

**MUNICIPALITY OF CROOKS
CROOKS, SOUTH DAKOTA**

AUDIT REPORT

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

Schoenfish & Co., Inc.

CERTIFIED PUBLIC ACCOUNTANTS
P.O. Box 247

105 EAST MAIN, PARKSTON, SOUTH DAKOTA 57366

MUNICIPALITY OF CROOKS

MUNICIPAL OFFICIALS
DECEMBER 31, 2020

MAYOR:

F. Butch Oseby

GOVERNING BOARD:

Jana Richardson, President
Andrew Henning, Vice-President
Allan Beyer
Jacob Maras

FINANCE OFFICER:

Tobias Schantz

ATTORNEY:

Patrick Glover

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

Governing Board
Municipality of Crooks
Crooks, South Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of the Municipality of Crooks, 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 August 27, 2021, which had a disclaimer of opinion on the aggregate discretely presented component units because they were unaudited.

Internal Control Over Financial Reporting

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

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

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

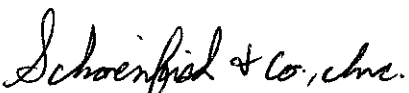
regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such 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 Responses to Findings

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

Purpose of this Report

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



Schoenfish & Co., Inc.
Certified Public Accountants
August 27, 2021

Schoenfish & Co., Inc.

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

A material weakness in internal controls was noted due to a lack of proper segregation of duties existed for the revenue function resulting in decreased reliability of reported financial data and increased potential for the loss of public assets. This comment has not been corrected and is restated as current audit finding number 2020-001.

Finding Number 2019-002:

The General Fund was budgeted to spend more money than was available in 2019. This comment has been corrected.

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SCHEDULE OF CURRENT AUDIT FINDINGS

CURRENT OTHER AUDIT FINDINGS:

Internal Control – Related Finding – Material Weakness:

Finding Number 2020-001:

A material weakness in internal controls was noted due to a lack of proper segregation of duties existed for the revenues. This has been a continuing audit comment since 1998.

Criteria:

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

Condition:

The office personnel process all revenue transactions from beginning to end. They also receive money, issue receipts, record receipts, post receipts in the accounting records, prepare bank deposits, reconcile bank statements, and prepare financial statements.

Effect:

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

Recommendation:

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

Management's Response:

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

CLOSING CONFERENCE

The audit was discussed with the officials during the course of the audit and with the mayor, one board member and finance officer on September 21, 2021.

Schoenfish & Co., Inc.

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105 EAST MAIN, PARKSTON, SOUTH DAKOTA 57366

INDEPENDENT AUDITOR'S REPORT

Governing Board
Municipality of Crooks
Crooks, South Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund, of the Municipality of Crooks, 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.

Basis for Disclaimer of Opinion

The financial statements of the Crooks Housing and Redevelopment Commission (CHRC) component unit have not been audited, and we were not engaged to audit the CHRC financial statements as part of our audit of the Municipality's basic financial statements. CHRC's financial activities are included in the Municipality's basic financial statements as a discretely presented component unit and represent 100 percent of the assets, net position, and revenues of the Municipality's aggregate discretely presented component units.

Disclaimer of Opinion

Because the CHRC's financial statements have not been audited, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the financial statements of the aggregate discretely presented component units of the Municipality of Crooks, South Dakota, as of December 31, 2020 and for the year then ended.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly the respective financial position of the governmental activities, business-type activities, and each major fund of the Municipality of Crooks as of December 31, 2020, and the respective changes in financial position and, where applicable, cash flows, thereof for each of the year then ended in conformity 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 Budgetary Comparison Schedules, the Schedule of the Municipality's Proportionate Share of the Net Pension Liability (Asset), and the Schedule of the Municipality's Contributions on pages 42 through 44, 46, and 47, 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.

The Municipality has omitted the Management's Discussion and Analysis (MD&A) that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

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Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 27, 2021, on our consideration of the Municipality's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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.

