MUNICIPALITY OF DELL RAPIDS

AUDIT REPORT

FOR THE YEAR ENDED

DECEMBER 31, 2020

MUNICIPALITY OF DELL RAPIDS
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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*

City Council
Municipality of Dell Rapids
Dell Rapids, South Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Municipality of Dell Rapids, South Dakota (Municipality), as of December 31, 2020 and for the year then ended, and the related notes to the financial statements, which collectively comprise the Municipality's basic financial statements and have issued our report thereon dated September 28, 2021.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or 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 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. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Current Audit Findings and Questioned Costs, as item 2020-001 to be a material weakness.

Compliance and Other Matters

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

Municipality's Response to Findings

The Municipality's response to the findings identified in our audit are described in the accompanying Schedule of Current Audit Findings and Questioned Costs. 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 the 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.

KMWF + Associates, PC

Dell Rapids, South Dakota
September 28, 2021

KMWF & Associates, PC
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

City Council
Municipality of Dell Rapids
Dell Rapids, South Dakota 57022

Report on Compliance for Each Major Federal Program

We have audited the Municipality of Dell Rapids, South Dakota (Municipality), compliance with the types of compliance requirements described in *U.S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the Municipality's major federal programs for the year ended December 31, 2020. The Municipality's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Current Audit Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control over Compliance

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

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

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

Purpose of this Report

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

KMWF & Associates, PC

Dell Rapids, South Dakota
September 28, 2021

MUNICIPALITY OF DELL RAPIDS
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2020

Prior Audit Findings

Finding No. 2019-001:

A lack of segregation of duties existed for the accounting department. This finding has not been corrected and is restated as current audit finding number 2020-001.

MUNICIPALITY OF DELL RAPIDS
SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2020

SUMMARY OF INDEPENDENT AUDITOR'S RESULTS:

Financial Statements:

a. An unmodified opinion was issued on the financial statements of each opinion unit.

b. A material weakness was disclosed by our audit of the financial statements for a lack of segregation of duties as discussed in finding number 2020-001.

c. Our audit did not disclose any noncompliance which was material to the financial statements.

Federal Awards:

d. An unmodified opinion was issued on compliance with the requirements applicable to major programs.

e. Our audit did not disclose any audit findings that are required to be reported in accordance with 2 CFR 200.516(a).

f. The federal award test as a major program was:

CFDA #	Name of Federal Program
21.019	Coronavirus Relief Fund

g. The dollar threshold used to distinguish between Type A and Type B federal award programs was $750,000.

h. The Municipality of Dell Rapids did not qualify as a low-risk auditee.

MUNICIPALITY OF DELL RAPIDS
SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2020

Current Federal Audit Findings:

There are no written current federal compliance audit findings to report.

Current Other Audit Findings:

Internal Control-Related Findings – Material Weaknesses:

Finding No. 2020-001:

Criteria: Internal controls should be in place that provide reasonable assurance that management directives are carried out in regards to the recording and processing of financial data. This is the eighteenth consecutive audit report in which this finding has appeared.

Condition Found: A lack of segregation of duties exists for the accounting department. This comment is a result of the size of the entity which precludes staffing at a level sufficient to provide an ideal environment for internal controls.

Cause and Effect: Because of the size of the entity and lack of segregation of duties, employees perform related functions.

Recommendation: Implementation of compensating controls.

Corrective Action Plan: Claire Baartman is the contact person responsible for the corrective action plan for this comment. The Municipality has prepared a response to the finding which is on page 62.

KMWF & Associates, PC
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

City Council
Municipality of Dell Rapids
Dell Rapids, South Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Municipality of Dell Rapids, South Dakota (Municipality) as of December 31, 2020 and for the year 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.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Municipality's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Municipality's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (MD&A) on pages 11 through 23, the Budgetary Comparison Schedules on pages 55 through 57, and the Pension Schedules on pages 58 through 60 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required 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 our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Municipality's basic financial statements. The Schedule of Expenditures of Federal Awards, which as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) is presented for purposes of additional analysis and is 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 financial statements. The information has been subjected 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 our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated September 28, 2021 on our consideration of the Municipality's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

KMWF & Associates, P

Dell Rapids, South Dakota
September 28, 2021

MUNICIPALITY OF DELL RAPIDS
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2020

This section of Municipality of Dell Rapids (Municipality) financial report presents our discussion and analysis of the Municipality's financial performance during the fiscal year ended on December 31, 2020. Please read it in conjunction with the Municipality's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- During the year, the Municipality's revenues generated from charges for services, taxes and other revenues of the governmental programs were $4,382,157 and $2,831,620 governmental expenditures. This is an increase from the prior year when revenue exceeded expenditures by $614,474.
- In the Municipality's business-type activities, revenues were $4,701,147 and $3,206,806 business-type expenditures. This is an increase from the prior year when revenue exceeded expenditures by $908,730.
- The combined net position of the Municipality from prior year is an increase of $3,044,878.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts – management's discussion and analysis (this section), the basic financial statements, including related notes, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the Municipality:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the Municipality's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the Municipal government, reporting the Municipality's operations in more detail than the government-wide statements.
  - The governmental funds statements tell how general government services like public safety were financed in the short-term as well as what remains for future spending.
  - Proprietary fund statements offer short- and long-term financial information about the activities that the Municipality operates like businesses. The Municipality has three proprietary funds – the Water Fund, the Sewer Fund, and the Liquor Fund.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

Figure A-2 summarizes the major features of the Municipality's financial statements, including the portion of the Municipal government they cover and the types of information they contain. The remainder of the overview section of the management's discussion and analysis explains the structure and contents of each of the statements.

Figure A-2

Major Features of Municipality of Dell Rapids's Government-wide and Fund Financial Statements

	Government-wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire municipal government	The activities of the municipality that are not proprietary, such as finance office, street department and parks	Activities the Municipality operates similar to private businesses, the water and sewer systems and Liquor Fund
Required Financial Statements	*Statement of Net Position *Statement of Activities	*Balance Sheet *Statement of Revenues, Expenditures and Changes in Fund Balances	*Statement of Net Position *Statement of Revenues, Expenses and Changes in Net Position *Statement of Cash Flows
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of Asset/Liability Information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of Inflow/Outflow Information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid

Government-wide Statements

The government-wide statements report information about the Municipality as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the Municipality's net position and how they have changed. Net position – the difference between the Municipality's assets and liabilities – is one way to measure the Municipality's financial health or position.

- Increases or decreases in the Municipality's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the Municipality you need to consider additional nonfinancial factors such as changes in the Municipality's property tax base and changes in the sales tax revenue base.

The government-wide financial statements of the Municipality are reported in two categories:

- Governmental Activities -- This category includes the most of the Municipality's basic services, such as finance office, public works, parks department and general administration. Property taxes, sales taxes, charges for services, state and federal grants and interest earnings finance most of these activities.
- Business-type Activities -- The Municipality charges a fee to customers to help cover the costs of certain services it provides. The Municipality's water and sewer systems are included here as well as the Municipality's Liquor Fund.

Fund Financial Statements

The fund financial statements provide more detailed information about the Municipality's most significant funds – not the Municipality as a whole. Funds are accounting devices that the Municipality uses to keep track of specific sources of funding and spending for particular purposes.

- State Law requires some of the funds.
- The Municipal Council establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The Municipality has two kinds of funds:

- Governmental Funds -- Most of the Municipality's basic services are included in the governmental funds, which focus on (1) how cash and other financial assets that can readily converted to cash flow in and out and (2) the balances left at the year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Municipality's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information on the subsequent page, that explains the relationship (or differences) between them.
- Proprietary Funds -- Services for which the Municipality charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both short- and long-term financial information. The Municipality's enterprise funds (one type of proprietary fund) are the same as its business-type activities, but provide more detail and additional information, such as cash flows.

FINANCIAL ANALYSIS OF THE MUNICIPALITY AS A WHOLE

Net Position

The Municipality's combined net position increased by 11.02% between fiscal year 2019 and 2020 – or an increase of $3,044,878 (See Table A-1).

	Governmental Activities		Business-Type Activities		Total		Total % Changed
	2019	2020	2019	2020	2019	2020	
Current and Other Assets	4,145,209	4,847,282	3,594,668	4,106,456	7,739,877	8,953,738	15.68%
Capital Assets	12,327,684	13,012,801	16,713,518	20,631,919	29,041,202	33,644,720	15.85%
Total Assets	16,472,893	17,860,083	20,308,186	24,738,376	36,781,079	42,598,459	15.82%
AP and Other Current Liabilities	144,364	412,300	813,967	1,054,590	958,331	1,466,890	53.07%
Noncurrent Liabilities	407,079	390,804	7,775,244	10,055,462	8,182,323	10,446,266	27.67%
Total Liabilities	551,443	803,104	8,589,211	11,110,052	9,140,654	11,913,156	30.33%
Net Position:							
Net Investment in Capital Assets	11,952,994	12,656,034	8,569,025	10,244,184	20,522,019	22,900,218	11.59%
Restricted	271,217	244,199	714,553	693,912	985,770	938,111	-4.83%
Unrestricted	3,697,239	4,156,746	2,435,397	2,690,228	6,132,636	6,846,974	11.65%
Total Net Position	15,921,450	17,056,979	11,718,975	13,628,324	27,640,425	30,685,302	11.02%

The Statement of Net Position presents the assets and liabilities in order of relative liquidity. Liabilities with average maturities greater than one year are reported in two components – the amount due within one year and the amount due in more than one year. Long-term liabilities of the Municipality, consisting of compensated absences payable, sales tax revenue bonds payable and water revenue bonds payable, have been reported in this manner on the Statement of Net Position. The difference between the Municipality's assets and liabilities is its net position.

The Municipality's net position reflects its investment in capital assets (e.g., land, buildings, machinery and equipment); less any related debt used to acquire those assets that is still outstanding. The Municipality uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. The increase in net position invested in capital assets, net of related debt relates to the Municipality's purchase of multiple improvement projects, library furniture and equipment, library books, and new street department equipment for use by the appropriate Municipal Departments.

