037	28,372	28,372	0	0
	-----	-----	-----	
	433,372	433,372	0	
	=====	=====	=====	
2019 Developer Advance to TIF #6: (estimated payments inclusive of interest)				
2022	25,000	25,000	0	459,997
2023	25,000	25,000	0	434,997
2024	25,000	25,000	0	409,997
2025	25,000	25,000	0	384,997
2026	25,000	25,000	0	359,997
2027-2031	125,000	125,000	0	234,997
2032-2036	125,000	125,000	0	109,997
2037-2041	109,997	109,997	0	0
	-----	-----	-----	
	484,997	484,997	0	
	=====	=====	=====	
2018 Clean Water Revenue Bond:				
2022	148,137	97,265	50,872	2,163,687
2023	148,137	99,454	48,683	2,064,233
2024	148,137	101,692	46,445	1,962,541
2025	148,137	103,980	44,157	1,858,561
2026	148,137	106,319	41,818	1,752,242
2027-2031	740,684	568,573	172,111	1,183,669
2032-2036	740,684	635,482	105,202	548,187
2037-2040	578,462	548,187	30,275	0
	-----	-----	-----	
Totals	2,800,515	2,260,952	539,563	
	=====	=====	=====	

CITY OF VOLGA
 SCHEDULE OF CHANGES IN LONG-TERM LIABILITIES (continued)
 FOR THE TWO YEARS ENDING DECEMBER 31, 2021

Payment Schedules:	Total Payment	Principal	Interest	Remaining Balance
	-----	-----	-----	-----
2019 Heartland REDLG Loan.				
2022	40,012	40,012	0	269,961
2023	40,012	40,012	0	229,949
2024	40,012	40,012	0	189,937
2025	40,012	40,012	0	149,925
2026	40,012	40,012	0	109,913
2027-2029	109,913	109,913	0	0
	-----	-----	-----	
Totals	309,973	309,973	0	
	=====	=====	=====	

2019 Heartland REDLG Loan.				
2022	30,000	30,000	0	202,500
2023	30,000	30,000	0	172,500
2024	30,000	30,000	0	142,500
2025	30,000	30,000	0	112,500
2026	30,000	30,000	0	82,500
2027-2029	82,500	82,500	0	0
	-----	-----	-----	
Totals	232,500	232,500	0	
	=====	=====	=====	

2021 Bank Loan:				
2022	19,659	17,472	2,187	55,617
2023	19,659	17,997	1,662	37,620
2024	19,659	18,531	1,128	19,089
2025	19,659	19,089	570	0
	-----	-----	-----	
	78,636	73,089	5,547	
	=====	=====	=====	

2021 Bank Loan:				
2022	10,464	9,170	1,294	29,337
2023	10,464	9,468	996	19,869
2024	10,464	9,776	688	10,093
2025	10,464	10,093	371	0
	-----	-----	-----	
	41,856	38,507	3,349	
	=====	=====	=====	