Schoenfish & Co., Inc.

Schoenfish & Co., Inc.
Certified Public Accountants
August 27, 2021

Schoenfish & Co., Inc.

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P.O. Box 247
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MUNICIPALITY OF CROOKS
STATEMENT OF NET POSITION
December 31, 2020

	Primary Government		
	Governmental Activities	Business-Type Activities	Component Units
ASSETS:			
Cash and Cash Equivalents	335,654.66	1,231,414.66	75,426.04
Investments	11,887.12		
Accounts Receivable, Net	16,227.09	207,441.99	
Due from Component Unit	2,300.69	87,402.75	
Due from Other Government	63,646.58	5,313.60	
Inventories		27,583.00	
Other Assets	10,057.86		
Restricted Assets:			
Cash and Cash Equivalents			164,515.82
Deposits	10,097.13	18,150.88	
Net Pension Asset	54.99	323.32	
Capital Assets:			
Land and Construction in Progress	133,812.36	177,293.00	
Other Capital Assets, Net of Depreciation	1,373,941.68	5,864,703.51	
TOTAL ASSETS	1,957,680.16	7,619,626.71	239,941.86
DEFERRED OUTFLOWS OF RESOURCES:			
Pension Related Deferred Outflows	8,212.50	48,286.41	
TOTAL DEFERRED OUTFLOWS OF RESOURCES	8,212.50	48,286.41	0.00
LIABILITIES :			
Accounts Payable	56,751.76	75,572.31	
Other Current Liabilities	11,674.55	253,566.05	
Unearned Revenue	400.00	6,183.47	
Noncurrent Liabilities:			
Due Within One Year	21,489.04	77,304.56	
Due in More than One Year	108,343.75	3,307,305.31	
TOTAL LIABILITIES	198,659.10	3,719,931.70	0.00
DEFERRED INFLOWS OF RESOURCES:			
Pension Related Deferred Inflows	7,988.29	46,968.11	
TOTAL DEFERRED INFLOWS OF RESOURCES	7,988.29	46,968.11	0.00
NET POSITION:			
Net Investment in Capital Assets	1,383,264.38	2,563,318.73	
Restricted for:			
SDSR Pension Purposes	279.20	1,641.62	
Cumulative Insurance Reserve Purposes	10,097.13	18,150.88	
Economic Development Purposes	13,787.92		
Crossing Lights/Pool Purposes	11,887.12		
Debt Service Purposes	4,989.00		
Other Purposes			164,515.82
Unrestricted	334,940.52	1,317,902.08	75,426.04
TOTAL NET POSITION	1,759,245.27	3,901,013.31	239,941.86

