

Municipality of Wilmot

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

**For the Years Ended
December 31, 2021 and 2020**

Municipality of Wilmot

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

To the Council Members
Municipality of Wilmot, South Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the modified cash basis of accounting financial statements of the governmental activities, the business-type activities and each major fund of the Municipality of Wilmot, South Dakota, as of and for the years in the biennial period ended December 31, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Municipality's basic financial statements, and have issued our report thereon dated February 26, 2025.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Current Audit Findings as items 2021-01 and 2021-02 to be significant deficiencies.

Report on Compliance and Other Matters

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

Municipality's Response to Finding

The Municipality's response to the finding identified in our audit is described in the accompanying Schedule of Current Audit Finding. The Municipality's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly we express no opinion on it.

Purpose of this Report

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

A handwritten signature in dark ink, appearing to read "CIO of LLC".

Chamberlain, South Dakota
February 26, 2025

Municipality of Wilmot
Schedule of Current and Prior Audit Findings
December 31, 2021 and 2020

Schedule of Current Audit Findings

Finding No. 2021-01 – Lack of segregation of duties (internal control)

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

Condition: The small size of the Municipality indicates a significant deficiency in internal controls for lack of segregation of duties for revenue and expenditures procedures.

Cause: The finance officer processes all revenue transactions from beginning to end as well as receives money, issues receipts, posts receipts in the accounting records, prepares bank deposits, reconciles bank statements, and prepares the financial statements.

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

Recommendation: Municipality officials should be cognizant of this lack of segregation of duties for revenues and expenditures, and attempt to provide compensating internal control whenever and wherever possible and practical.

View of Responsible Officials: The Municipality agrees with this finding and is willing to accept the risk. Due to the small size of the Municipality, it is not cost beneficial to employ additional personnel to adequately segregate the duties above. The Municipality will continue to regularly provide compensating controls.

Repeat Finding From Prior Years: Finding No. 2021-01 is a repeat finding since 2017.

Municipality of Wilmot
Schedule of Current and Prior Audit Findings
December 31, 2021 and 2020

Finding No. 2021-02 – Internal control over financial reporting

Criteria: Establishing internal control over the preparation of the financial statements and drafting the financial statements is the responsibility of management. The Municipality should have an internal control system designed for the drafting of the financial statements being audited.

Condition: The small size of the Municipality limits the ability of the Municipality office to prepare the financial statements and notes to the financial statements.

Cause: This condition exists due to small staff size within the Municipality's office. These issues are common in a Municipality of this size.

Effect: The Municipality engages the auditor to draft the financial statements and the notes to the financial statements. The possibility of error occurring and not being detected or corrected is present.

Recommendation: Municipality officials need to be cognizant of accepting the risk with the auditor drafting the financial. If the Municipality chooses not to accept the risk, training should be provided to those employees responsible for drafting the financial statements.

View of Responsible Officials: The Municipality agrees with this finding and is willing to accept the risk. Due to the small size of the Municipality, it is not cost beneficial to employ additional personnel. The Municipality will continue to regularly provide compensating controls.

Repeat Finding From Prior Years: Finding No. 2021-02 is a repeat finding since 2017



Independent Auditor's Report

To the Council Members
Municipality of Wilmot, South Dakota

Report on the Audit of the Financial Statements

Opinions

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

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

Basis for Opinions

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

Emphasis of Matter

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1.c.; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgement 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 purposes of expressing an opinion on the effectiveness of the Municipality's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Municipality's ability to continue as a going concern for a reasonable period of time.

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

Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 26, 2025 on our consideration of the Municipality's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide opinion on the effectiveness of the Municipality's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Municipality's internal control over financial reporting and compliance.

A handwritten signature in dark ink, appearing to read "CLO of LLC".

Chamberlain, South Dakota
February 26, 2025

Municipality of Wilmot
Statement of Net Position – Modified Cash Basis
For the Year December 31, 2021 and December 31, 2020

	December 31, 2021		
	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 531,097	\$ 109,273	\$ 640,370
Restricted Assets:			
Cash and cash equivalents	--	236,229	236,229
Total Assets	<u>\$ 531,097</u>	<u>\$ 345,502</u>	<u>\$ 876,599</u>

Net Position

Restricted for:

Revenue bond debt service	\$ --	\$ 27,996	\$ 27,996
Revenue bond retirement	--	165,933	165,933
Capital outlay	--	42,300	42,300

Unrestricted	531,097	109,273	640,370
Total Net Position	<u>\$ 531,097</u>	<u>\$ 345,502</u>	<u>\$ 876,599</u>

	December 31, 2020		
	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 652,417	\$ 250,718	\$ 903,135
Restricted Assets:			
Cash and cash equivalents	--	193,563	193,563
Total Assets	<u>\$ 652,417</u>	<u>\$ 444,281</u>	<u>\$ 1,096,698</u>

Net Position

Restricted for:

Revenue bond debt service	\$ --	\$ 27,996	\$ 27,996
Revenue bond retirement	--	131,667	131,667
Capital outlay	--	33,900	33,900

Unrestricted	652,417	250,718	903,135
Total Net Position	<u>\$ 652,417</u>	<u>\$ 444,281</u>	<u>\$ 1,096,698</u>

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

Municipality of Wilmot
Statement of Activities – Modified Cash Basis
For the Year December 31, 2021