CITY OF VOLGA
 SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
 FOR THE ONE YEAR ENDING DECEMBER 31, 2021

GENERAL FUND	Budgeted Amounts			Actual	Variance Positive (Negative)
	Original	Contingency Transfers	Supplemental:		
Receipts:					
Receipts from local sources:					
Taxes:					
Ad valorem taxes	438,748			438,748	33,841
General sales and use taxes	505,000			505,000	161,719
Amusement tax	75			75	-75
Licenses and permits:	8,160			8,160	901
Intergovernmental receipts:					
Federal shared receipts:				0	17,945
State shared receipts:					
Grants	318,670			318,670	-318,670
Bank franchise tax	6,180			6,180	8,914
Motor vehicle commercial	1,751			1,751	2,314
Liquor tax reversion	11,500			11,500	13,616
Motor vehicle licenses (5%)	11,845			11,845	15,341
Fire insurance premium	9,270			9,270	11,440
Highway and bridge	26,780			26,780	26,592
County shared receipts:					
Road tax	321			321	312
Wheel tax	4,635			4,635	5,576
Townships: fire protection	8,000			8,000	7,450
Charges for goods and services:					
General government	36,050			36,050	49,201
Public safety	1,030			1,030	876
Public works	1,030			1,030	113
Refuse collection	119,480			119,480	129,230
Culture and recreation	47,800			47,800	55,076
Fines and forfeitures:	1,650			1,650	250
Miscellaneous receipts:					
Interest received	11,220			11,220	3,283
Rents and franchise fees	13,796			13,796	23,365
Donations	3,000			3,000	18,521
Liquor operating agreements	5,000			5,000	6,150
Other				0	1,050
Total receipts	1,590,991	0	0	1,590,991	1,544,984
Disbursements:					
Current:					
General government:					
Mayor and Council	32,144	144		32,288	26,934
Contingency	50,000			50,000	50,000
Amount transferred		-50,000		-50,000	-50,000
Financial administration	256,172	38,031		294,203	289,134
Other	46,362			46,362	44,599
Public safety:					
Police	121,323			121,323	127,183
Fire	86,458	3,786		90,244	67,011
Public works:					
Highways and streets	1,800,162	6,553		1,806,715	1,140,651
Sanitation	121,746			121,746	134,589
Transit	13,000			13,000	13,000
Culture and recreation:					
Recreation and pool	208,358	1,486		209,844	167,864
Parks	42,470			42,470	31,632
Auditorium	23,060			23,060	11,444
Economic development	50,900			50,900	55,731
Debt service	86,698			86,698	100,096
Miscellaneous				0	9,443
Total disbursements	2,938,853	0	0	2,938,853	2,219,311
Excess of receipts over (under) disbursements	-1,347,862	0	0	-1,347,862	-674,327
Other financing sources (uses):					
Sale of surplus property				0	40
Loan proceeds	900,000			900,000	400,000
Net change in fund balance	-447,862	0	0	-447,862	-274,287
Fund balance:					
January 1, 2021	1,346,826			1,346,826	1,346,826
December 31, 2021	898,964	0	0	898,964	1,072,539

CITY OF VOLGA
 SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
 FOR THE ONE YEAR ENDING DECEMBER 31, 2020

GENERAL FUND	Budgeted Amounts				Actual	Variance Positive (Negative)
	Original	Contingency Transfers	Supplemental	Final		
Receipts:						
Receipts from local sources:						
Taxes:						
Ad valorem taxes	425,943			425,943	422,636	-3,307
General sales and use taxes	500,000			500,000	565,293	65,293
Amusement tax	75			75	72	-3
Licenses and permits:	8,000			8,000	6,643	-1,357
Intergovernmental receipts:						
Federal shared receipts:				0	82,236	82,236
State shared receipts:						
Grants				0	366,973	366,973
Bank franchise tax	6,000			6,000	8,230	2,230
Motor vehicle commercial	1,700			1,700	2,148	448
Liquor tax reversion	11,500			11,500	12,238	738
Motor vehicle licenses (5%)	11,500			11,500	13,788	2,288
Fire insurance premium	9,000			9,000	10,935	1,935
Highway and bridge	26,000			26,000	25,521	-479
County shared receipts:						
Road tax	312			312	312	0
Wheel tax	4,500			4,500	5,487	987
Townships: fire protection	8,000			8,000	7,450	-550
Charges for goods and services:						
General government	33,000			33,000	55,892	22,892
Public safety - fire	1,000			1,000		-1,000
Public works	1,000			1,000	3,933	2,933
Refuse collection	116,000			116,000	127,441	11,441
Culture and recreation	46,500			46,500	43,625	-2,875
Fines and forfeitures:	1,650			1,650	1,188	-462
Miscellaneous receipts:						
Interest received	11,000			11,000	20,165	9,165
Rents and franchise fees	13,700			13,700	21,723	8,023
Donations	3,000			3,000	2,363	-637
Liquor operating agreements	5,000			5,000	6,325	1,325
Other				0	1,250	1,250
Total receipts	1,244,380	0	0	1,244,380	1,813,867	569,487
Disbursements:						
Current:						
General government:						
Mayor and Council	30,519			30,519	27,622	2,897
Contingency	50,000			50,000		50,000
Amount transferred		-50,000		-50,000		-50,000
Financial administration	266,445			266,445	244,940	21,505
Other	81,991	800		82,791	42,769	40,022
Public safety:						
Police	121,282			121,282	116,360	4,922
Fire	118,036	4,400		122,436	123,600	-1,164
Public works:						
Highways and streets	624,874	37,184		662,058	974,691	-312,633
Sanitation	126,045	7,600		133,645	124,182	9,463
Transit	13,000			13,000	13,000	0
Culture and recreation:						
Recreation and pool	179,317		27,233	206,550	182,748	23,802
Parks	22,657			22,657	13,703	8,954
Auditorium	22,560			22,560	16,274	6,286
Economic development	50,000			50,000	39,022	10,978
Debt service		16		16	34,812	-34,796
Miscellaneous				0	4,602	-4,602
Total disbursements	1,706,726	0	27,233	1,733,959	1,958,325	-224,366
Excess of receipts over (under) disbursements	-462,346	0	-27,233	-489,579	-144,458	345,121
Other financing sources (uses):						
Sale of surplus property				0	44,927	44,927
Loan proceeds				0	30,000	30,000
Motor grader loan proceeds				0	227,975	227,975
Compensation for damaged property				0	3,076	3,076
Net change in fund balance	-462,346	0	-27,233	-489,579	161,520	651,099
Fund balance:						
January 1, 2020	1,185,306			1,185,306	1,185,306	0
December 31, 2020	722,960	0	-27,233	695,727	1,346,826	651,099