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

MUNICIPALITY OF CROOKS
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2020

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government		Component Units
				Governmental Activities	Business-Type Activities	
Primary Government:						
Governmental Activities:						
General Government	113,303.77	19,668.50	49,590.79	(44,044.48)		(44,044.48)
Public Safety	138,340.64	802.67	33,839.82	(103,698.15)		(103,698.15)
Public Works	188,022.52	22,259.80		(93,368.18)		(93,368.18)
Health and Welfare	19,886.20		16,120.94	(3,765.26)		(3,765.26)
Culture and Recreation	91,156.83	6,020.11	93.34	(85,043.38)		(85,043.38)
Conservation and Development	23,649.63			(23,649.63)		(23,649.63)
Miscellaneous		5,200.00		5,200.00		5,200.00
*Interest on Long-term Debt	4,322.12			(4,322.12)		(4,322.12)
Total Governmental Activities	578,681.71	53,951.08	99,644.89	(352,691.20)		(352,691.20)
Business-type Activities:						
Water	237,413.90	275,196.12	441.92		38,224.14	38,224.14
Sewer	255,033.04	303,981.49	450.03		49,398.48	49,398.48
Gas	733,896.81	745,568.54	563.65		12,235.38	12,235.38
Total Business-type Activities	1,226,343.75	1,324,746.15	1,455.60		99,858.00	99,858.00
Total Primary Government	1,805,025.46	1,378,697.23	101,100.49	(352,691.20)	99,858.00	(252,833.20)
Component Units:						
Housing and Redevelopment Commission	776,596.64	560,052.48				(216,544.16)
General Revenues:						
Taxes:						
Property Taxes				249,275.63		249,275.63
Sales Taxes				236,444.18		236,444.18
State Shared Revenues				19,037.89		19,037.89
Grants and Contributions not Restricted to Specific Programs				3,970.00		3,970.00
Unrestricted Investment Earnings				342.40	3,496.00	3,838.40
Miscellaneous Revenue				12,719.77	1,936.36	14,656.13
Total General Revenues				521,789.87	5,432.36	527,222.23
Change in Net Position				169,098.67	105,290.36	274,389.03
Net Position - Beginning				1,590,146.60	3,813,286.90	5,403,433.50
Adjustments:						
Adjust for Accrued Interest from 2019 Project (See Note 11)					(18,668.40)	(18,668.40)
Adjust for Incorrect Investment Balance (See Note 11)					1,104.45	1,104.45
Adjust Component Unit for Change in Accounting Method (See Note 12)						0.00
Adjusted Net Position-Beginning				1,590,146.60	3,795,722.95	5,385,869.55
NET POSITION - ENDING				1,759,245.27	3,901,013.31	5,660,258.58

* The Municipality does not have interest expense related to the functions presented above. This amount includes indirect interest expense on general long-term debt.

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

MUNICIPALITY OF CROOKS
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2020

	General Fund	Entertainment Tax Fund	Total Governmental Funds
ASSETS:			
Cash and Cash Equivalents	321,948.25	13,706.41	335,654.66
Investments	11,887.12		11,887.12
Taxes Receivable--Delinquent	4,319.61		4,319.61
Accounts Receivable, Net	492.65		492.65
Special Assessment Receivable - Delinquent	11,414.83		11,414.83
Due from Component Unit	2,300.69		2,300.69
Due from Other Government	63,279.32	367.26	63,646.58
Restricted Assets:			
Deposits	10,097.13		10,097.13
Prepaid Expenses	10,057.86		10,057.86
TOTAL ASSETS	435,797.46	14,073.67	449,871.13
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:			
Liabilities:			
Accounts Payable	56,466.01	285.75	56,751.76
Accrued Wages Payable	3,053.86		3,053.86
Accrued Taxes Payable	6,795.69		6,795.69
Customer Deposits	1,825.00		1,825.00
Unearned Revenue	400.00		400.00
Total Liabilities	68,540.56	285.75	68,826.31
Deferred Inflows of Resources:			
Unavailable Revenue--Property Taxes	4,319.61		4,319.61
Unavailable Revenue--Special Assessments	11,414.83		11,414.83
Total Deferred Inflows of Resources	15,734.44	0.00	15,734.44
Fund Balances:			
Nonspendable for Insurance Reserve	10,097.13		10,097.13
Nonspendable for Prepaid Expenses	10,057.86		10,057.86
Restricted for Crossing Lights/Pool Purposes	11,887.12		11,887.12
Restricted for Debt Service	4,989.00		4,989.00
Restricted for Economic Development Purposes		13,787.92	13,787.92
Committed for Water/Sewer HookUp Funds	15,834.14		15,834.14
Assigned for Special Maintenance	29,879.30		29,879.30
Assigned for Next Year's Budget	216,250.00		216,250.00
Unassigned	52,527.91		52,527.91
Total Fund Balances	351,522.46	13,787.92	365,310.38
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	435,797.46	14,073.67	449,871.13

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

MUNICIPALITY OF CROOKS
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
December 31, 2020