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-Type Activities	
Primary Government:							
Governmental Activities:							
General government	\$ 80,555	\$ 1,502	\$ --	\$ 1,505	\$ (77,548)	\$ --	\$ (77,548)
Public safety	14,573	--	--	--	(14,573)	--	(14,573)
Public works	390,432	55,502	27,145	9,740	(298,045)	--	(298,045)
Health and welfare	1,791	--	--	--	(1,791)	--	(1,791)
Culture and recreation	42,443	8,770	--	--	(33,673)	--	(33,673)
Conservation and development	357	--	--	--	(357)	--	(357)
Miscellaneous Expenditures	13,791	200	--	--	(13,591)	--	(13,591)
Total Governmental Activities	543,942	65,974	27,145	11,245	(439,578)	--	(439,578)
Business-type Activities:							
Water	256,525	157,629	--	--	--	(98,896)	(98,896)
Sewer	110,086	65,224	--	44,796	--	(66)	(66)
Total Business-Type Activities	366,611	222,853	--	44,796	--	(98,962)	(98,962)
Total Primary Government	\$ 910,553	\$ 288,827	\$ 27,145	\$ 56,041	(439,578)	(98,962)	(538,540)
General Revenues:							
Taxes:							
Property tax					116,330	--	116,330
Sales tax					169,535	--	169,535
State shared revenues					4,930	--	4,930
Unrestricted investment earnings					32	183	215
Contributions and donations from private sources					9,689	--	9,689
Miscellaneous revenue					17,742	--	17,742
Total General Revenues and Transfers					318,258	183	318,441
Change in Net Position					(121,320)	(98,779)	(220,099)
Net Position-Beginning of Year					652,417	444,281	1,096,698
Net Position-End of Year					\$ 531,097	\$ 345,502	\$ 876,599

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

Municipality of Wilmot
Statement of Activities – Modified Cash Basis
For the Year December 31, 2020

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
Primary Government:							
Governmental Activities:							
General government	\$ 105,481	\$ 865	\$ --	\$ --	\$ (104,616)	\$ --	\$ (104,616)
Public safety	14,278	--	--	--	(14,278)	--	(14,278)
Public works	142,365	55,890	25,077	7,433	(53,965)	--	(53,965)
Health and welfare	2,196	--	--	--	(2,196)	--	(2,196)
Culture and recreation	22,975	6,920	--	--	(16,055)	--	(16,055)
Miscellaneous Expenditures	8,280	--	--	--	(8,280)	--	(8,280)
Total Governmental Activities	295,575	63,675	25,077	7,433	(199,390)	--	(199,390)
Business-type Activities:							
Water	109,078	137,566	--	--	--	28,488	28,488
Sewer	49,108	64,325	--	--	--	15,217	15,217
Total Business-Type Activities	158,186	201,891	--	--	--	43,705	43,705
Total Primary Government	\$ 453,761	\$ 265,566	\$ 25,077	\$ 7,433	(199,390)	43,705	(155,685)
General Revenues:							
Taxes:							
Property tax					110,112	--	110,112
Sales tax					157,445	--	157,445
Amusement tax					48	--	48
State shared revenues					4,744	--	4,744
Unrestricted investment earnings					120	660	780
Contributions and donations from private sources					20,798	--	20,798
Miscellaneous revenue					44,510	--	44,510
Total general Revenues and Transfers					337,777	660	338,437
Change in Net Position					138,387	44,365	182,752
Net Position-Beginning of Year					514,030	399,916	913,946
Net Position-End of Year					\$ 652,417	\$ 444,281	\$ 1,096,698

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

Municipality of Wilmot
Balance Sheet – Modified Cash Basis
Governmental Funds
December 31, 2021 and 2020

	<u>December 31, 2021</u>
	<u>General Fund</u>
Assets	
Cash and cash equivalents	\$ 531,097
Total Assets	<u>\$ 531,097</u>

Fund Balances	
Unassigned	\$ 531,097
Total Fund Balances	<u>\$ 531,097</u>

	<u>December 31, 2020</u>
	<u>General Fund</u>
Assets	
Cash and cash equivalents	\$ 652,417
Total Assets	<u>\$ 652,417</u>

Fund Balances	
Unassigned	\$ 652,417
Total Fund Balances	<u>\$ 652,417</u>

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

Municipality of Wilmot
Statement of Revenues, Expenditures, and Changes in Fund Balances – Modified Cash Basis
Governmental Funds
For the Year December 31, 2021

	<u>General Fund</u>
Revenues:	
Taxes:	
General property taxes	\$ 116,018
General sales and use taxes	169,535
Penalties and interest on delinquent taxes	312
Total Taxes	<u>285,865</u>
Licenses and permits	<u>1,502</u>
Intergovernmental:	
State Grants	1,505
Bank franchise tax	1,440
Motor vehicle commercial prorate	1,955
Liquor tax reversion (25%)	3,490
Motor vehicle licenses	11,571
Local government highway and bridge fund	14,996
County road tax (25%)	578
Total Intergovernmental Revenues	<u>35,535</u>
Charges for goods and services:	
Sanitation	53,547
Culture and recreation	3,557
Total Charges for Goods and Services	<u>57,104</u>
Fines and Forfeits:	
Library	302
Other	200
Total Fines and Forfeits	<u>502</u>
Miscellaneous revenue:	
Investment earnings	32
Rentals	4,911
Special assessments	9,740
Gain on sale of capital assets	210
Contributions and donations from private sources	9,689
Liquor operating agreement income	16,532
Other	1,000
Total Miscellaneous Revenue	<u>42,114</u>
Total Revenue	<u>\$ 422,622</u>

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

Municipality of Wilmot
Statement of Revenues, Expenditures, and Changes in Fund Balances – Modified Cash Basis
Governmental Funds
For the Year December 31, 2021 (Continued)

Expenditures:

Current:

General government:

Legislative	\$ 10,004
Executive	2,593
Elections	16
Financial administration	60,174
Other	7,768
Total General Government	<u>80,555</u>

Public safety:

Fire	14,573
Total Public Safety	<u>14,573</u>

Public works:

Highways and streets	357,429
Sanitation	33,003
Total Public Works	<u>390,432</u>

Health and welfare:

Health	1,791
Total Health and Welfare	<u>1,791</u>

Culture and recreation

Parks	19,818
Libraries	13,588
Auditorium	9,037
Total Culture and Recreation	<u>42,443</u>

Conservation and development:

Economic development and assistance (industrial development)	357
Total Conservation and Development	<u>357</u>

Miscellaneous:

Liquor operating agreements	13,791
Total Miscellaneous	<u>13,791</u>

Total Expenditures	<u>543,942</u>
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Net Change in Fund Balance	(121,320)
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Fund Balance - Beginning of Year	<u>652,417</u>
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Fund Balance - End of Year	<u><u>\$ 531,097</u></u>
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The accompanying Notes to Financial Statements are an integral part of this statement.