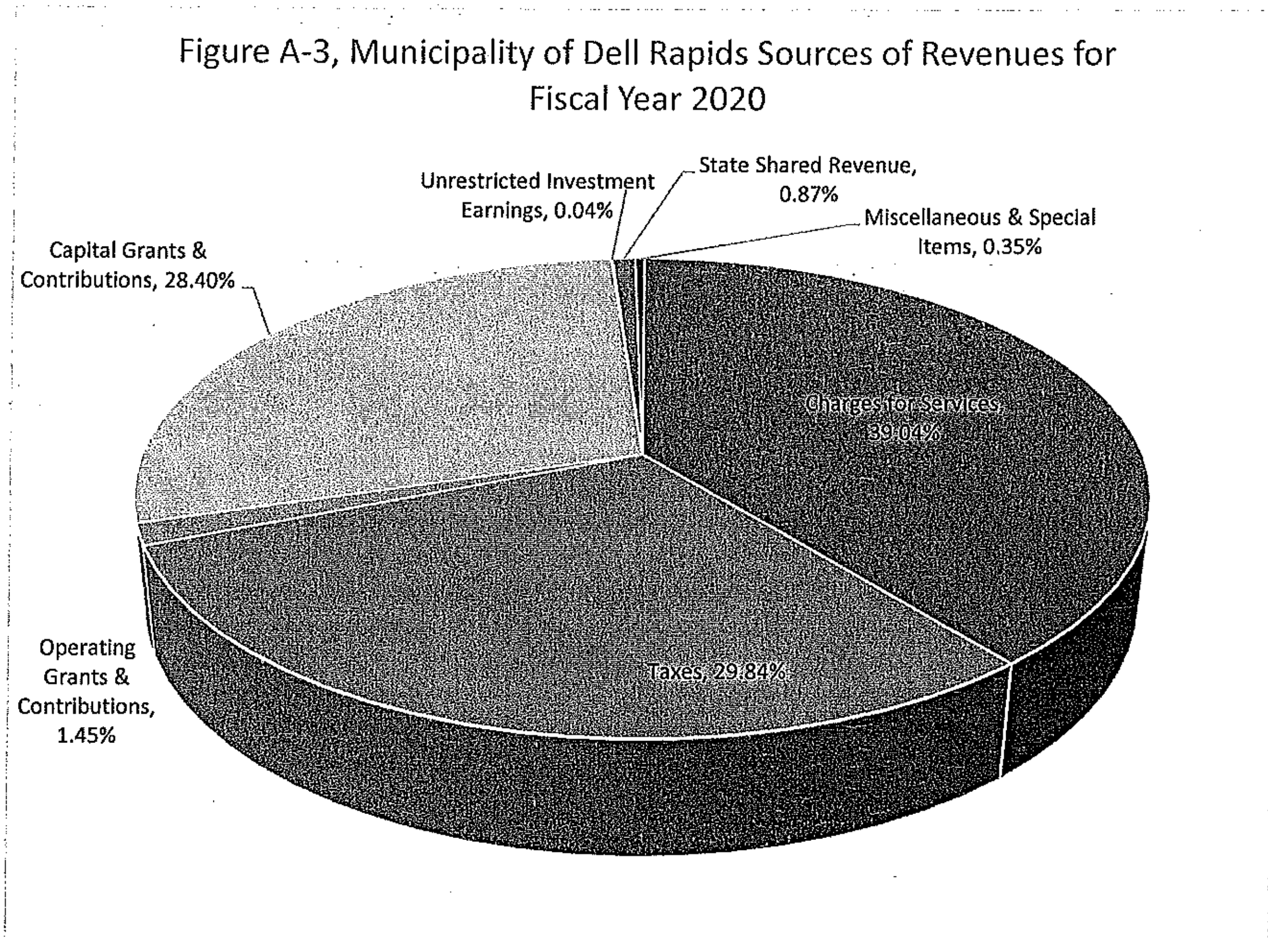
The Municipality's restricted net position represent resources that are subject to external restrictions on how they may be used. These restrictions are normally set by state statute, federal regulations or debt covenants. There was an increase in restricted net position due to additional debt service and new GASB 68 standards of reporting SDRS Pension on the face of the financial statements.

The remaining balance of net position are unrestricted and may be used to meet the Municipality's ongoing obligations to citizens and creditors.

At the end of the current year, the Municipality is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior year.

Changes in Net Position

The Municipality's revenues totaled $9,083,303. (See Table A-2.) Almost three quarters of the Municipality's revenue comes from charges for services and taxes, with 39.04 cents of every dollar raised coming from charges for services (primarily water, sewer, and liquor operations) and 29.84 cents of every dollar raised comes from some type of tax. (See Figure A-3). The remaining 31.12% comes from capital grants and contributions, operating grants and contributions, state-shared revenues, interest earnings and miscellaneous and special items.



The Municipality's expenses cover a range of services, with just over half related to Business-type Activities (Water, Sewer, and Liquor Funds). (See Figure A-4)

Figure A-4, Municipality of Dell Rapids, Functional Expenses for Fiscal Year 2020

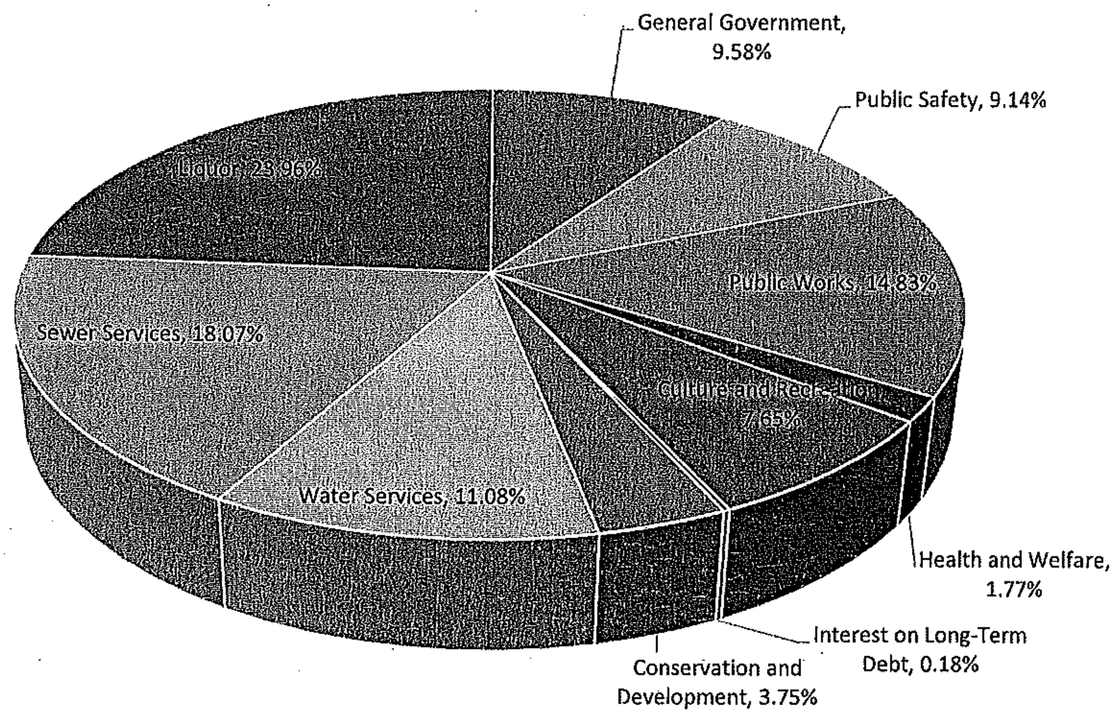


Table A-2

MUNICIPALITY OF Dell Rapids

Changes in Net Position

	Governmental Activities		Business-Type Activities		Total		Total % Change
	2019	2020	2019	2020	2019	2020	
Revenues							
Program Revenues							
Charges for Services	168,389	131,735	2,964,300	3,414,610	3,132,689	3,546,345	13.20%
Operating Grants	140,796	132,100	38,329	-	179,125	132,100	-26.25%
Capital Grants and Contributions	374,746	1,297,662	694,228	1,281,644	1,068,974	2,579,306	141.29%
General Revenues					-	0	
Taxes	2,501,604	2,710,789			2,501,604	2,710,789	8.36%
Revenue State Sources	64,348	78,623			64,348	78,623	22.18%
Unrestricted Investment Earnings	8,216	2,191	6,233	1,843	14,449	4,035	-72.08%
Miscellaneous	17,196	29,057	19,253	3,050	36,449	32,107	-11.91%
Total Revenues	**3,275,295**	**4,382,156**	**3,722,343**	**4,701,147**	**6,997,638**	**9,083,303**	29.81%
		1,106,861		**978,804**			
Expenses		33.79%		26.30%			
General Government	567,602	578,513	0	0	567,602	578,513	1.92%
Public Safety	419,478	551,630	0	0	419,478	551,630	31.50%
Public Works	918,371	895,581	0	0	918,371	895,581	-2.48%
Health and Welfare	55,004	106,705	0	0	55,004	106,705	93.99%
Culture and Recreation	525,840	462,091	0	0	525,840	462,091	-12.12%
Conservation and Development	203,121	226,221	0	0	203,121	226,221	11.37%
Interest on Long-Term Debt	11,397	10,879	0	0	11,397	10,879	0.00%
Water Services	0		594,280	668,883	594,280	668,883	12.55%
Sewer Services	0		975,103	1,091,224	975,103	1,091,224	11.91%
Liquor	0		1,204,238	1,446,699	1,204,238	1,446,699	20.13%
Total Expenses	**2,700,813**	**2,831,619**	**2,773,621**	**3,206,806**	**5,474,434**	**6,038,425**	10.30%
		130,806		**433,185**			
		4.84%		15.62%			
Excess (Deficiency) Before Special	574,482	1,550,537	948,722	1,494,341	1,523,204	3,044,878	99.90%
Contributions	0	0	0	0	0	0	
Special Items	0	0	0	0	0	0	
Extraordinary Items	0	0	0	0	0	0	
Transfers	39,992	-415,008	-39,992	415,008	0	0	
Increase (Decrease) in Net Position	**614,474**	**1,135,529**	**908,730**	**1,909,349**	**1,523,204**	**3,044,878**	
							99.90%
Ending Net Position							
	15,921,450	**17,056,979**	**11,718,975**	**13,628,324**	**27,640,425**	**30,685,303**	**11.02%**

Governmental Activities

Table A-2 and the narrative that follows consider the operations of the governmental activities.

Governmental revenues for the Municipality increased 33.79% from prior year, while Governmental expenses increased by 4.85%. The primary reason for the increase in revenue is due to the $922,916 increase in Capital Grants and Contributions. This increase can be contributed to the second flood disaster in the fall of 2019 and the 2020 corona virus pandemic. Both events resulted in substantial expenditures that were reimbursed via federal grants in 2020.

Governmental expenditures did not appear to have increased as substantially as Governmental revenue. This can be attributed to the higher than normal expenditures in the previous year and similar spending in the current year. In 2020 the City completed the park and campground repairs needed after the second flood disaster in the fall of 2019 – Approximately $100,000. The other unusual expenditure in 2020 was as a result of the covid pandemic. The City spent approximately $430,000 on PPE, equipment to maintain safe working conditions, remote work site options, etc.

Business-type Activities

Revenues of the Municipality's business-type activities increased 26.30% or $978,804. Expenses also increased 15.62% or $433,185. The reason for the increase in both revenue and expenditures is the SE Infrastructure phase 1 project was in progress – most of the project was completed during the year. As such, there was substantial project expenses with SRF and Grant funding being received.

FINANCIAL ANALYSIS OF THE MUNICIPALITY'S FUNDS

The financial analyses of the Municipality's funds mirror those highlighted in the analysis of governmental and business-type activities presented above. The Municipality maintains four governmental funds - General, Gross Receipts, Library Fines and Fees, and the Library Donations Funds and only three business type funds – Water, Sewer and Liquor Funds.