Total Fund Balances - Governmental Funds	<u>365,310.38</u>
Amounts reported for governmental activities in the statement of Net Position are different because:	
Net pension asset reported in governmental activities is not an available financial resource and therefore is not reported in the funds.	<u>54.99</u>
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	<u>1,507,754.04</u>
Pension related deferred outflows are components of pension liability (asset) and therefore are not reported in the funds.	<u>8,212.50</u>
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.	<u>(129,832.79)</u>
Assets such as taxes receivable (delinquent) and special assessment receivables (current, delinquent and deferred) are not available to pay for current period expenditures and therefore are deferred in the funds.	<u>15,734.44</u>
Pension related deferred inflows are components of pension liability (asset) and therefore are not reported in the funds.	<u>(7,988.29)</u>
Net Position - Governmental Activities	<u><u>1,759,245.27</u></u>

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

MUNICIPALITY OF CROOKS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

For the Year Ended December 31, 2020

	General Fund	Entertainment Tax Fund	Total Governmental Funds
Revenues:			
Taxes:			
General Property Taxes	248,421.30		248,421.30
General Sales and Use Taxes	225,484.50	10,959.68	236,444.18
Amusement Taxes	120.00		120.00
Penalties and Interest on Delinquent Taxes	323.14		323.14
Licenses and Permits	25,343.50		25,343.50
Intergovernmental Revenue:			
Federal Grants	98,276.89		98,276.89
State Grants	1,368.00		1,368.00
State Shared Revenue:			
Bank Franchise Tax	10,254.19		10,254.19
Prorate License Fees	842.84		842.84
Liquor Tax Reversion	8,783.70		8,783.70
Motor Vehicle Licenses	8,721.65		8,721.65
Local Government Highway and Bridge Fund	10,256.95		10,256.95
County Shared Revenue:			
County Wheel Tax	1,590.86		1,590.86
Charges for Goods and Services:			
General Government	150.00		150.00
Highways and Streets	247.50		247.50
Fines and Forfeits:			
Other	777.67		777.67
Miscellaneous Revenue:			
Investment Earnings	342.40		342.40
Rentals	6,020.11		6,020.11
Maintenance Assessments	65,349.34		65,349.34
Contribution and Donations from Private Sources	3,970.00		3,970.00
Other	12,526.62		12,526.62
Total Revenue	729,171.16	10,959.68	740,130.84
Expenditures:			
General Government:			
Legislative	17,515.26		17,515.26
Executive	23,570.55		23,570.55
Elections	23.46		23.46
Financial Administration	36,790.81		36,790.81
Other	27,926.57		27,926.57
Total General Government	105,826.65	0.00	105,826.65

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

MUNICIPALITY OF CROOKS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2020

	General Fund	Entertainment Tax Fund	Total Governmental Funds
Expenditures: (continued)			
Public Safety:			
Police	46,150.00		46,150.00
Fire	70,592.76		70,592.76
Protective Inspection	21,318.88		21,318.88
Total Public Safety	138,061.64	0.00	138,061.64
Public Works:			
Highways and Streets	133,688.70		133,688.70
Total Public Works	133,688.70	0.00	133,688.70
Health and Welfare:			
Health	17,620.82		17,620.82
Humane Society	1,332.03		1,332.03
Total Health and Welfare	18,952.85	0.00	18,952.85
Culture and Recreation:			
Parks	62,127.69		62,127.69
Total Culture and Recreation	62,127.69	0.00	62,127.69
Conservation and Development:			
Economic Development and Assistance (Industrial Development)	16,246.25	7,333.62	23,579.87
Total Conservation and Development	16,246.25	7,333.62	23,579.87
Debt Service	19,956.00	0.00	19,956.00
Capital Outlay	46,286.23	0.00	46,286.23
Total Expenditures	541,146.01	7,333.62	548,479.63
Excess of Revenue Over (Under) Expenditures	188,025.15	3,626.06	191,651.21
Other Financing Sources:			
Sale of Municipal Property	193.15		193.15
Total Other Financing Sources	193.15	0.00	193.15
Net Change in Fund Balances	188,218.30	3,626.06	191,844.36
Fund Balance - Beginning	163,304.16	10,161.86	173,466.02
FUND BALANCE - ENDING	351,522.46	13,787.92	365,310.38