Municipality of Wilmot
Statement of Revenues, Expenditures, and Changes in Fund Balances – Modified Cash Basis
Governmental Funds
For the Year December 31, 2020

	<u>General Fund</u>
Revenues:	
Taxes:	
General property tax	\$ 109,885
General sales and use tax	157,445
Amusement tax	48
Penalties and interest on delinquent taxes	227
Total Taxes	<u>267,605</u>
Licenses and permits	<u>865</u>
Intergovernmental:	
State Shared Revenue:	
Bank franchise tax	1,339
Prorate license feeds	1,948
Liquor tax reversion (25%)	3,405
Motor vehicle licenses	8,159
Local government highway and bridge fund	14,392
County Shared Revenue:	
County road tax (25%)	578
Total Intergovernmental Revenues	<u>29,821</u>
Charges for Goods and Services:	
Sanitation	55,890
Culture and recreation	1,504
Total Charges for Goods and Services	<u>57,394</u>
Fines and Forfeits:	
Library	1,905
Total Fines and Forfeits	<u>1,905</u>
Miscellaneous Revenue:	
Investment earnings	120
Rentals	3,511
Special assessments	7,433
Contributions and donations from private sources	20,798
Liquor operating agreement income	15,513
Other	847
Total Miscellaneous Revenue	<u>48,222</u>
Total Revenue	<u>\$ 405,812</u>

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

Municipality of Wilmot
Statement of Revenues, Expenditures, and Changes in Fund Balances – Modified Cash Basis
Governmental Funds
For the Year December 31, 2020 (Continued)

Expenditures:

General Government:

Legislative	\$ 20,330
Executive	4,210
Elections	15
Financial administration	79,053
Building repairs	1,873
Total General Government	<u>105,481</u>

Public Safety:

Fire	14,278
Total Public Safety	<u>14,278</u>

Public Works:

Highways and streets	104,048
Sanitation	38,317
Total Public Works	<u>142,365</u>

Health and Welfare:

Health	2,196
Total Health and Welfare	<u>2,196</u>

Culture and Recreation:

Parks	4,785
Libraries	11,509
Auditorium	6,681
Total Culture and Recreation	<u>22,975</u>

Liquor operating agreements	8,280
Total Miscellaneous	<u>8,280</u>

Total Expenditures	295,575
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Excess of Revenues Over (Under) Expenditures	110,237
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Other Financing Sources (Uses):

Sale of municipal property	28,150
Total Other Financing Sources (Uses)	<u>28,150</u>

Net Change in Fund Balance	138,387
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Fund Balance - Beginning of Year	<u>514,030</u>
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Fund Balance - End of Year	<u><u>\$ 652,417</u></u>
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The accompanying Notes to Financial Statements are an integral part of this statement.

Municipality of Wilmot
Statement of Net Position – Modified Cash Basis
Proprietary Funds
December 31, 2021 and 2020

	December 31, 2021		
	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Totals</u>
Assets			
Unrestricted Assets:			
Cash and cash equivalents	\$ 53,435	\$ 55,838	\$ 109,273
Restricted Assets:			
Restricted cash and cash equivalents for:			
Bond debt service	16,272	11,724	27,996
Bond retirement	97,911	68,022	165,933
Capital outlay	14,400	27,900	42,300
Total restricted assets	<u>128,583</u>	<u>107,646</u>	<u>236,229</u>
Total Assets	<u>\$ 182,018</u>	<u>\$ 163,484</u>	<u>\$ 345,502</u>

Net Position

Restricted for:			
Revenue bond debt service	\$ 16,272	\$ 11,724	\$ 27,996
Revenue bond retirement	97,911	68,022	165,933
Capital outlay	14,400	27,900	42,300
Unrestricted	<u>53,435</u>	<u>55,838</u>	<u>109,273</u>
Total Net Position	<u>\$ 182,018</u>	<u>\$ 163,484</u>	<u>\$ 345,502</u>

	December 31, 2020		
	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Totals</u>
Assets			
Unrestricted Assets:			
Cash and cash equivalents	\$ 174,800	\$ 75,918	\$ 250,718
Restricted Assets:			
Restricted cash and cash equivalents for:			
Bond debt service	16,272	11,724	27,996
Bond retirement	77,760	53,907	131,667
Capital outlay	12,000	21,900	33,900
Total restricted assets	<u>106,032</u>	<u>87,531</u>	<u>193,563</u>
Total Assets	<u>\$ 280,832</u>	<u>\$ 163,449</u>	<u>\$ 444,281</u>

Net Position

Restricted for:			
Revenue bond debt service	\$ 16,272	\$ 11,724	\$ 27,996
Revenue bond retirement	77,760	53,907	131,667
Capital outlay	12,000	21,900	33,900
Unrestricted	<u>174,800</u>	<u>75,918</u>	<u>250,718</u>
Total Net Position	<u>\$ 280,832</u>	<u>\$ 163,449</u>	<u>\$ 444,281</u>

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

Municipality of Wilmot
Statement of Revenues, Expenses, and Changes in Fund Net Position – Modified Cash Basis
Proprietary Funds
For the Year Ended December 31, 2021