General Fund Budgetary Highlights

Over the course of the year, the Municipal Council revised the Municipal budget one time. These amendments fall into two categories:

- Supplemental appropriations and contingency transfers approved for unanticipated, yet necessary, expenses to provide for items necessary for health and welfare of its citizens.
- Increases in appropriation line items, primarily by contingency transfer, to prevent budget overruns.

General Government, Finance, and Code Enforcement departments were approved for $1,900, $1,900, and $810 respectively for remote access equipment and capabilities due to the covid pandemic. The Fire Department and Dell Rapids Ambulance both requested radios and safety equipment to safely work with the public during the pandemic. These supplemental increases were $25,000 (fire) and $125,000 (ambulance). The Dell Rapids Carnegie Library also requested equipment to help keep staff and patrons safe during the pandemic - $5,550 was used to purchase a book sterilizer, book trucks, and other PPE and cleaners. The City also purchased an additional $10,000 in PPE, cleaning supplies, sanitizers, barriers, etc. for the City and Chamber to help stop the spread of Covid.

With the second flood disaster in the fall of 2019 and the likelihood of another flood in the spring of 2020 the decision was made to hold off on all the repairs until 2020. Public works staff put in a lot of overtime in the parks department to complete these repairs. As such an additional $5,000 was added to the Parks department. The Other Protection department was increased by $158,485 to cover the costs of all the repairs due to the flooding. Part of this amount are fees owed to SECOG and contractors to start the FEMA buyout process of the homes that were substantially damaged during the 2019 flooding.

Finally, the Mosquito department was increase by $1,000 due to additional spraying because of the wet year. Recreation was increased $2,500 – the City tracks water usage through expense accounts – with comfort station in operation there was substantially more water usage that was anticipated. The library also had to replace an air conditioning unit that stopped working mid-summer - $6,700. Community Support increase by $8,000 – the original budgeted stipend was mis-keyed in the original budget.

CAPITAL ASSET ADMINISTRATION

By the end of 2020, the Municipality had invested in a broad range of capital assets, including, various projects, improvements, and machinery and equipment. (See Table A-3.) This amount represents a net increase (including additions and deductions) of $4,603,519, or 15.85%, over the last year.

Table A-3
Dell Rapids - Capital Assets
(net of depreciation)

	Governmental Activities		Business-type Activities		Total Dollar Change	Total Percentage Change
	2019	2020	2019	2020		
Land	$ 1,003,064	$ 1,003,064	$ 85,157	$ 85,157	$ -	0.00%
Construction in Progress	766,838	782,677	2,088,347	6,357,151	4,284,643.00	558.74%
Buildings	3,126,759	3,191,466	8,193,552	7,921,751	(207,094)	-6.62%
Improvements Other Than Buildings	6,744,306	7,284,294	6,019,776	5,946,882	467,094	6.93%
Machinery and Equipment	686,717	751,300	326,686	320,979	58,876	8.57%
Total Capital Assets (Net)	**12,327,684**	**13,012,801**	**16,713,518**	**20,631,920**	**4,603,519**	**15.85%**

This year's major capital asset additions included:

- Governmental fund additions were the continuation of the SE Infrastructure Project (Phase 1) CIP - $2,228,624, the completion of the Sioux River Red Rock Trail – Dam Site - $392,688, the completion of the campground addition - $215,630, and concrete street maintenance - $111,474.
- Business-type major additions were the continuation of the SE Infrastructure Project (Phase 1) CIP - $4,025,050, the water main replacement on Sunset Drive - $199,286, an upgrade to the Beacon Meter reading system - $7,400, and an interior remodel at Norby's - $7,232.

LONG-TERM DEBT

At year-end the Municipality had $10,835,159 in Sales Tax Revenue Bonds, Water and Wastewater SRF loans, and other long-term obligations. This is an increase of 25.95% as shown on Table A-4 below.

Table A-4
Dell Rapids - Outstanding Debt and Obligations

	Governmental Activities		Business-type Activities		Total Dollar Change	Total Percentage Change
	2019	2020	2019	2020		
Compensated Absences	$50,950	$54,376	$ 32,518	$ 36,280	$ 7,188	8.61%
Pension Liability	-	-	-	-	-	
Sales Tax Revenue Bond	374,690	356,767	-	-	(17,923)	
Water SRF Loans	-	-	2,483,885	3,820,574	1,336,689	53.81%
Waste Water SRF Loans	-	-	5,660,608	6,567,162	906,554	16.02%
Total Outstanding Debt and Obligations	**425,640**	**411,143**	**8,177,011**	**10,424,016**	**2,232,508**	**25.95%**

The Municipality is liable for 25% of unused accrued sick leave hours to all full-time employees who have accumulated the maximum number of allowed sick leave hours. The increase in Governmental Activities is due to two employees becoming eligible to accrue sick leave carry over and pay out. The increase in Business-type Activities is primarily due to a wastewater employee entering into his second year with the ability to accrue more vacation time.

The Municipality has one Sales Tax Revenue Bond associated with the Quartzite Street Project. This bond is secured and paid for by sales tax revenue.

The Municipality has seven outstanding SRF Drinking Water Loans totaling $3,820,574. The loans are secured and paid for from the Water Fund. These bonds were used for various projects and the last one will begin payment in 2021 and will be fully paid off in 2051.

The Municipality has six outstanding SRF Clean Water Loans totaling $6,567,162. The bonds are secured and paid for from the Wastewater Fund. These bonds were used for various projects and the last one will begin payment in 2021 be fully paid off in 2051.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The 2021 Growth has been calculated at 3.22% ($39,892) and the CPI is 1.7% ($21,061). This is a total of $60,953 additional general fund property tax dollars for the 2020 budget. The total general property tax base amount of 2021 is predicted at $1,299,955. These numbers were provided to the City by the Minnehaha County Auditor's office. The City automatically receives the Growth projection of 3.22%, however the City has the option to either accept or deny the CPI increase. The City has taken the CPI for the past several years with the exception of 2014. It is important to note that the City has continued to take the CPI increase but the Mill Levy has continued to decrease from where it was in 2015 (5.567) to its level in 2019 (4.873) and today's 2020 levy level of 4.729. It is predicted that the mill levy will decrease again in 2021 because of the strong growth percentage of 3.22%. The estimate (emphasize estimate) based on current numbers would be a very slight decrease from the current levy rate of 4.729 to approximately 4.7.

One of the primary sources of revenue to the Municipality is based on taxable retail sales in the community (sales tax). The Sales Tax Revenue for 2021 has been budgeted at $900,000 in revenue. This amount was increased by $50,000 in 2019 because of continued strong performance over the past three years. This projected source of revenue will remain the same for

2021. It is important to remain conservative as the current Covid-19 pandemic will no doubt affect 2021 and unknowns will continue to occur throughout the year. The current projection for 2021 is that sales tax revenue should remain positive as the City has seen an increase since the beginning of the Covid-19 pandemic. The City has also seen the opening of an additional sales revenue generating business with Dollar General. The actual sales tax revenue generated in 2019 was 1,237,139, a slight decrease from 2018. Therefore $900,000 is considered a conservative estimate that factors in any worst-case scenarios in the next fiscal year. It is best t budget sales tax revenue conservatively in order to avoid forced budget cuts if revenue falls shorter than expected.

The 2021 proposed spending for all funds is $12,188,462 as compared to $11,850,760 in the 2020 Adopted Budget. These figures are all inclusive of personnel and operational expenditures as well as capital improvements, debt service, equipment replacement and the proprietary; liquor, water and sewer funds.

A 2% Cost of Living Adjustment (COLA) and a 3% merit increase for employees are included in the budget (total 5%). The actual Merit increase provided to employees is generally less than the 3% budgeted based upon the performance of individual employees. However, as personnel costs are one of the greatest expenses within our organization it does allow for flexibility within the fiscal year to make adjustments. The City is fortunate to have very dedicated employees with a very low turnover rate. The team the City has built is considered one of the best in the State. Our employees continue to receive accolades for performance and are called upon by colleagues from other Cities for guidance. Dell Rapids employees continue to meet the needs of our growing City without requesting large increases to departmental budgets or requests for additional personnel when not justified.

The General Fund accounts for 40% ($4,898,832) of total proposed spending in 2021, which is attributed to the wide array of programs contained within the fund. The 2021 budget reflects another strong year of spending on City services and infrastructure. Several expenses that have become standard for the General Fund will continue in 2021. The budget reflects a continued commitment of $225,000 towards the maintenance of street infrastructure in the form of crack sealing, slurry seal and asphalt overlaying. Within this $225,000 allotment towards street maintenance is $110,000 towards concrete spall repair. The City allocated funds toward concrete spall repair in 2020 by repairing 15th Street. The 2021 concrete repair project will include 4th Street and Garfield Avenue. The SE Infrastructure will enter the second phase in 2021 with the fully reconstruction of 6th Street. The City will budget 260,000 to cover the portion of the project that is not eligible for SRF funding. The other major infrastructure project in 2021 will be the full depth mill and asphalt overlay of Old 77 from 4th Street to 15th Street. This project is estimated at $900,000. The City has applied for a DOT Community Access Grant to assist with the funding of this project. The City Council has made a decision to commit General Fund reserve funds towards this important project.

This budget also reflects a continued commitment towards increasing the quality of life for our citizens. The majority of the funds in the general fund beyond the typical wages, benefits, supplies of departments and commitments of public safety, are geared toward quality of life projects. The City, along with community and State partners has established the Sioux River Red Rock Trail system. The City completed the link to the Old Mill/Dam Site area in 2020. The City will pause from expenditures on the Recreational Trail system in 2021 as we draft grants and finalize plans for the Old 77 stretch between 4th Street and 15th Street for construction in 2022. Administration is proposing a major expense to the City Swimming Pool in 2021 with the construction of Splash Park. The City did not open the City Swimming Pool during the summer of 2020 due to the Covid-19 virus. Not opening the facility saved the City approximately $90,000 in general fund expenditures. The City Council discussed utilizing this $90,000 towards a pool improvement in 2021. City Administration is proposing to utilize the $90,000 towards as the 50% match towards a Game Fish and Parks LWCF grant. The cost of a Splash Park facility is approximately $200,000. This is an improvement that could be constructed on the north west corner and be tied into the existing facility.

Water: In 2019 the City placed a $7.70 surcharge on the water fund water to cover the costs of the SE Infrastructure project. The City also lowered the base water rate from $12.00 to $11.90 and the per 1,000 gallon rate from $4.64 to $3.92. The current total water bill for an average user of 5,000 gallons per month is $42.20. The City did not raise rates in 2020.

This budget reflects the implementation of a surcharge of $2.70 per customer to cover the Second Phase SE Infrastructure Project (6th Street Project). This is to cover the 110% indebtedness required for the 6th Street project. This surcharge will take effect on January 1st.

Waste Water: The City raised waste water rates in 2019 in the form of a surcharge to cover the DENR SRF loans for the SE Infrastructure project. The total surcharge was $7.20 per customer. The current base rate remains at $16.00 per customer, the per 1,000 gallon rate is $5.06 and the other WWTF surcharge of $8.60 remains in place. Therefore, the average 5,000 gallon customers total monthly waste water bill is $57.10.