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

**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund
Balances to the Government-Wide Statement of Activities
For the Year Ended December 31, 2020**

Net Change in Fund Balances - Total Governmental Funds	<u>191,844.36</u>
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.	<u>46,286.23</u>
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.	<u>(88,057.10)</u>
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 position.	<u>15,633.88</u>
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".	<u>411.19</u>
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.	<u>7,045.20</u>
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 employee earn leave credits.	<u>(2,089.01)</u>
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. (Pension Expense)	<u>13.54</u>
Changes in the pension related deferred outflows/inflows are direct components of pension liability (asset) and are not reflected in the governmental funds.	<u>(1,989.62)</u>
Change in Net Position of Governmental Activities	<u><u>169,098.67</u></u>

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

MUNICIPALITY OF CROOKS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2020

	Enterprise Funds			
	Water Fund	Sewer Fund	Gas Fund	Totals
ASSETS:				
Current Assets:				
Cash and Cash Equivalents	277,034.77	331,497.97	622,881.92	1,231,414.66
Accounts Receivable, Net	34,841.79	39,485.99	133,114.21	207,441.99
Notes Receivable			84,324.89	84,324.89
Interest Receivable			3,077.86	3,077.86
Due from Other Government			5,313.60	5,313.60
Inventory of Supplies	7,679.00		19,904.00	27,583.00
Total Current Assets	319,555.56	370,983.96	868,616.48	1,559,156.00
Noncurrent Assets:				
Restricted Assets:				
Deposits	5,321.48	6,414.70	6,414.70	18,150.88
Net Pension Asset	134.03	92.96	96.33	323.32
Capital Assets:				
Land	2,000.00	175,293.00		177,293.00
Buildings	13,000.00			13,000.00
Improvements Other Than Buildings	1,375,093.00	730,109.72	1,960,044.95	4,065,247.67
Machinery and Equipment	57,969.00	45,901.20	92,120.08	195,990.28
Construction Work in Progress	1,139,445.83	2,257,397.02		3,396,842.85
Less: Accumulated Depreciation	(610,035.02)	(413,224.12)	(923,518.15)	(1,946,777.29)
Intangible Assets			234,000.00	234,000.00
Less: Accumulated Amortization			(93,600.00)	(93,600.00)
Total Noncurrent Assets	1,982,928.32	2,801,984.48	1,275,557.91	6,060,470.71
TOTAL ASSETS	2,302,483.88	3,172,968.44	2,144,174.39	7,619,626.71
DEFERRED OUTFLOWS OF RESOURCES:				
Pension Related Deferred Outflows	20,016.65	13,882.69	14,387.07	48,286.41
TOTAL DEFERRED OUTFLOWS OF RESOURCES	20,016.65	13,882.69	14,387.07	48,286.41
LIABILITIES:				
Current Liabilities:				
Accounts Payable	4,959.14	1,580.72	69,032.45	75,572.31
Contracts Payable - Retained Percentage	28,430.88	83,092.05		111,522.93
Due to State Government	194.10	198.54	310.82	703.46
Accrued Interest Payable	30,999.17	62,917.09		93,916.26
Accrued Wages Payable	1,402.81	1,226.66	2,017.47	4,646.94
Accrued Taxes Payable	247.48	460.34	638.83	1,346.65
Accrued Leave Payable	5,294.91	5,376.95	6,783.16	17,455.02
Customer Deposits	13,300.00		28,129.81	41,429.81
Unearned Revenue			6,183.47	6,183.47
Bonds Payable Current:				
Revenue	12,213.07	47,636.47		59,849.54
Total Current Liabilities	97,041.56	202,488.82	113,096.01	412,626.39
Noncurrent Liabilities:				
Bonds Payable:				
Revenue	1,070,939.93	2,236,365.38		3,307,305.31
Total Noncurrent Liabilities	1,070,939.93	2,236,365.38	0.00	3,307,305.31
TOTAL LIABILITIES	1,167,981.49	2,438,854.20	113,096.01	3,719,931.70
DEFERRED INFLOWS OF RESOURCES:				
Pension Related Deferred Inflows	19,470.16	13,503.67	13,994.28	46,968.11
TOTAL DEFERRED INFLOWS OF RESOURCES	19,470.16	13,503.67	13,994.28	46,968.11
NET POSITION:				
Net Investment in Capital Assets	865,888.93	428,382.92	1,269,046.88	2,563,318.73
Restricted For:				
Insurance Reserve	5,321.48	6,414.70	6,414.70	18,150.88
SDRS Pension Purposes	680.52	471.98	489.12	1,641.62
Unrestricted	263,157.95	299,223.66	755,520.47	1,317,902.08
TOTAL NET POSITION	1,135,048.88	734,493.26	2,031,471.17	3,901,013.31