	Enterprise Funds		
	Water Fund	Sewer Fund	Totals
Operating Revenues:			
Charges for goods and services	\$ 137,187	\$ 50,895	\$ 188,082
Revenue dedicated to servicing debt	20,169	14,129	34,298
Intergovernmental revenue	--	44,796	44,796
Miscellaneous	273	200	473
Total Operating Revenues	<u>157,629</u>	<u>110,020</u>	<u>267,649</u>
Operating Expenses:			
Personal services	24,436	24,464	48,900
Other current expense	108,994	23,898	132,892
Supplies & materials	55,808	--	55,808
Total Operating Expenses	<u>189,238</u>	<u>48,362</u>	<u>237,600</u>
Operating Income (Loss)	<u>(31,609)</u>	<u>61,658</u>	<u>30,049</u>
Nonoperating Revenues (Expenses):			
Capital assets	(1,015)	--	(1,015)
Investment income	82	101	183
Debt service	(57,754)	(57,766)	(115,520)
Interest expense	(8,518)	(3,958)	(12,476)
Total Nonoperating Revenue (Expense)	<u>(67,205)</u>	<u>(61,623)</u>	<u>(128,828)</u>
Change in Net Position	(98,814)	35	(98,779)
Fund Balance - Beginning of Year	<u>280,832</u>	<u>163,449</u>	<u>444,281</u>
Fund Balance - End of Year	<u>\$ 182,018</u>	<u>\$ 163,484</u>	<u>\$ 345,502</u>

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

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

	Enterprise Funds		
	Water Fund	Sewer Fund	Totals
Operating Revenues:			
Charges for goods and services	\$ 117,440	\$ 50,129	\$ 167,569
Revenue dedicated to servicing debt	20,126	14,196	34,322
Total Operating Revenues	<u>137,566</u>	<u>64,325</u>	<u>201,891</u>
Operating Expenses:			
Personal services	11,399	11,413	22,812
Other current expense	28,687	25,524	54,211
Supplies & materials	47,895	--	47,895
Total Operating Expenses	<u>87,981</u>	<u>36,937</u>	<u>124,918</u>
Operating Income (Loss)	<u>49,585</u>	<u>27,388</u>	<u>76,973</u>
Nonoperating Revenues (Expenses):			
Capital assets	(4,825)	(447)	(5,272)
Investment income	295	365	660
Debt service	(6,385)	(6,519)	(12,904)
Interest expense	<u>(9,887)</u>	<u>(5,205)</u>	<u>(15,092)</u>
Total Nonoperating Revenue (Expense)	<u>(20,802)</u>	<u>(11,806)</u>	<u>(32,608)</u>
Change in Net Position	28,783	15,582	44,365
Fund Balance - Beginning of Year	<u>252,049</u>	<u>147,867</u>	<u>399,916</u>
Fund Balance - End of Year	<u><u>\$ 280,832</u></u>	<u><u>\$ 163,449</u></u>	<u><u>\$ 444,281</u></u>

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

Municipality of Wilmot
Statement of Cash Flows – Modified Cash Basis
Proprietary Funds
December 31, 2021

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Totals</u>
Cash Flows from Operating Activities:			
Receipt from customers	\$ 157,629	\$ 110,020	\$ 267,649
Payments to suppliers	(164,802)	(23,898)	(188,700)
Payments to employees	(24,436)	(24,464)	(48,900)
	<u> </u>	<u> </u>	<u> </u>
Net Cash Provided (Used) by Operating Activities	<u>(31,609)</u>	<u>61,658</u>	<u>30,049</u>
Cash Flows from Capital and Related Financing Activities:			
Purchase of Capital Assets	(1,015)	--	(1,015)
Principal Paid on Capital Debt	(57,754)	(57,766)	(115,520)
Interest Paid on Capital Debt	(8,518)	(3,958)	(12,476)
	<u> </u>	<u> </u>	<u> </u>
Net Cash (Used) by Capital and Related Financing Activities	<u>(67,287)</u>	<u>(61,724)</u>	<u>(129,011)</u>
Cash Flows from Investing Activities:			
Interest earnings	82	101	183
	<u> </u>	<u> </u>	<u> </u>
Net Cash Provided by Investing Activities	<u>82</u>	<u>101</u>	<u>183</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(98,814)	35	(98,779)
Cash and Cash Equivalents - Beginning of Year	<u>280,832</u>	<u>163,449</u>	<u>444,281</u>
Cash and Cash Equivalents - End of Year	<u>\$ 182,018</u>	<u>\$ 163,484</u>	<u>\$ 345,502</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities			
Operating Income (Loss)	\$ (31,609)	\$ 61,658	\$ 30,049
Net Cash Provided (Used) by Operating Activities	<u>\$ (31,609)</u>	<u>\$ 61,658</u>	<u>\$ 30,049</u>

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

Municipality of Wilmot
Statement of Cash Flows – Modified Cash Basis
Proprietary Funds
December 31, 2020

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Totals</u>
Cash Flows from Operating Activities:			
Receipt from customers	\$ 137,566	\$ 64,325	\$ 201,891
Payments to suppliers	(76,582)	(25,524)	(102,106)
Payments to employees	(11,399)	(11,413)	(22,812)
	<u>49,585</u>	<u>27,388</u>	<u>76,973</u>
Net Cash Provided by Operating Activities			
	<u>49,585</u>	<u>27,388</u>	<u>76,973</u>
Cash Flows from Capital and Related Financing Activities:			
Purchase of Capital Assets	(4,825)	(447)	(5,272)
Principal Paid on Capital Debt	(6,385)	(6,519)	(12,904)
Interest Paid on Capital Debt	(9,887)	(5,205)	(15,092)
	<u>(21,097)</u>	<u>(12,171)</u>	<u>(33,268)</u>
Net Cash (Used) by Capital and Related Financing Activities			
	<u>(21,097)</u>	<u>(12,171)</u>	<u>(33,268)</u>
Cash Flows from Investing Activities:			
Interest earnings	295	365	660
	<u>295</u>	<u>365</u>	<u>660</u>
Net Cash Provided by Investing Activities			
	<u>295</u>	<u>365</u>	<u>660</u>
Net Increase (Decrease) in Cash and Cash Equivalents			
	28,783	15,582	44,365
Cash and Cash Equivalents - Beginning of Year	252,049	147,867	399,916
Cash and Cash Equivalents - End of Year	<u>\$ 280,832</u>	<u>\$ 163,449</u>	<u>\$ 444,281</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities			
Operating Income	\$ 49,585	\$ 27,388	\$ 76,973
Net Cash Provided by Operating Activities	<u>\$ 49,585</u>	<u>\$ 27,388</u>	<u>\$ 76,973</u>