The City did not raise rates in 2020 in anticipation of a rate raise in 2021. In order to finance the Phase 2 SE 6th Street Project, the City will adopt a Surcharge of $5.85 per user. However, the City Council, took steps in 2020 to pay off debt (CW#2 and CW#5) thereby reducing the full impact of the $5.85 surcharge. The difference will be a $0.42 that can be dedicated towards the Waste Water Funds operations. Administration is recommending to maintain the $0.42 difference on the water rates and potentially look at a slight increase to the rate for additional operational costs in 2021.

Current Water Rate = $44.90 per 5,000 gallons. This includes three surcharges of $3.00, $7.70, and $2.70 – 15th St. phase 2, SE Infrastructure Project phase 1, and SE Infrastructure Project phase 1, respectively. The water base rate is $11.90 and the per 1,000 usage rate is $3.92

Current Waste Water Rate = $ 62.95 per 5,000 gallons. This also includes three surcharges of $8.60, $7.20, and $5.82 – Waste Water Treatment Facility SE Infrastructure phase 1, and SE Infrastructure phase 1, respectively. The waste water base rate is $16.00 and the per 1,000 usage rate is $4.82.

The 2020 budget saw the purchase of a new mower and Vactor Jetter for the Public Works Department. The 2021 budget reflects another aggressive year of equipment purchases that will spend down the cash balance. This budget reflects the purchase of a Street Sweeper to replace the 2003 existing sweeper. Public Works Director Fjellanger has also requested the purchase of an additional mower with a cab in the amount of $25,000, a Field Grooming Machine for the ballfields in the amount of $24,000, a replacement Mosquito Fogger ($6,000), a Side-by-Side ATV Vehicle for the WWTF ($22,000), replace a ½ Ton Pickup with a 3/5 Ton Pickup ($30,000), a Sewer Camera ($6,000) and a replacement Public Works Trailer ($10,000).

To continue to plan for future purchases, the City will either have to increase annual funding of the fund or scale back future scheduled purchases. This should continue to be a discussion item of the Council as the current pattern funding is unsustainable.

CONTACTING THE MUNICIPALITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors/creditors with a general overview of the Municipality's finances and to demonstrate the Municipality's accountability for the money it receives. If you have questions about this report or need additional information, contact the Dell Rapids Finance Office, 302 E. 4th Street, Po Box 10, Dell Rapids, SD 57022. 605-428-3595.

MUNICIPALITY OF DELL RAPIDS
STATEMENT OF NET POSITION
DECEMBER 31, 2020

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Cash and Cash Equivalents	$ 4,055,581	$ 3,174,344	$ 7,229,925
Receivables	513,388	785,019	1,298,407
Inventories	37,344	54,244	91,588
Deposits	67,257		67,257
Prepaid Expenses	34,773	14,312	49,085
Net Pension Asset	934	560	1,494
Capital Assets:			
Land and Construction in Progress	1,785,741	6,442,308	8,228,049
Other Capital Assets, Net of Depreciation	11,227,060	14,189,612	25,416,672
TOTAL ASSETS	$ 17,722,078	$ 24,660,399	$ 42,382,477
DEFERRED OUTFLOWS OF RESOURCES:			
Pension Related Deferred Outflows	$ 138,005	$ 77,977	$ 215,982
TOTAL DEFERRED OUTFLOWS OF RESOURCES	$ 138,005	$ 77,977	$ 215,982
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 17,860,083	$ 24,738,376	$ 42,598,459
LIABILITIES:			
Accounts Payable	$ 243,720	$ 558,478	$ 802,198
Other Current Liabilities	22,248	52,490	74,738
Noncurrent Liabilities:			
Due Within One Year	20,339	368,554	388,893
Due in More than One Year	390,804	10,055,462	10,446,266
TOTAL LIABILITIES	$ 677,111	$ 11,034,984	$ 11,712,095
DEFERRED INFLOWS OF RESOURCES:			
Pension Related Deferred Inflows	$ 125,993	$ 75,068	$ 201,061
TOTAL DEFERRED INFLOWS OF RESOUCES	$ 125,993	$ 75,068	$ 201,061
NET POSITION:			
Net Investment in Capital Assets	$ 12,656,034	$ 10,244,184	22,900,218
Restricted for:			
Debt Service Purposes	31,730	690,442	722,172
Library	5,267		5,267
City Promotion	126,999		126,999
Insurance Cumulative Reserve	67,257		67,257
SDRS Pension Purposes	12,946	3,470	16,416
Unrestricted	4,156,746	2,690,228	6,846,974
TOTAL NET POSITION	$ 17,056,979	$ 13,628,324	$ 30,685,303
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	$ 17,860,083	$ 24,738,376	$ 42,598,459

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

MUNICIPALITY OF DELL RAPIDS
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2020

		Program Revenues			Net (Expense) Revenue and Changes in Net Position		
					Primary Government		
Functions/Programs	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**	**Governmental Activities**	**Business-Type Activities**	**Total**
Primary Government:							
Governmental Activities:							
General Government	$ 578,513	$ 21,035	$ -	$ -	$ (557,478)	$ -	$ (557,478)
Public Safety	551,630	26,695		533,788	8,853		8,853
Public Works	895,581	66,533	132,100	663,874	(33,074)		(33,074)
Health and Welfare	106,705	915			(105,790)		(105,790)
Culture and Recreation	462,091	16,557		100,000	(345,534)		(345,534)
Conservation and Development	226,221				(226,221)		(226,221)
Interest on Long-Term Debt	10,879				(10,879)		(10,879)
Total Governmental Activities	2,831,620	131,735	132,100	1,297,662	(1,270,123)	-	(1,270,123)
Business-type Activities:							
Water	668,883	863,927				195,044	195,044
Wastewater	1,091,224	954,410		1,281,644		1,144,830	1,144,830
Liquor	1,446,699	1,596,273				149,574	149,574
Total Business-type Activities:	3,206,806	3,414,610	-	1,281,644	-	1,489,448	1,489,448
TOTAL PRIMARY GOVERNMENT	$ 6,038,426	$ 3,546,345	$ 132,100	$ 2,579,306	(1,270,123)	1,489,448	219,325
General Revenues:							
Taxes:							
Property Taxes					1,348,022		1,348,022
Sales Tax					1,362,767		1,362,767
State Shared Revenues					78,623		78,623
Unrestricted Investment Earnings					2,191	1,843	4,034
Miscellaneous Revenue					29,057	3,050	32,107
Transfers					(415,008)	415,008	-
Total General Revenues and Transfers					2,405,652	419,901	2,825,553
Change in Net Position					1,135,529	1,909,349	3,044,878
Net Position-Beginning					15,921,450	11,718,975	27,640,425
NET POSITION - ENDING					$ 17,056,979	$ 13,628,324	$ 30,685,303

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

MUNICIPALITY OF DELL RAPIDS
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2020

	General Fund	Nonmajor Funds	Governmental Funds
ASSETS:			
Cash and Cash Equivalents	$ 3,454,928	$ 131,072	$ 3,586,000
Taxes Receivable - Current			-
Taxes Receivable - Delinquent	17,343		17,343
Accounts Receivable, Net	37,933	368	38,301
Special Assessments Receivable - Current	3,785		3,785
Special Assessments Receivable - Noncurrent	30,277		30,277
Interest Receivable - Special Assessments	2,725		2,725
Inventory of Supplies	37,237	106	37,343
Deposits	67,257		67,257
Prepaid Expenses	34,773		34,773
Due from State Government	419,871	1,088	420,959
TOTAL ASSETS	$ 4,106,129	$ 132,634	$ 4,238,763
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:			
LIABILITIES:			
Accounts Payable	$ 243,352	$ 368	$ 243,720
Accrued Interest Payable	867		867
Accrued Wages Payable	20,311		20,311
Unapplied Credit	1,070		1,070
TOTAL LIABILITIES	265,600	368	265,968
DEFERRED INFLOWS OF RESOURCES:			
Unavailable Revenue - Property Taxes	17,343		17,343
Unavailable Revenue - Special Assessments	36,787		36,787
TOTAL DEFERRED INFLOWS OF RESOURCES	54,130	-	54,130
FUND BALANCES:			
Nonspendable			
Deposits	67,257		67,257
Inventory	37,237	106	37,343
Prepaid Expenses	34,773		34,773
Restricted			
City Promotion		126,999	126,999
Debt Service	31,730		31,730
Library		5,161	5,161
Unassigned	3,615,402		3,615,402
TOTAL FUND BALANCES	3,786,399	132,266	3,918,665
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 4,106,129	$ 132,634	$ 4,238,763

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

MUNICIPALITY OF DELL RAPIDS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE
SHEET TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2020

Total Fund Balances - Governmental Funds		$ 3,918,665
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.		12,610,007
Pension related deferrred outflows are components of pension liability (asset) and therefore are not reported in the funds		138,005
Assets such as taxes receivable, special assessment receivables, and grants receivable are not available to pay for current period expenditures and therefore are deferred in the funds.		
Property Taxes	$ 17,343	
Special Assessments	36,787	
		54,130
Long-term liabilities, including bonds payable and accrued leave payable are not due and payable in the current period and therefore are not reported in the funds.		
Bonds	$ 356,767	
Accrued Leave	54,376	
Total long-term liabilities		(411,143)
Net pension asset reported in governmental activities is not due and payable in the current period and therefore is not reported in the funds.		934
Pension related deferred inflows are components of pension liability (asset) and therefore are not reported in the funds.		(125,993)
Internal service funds are used by management to charge the cost of activities to individual funds. The assets and liabilities of internal service funds are included in governmental activities in the statement of net position.		872,374
Net Position - Governmental Activities		$ 17,056,979

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

MUNICIPALITY OF DELL RAPIDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2020

	General Fund	Nonmajor Funds	Governmental Funds
REVENUES:			
Taxes:			
General Property Taxes	$ 1,343,363	$ -	$ 1,343,363
General Sales and Use Taxes	1,301,766	60,629	1,362,395
Gross Receipts Business Taxes	372		372
Penalties and Interest on Delinquent Taxes	2,496		2,496
Licenses and Permits	36,342		36,342
Intergovernmental Revenue	1,505,298		1,505,298
Charges for Goods and Services	27,679		27,679
Fines and Forfeits	2,823	1,570	4,393
Special Assessments	148,614		148,614
Investment Earnings	1,836	76	1,912
Contributions from Private Sources	-	259	259
Miscellaneous Revenue	23,823	17	23,840
TOTAL REVENUE	4,394,412	62,551	4,456,963
EXPENDITURES:			
Current:			
General Government	497,671		497,671
Public Safety	516,385		516,385
Public Works	460,528		460,528
Health and Welfare	106,705		106,705
Culture and Recreation	353,335	5,216	358,551
Conservation and Development	178,382	47,839	226,221
Debt Service	28,802		28,802
Capital Outlay	1,158,311		1,158,311
TOTAL EXPENDITURES	3,300,119	53,055	3,353,174
Excess of Revenue Over (Under) Expenditures	1,094,293	9,496	1,103,789
Other Financing Sources:			
Transfer In	120,000		120,000
Transfer Out	(535,008)		(535,008)
TOTAL OTHER FINANCING SOURCES (USES)	(415,008)	-	(415,008)
Net Changes in Fund Balance	679,285	9,496	688,781
Fund Balance - Beginning	3,107,114	122,770	3,229,884
FUND BALANCE - ENDING	$ 3,786,399	$ 132,266	$ 3,918,665