CITY OF VOLGA

NOTES TO SUPPLEMENTARY INFORMATION - BUDGETS

SCHEDULE OF BUDGETARY COMPARISON FOR THE GENERAL FUND
FOR THE TWO YEARS ENDING DECEMBER 31, 2021

1. BUDGETS AND BUDGETARY ACCOUNTING

The City of Volga follows these procedures in establishing the budgetary data reflected in the 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 2020 there was one supplemental budget to increase the general fund budget. During 2021 there were no supplemental budgets to increase the general fund budget. See page 36 and 37.
- e. Formal budgetary integration is employed as a management control device for the general fund.
- f. The budget for the general fund is 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 U.S.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 comparison schedules, 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.

CITY OF VOLGA
FOR THE EIGHT YEARS ENDING DECEMBER 31, 2021

SUPPLEMENTARY INFORMATION

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

SDRS Measurement Date Year Ended (1)	City's Pension Allocation Percentage	City's Proportionate Share of Net Pension (Asset) Liability	City's Covered Employee Payroll for its 6-30 Year End	City's Proportionate Share of the Net Pension (Asset) Liability as a Percentage of its Covered Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
June 30, 2021	0.0188840%	-144,619	428,533	(33.75%)	105.53%
June 30, 2020	0.0184043%	-799	403,917	(0.20%)	100.04%
June 30, 2019	0.0193100%	-2,046	410,567	(0.50%)	100.09%
June 30, 2018	0.0182195%	-425	378,767	(0.11%)	100.02%
June 30, 2017	0.0178045%	-1,616	361,750	(0.45%)	100.10%
June 30, 2016	0.0181302%	61,242	344,750	17.76%	96.89%
June 30, 2015	0.0190701%	-80,882	348,167	(23.39%)	104.10%
June 30, 2014	0.0224904%	-162,034	393,300	(41.54%)	107.30%