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

Municipality of Wilmot
Notes to the Modified Cash Basis Financial Statements
December 31, 2021 and 2020

1. Summary of Significant Accounting Policies:

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

a. Financial Reporting Municipality:

The reporting entity of the Municipality of Wilmot, (Municipality) consists of the primary government (which includes all of the funds, organizations, institutions, agencies, departments, and offices that make up the legal Municipality, 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 Municipality); those organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the financial reporting Municipality's financial statements to be misleading or incomplete.

b. Basis of Presentation:

Government-wide Financial Statements:

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

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

Fund Financial Statements:

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

Municipality of Wilmot
Notes to the Modified Cash Basis Financial Statements
December 31, 2021 and 2020

1. Summary of Significant Accounting Policies: (Continued)

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

The funds of the Municipality's financial reporting Municipality are described below:

Governmental Funds:

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

Proprietary Funds:

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

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

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

Municipality of Wilmot
Notes to the Modified Cash Basis Financial Statements
December 31, 2021 and 2020

1. Summary of Significant Accounting Policies: (Continued)

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

c. Measurement Focus and Basis of Accounting:

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

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

Measurement Focus:

Government-wide Financial Statements:

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

Fund Financial Statements:

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

Basis of Accounting:

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

The modified cash basis of accounting involves the measurement of cash and cash equivalents and changes in cash and cash equivalents resulting from cash receipt and disbursement transactions. Under the modified cash basis of accounting, the statement of financial position reports only cash and cash equivalents (those investments with terms to maturity of 90 days (three months) or less at the date of acquisition). Under the modified cash basis of accounting, transactions are recorded in the accounts when cash and/or cash equivalents are received or disbursed, and assets and liabilities are recognized to the extent that cash has been received or disbursed. An acceptable modification to the cash basis of accounting implemented by the Municipality is these financial statements is:

Municipality of Wilmot
Notes to the Modified Cash Basis Financial Statements
December 31, 2021 and 2020

1. Summary of Significant Accounting Policies: (Continued)

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

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

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

d. Deposits and Investments:

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

e. Capital Assets:

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

Government-Wide Financial Statements:

Under the modified cash basis of accounting, capital assets are considered a cost of the program for which they were acquired, for the amount paid in cash. In the Statement of Activities, cash payments for capital assets are recorded in the program category for which they were acquired. Allocations between programs are made, where necessary to match the cost with the program that benefits from the use of the capital assets.

Fund Financial Statements:

In the fund financial statements, capital assets arising from cash transactions acquired for use in governmental fund operations are accounted for as expenditures of the governmental fund when paid for in cash. Capital assets acquired for use in proprietary fund operations are accounted for in the same manner as in the government-wide financial statements.

Municipality of Wilmot
Notes to the Modified Cash Basis Financial Statements
December 31, 2021 and 2020

1. Summary of Significant Accounting Policies: (Continued)

f. Long-Term Liabilities:

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

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

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

g. Program Revenues:

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

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

h. Proprietary Funds Revenue and Expense Classifications:

In the proprietary fund's Statements of Revenues, Expenses and Changes in Fund Net Position, revenues and expenses are classified as operating or non-operating revenues and expenses. Operating revenues and expenses directly relate to the purpose of the fund.

Municipality of Wilmot
Notes to the Modified Cash Basis Financial Statements
December 31, 2021 and 2020

1. Summary of Significant Accounting Policies: (Continued)

i. Cash and Cash Equivalents:

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

j. Equity Classifications:

Government-wide Financial Statements:

Equity is classified as Net Position and is displayed in two components:

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

Fund Financial Statements:

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

k. Application of Net Position:

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

l. Fund Balance Classification Policies and Procedures:

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

Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.

Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision-making authority and does not lapse at year-end.

Municipality of Wilmot
Notes to the Modified Cash Basis Financial Statements
December 31, 2021 and 2020

1. Summary of Significant Accounting Policies: (Continued)

Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted nor committed. Fund Balance may be assigned by the governing body or Finance Officer.

Unassigned – included positive fund balance within the General Fund which has not been classified within the above-mentioned categories and negative fund balances in other governmental funds.

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

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

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

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

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

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

As of December 31, 2021 and 2020, the Municipality did not have any investments.

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

Municipality of Wilmot
Notes to the Modified Cash Basis Financial Statements
December 31, 2021 and 2020

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

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

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

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

3. Property Taxes:

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

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

4. Pension Plan:

a. Plan Information:

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

b. Benefits Provided:

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

Municipality of Wilmot
Notes to the Modified Cash Basis Financial Statements
December 31, 2021 and 2020

4. Pension Plan: (Continued)

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

Members that were hired on/after July 1, 2017, are Generational members. Class A Generational members and Class B Generational judicial members who retire after age 67 with three years of contributory service are entitled to an unreduced annual retirement benefit. Class B Generational public safety members can retire with an unreduced annual retirement benefit after age 57 with three years of contributory service. At retirement, married Generational members may elect a single-life benefit, a 60% joint and survivor benefit, or a 100% 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% of compensation funded by part of the employer contribution. VRAs will receive investment earnings based on investment returns.