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

MUNICIPALITY OF DELL RAPIDS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2020

Net Change in Fund Balances - Total Governmental Funds	$ 688,781
Amounts reported for governmental activities in the statement of activities are different because:	
This amount represents capital asset purchases which are reported as expenditures on the fund financial statements but increase assets on the government wide statements.	1,158,311
This amount represents the current year depreciation expense reported in the statement of activities which is not reported on the fund financial statements because it does not require the use of current financial resources.	(526,304)
Payment of principal on long-term debt is an expenditure in the governmental funds but the payment reduces long-term liabilities in the statement of net assets.	17,923
The fund financial statement governmental fund property tax accruals differ from the government wide statement property tax accruals in that the fund financial statements require the amounts to be "available".	2,163
Governmental funds report special assessments as revenue when "available", but the statement of activities includes the full amount of special assessments as revenue upon completion of the project at the point when an enforceable legal claim arises.	(145,527)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds	(41,353)
Governmental funds recognize expenditures for amounts of compensated absences actually paid to employees with current financial resources during the fiscal year. Amounts of compensated absences earned by employees are not recognized in the funds. In the statement of activities, expenses for these benefits are recognized when the employees earn leave credits.	(3,427)
Internal service funds are used by management to charge the cost of certain activities to individual funds. The net revenue (expense) of the internal service funds is reported with governmental activities.	(15,038)
Change in Net Position of Governmental Activities	$1,135,529

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

MUNICIPALITY OF DELL RAPIDS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2020

	Enterprise Funds				Internal Service Fund
	Water Fund	Wastewater Fund	Liquor Fund	Totals	
ASSETS:					
Current Assets:					
Cash and Cash Equivalents	$ 1,317,592	$ 1,603,011	$ 253,741	$ 3,174,344	$ 469,581
Accounts Receivable, Net	177,038	204,500	165,334	546,872	
Due from Other Governments		238,147		238,147	
Inventory of Supplies	42,151	12,093		54,244	
Prepaid Expenses	7,320	6,404	588	14,312	
Total Current Assets	1,544,101	2,064,155	419,663	4,027,919	469,581
Noncurrent Assets:					
Net Pension Asset	280	280		560	
Capital Assets:					
Land	45,128	37,029	3,000	85,157	
Buildings	2,625,463	8,636,424	174,639	11,436,526	
Improvements Other than Buildings	3,176,175	4,466,122		7,642,297	
Machinery and Equipment	492,878	95,622	70,401	658,901	1,239,156
Construction Work in Progress	2,282,581	4,074,569		6,357,150	
Less: Accumulated Depreciation	(2,443,962)	(2,898,058)	(206,091)	(5,548,111)	(836,363)
Total Noncurrent Assets	6,178,543	14,411,988	41,949	20,632,480	402,793
TOTAL ASSETS	$ 7,722,644	$ 16,476,143	$ 461,612	$ 24,660,399	$ 872,374
DEFERRED OUTFLOWS OF RESOURCES					
Pension Related Deferred Outflows	38,989	38,988		77,977	
TOTAL DEFERRED OUTFLOWS OF RESOURCES	38,989	38,988	-	77,977	-
LIABILITIES:					
Current Liabilities:					
Accounts Payable	$ 162,001	$ 270,611	$ 125,866	$ 558,478	$ -
Customer Deposits	-			-	
Accrued Interest Payable	12,143	28,350		40,493	
Accrued Wages Payable	4,898	7,099		11,997	
Bonds Payable Current:					
Revenue	139,062	228,752		367,814	
Compensated Absenses Payable - Current	370	370		740	
Total Current Liabilities	318,474	535,182	125,866	979,522	-
Noncurrent Liabilities:					
Revenue Bonds Payable	3,681,512	6,338,410		10,019,922	
Accrued Leave Payable	17,204	18,336		35,540	
Total Noncurrent Liabilities	3,698,716	6,356,746	-	10,055,462	-
TOTAL LIABILITIES	4,017,190	6,891,928	125,866	11,034,984	-
DEFERRED INFLOWS OF RESOURCES					
Pension Related Deferred Inflows	37,534	37,534		75,068	
TOTAL DEFERRED INFLOWS OF RESOURCES	37,534	37,534	-	75,068	-
NET POSITION:					
Net Investment in Capital Assets	2,357,689	7,844,546	41,949	10,244,184	402,793
Restricted for:					
Revenue Bond Debt Service	211,150	479,292		690,442	
SDRS Pension Purposes	1,735	1,735		3,470	
Unrestricted Net Position	1,136,335	1,260,096	293,797	2,690,228	469,581
TOTAL NET POSITION	$ 3,706,909	$ 9,585,669	$ 335,746	$ 13,628,324	$ 872,374

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

MUNICIPALITY OF DELL RAPIDS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2020

	Enterprise Funds				Internal Service Fund
	Water Fund	Wastewater Fund	Liquor Fund	Totals	
Operating Revenue:					
Charges for Goods and Services	766,614	954,410	1,523,148	3,244,172	61,000
Lottery Sales			60,625	60,625	
Miscellaneous	3,050			3,050	
TOTAL OPERATING REVENUE	769,664	954,410	1,583,773	3,307,847	61,000
Operating Expenses:					
Personal Services	175,705	238,950		414,655	
Other Current Expense	86,046	158,670	13,740	258,456	
Materials	175,106		1,422,425	1,597,531	
Depreciation	175,696	399,844	10,534	586,074	83,595
TOTAL OPERATING EXPENSES	612,553	797,464	1,446,699	2,856,716	83,595
Operating Income (Loss)	157,111	156,946	137,074	451,131	(22,595)
Nonoperating Revenue (Expense):					
Investment Earnings	772	898	174	1,844	279
Rental Revenue	97,312		12,500	109,812	
Sale of Surplus Property				-	7,277
Interest Expense and Fiscal Charges	(56,330)	(151,513)		(207,843)	
Other		(142,247)		(142,247)	
TOTAL NONOPERATING REVENUE (EXPENSE)	41,754	(292,862)	12,674	(238,434)	7,556
Income (Loss) Before Contributions and Transfers	198,865	(135,916)	149,748	212,697	(15,039)
Capital Contributions		1,281,644		1,281,644	
Transfers In		535,008		535,008	
Transfers Out			(120,000)	(120,000)	
Change in Net Position	198,865	1,680,736	29,748	1,909,349	(15,039)
Net Position - Beginning	3,508,044	7,904,933	305,998	11,718,975	887,413
NET POSITION - ENDING	$ 3,706,909	$ 9,585,669	$ 335,746	$ 13,628,324	$ 872,374

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

MUNICIPALITY OF DELL RAPIDS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
DECEMBER 31, 2020

	Enterprise Funds				
	Water Fund	Wastewater Fund	Liquor Fund	Total	Internal Service Fund
Cash Flows from Operating Activities:					
Receipts from Customers	$ 685,125	$ 647,255	$ 1,555,035	$ 2,887,415	$ -
Receipts for Interfund Services Provided					61,000
Payments to Employees for Services	(158,432)	(223,886)		(382,318)	
Payments to Suppliers of Goods and Services	(210,023)	6,855	(1,420,624)	(1,623,792)	
Net Cash Provided (Used) by Operating Activities	316,670	430,224	134,411	881,305	61,000
Cash Flows from Noncapital Financing Activities:					
Transfers to / from Other Funds	-	535,008	(120,000)	415,008	-
Net Cash Provided (Used) by Noncapital Financing Activities	-	535,008	(120,000)	415,008	-
Cash Flows from Capital and Related Financing Activities:					
Proceeds from Capital Debt	1,470,834	1,624,961		3,095,795	
Proceeds from Capital Grants		1,281,644		1,281,644	
Purchase of Capital Assets	(1,595,974)	(2,901,269)	(7,233)	(4,504,476)	(136,704)
Principal Paid on Capital Debt	(134,146)	(718,408)		(852,554)	
Interest Paid on Capital Debt	(56,608)	(156,256)		(212,864)	
Other Receipts (Payments)	97,312	(142,247)	12,500	(32,435)	6,531
Net Cash Provided (Used) by Capital and Related Financing Activities	(218,582)	(1,011,575)	5,267	(1,224,890)	(130,173)
Cash Flows from Investing Activities:					
Interest Earnings	772	898	174	1,844	279
Net Cash Provided by Investing Activities	772	898	174	1,844	279
Net Increase (Decrease) in Cash and Cash Equivalents	98,860	(45,445)	19,852	73,267	(68,894)
Cash and Cash Equivalents at Beginning of Year	1,218,732	1,648,456	233,889	3,101,077	538,475
Cash and Cash Equivalents at End of Year	$ 1,317,592	$ 1,603,011	$ 253,741	$ 3,174,344	$ 469,581

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:

	Water Fund	Wastewater Fund	Liquor Fund	Total	Internal Service Fund
Operating Income (Loss)	$ 157,111	$ 156,946	$ 137,074	$ 451,131	$ (22,595)
Net Cash Provided (Used) by Operating Activities:					
Depreciation Expense	175,696	399,844	10,534	586,074	83,595
Change in Assets and Liabilities:					
Receivables	(120,887)	(118,160)	(28,737)	(267,784)	
Due From Other Governments	44,019	(183,494)		(139,475)	
Customer Deposits	(9,649)			(9,649)	
Inventory of Supplies	1,979	(5,501)		(3,522)	
Prepaid Expenses	(2,474)	(3,057)	(7)	(5,538)	
Net Pension Asset	370	370		740	
Pension Related Deferred Outflow of Resources	(11,470)	(11,471)		(22,941)	
Accounts and Other Payables	53,602	168,582	15,547	237,731	
Accrued Leave Payable	2,886	876		3,762	
Accrued Wages Payable	1,858	1,662		3,520	
Pension Related Deferred Inflows of Resources	23,629	23,627		47,256	
Net Cash Provided (Used) by Operating Activities	$ 316,670	$ 430,224	$ 134,411	$ 881,305	$ 61,000

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Financial Reporting Entity

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

b. Basis of Presentation

Government-wide Financial Statements:

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

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

Fund Financial Statements:

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

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

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

Governmental Funds:

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

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

Liquor, Lodging and Dining Gross Receipts Tax Fund - to account for the collection of a one percent tax on the gross receipts of lodgings, alcoholic beverages, prepared food and admissions which tax shall be used for the purpose of land acquisition, architectural fees, construction costs, payments for civic center, auditorium or athletic facility buildings, including the maintenance, staffing, and operations of such facilities and the promotion and advertising of the city (SDCL 10-52A-2). This fund may be established at the direction of the governing body through local ordinance. This is not a major fund.