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

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

CITY OF VOLGA
FOR THE EIGHT YEARS ENDING DECEMBER 31, 2021

SUPPLEMENTARY INFORMATION

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

City's Year Ended	Contractually Required Contribution	Contributions Related to the Contractually Required Contribution	Contribution Deficiency (Excess)	City's Covered Employee Payroll for its Calendar Year End	Contributions as a Percentage of Covered Employee Payroll
December 31, 2021	26,006	26,006	0	433,433	6.00%
December 31, 2020	24,419	24,419	0	406,983	6.00%
December 31, 2019	24,881	24,881	0	414,683	6.00%
December 31, 2018	23,573	23,573	0	392,883	6.00%
December 31, 2017	21,216	21,216	0	353,600	6.00%
December 31, 2016	20,520	20,520	0	342,000	6.00%
December 31, 2015	20,623	20,623	0	343,717	6.00%
December 31, 2014	23,480	23,480	0	391,333	6.00%

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

CITY OF VOLGA

NOTES TO SUPPLEMENTARY INFORMATION - PENSION

SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION (ASSET)/LIABILITY
AND SCHEDULE OF PENSION CONTRIBUTIONS FOR THE TWO YEARS 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.

CITY OF VOLGA

COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 MODIFIED CASH BASIS OF ACCOUNTING
 AS OF DECEMBER 31, 2021

	ARPA	TIF #1	TIF #2	TIF #3	TIF #4	TIF #5	TIF #6	TIF #7	Total Nonmajor Governmental Funds
	Fund	Fund	Fund	Fund	Fund	Fund	Fund	Fund	Funds
	-----	-----	-----	-----	-----	-----	-----	-----	-----
ASSETS:									
Cash and cash equiva	181,330	22,344	0	0	0	65	0	0	203,739
	-----	-----	-----	-----	-----	-----	-----	-----	-----
Total assets	181,330	22,344	0	0	0	65	0	0	203,739
	=====	=====	=====	=====	=====	=====	=====	=====	=====
 FUND BALANCES:									
Nonspendable									0
Restricted - ARPA	181,330								181,330
Restricted - TIF projects		22,344	0	0	0	65	0	0	22,409
Committed - auditorium									0
Assigned - activity center									0
Assigned - other									0
Unassigned									0
	-----	-----	-----	-----	-----	-----	-----	-----	-----
Total fund balances	181,330	22,344	0	0	0	65	0	0	203,739
	=====	=====	=====	=====	=====	=====	=====	=====	=====

CITY OF VOLGA

COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES

NONMAJOR GOVERNMENTAL FUNDS

MODIFIED CASH BASIS OF ACCOUNTING

FOR THE ONE YEAR ENDING DECEMBER 31, 2021

	ARPA	TIF #1	TIF #2	TIF #3	TIF #4	TIF #5	TIF #6	TIF #7	Total
	Fund	Fund	Fund	Fund	Fund	Fund	Fund	Fund	Nonmajor
Receipts:									Governmental
	Fund	Fund	Fund	Fund	Fund	Fund	Fund	Fund	Funds
Receipts from local so	-----	-----	-----	-----	-----	-----	-----	-----	-----
Taxes:									
Ad valorem taxes		45,550	69,827	115,829	88,712	16,300	0	0	336,218
Intergovernmental receipts:									
Federal shared recei	181,330								181,330
	-----	-----	-----	-----	-----	-----	-----	-----	-----
Total receipts	181,330	45,550	69,827	115,829	88,712	16,300	0	0	517,548
	-----	-----	-----	-----	-----	-----	-----	-----	-----
Disbursements:									
Current:									
Debt service:		23,206	69,827	115,829	88,712	16,235	0	0	313,809
	-----	-----	-----	-----	-----	-----	-----	-----	-----
Total disbursement	0	23,206	69,827	115,829	88,712	16,235	0	0	313,809
	-----	-----	-----	-----	-----	-----	-----	-----	-----
Excess of receipts over									
(under) disbursement	181,330	22,344	0	0	0	65	0	0	203,739
Other financing sources (uses):									
None									0
	-----	-----	-----	-----	-----	-----	-----	-----	-----
Net change in fund bal	181,330	22,344	0	0	0	65	0	0	203,739
Fund balances:									
January 1, 2021	NEW	0	0	0	0	0	NEW	NEW	0
	-----	-----	-----	-----	-----	-----	-----	-----	-----
December 31, 2021	181,330	22,344	0	0	0	65	0	0	203,739
	=====	=====	=====	=====	=====	=====	=====	=====	=====