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

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

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

Municipality of Wilmot
Notes to the Modified Cash Basis Financial Statements
December 31, 2021 and 2020

4. Pension Plan: (Continued)

c. Contributions:

Per SDCL 3-12, contribution requirements of the active employees and 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% of salary; Class B Judicial Members, 9% of salary; and Class B Public Safety Members, 8% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. The Municipality's share of contributions to the SDRS for the fiscal years ended December 31, 2021, 2020, and 2019 were \$5,487, \$5,106, and \$6,135, respectively, equal to the required contributions each year.

d. Pension (Asset):

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

	2021
Proportionate share of pension liability	\$ 531,914
Less proportionate share of net pension restricted for pension benefits	<u>(561,291)</u>
Proportionate share of net pension liability (asset)	<u><u>\$ (29,377)</u></u>

The net pension (asset) was measured as of June 30, 2021, and the total pension (asset) used to calculate the net pension (asset) was based on a projection of the Municipality's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2021, the Municipality's proportion was 0.0038360% which is a decrease of 0.0005372% from its proportion measured as of June 30, 2020.

e. Actuarial Assumptions:

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

Inflation	2.25%
Salary Increases	6.5% at entry to 3% after 25 years of service
Discount Rate	6.50% net of plan investment expense. Composted of an average inflation rate of 2.25% and real returns of 4.25%
Future COLAs	2.25%

Municipality of Wilmot
Notes to the Modified Cash Basis Financial Statements
December 31, 2021 and 2020

4. Pension Plan: (Continued)

Mortality Rates:

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

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

Investment Portfolio:

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	58.0%	4.3%
Fixed Income	30.0%	1.6%
Real Estate	10.0%	4.6%
Cash	2.0%	0.9%
Total	100.0%	

f. Discount Rate:

The discount rate used to measure the total pension (asset) was 6.5%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that matching employer contributions from will be made at rates equal to the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability (asset).

Municipality of Wilmot
Notes to the Modified Cash Basis Financial Statements
December 31, 2021 and 2020

4. Pension Plan: (Continued)

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

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

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Municipality's proportionate share of the net pension liability (asset)	\$ 47,569	\$ (29,377)	\$ (91,840)

h. Pension Plan Fiduciary Net Position:

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

5. Risk Management:

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

Employee Health Insurance:

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

Liability Insurance:

The Municipality purchases liability insurance for risks related to torts; theft or damage to property; and errors and omissions of public officials, with the exception of the Fire Department which is insured in a separate policy as a separate named Municipality, from a commercial insurance carrier. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

Workers' Compensation:

The Municipality joined the South Dakota Municipal League Workers' Compensation Fund (Fund), a public Municipality risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The objective of the Fund is to formulate, develop, and administer, on behalf of the member organizations, a program of workers' compensation coverage, to obtain lower costs for that coverage, and to develop a comprehensive loss control program. The Municipality's responsibility is to initiate and maintain a safety program to give its employees safe and sanitary working conditions and to promptly report to and cooperate with the Fund to resolve any workers' compensation claims.

Municipality of Wilmot
Notes to the Modified Cash Basis Financial Statements
December 31, 2021 and 2020

5. Risk Management: (Continued)

The Municipality pays an annual premium, to provide workers' compensation coverage for its employees, under a self-funded program and the premiums are accrued based on the ultimate cost of the experience to date of the Fund members. Coverage limits are set by state statute. The pool pays the first \$650,000 of any claim per individual. The pool has reinsurance which covers up to statutory limits in addition to a separate combined employer liability limit of \$2,000,000 per incident.

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

Unemployment Benefits:

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

6. Interfund Transfers:

The Municipality did not have any interfund transfers during the period ended December 31, 2021 and 2020.

Supplemental Information

Municipality of Wilmot
 Budgetary Comparison Schedule – Modified Cash Basis
 General Fund
 December 31, 2021

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Revenues:				
Taxes:				
General property tax	\$ 114,699	\$ 114,699	\$ 116,018	\$ 1,319
General sales and use tax	142,200	142,200	169,535	27,335
Amusement tax	60	60	--	(60)
Penalties and interest on delinquent taxes	150	150	312	162
Total Taxes	257,109	257,109	285,865	28,756
Licenses and permits	150	150	1,502	1,352
Intergovernmental:				
State grants	--	--	1,505	1,505
State Shared Revenue:				
Bank franchise tax	1,500	1,500	1,440	(60)
Prorate license feeds	1,600	1,600	1,955	355
Liquor tax reversion (25%)	3,000	3,000	3,490	490
Motor vehicle licenses	7,500	7,500	11,571	4,071
Local government highway and bridge fund	14,000	14,000	14,996	996
County road tax (25%)	575	575	578	3
Total Intergovernmental Revenues	28,175	28,175	35,535	7,360
Charges for Goods and Services:				
Sanitation	51,230	51,230	53,547	2,317
Culture and recreation	1,500	1,500	3,557	2,057
Total Charges for Goods and Services	52,730	52,730	57,104	4,374
Fines and Forfeits:				
Animal control fines	400	400	--	(400)
Library	5,195	5,195	302	(4,893)
Other	--	--	200	200
Total Fines and Forfeits	5,595	5,595	502	(5,093)
Miscellaneous Revenue:				
Investment earnings	100	100	32	(68)
Rentals	4,860	4,860	4,911	51
Special assessments	7,400	7,400	9,740	2,340
Gain on sale of capital assets	--	--	210	210
Contributions and donations from private sources	--	--	9,689	9,689
Liquor operating agreement income	12,000	12,000	16,532	4,532
Other	500	500	1,000	500
Total Miscellaneous Revenue	24,860	24,860	42,114	17,254
Total Revenue	\$ 368,619	\$ 368,619	\$ 422,622	\$ 54,003

See accompanying Note to Budgetary Comparison Schedules.