The remaining Special Revenue funds are also not considered major funds:
Library Fines and Fees Fund and Library Donation Fund. These funds are reported on the fund financial statements as "Other Governmental Funds".

Proprietary Funds:

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

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

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

Wastewater 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.

Liquor Fund – financed primarily by the markup of liquor. The Municipality has entered into an operating lease agreement allowing the operator to operate an on-sale bar and an off-sale liquor store on the real property owned by the Municipality. The Municipality owns lottery machines maintained in the establishment. The lessee purchases all liquor from the Municipality at cost plus ten (10) percent. The operator pays the Municipality $15,000 per year for the rent of the building and 65% of the video lottery profits. This is a major fund.

Internal Service Funds – internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the primary governments, or to other governments, on a cost-reimbursement basis. The particular types of goods or services provided to other funds consist of equipment purchases. Internal service funds are never considered to be major funds. The Equipment Replacement Fund is the only internal service fund maintained by the Municipality.

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.

Measurement Focus:

Government-wide Financial Statements:

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

Fund Financial Statements:

In the fund financial statements, the "current financial resources" measurement focus and the modified accrual basis of accounting are applied to governmental fund types, while the "economic resources" measurement focus and the accrual basis of accounting are applied to the proprietary funds.

Basis of Accounting:

Government-wide Financial Statements:

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

Fund Financial Statements:

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

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

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

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

d. Interfund Eliminations and Reclassifications:

Government-wide Financial Statements:

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

1. In order to minimize the grossing-up effect on assets and liabilities within the governmental and business-type activities columns of the primary government, amounts reported as interfund receivables and payables have been eliminated in the governmental and business-type activities columns, except for the net, residual amounts due between governmental and business-type activities, which are presented as Internal Balances (if any).

2. In order to minimize the doubling-up effect on internal service fund activity, certain "centralized expenses" including an administrative overhead component, are charged as direct expenses to funds or programs in order to show all expenses that are associated with a service, program, department, or fund. When expenses are charged, in this manner, expense reductions occur in the Internal Service Fund, so that expenses are reported only by the function to which they relate.

e. Deposits and Investments

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

f. Capital Assets

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

The accounting treatment of 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

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

The total December 31, 2020 balance of governmental activities capital assets includes approximately 1.0 percent for which the costs were determined by estimates of the original costs. The total December 31, 2020 balance of business-type capital assets are all valued at original cost. These estimated original costs were established by reviewing applicable historical costs of similar items and basing the estimations thereon.

Infrastructure assets used in general government operations, consisting of certain improvements other than buildings, including roads, bridges, sidewalks, drainage systems, and lighting systems, acquired prior to January 1, 2004, were not required to be capitalized by the Municipality. Infrastructure assets acquired since January 1, 2004 are recorded at cost, and classified as "Improvements Other than Buildings."

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

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

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

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Land and land rights	All	-----N/A-----	-----N/A-----
Improvements other than Buildings	$ 15,000	Straight-line	20 yrs.
Water/Sewer Lines	$ 25,000	Straight-line	50 yrs.
Roads	$ 50,000	Straight-line	15-75 yrs.
Other Improvements	$ 10,000	Straight-line	15-50 yrs.
Buildings	$ 50,000	Straight-line	50 yrs.
Machinery and Equipment	$ 5,000	Straight-line	5-20 yrs.

Land is an inexhaustible capital asset and is not depreciated.

Fund Financial Statements:

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

g. Long-Term Liabilities

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

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

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

h. Program Revenues

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

1. Charges for services – These arise from charges to customers, applicants, or others who purchase, use, or directly benefit from the goods, services, or privileges provided, or are otherwise directly affected by the services.

2. Program-specific operating grants and contributions – These arise from mandatory and voluntary non-exchange transactions with other governments, organizations, or individuals that are restricted for use in a particular program.

3. Program-specific capital grants and contributions – These arise from mandatory and voluntary non-exchange transactions with other governments, organizations, or individuals that are restricted for the acquisition of capital assets for use in a particular program.

i. Deferred Inflows and Deferred Outflows of Resources

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

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

j. Proprietary Funds Revenue and Expense Classifications

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

k. Cash and Cash Equivalents

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

l. Equity Classifications

Government-wide Financial Statements:

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

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

Fund Financial Statements:

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

m. 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.

n. Fund Balance Classification Policies and Procedures:

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

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

The Nonspendable Fund Balance is comprised of the following:

- Amount reported in non-spendable form such as inventory and prepaid expenses.
- Amount legally or contractually required to be maintained intact such as the South Dakota Public Assurance Alliance Cumulative Reserve Fund.

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.

o. <u>Pensions:</u>

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

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.

Deposits are reported at cost, plus interest, if the account is of the add-on type. It is the Municipality's policy to deposit all interest revenue to the fund making the investment.

The actual bank balances at December 31, 2020 were as follows:

	Bank Balance
Insured (FDIC/NCUA)	$ 500,000
Uninsured, collateral jointly held by state's/Municipality's agent in the name of the state and the pledging financial institution.	6,720,893
Uninsured, uncollateralized	-
Total Deposits	$ 7,220,893

The carrying amount of deposits on the December 31, 2020 Government-wide Statement of Net Position was $7,229,925. The reconciliation of deposits to Government-wide Statement of Net Position is as follows:

Cash and cash equivalents	$	7,229,925
Carrying amount		7,229,925
Less Petty Cash		(150)
Less Lottery Cash		(10,000)
Add outstanding transactions		1,118
	$	7,220,893

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. There were no investments held as of December 31, 2020.

Credit Risk – State law limits eligible investments for the Municipality, as discussed above. The Municipality has an investment policy that would further limit its investment choices.

Custodial Credit Risk – Deposits – The risk that, in the event of a depository failure, the Municipality's deposits may not be returned to it. The Municipality will minimize credit risk by limiting the portfolio to the types of investments that are authorized and suitable to diminish the impact of potential losses from any one type of investment or from any one issuer. As of December 31, 2020, the Municipality's deposits in financial institutions were fully insured or collateralized and were not exposed to custodial credit risk.

Custodial Credit Risk – Investments – The risk that, in the event of the counterparty to a transaction, the Municipality will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. As of December 31, 2020, the Municipality does not have any investments.

Concentration of Credit Risk – The Municipality requires Qualified Public Depositories to furnish collateral in the sum equal to one hundred percent (100%) of the public deposit accounts that exceed deposit insurance. The financial institution shall submit a copy of their collateralization report to the Finance Officer.

Interest Rate Risk – The Municipality strives to maintain a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and liquidity needs. Return on investment is secondary compared to the safety and liquidity objectives.

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. RECEIVABLES AND PAYABLES

Receivables and payables are not aggregated in these financial statements. The Municipality expects all receivables to be collected within one year. No allowance has been made for estimated uncollectible amounts.

4. INVENTORY

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

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

Government-wide Financial Statements:

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

Fund Financial Statements:

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

5. PROPERTY TAXES

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

The 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.

6. CHANGES IN CAPITAL ASSETS

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

	Balance 1/1/2020	Increase	Decrease	Balance 12/31/2020
Governmental Activites:				
Capital Assets, Not Being Depreciated				
Land	1,003,064			1,003,064
Construction Work in Progress	766,838	635,802	(619,963)	782,677
Total Capital Assets, Not Being Depreciated	1,769,902	635,802	(619,963)	1,785,741
Capital Assets, Being Depreciated				
Buildings & Structures	4,738,359	173,114		4,911,473
Improvements Other Than Buildings	8,822,971	907,614		9,730,585
Machinery and Equipment	2,236,550	198,450	(73,021)	2,361,979
Total Capital Assets, Being Depreciated	15,797,880	1,279,178	(73,021)	17,004,037
Less Accumulated Depreciation for:				
Buildings & Structures	(1,611,600)	(108,407)		(1,720,007)
Improvements Other Than Buildings	(2,078,665)	(367,626)		(2,446,291)
Machinery and Equipment	(1,549,833)	(133,867)	73,021	(1,610,679)
Total Accumulated Depreciation	(5,240,098)	(609,900)	73,021	(5,776,977)
Total Governmental Activities Capital Assets, Being Depreciated, Net	10,557,782	669,278	-	11,227,060
Governmental Activities Capital Assets, Net	12,327,684	1,305,080	(619,963)	13,012,801

Changes in capital assets as shown above include activities of the internal service fund. Purchases within the equipment replacement fund for the year ended December 31, 2020 were $136,704 and disposals were $7,277.

Depreciation expense was charged to functions as follows:

	Balance 12/31/2020
Governmental Activities:	
General Government	$ 64,070
Public Safety	31,095
Public Works	420,958
Culture & Recreation	93,777
Total Depreciation Expense - Governmental Activities	$ 609,900

	Balance 1/1/2020	Increases	Decreases	Balance 12/31/2020
Business-Type Activites:				
Capital Assets, Not Being Depreciated				
Land	$ 85,157	$ -	$ -	$ 85,157
Construction Work in Progress	2,088,347	4,456,285	(187,481)	6,357,151
Total Capital Assets, Not Being Depreciated	2,173,504	4,456,285	(187,481)	6,442,308
Capital Assets, Being Depreciated				
Buildings	11,426,796	9,729	-	11,436,525
Improvements Other Than Buildings	7,443,012	199,286	-	7,642,298
Machinery and Equipment	632,244	26,657	-	658,901
Total Capital Assets, Being Depreciated	19,502,052	235,672	-	19,737,724
Less Accumulated Depreciation for:				
Buildings	(3,233,244)	(281,530)	-	(3,514,774)
Improvements Other Than Buildings	(1,423,236)	(272,180)	-	(1,695,416)
Machinery and Equipment	(305,558)	(32,365)		(337,923)
Total Accumulated Depreciation	(4,962,038)	(586,074)	-	(5,548,112)
Total Business-Type Activity Capital Assets, Being Depreciated, Net	14,540,014	(350,402)	-	14,189,612
Business-Type Activity Capital Assets, Net	$ 16,713,518	$ 4,105,883	$ (187,481)	$ 20,631,920

Depreciation expense was charged to functions as follows:

	Balance 12/31/2020
Business-Type Activities:	
Water	$ 175,696
Wastewater	399,844
Liquor	10,534
Total Depreciation Expense - Business-Type Activities	$ 586,074

Construction Work in Progress at December 31, 2020 is composed of the following:

Project Name	Project Authorization	Expended thru 12/31/2020
2021 StreetSealing Projects	$ 325,000	3,936
Old Hwy 77 Improvements	900,000	6,436
Sioux River Red Rock Trailway - Old 77	2,270,000	17,158
3rd Street Bridge	91,000	5,462
SE Infrastructure Project Phase 1	7,600,000	6,970,610
SE Infrastructure Project Phase 2	3,900,000	109,112
GIS Mapping	20,000	27,115
Total	$ 15,106,000	$ 7,139,828

7. LONG-TERM LIABILITIES

A summary of changes in long-term liabilities follows:

Primary Government:

	Balance 1/1/2020	Additions	Deletions	Balance 12/31/2020	Due Within One Year
Governmental Activities:					
Sales Tax Revenue Bond	$ 374,690		$ (17,923)	$ 356,767	$ 18,456
Accrued Compensated Absences-Governmental Funds	50,950	16,403	(12,977)	54,376	1,883
Total Governmental Activity	425,640	16,403	(30,900)	411,143	20,339
Business-Type Activities:					
SRF 2003 Drinking Water	205,948		(36,379)	169,569	37,669
SRF 2006 Clean Water	254,057		(254,057)	-	-
SRF 2006 Drinking Water	71,217		(8,858)	62,359	9,149
SRF 2007 Clean Water	576,579		(54,340)	522,239	56,129
SRF 2009 Clean Water	574,364		(46,683)	527,681	48,218
SRF 2011 Drinking Water	306,745		(19,600)	287,145	20,194
SRF 2011 Clean Water	246,536		(246,536)	-	-
SRF 2012 Drinking Water	87,451		(28,499)	58,952	29,145
SRF 2013 Dringing Water	508,504		(26,718)	481,786	27,529
SRF 2013 Clean Water	497,881		(26,160)	471,721	26,954
SRF 2014 Clean Water	879,500		(54,324)	825,176	55,873
SRF 2016 Drinking Water	694,201		(14,091)	680,110	15,375
SRF 2017 Clean Water	1,955,741		(40,087)	1,915,654	41,579
SRF 2019 Drinking Water	609,819	1,470,834		2,080,653	
SRF 2019 Clean Water	-	142,247		142,247	
SRF 2019 Clean Water	675,950	1,486,494		2,162,444	
Total Debt	8,144,493	3,099,575	(856,332)	10,387,736	367,814
Accrued Compensated Absences-Business-Type Funds	32,518	3,762		36,280	740
Total Business-Type Activities	8,177,011	3,103,337	(856,332)	10,424,016	368,554
TOTAL PRIMARY GOVERNMENT	$ 8,602,651	$ 3,119,740	$ (887,232)	$ 10,835,159	$ 388,893

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

State Revolving Fund (SRF) Loan 2003 Drinking Water: Note dated April 30, 2003 including an interest rate of 3.5% per annum and a maturity date of January 15, 2025. Principal payments to be made by Water Fund.	$ 169,569
State Revolving Fund (SRF) Loan 2006 Drinking Water: Note dated March 31, 2006 including an interest rate of 3.25% per annum and a maturity date of January 15, 2027. Principal payments to be made by Water Fund.	$ 62,359
State Revolving Fund (SRF) Loan 2007 Clean Water: Note dated December 2, 2008 including an interest rate of 3.25% per annum and a maturity date of January 15, 2029. Principal payments to be made by Wastewater Fund.	$ 522,239
State Revolving Fund (SRF) Loan 2009 Clean Water Note dated January 15, 2010 with a maturity date of January 15, 2030 and an interest rate of 3.25% per annum. Principal payments to be made by the Wastewater Fund.	$ 527,681
State Revolving Fund (SRF) Loan 2011 Drinking Water Note dated April 15, 2011 with a maturity date of January 15, 2031 and an interest rate of 3.00% per annum. Principal payments to be made by the Water Fund.	$ 287,145
State Revolving Fund (SRF) Loan 2012 Drinking Water Note dated June 27, 2012 with a maturity date of October 15, 2022 and an interest rate of 2.25% per annum. Principal payments to be made by the Water Fund.	$ 58,952
State Revolving Fund (SRF) Loan 2013 Drinking Water Note dated October 18, 2013 with a maturity date of January 15, 2035 and an interest rate of 3.00% per annum. Principal payments to be made by the Water Fund.	$ 481,786
State Revolving Fund (SRF) Loan 2013 Clean Water Note dated October 18, 2013 with a maturity date of January 15, 2035 and an interest rate of 3.00% per annum. Principal payments to be made by the Wastewater Fund.	$ 471,721
State Revolving Fund (SRF) Loan 2014 Clean Water Note dated April 7, 2014 with payments starting on January 15, 2016, a maturity date of April 15, 2033, and an interest rate of 3.00% per annum. Principal payments to be made by the Wastewater Fund.	$ 825,176
State Revolving Fund (SRF) Loan 2016 Drinking Water Note dated August 10, 2016 with payments starting on July 15, 2018, a maturity date of July 15, 2048, and an interest rate of 3.25% per annum. Principal payments to be made by the Water Fund	$ 680,110
State Revolving Fund (SRF) Loan 2017 Clean Water Note dated February 1, 2017 with payments starting on July 15, 2019, a maturity date of April 15, 2049, and an interest rate of 3.25% per annum. Principal payments to be made by the Wastewater Fund	$ 1,915,654
State Revolving Fund (SRF) Loan 2019 Drinking Water Note dated in 2019 with payments starting in 2021, a maturity date of 2051, and an interest rate of 2.50% per annum. Principal payments to be made by the Water Fund	$ 2,080,653
State Revolving Fund (SRF) Loan 2019 Clean Water Note dated in 2019 with payments starting in 2021, a maturity date of 2051, and an interest rate of 1.50% per annum. Principal payments to be made by the Wastewater Fund	$ 2,162,444
State Revolving Fund (SRF) Loan 2019 Clean Water Note dated in 2019 with payments starting in 2021, a maturity date of 2051, and an interest rate of 1.50% per annum. Principal payments to be made by the Wastewater Fund	$ 142,247
Sales Tax Revenue Bond 2016 General Fund Bond dated July 6, 2016 with payments starting on June 1, 2018, a maturity date of June 1, 2036, and an interest rate of 2.95% per annum. Principal payments to be made by the General Fund.	$ 356,767
Compensated Absences Accrued vacation and sick leave payable from the General Fund and Enterprise Funds	$ 90,656

The annual requirements to amortize all debt outstanding as of December 31, 2020, except for compensated absences but including interest payments of $3,565,941 are as follows:

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

Year Ending Dec. 31,	State Revolving Loans		Sales Tax Revenue Bond		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2021	367,814	207,406	18,456	10,389	386,270	217,795
2022	489,754	260,270	19,005	9,841	508,759	270,111
2023	473,357	246,439	19,569	9,276	492,926	255,715
2024	487,122	232,675	20,151	8,695	507,273	241,370
2025	468,794	218,667	20,750	8,096	489,544	226,763
2026-2030	2,289,290	893,500	113,373	30,855	2,402,663	924,355
2031-2035	1,671,327	614,398	131,250	12,976	1,802,577	627,374
2036-2040	1,248,592	438,124	14,213	212	1,262,805	438,336
2041-2045	1,413,790	272,926			1,413,790	272,926
2046-2050	1,385,352	89,727			1,385,352	89,727
2051-2055	92,544	1,469			92,544	1,469
TOTAL	$ 10,387,736	$ 3,475,601	$ 356,767	$ 90,340	$ 10,744,503	$ 3,565,941

8. INTERFUND TRANSFERS

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

	Transfer To:	
	General Fund	Wastewater Fund
Transfer From:		
General Fund		535,008
Liquor Fund	120,000	
	$ 120,000	$ 535,008

The transfers the Municipality budgeted for this year were for excess Liquor revenue to the General Fund, General Fund to Wastewater – SE Sewer Extension – Sales Tax Dedication transfer (Yearly CW#7 P&I payment) and payoff of CW#2 and CW#5.

9. PENSION PLAN:

Plan Information:

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

Benefits Provided:

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

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

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

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

- Baseline actuarial accrued liabilities will be calculated assuming the COLA is equal to 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.

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

Year	Amount
2020	$46,297
2019	$44,386
2018	$40,224

Pension Liabilities (Assets), Pension Expense (Revenue), and Deferred Outflows of Resources and Deferred Inflows of Resources to Pensions:
At June 30, 2020, SDRS is 100.04% funded and accordingly has a net pension asset. The proportionate share of the components of the net pension asset of South Dakota Retirement System, for the Municipality as of this measurement period ending June 30, 2020 and reported by the Municipality as of December 31, 2020 are as follows:

Proportionate share of net position restricted for pension benefits	$	4,228,938
Less proportionate share of total pension liability		4,230,432
Proportionate share of net pension liability (asset)	$	(1,494)

At December 31, 2020, the Municipality reported an asset of $ 1,494 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2020 and the total pension liability 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, 2020, the Municipality's proportion was 0.03440120%, which is an increase of 0.0017965% from its proportion measured as of June 30, 2019.

For the year ended December 31, 2020, the Municipality recognized pension expense (reduction of expense) of $66,406. At December 31, 2020 the Municipality reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows Of Resources	Deferred Inflows Of Resources
Difference between expected and acutal experience	5,716	1,170
Changes in assumption	48,124	194,204
Net difference between projected and actual earnings on pension plan investments	138,863	-
Changes in proportion and difference between Municipality contributions and proportionate share of contributions	-	5,687
Municipality contributions subsequent to the measurement date	23,279	
TOTAL	215,982	201,061

$23,279 reported as deferred outflow of resources related to pensions resulting from Municipality contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (reduction of expense) as follows:

Year Ending Dec. 31,	
2021	(20,154)
2022	(14,882)
2023	1,191
2024	25,603
TOTAL	$ (8,242)

Actuarial Assumptions:

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

Inflation	2.25 percent
Salary Increases	Graded by years of service, from 6.50% at entry to 3.00% after 25 years of service
Discount Rate	6.50% net of plan investment expense
Future COLAs	1.41%

Mortality rates were based on 97% of the RP-2014 Mortality Table, 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, projected generationally with Scale MP-2016.

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	58.0%	5.1%
Fixed Income	30.0%	1.5%
Real Estate	10.0%	6.2%
Cash	2.0%	1.0%
Total	100.0%	

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

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

	1% Decrease	Current Discount Rate	1% Increase
Municipality's proportionate share of the net pension liability (asset)	579,587	(1,494)	(476,807)

Pension Plan Fiduciary Net Position:
Detailed information about the plan's fiduciary net position is available in the separately issued SDRS financial report.

10. SIGNIFICANT CONTINGENCIES – LITIGATION:

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

11. TAX ABATEMENTS

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

The county, municipal, and other local general property taxes levied on all taxable property within a tax increment district on the increase in assessed value of the taxable property is allocated to pay for the cost of improvements in the tax increment district. The tax increments are allocated until all cost of the tax increment district project has been repaid; however, it cannot exceed 20 years.

The Municipality of Dell Rapids has one active tax increment district. Because the general property taxes on tax increment districts are allocated to the districts, the taxes are not available to the Municipality of Dell Rapids during the life of the tax increment district.

The amount of general property taxes collected from the tax increment that were not available to the Municipality of Dell Rapids during the calendar year ended December 31, 2020 was approximately $24,918

12. SUBSEQUENT EVENTS

The Municipality has evaluated subsequent events to September 28, 2021, the date which the financial statements were available to be issued, and determined that there are no other events occurring subsequent to the end of the year that merit recognition or disclosure in these statements.

13. 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 year ended December 31, 2020, the Municipality managed its risks as follows:

Employee Health Insurance

The Municipality 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 Municipality 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 an unlimited lifetime maximum payment per person.