CITY OF VOLGA

COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES

NONMAJOR GOVERNMENTAL FUNDS

MODIFIED CASH BASIS OF ACCOUNTING

FOR THE ONE YEAR ENDING DECEMBER 31, 2020

	TIF #1	TIF #2	TIF #3	TIF #4	TIF #5	Total Nonmajor Governmental Funds
Receipts:	Fund	Fund	Fund	Fund	Fund	Funds
Receipts from local sources:	-----	-----	-----	-----	-----	-----
Taxes:						
Ad valorem taxes	71,237	67,955	107,175	59,517	11,297	317,181
	-----	-----	-----	-----	-----	-----
Total receipts	71,237	67,955	107,175	59,517	11,297	317,181
	-----	-----	-----	-----	-----	-----
Disbursements:						
Current:						
Debt service:	71,237	67,955	107,175	59,517	11,297	317,181
	-----	-----	-----	-----	-----	-----
Total disbursements	71,237	67,955	107,175	59,517	11,297	317,181
	-----	-----	-----	-----	-----	-----
Excess of receipts over (under) disbursements	0	0	0	0	0	0
Other financing sources (uses):						
None						0
	-----	-----	-----	-----	-----	-----
Net change in fund balances	0	0	0	0	0	0
Fund balances:						
January 1, 2020	0	0	0	0	0	0
	-----	-----	-----	-----	-----	-----
December 31, 2020	0	0	0	0	0	0
	=====	=====	=====	=====	=====	=====

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

To the Honorable Mayor and
Members of the Volga City Council
Volga, 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 financial statements of governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Volga (City), Brookings County, South Dakota, as of December 31, 2021 and for each year the biennial period then ended, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued my report thereon dated August 1, 2023 which was unmodified except for a disclaimer of opinion on the aggregate discretely presented component units and qualified opinions on business-type activities and the electric fund.

Report on Internal Control Over Financial Reporting:

In planning and performing my audit of the financial statements, I considered City of Volga'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 City's internal control. Accordingly, I do not express an opinion on the effectiveness of City of Volga'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 City'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 a deficiency in internal control that I consider to be a material weakness. However, material weaknesses or significant deficiencies may exist that were not identified.

I did note minor matters involving internal control that I reported to the governing body and management of the City of Volga in a separate Letter of Comments dated August 1, 2023.

City of Volga
Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters -- Page Two

Compliance and Other Matters:

As part of obtaining reasonable assurance about whether City of Volga'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 City of Volga in a separate Letter of Comments dated August 1, 2023.

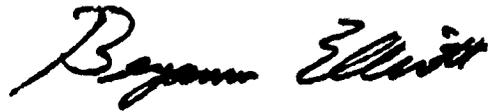
Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City'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 City'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.

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

August 1, 2023



CITY OF VOLGA, SOUTH DAKOTA
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
FOR THE TWO YEARS ENDED DECEMBER 31, 2021

SCHEDULE OF PRIOR CURRENT AUDIT FINDINGS AND QUESTIONED

Prior Federal Compliance Audit Findings:

There were no prior year Single Audit findings or questioned cost.

Prior Other Audit Findings:

There were no prior year other audit findings.

SCHEDULE OF CURENT AUDIT FINDINGS AND RESPONSES

Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued:

Unmodified - Governmental Activities
Qualified - Business-Type Activities
Disclaimer - Aggregate Discretely Presented Component Units
Unmodified - General Fund
Unmodified - Water Fund
Qualified - Electric Fund
Unmodified - Sewer Fund
Unmodified - Aggregate Remaining Fund Information

Material noncompliance noted: None Reported

Internal control over financial reporting:

* Material weakness(es) identified. None Reported

* Significant deficiency(ies) identified
that are not considered to be material
weaknesses. None Reported