Municipality of Wilmot
 Budgetary Comparison Schedule – Modified Cash Basis
 General Fund
 December 31, 2021 (Continued)

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Expenditures:				
General Government:				
Legislative	\$ 12,360	\$ 12,360	\$ 10,004	\$ 2,356
Contingency	18,435	--		--
Executive	1,765	1,765	2,593	(828)
Elections	750	750	16	734
Financial administration	54,460	66,335	60,174	6,161
Buildings repairs	7,000	8,935	7,768	1,167
Total General Government	94,770	90,145	80,555	9,590
Public Safety:				
Fire	14,644	14,644	14,573	71
Total Public Safety	14,644	14,644	14,573	71
Public Works:				
Highways and streets	541,464	541,464	357,429	184,035
Sanitation	49,230	49,230	33,003	16,227
Total Public Works	590,694	590,694	390,432	200,262
Health and Welfare:				
Health	2,000	2,000	1,791	209
Total Health and Welfare	2,000	2,000	1,791	209
Culture and Recreation:				
Parks	3,924	20,874	19,818	1,056
Libraries	20,396	20,396	13,588	6,808
Auditorium	11,121	11,121	9,037	2,084
Total Culture and Recreation	35,441	52,391	42,443	9,948
Conservation and Development:				
Economic development and assistance	2,000	2,000	357	1,643
Economic opportunity	250	250	--	250
Total Conservation and Development	2,250	2,250	357	1,893
Miscellaneous:				
Liquor operating agreements	10,620	14,470	13,791	679
Total Miscellaneous	10,620	14,470	13,791	679
Total Expenditures	750,419	766,594	543,942	222,652
Excess of Revenues Over (Under) Expenditures	(381,800)	(397,975)	(121,320)	276,655
Other Financing Sources (Uses):				
Sale of municipal property	100	100	--	(100)
Total Other Financing Sources (Uses)	100	100	--	(100)
Net Change in Fund Balance	(381,700)	(397,875)	(121,320)	276,555
Beginning Budgetary Fund Balance	652,417	652,417	652,417	--
Ending Budgetary Fund Balance	\$ 270,717	\$ 254,542	\$ 531,097	\$ 276,555

See accompanying Note to Budgetary Comparison Schedules.

Municipality of Wilmot
 Budgetary Comparison Schedule – Modified Cash Basis
 General Fund
 December 31, 2020

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Revenues:				
Taxes:				
General property tax	\$ 112,782	\$ 112,782	\$ 109,885	\$ (2,897)
General sales and use tax	138,000	138,000	157,445	19,445
Amusement tax	60	60	48	(12)
Penalties and interest on delinquent taxes	300	300	227	(73)
Total Taxes	<u>251,142</u>	<u>251,142</u>	<u>267,605</u>	<u>16,463</u>
Licenses and permits	400	400	865	465
Intergovernmental:				
State Shared Revenue:				
Bank franchise tax	1,600	1,600	1,339	(261)
Prorate license feeds	1,600	1,600	1,948	348
Liquor tax reversion (25%)	3,000	3,000	3,405	405
Motor vehicle licenses	7,000	7,000	8,159	1,159
Local government highway and bridge fund	14,000	14,000	14,392	392
County Shared Revenue:				
County road tax (25%)	575	575	578	3
Total Intergovernmental Revenues	<u>27,775</u>	<u>27,775</u>	<u>29,821</u>	<u>2,046</u>
Charges for Goods and Services:				
Sanitation	51,230	51,230	55,890	4,660
Culture and recreation	--	--	1,504	1,504
Total Charges for Goods and Services	<u>51,230</u>	<u>51,230</u>	<u>57,394</u>	<u>6,164</u>
Fines and Forfeits:				
Library	5,610	5,610	1,905	(3,705)
Total Fines and Forfeits	<u>5,610</u>	<u>5,610</u>	<u>1,905</u>	<u>(3,705)</u>
Miscellaneous Revenue:				
Investment earnings	100	100	120	20
Rentals	6,415	6,415	3,511	(2,904)
Special assessments	7,400	7,400	7,433	33
Contributions and donations from private sources	--	--	20,798	20,798
Liquor operating agreement income	17,250	17,250	15,513	(1,737)
Other	500	500	847	347
Total Miscellaneous Revenue	<u>31,665</u>	<u>31,665</u>	<u>48,222</u>	<u>16,557</u>
Total Revenue	<u>\$ 367,822</u>	<u>\$ 367,822</u>	<u>\$ 405,812</u>	<u>\$ 37,990</u>

See accompanying Note to Budgetary Comparison Schedules.

Municipality of Wilmot
 Budgetary Comparison Schedule – Modified Cash Basis
 General Fund
 December 31, 2020 (Continued)

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Expenditures:				
General Government:				
Legislative	\$ 3,813	\$ 20,341	\$ 20,330	\$ 11
Contingency	18,541	--	--	--
Executive	1,695	5,608	4,210	1,398
Elections	900	900	15	885
Financial administration	90,191	90,191	79,053	11,138
Building repairs	2,000	2,250	1,873	377
Total General Government	117,140	119,290	105,481	13,809
Public Safety:				
Fire	13,644	14,294	14,278	16
Other protection	280	280	--	280
Total Public Safety	13,924	14,574	14,278	296
Public Works:				
Highways and streets	132,441	132,441	104,048	28,393
Sanitation	52,001	52,001	38,317	13,684
Total Public Works	184,442	184,442	142,365	42,077
Health and Welfare:				
Health	2,000	2,600	2,196	404
Total Health and Welfare	2,000	2,600	2,196	404
Culture and Recreation:				
Parks	6,152	6,152	4,785	1,367
Libraries	20,346	20,346	11,509	8,837
Auditorium	9,991	9,991	6,681	3,310
Total Culture and Recreation	36,489	36,489	22,975	13,514
Conservation and Development:				
Economic development and assistance	7,500	7,500	--	7,500
Total Conservation and Development	7,500	7,500	--	7,500
Debt service				
Liquor operating agreements	9,327	9,327	8,280	1,047
Total Miscellaneous	9,327	9,327	8,280	1,047
Total Expenditures	370,822	374,222	295,575	78,647
Excess of Revenues Over (Under) Expenditures	(3,000)	(6,400)	110,237	116,637
Other Financing Sources (Uses):				
Sale of municipal property	3,000	3,000	28,150	25,150
Total Other Financing Sources (Uses)	3,000	3,000	28,150	25,150
Net Change in Fund Balance	--	(3,400)	138,387	141,787
Beginning Budgetary Fund Balance	514,030	514,030	514,030	--
Ending Budgetary Fund Balance	<u>\$ 514,030</u>	<u>\$ 510,630</u>	<u>\$ 652,417</u>	<u>\$ 141,787</u>

See accompanying Note to Budgetary Comparison Schedules.