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

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

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

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

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

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

As of December 31, 2020, the Municipality's balance available to be refunded per the SDPAA was $67,257, which was an increase of $4,839 from the previous year. The change in the amount available for refund was accounted for as an increase (decrease) in the insurance expenditures/expenses.

The Municipality carries a $500 deductible for wrongful acts coverage and $500 deductible on a per item basis for building, contents, and equipment coverage.

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.

Worker's Compensation

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

During the year ended December 31, 2020 no claims for unemployment benefits were paid. At December 31, 2020 no claims had been filed for unemployment benefits and none are anticipated in the next fiscal year.

REQUIRED SUPPLEMENTARY INFORMATION
MUNICIPALITY OF DELL RAPIDS
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
YEAR ENDED DECEMBER 31, 2020

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
Revenues:				
Revenue from Local Sources:				
Taxes:				
General Property Taxes	$ 1,310,084	$ 1,310,084	$ 1,343,363	$ 33,279
General Sales and Use Taxes	900,000	900,000	1,301,766	401,766
Amusement Taxes	400	400	372	(28)
Penalties and Interest on Delinquent Taxes	1,000	1,000	2,496	1,496
Licenses and Permits	21,850	21,850	36,342	14,492
Intergovernmental Revenue:				
Federal Grants	441,009	669,519	559,910	(109,609)
State Grants	698,158	706,558	772,776	66,218
State Shared Revenue:				
Bank Franchise Tax	25,000	25,000	52,389	27,389
Prorate License Fees	1,500	1,500	3,184	1,684
Liquor Tax Reversion	15,000	15,000	26,234	11,234
Motor Vehicle Licenses (5%)	20,000	20,000	33,622	13,622
Local Government Highway and Bridge Fund	30,000	30,000	51,083	21,083
Other	500	500	-	(500)
County Shared Revenue:				
County Wheel Tax	4,000	4,000	6,101	2,101
Other County Shared Revenue				-
Other Intergovernmental Revenues	2,000	2,000		(2,000)
Charges for Goods and Services:				
General Government			1,200	1,200
Public Safety	2,000	2,000	1,160	(840)
Highways and Streets	9,850	9,850	3,648	(6,202)
Sanitation	8,000	8,000	11,885	3,885
Culture and Recreation	46,600	46,600	9,786	(36,814)
Other	-	-	-	-
Fines and Forfeits:				
Court Fines and Costs	500	500	76	(424)
Animal Control Fines				-
Parking Meter Fines	1,500	1,500	2,667	1,167
Other	300	300	80	(220)
Miscellaneous Revenue:				
Investment Earnings	3,000	3,000	1,836	(1,164)
Rentals	2,000	2,000	2,400	400
Special Assessments	6,795	6,795	148,614	141,819
Maintenance Assessments				-
Contributions and Donations from Private Sources	50,000	50,000		(50,000)
Other	17,500	17,500	21,422	3,922
Total Revenue	$ 3,618,546	$ 3,855,456	$ 4,394,412	$ 538,956

The notes to the required supplementary schedules are an integral part of this schedule.

REQUIRED SUPPLEMENTARY INFORMATION
MUNICIPALITY OF DELL RAPIDS
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
YEAR ENDED DECEMBER 31, 2020

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final	(Budgetary Basis)	Positive (Negative)
Expenditures:				
General Government:				
Legislative	$ 56,350	$ 58,250	$ 53,910	$ 4,340
Contingency	50,000	50,000		50,000
Amount Trasferred		(38,450)		(38,450)
Executive	231,805	231,805	186,613	45,192
Elections	1,500	1,500	184	1,316
Financial Administration	129,520	131,420	131,884	(464)
Other	436,680	446,680	182,824	263,856
Total General Government	905,855	881,205	555,415	325,790
Public Safety:				
Police	284,284	284,284	274,284	10,000
Fire	69,972	94,972	102,853	(7,881)
Protective Inspection	62,700	63,510	56,701	6,809
Other Protection		158,485	83,357	75,128
Total Public Safety	416,956	601,251	517,195	84,056
Public Works:				
Highways and Streets	1,844,930	1,844,930	1,272,897	572,033
Sanitation	16,710	16,710	8,986	7,724
Transit	75,111	75,111	46,299	28,812
Total Public Works	1,936,751	1,936,751	1,328,182	608,569
Health and Welfare:				
Health	5,660	6,660	3,583	3,077
Humane Society	3,200	3,200	2,642	558
Ambulance	45,000	170,000	100,480	69,520
Total Health and Welfare	53,860	179,860	106,705	73,155
Culture and Recreation:				
Recreation	640,850	643,350	196,346	447,004
Parks	142,420	147,420	147,464	(44)
Libraries	238,640	253,890	241,628	12,262
Total Culture and Recreation	1,021,910	1,044,660	585,438	459,222
Conservation and Development:				
Economic Development and Assistance	181,500	189,500	178,382	11,118
Miscellaneous				
Debt Service	29,000	29,000	28,802	198
Total Expenditures	4,545,832	4,862,227	3,300,119	1,562,108
Excess of Revenue Over (Under) Expenditures	(927,286)	(1,006,771)	1,094,293	2,101,064
Other Financing Sources (Uses):				
Transfers In	120,000	120,000	120,000	-
Transfer Out	(130,008)	(585,008)	(535,008)	50,000
Total Other Financing Sources (Uses)	(10,008)	(465,008)	(415,008)	50,000
Net Changes in Fund Balances	(937,294)	(1,471,779)	679,285	2,151,064
Fund Balance Beginning	3,107,114	3,107,114	3,107,114	-
FUND BALANCE - ENDING	$ 2,169,820	$ 1,635,335	$ 3,786,399	$ 2,151,064

MUNICIPALITY OF DELL RAPIDS
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
Schedules of Budgetary Comparisons for the General Fund
and for each major Special Revenue Fund with a legally required budget.

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/Municipal Commission introduces the annual appropriation ordinance for the ensuing fiscal year.

2. After adoption by the Governing Board/Municipal Commission, 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. Formal budgetary integration is employed as a management control device during the year for the General Fund and special revenue funds.

7. Budgets for the General Fund and special revenue funds are adopted on a basis consistent with accounting principles generally accepted in the United States (USGAAP).

Note 2. GAAP/Budgetary Accounting Basis Differences:

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

Schedule of Required Supplementary Information

MUNICIPALITY OF DELL RAPIDS

SCHEDULE OF THE MUNICIPALITY CONTRIBUTIONS

South Dakota Retirement System

	2020	2019	2018	2017	2016	2015
Contractually required contribution	$ 46,297	$ 44,386	$ 40,224	$ 37,867	$ 36,358	$ 36,251
Contributions in relation to the contractually required contribution	$ 46,297	$ 44,386	$ 40,224	$ 37,867	$ 36,358	$ 36,251
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -
Municipality's covered-employee payroll	$ 771,625	$ 739,760	$ 672,122	$ 630,035	$ 606,897	$ 604,182
Contributions as a percentage of covered-employee payroll	6.00%	6.00%	5.98%	6.01%	5.99%	6.00%

Schedule of Required Supplementary Information

MUNICIPALITY OF DELL RAPIDS

SCHEDULE OF THE MUNICIPALITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

South Dakota Retirement System

	2020	2019	2018	2017	2016	2015
Municipality's proportion of the net pension liability (asset)	0.0344012%	0.0326047%	0.0324610%	0.0312770%	0.0312043%	0.304757%
Municipality's proportionate share of net pension liability (asset)	$ (1,494)	$ (3,455)	$ (758)	$ (2,838)	$ 105,405	$ (129,256)
Municipality's covered-employee payroll	$ 755,005	$ 694,856	$ 673,848	$ 537,569	$ 593,344	$ 560,950
Municipality's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	0.20%	0.50%	0.11%	0.53%	17.76%	23.40%
Plan fiduciary net position as a percentage of the total pension liability (asset)	100.04%	100.09%	100.02%	100.10%	96.89%	104.10%

The amounts presented were determined as of the measurement date of the collective net pension liability (asset) which is 6/30/2020.

Changes from Prior Valuation

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

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

Benefits Provision Changes

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

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

Actuarial Assumption Changes

The SDRS COLA equals the percentage increase in the most recent third calendar quarter CPI-W over the prior year, no less than 0.5% and no greater than 3.5%. However, if the FVFR assuming the long-term COLA is equal to the baseline COLA assumption (currently 2.25%) is less than 100%, the maximum COLA payable will be limited to the increase that if assumed on a long-term basis, results in a FVFR equal to or exceeding 100%. That condition existed as of June 30, 2019 and exists again this year as of June 30, 2020. Future COLAs are assumed to equal the current restricted maximum COLA which was 1.88% as of June 30, 2019 and is 1.14% as of June 30, 2020.

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

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

Actuarial Method Changes

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

CITY OF DELL RAPIDS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2020

Federal Grantor/Pass-Through Grantor Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Total Federal Expenditures 2020
US Department of Transportation - Pass-Through Programs:			
SD Department of Transportation,			
Section 5311 Funds	20.509	N/A	38,110
Total US Department of Transportation			**38,110**
US Department of Treasury - Pass Through Programs:			
SD Bureau of Finance and Management,			
Coronavirus Relief Fund (Note 3)	21.019	N/A	431,887
Total US Department of Treasury			**431,887**
US Environmental Protection Agency - Pass-Through Programs:			
SD Department of Environment and Natural Resources,			
Capitalization Grants for Drinking Water State Revolving Funds (Federal Portion)	66.468	N/A	307,394
Total US Environment Protection Agency			**307,394**
US Department of Health and Human Services - Pass Through Programs:			
SD Secretary of State,			
Special Program for the Aging, Title III, Part B Grants for Supportive Services and Senior Centers	93.044	N/A	1,131
Total US Department of Health and Human Services			**1,131**
US Department of Homeland Security - Pass Through Programs:			
SD Department of Public Safety - Office of Emergency Management			
Disaster Grants-Public Assistance (Presidentially Declared Disasters)	97.036	N/A	89,913
Total US Department of Homeland Security			**89,913**
GRAND TOTAL			**868,435**

Note 1: ***Basis of Presentation***

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

Note 2: ***Summary of Significant Accounting Policies***

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

Note 3: ***Major Federal Financial Assistance Program***

This represents a Major Federal Financial Assistance Program.

CORRECTIVE ACTION PLAN
December 31, 2020

The City respectfully submits the following correction action plan from December 31, 2020 Schedule of Findings.

FINDING: Segregation of Duties

MANAGEMENT RESPONSE: The City agrees with this finding and is aware of the weakness. Due to the small size of the entity, management will continue to provide close scrutiny to financial accuracy. The council has started matching both checks and vouchers before approving the invoice for payment. The City also started segregating check signing responsibilities to help segregate some of the duties within the accounting department.

ANTICIPATED COMPLETION DATE: Ongoing

302 East Fourth Street / PO Box 10 / Dell Rapids, SD 57022
P 605.428.3595 / F 605.428.5969 / www.cityofdellrapids.org