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

MUNICIPALITY OF CROOKS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For the Year Ended December 31, 2020

	Enterprise Funds			
	Water Fund	Sewer Fund	Gas Fund	Totals
Operating Revenue:				
Charges for Goods and Services	258,795.19	290,430.25	719,834.20	1,269,059.64
Miscellaneous	16,400.93	13,551.24	25,734.34	55,686.51
Total Operating Revenue	275,196.12	303,981.49	745,568.54	1,324,746.15
Operating Expenses:				
Personal Services	57,180.77	56,595.51	76,984.69	190,760.97
Other Current Expense	52,545.06	113,451.01	302,367.21	468,363.28
Materials (Cost of Goods Sold)	76,177.78		259,211.72	335,389.50
Amortization			46,800.00	46,800.00
Depreciation	26,361.86	29,087.72	48,533.19	103,982.77
Total Operating Expenses	212,265.47	199,134.24	733,896.81	1,145,296.52
Operating Income (Loss)	62,930.65	104,847.25	11,671.73	179,449.63
Nonoperating Revenue (Expense):				
Federal Grants	441.92	450.03	563.65	1,455.60
Investment Earnings	51.71	39.27	3,405.02	3,496.00
Rental Revenue	1,936.36			1,936.36
Interest Expense	(25,148.43)	(55,898.80)		(81,047.23)
Total Nonoperating Revenue (Expense)	(22,718.44)	(55,409.50)	3,968.67	(74,159.27)
Change in Net Position	40,212.21	49,437.75	15,640.40	105,290.36
Net Position - Beginning	1,100,687.41	697,873.17	2,014,726.32	3,813,286.90
Adjustments:				
Accrued Interest from 2019 Project (See Note 13)	(5,850.74)	(12,817.66)		(18,668.40)
Prior Period Adjustment for Investment Balance (See Note 13)			1,104.45	1,104.45
Adjusted Net Position - Beginning	1,094,836.67	685,055.51	2,015,830.77	3,795,722.95
NET POSITION - ENDING	1,135,048.88	734,493.26	2,031,471.17	3,901,013.31

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

MUNICIPALITY OF CROOKS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended December 31, 2020