Municipality of Wilmot
Notes to Budgetary Comparison Schedules
December 31, 2021 and 2020

Note 1: Budgets and Budgetary Accounting:

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

1. At the first regular board meeting in September of each year or within ten days thereafter, the Governing Board introduces the annual appropriation ordinance for the ensuing fiscal year.
2. After adoption by the Governing Board, the operating budget is legally binding and actual expenditures for each purpose cannot exceed the amounts budgeted, except as indicated in number 4.
3. A line item for contingencies may be included in the annual budget. Such a line item may not exceed 5 percent of the total municipal budget and may be transferred by resolution of the Governing Board to any other budget category that is deemed insufficient during the year.
4. If it is determined during the year that sufficient amounts have not been budgeted, state statute allows the adoption of supplemental budgets.
5. Unexpended appropriations lapse at year end unless encumbered by resolution of the Governing Board.
6. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General Fund and special revenue funds.
7. The Municipality did not encumber any amounts at December 31, 2021 or 2020.
8. Formal budgetary integration is employed as a management control device during the year for the General Fund and special revenue funds.
9. The Municipality of Wilmot presents its budget on the modified cash basis of accounting to coincide with the basis of accounting utilized by the basic financial statements. See Note 1 to the basic financial statements for a definition of modified cash basis.

Municipality of Wilmot
Schedule of Changes in Long-Term Debt
December 31, 2021 and 2020

Indebtedness	December 31, 2021			
	Long-Term Debt 1/1/21	Add New Debt	Less Debt Retired	Long-Term Debt 12/31/21
Enterprise Long-Term Debt:				
Revenue bonds	\$ 560,749	\$ --	\$ 115,520	\$ 445,229
Total Long-Term Debt:	<u>\$ 560,749</u>	<u>\$ --</u>	<u>\$ 115,520</u>	<u>\$ 445,229</u>

Indebtedness	December 31, 2020			
	Long-Term Debt 1/1/20	Add New Debt	Less Debt Retired	Long-Term Debt 12/31/20
Enterprise Long-Term Debt:				
Revenue bonds	\$ 573,653	\$ --	\$ 12,904	\$ 560,749
Total Long-Term Debt:	<u>\$ 573,653</u>	<u>\$ --</u>	<u>\$ 12,904</u>	<u>\$ 560,749</u>

The annual requirements to amortize all debt outstanding as of December 31, 2021 including interest, are listed below:

Years Ending Dec. 31,	Total	
	Principal	Interest
2022	\$ 11,800	\$ 16,200
2023	12,100	11,400
2024	12,400	11,100
2025	12,700	10,700
2026	13,100	10,400
2027	13,400	10,000
Thereafter	369,679	391,700
Total	<u>\$ 445,179</u>	<u>\$ 461,500</u>

Municipality of Wilmot
Schedule of Changes in Long-Term Debt
December 31, 2021 and 2020 (Continued)

Notes Payable or Other Long-Term Debt	2021
Rural Development Debt:	
Sewer Utility Revenue Bond, Series 2015	\$ 146,916
Use of proceeds: sewer improvements project	
Interest rate: 2.5% fixed	
Maturity date: 2055 (anticipated)	
Fund servicing debt: sewer	
Rural Development Debt:	298,313
Water Utility Revenue Bond, Series 2015	
Use of proceeds: water improvements project	
Interest rate: 2.75% fixed	
Maturity date: 2055 (anticipated)	
Fund servicing debt: water	
	\$ 445,229
Notes Payable or Other Long-Term Debt	2020
Rural Development Debt:	
Sewer Utility Revenue Bond, Series 2015	\$ 204,682
Use of proceeds: sewer improvements project	
Interest rate: 2.5% fixed	
Maturity date: 2055 (anticipated)	
Fund servicing debt: sewer	
Rural Development Debt:	356,067
Water Utility Revenue Bond, Series 2015	
Use of proceeds: water improvements project	
Interest rate: 2.75% fixed	
Maturity date: 2055 (anticipated)	
Fund servicing debt: water	
	\$ 560,749

Municipality of Wilmot
Schedule of Proportionate Share of the Net Pension Liability (Asset)

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Municipality's proportion of the net pension liability (asset)	0.003836%	0.004373%	0.004417%	0.004161%	0.003937%	0.004534%	0.004184%
Municipality's proportionate share of net pension liability (asset)	<u>\$ (29,377)</u>	<u>\$ (190)</u>	<u>\$ (468)</u>	<u>(97)</u>	<u>(357)</u>	<u>15,316</u>	<u>(17,744)</u>
Municipality's covered payroll	<u>\$ 87,057</u>	<u>\$ 95,977</u>	<u>\$ 93,906</u>	<u>\$ 86,017</u>	<u>\$ 81,203</u>	<u>\$ 83,217</u>	<u>\$ 75,413</u>
Municipality's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	33.74%	0.20%	0.50%	0.11%	0.44%	18.40%	23.53%
Plan fiduciary net position as a percentage of the total pension liability (asset)	105.52%	100.04%	100.09%	100.02%	100.10%	96.89%	104.10%

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

See accompanying Note to Schedule of Proportionate Share of the Net Pension Liability (Asset).

Municipality of Wilmot
Notes to Schedule of Proportionate Share of the Net Pension Liability (Asset)
December 31, 2021

Changes from Prior Valuation

The June 30, 2021 Actuarial Valuation reflects numerous changes to the actuarial assumptions as a result of an experience analysis completed since the June 30, 2020 Actuarial Valuation. In addition, two changes in actuarial methods have been implemented since the prior valuation.

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

Benefit Provision Changes

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% (0.5% 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%. That 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 COLA of 1.41%. For this June 30, 2021 Actuarial Valuation, future COLAs are assumed to equal the baseline COLA assumption of 2.25%.

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

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