	Enterprise Funds			
	Water Fund	Sewer Fund	Gas Fund	Totals
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash Receipts from Customers	264,869.95	295,131.95	748,490.36	1,308,492.26
Cash Payments to Employees for Services	(48,561.69)	(88,599.58)	(113,753.82)	(250,915.09)
Cash Payments to Suppliers of Goods and Services	(161,900.64)	(109,797.14)	(557,879.39)	(829,577.17)
Net Cash Provided (Used) by Operating Activities	54,407.62	96,735.23	76,857.15	228,000.00
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Operating Subsidies	441.92	450.03	563.65	1,455.60
Net Cash Provided (Used) by Noncapital Financing Activities	441.92	450.03	563.65	1,455.60
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Proceeds from Long-Term Debt	200,899.00	315,871.00		516,770.00
Purchase of Capital Assets	(165,153.74)	(276,193.85)	(44,869.23)	(486,216.82)
Principal Paid on Long-Term Debt		(22,976.79)		(22,976.79)
Interest Paid on Long-Term Debt		(5,799.37)		(5,799.37)
Net Cash (Used) by Capital and Related Financing Activities	35,745.26	10,900.99	(44,869.23)	1,777.02
CASH FLOWS FROM INVESTING ACTIVITIES:				
Cash Received for Interest	51.71	39.27	327.16	418.14
Rental Revenue	1,936.36			1,936.36
Net Cash Provided by Investing Activities	1,988.07	39.27	327.16	2,354.50
Net Increase (Decrease) in Cash and Cash Equivalents	92,582.87	108,125.52	32,878.73	233,587.12
Balances - Beginning	184,451.90	223,372.45	588,898.74	996,723.09
Restatement:				
Prior Period Adjustment for Investment Balance (See Note 13)			1,104.45	1,104.45
Restated Beginning Balances	184,451.90	223,372.45	590,003.19	997,827.54
Balances - Ending	277,034.77	331,497.97	622,881.92	1,231,414.66
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:				
Operating Income (Loss)	62,930.65	104,847.25	11,671.73	179,449.63
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:				
Depreciation Expense	26,361.86	29,087.72	48,533.19	103,982.77
Amortization Expense			46,800.00	46,800.00
(Increase) decrease in Receivables	(10,676.17)	(8,849.54)	2,576.52	(16,949.19)
(Increase) decrease in Inventories	670.00		(755.00)	(85.00)
(Increase) decrease in Prepaids	2,650.00	4,150.00	2,900.00	9,700.00
(Increase) decrease in Insurance Reserve Deposit	(296.45)	(296.45)	(296.45)	(889.35)
(Increase) decrease in Net Pension Asset	187.08	122.51	122.20	431.79
(Increase) decrease in Pension Related Deferred Outflows	(4,304.33)	(3,339.20)	(3,693.84)	(11,337.37)
(Decrease) increase in Accounts and Other Payables	(36,201.35)	(38,726.19)	(40,700.17)	(115,627.71)
(Decrease) increase in Accrued Wages Payable	(34.45)	(253.67)	(710.82)	(998.94)
(Decrease) increase in Accrued Leave Payable	2,743.75	2,825.79	2,496.86	8,066.40
(Decrease) increase in Pension Related Deferred Inflows	10,027.03	7,167.01	7,567.63	24,761.67
(Decrease) increase in Unearned Revenues			1,645.30	1,645.30
(Decrease) increase in Customer Deposits	350.00		(1,300.00)	(950.00)
Net Cash Provided (Used) by Operating Activities	54,407.62	96,735.23	76,857.15	228,000.00

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

NOTES TO THE FINANCIAL STATEMENTS1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIESa. Financial Reporting Entity:

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

Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The Municipality is financially accountable if its Governing Board appoints a voting majority of another organization's governing body and it has the ability to impose its will on that organization, or there is a potential for that organization to provide specific financial benefits to, or impose specific financial burdens on, the Municipality (primary government). The Municipality may also be financially accountable for another organization if that organization is fiscally dependent on the Municipality.

The Housing and Redevelopment Commission of the Municipality of Crooks, South Dakota (Commission) is a proprietary fund-type, discretely-presented component unit. The five members of the Commission are appointed by the Mayor with the approval of the Governing Board for five-year, staggered terms. The Commission elects its own chairperson and recruits and employs its own management personnel and other workers. The Governing Board, though, retains the statutory authority to approve or deny or otherwise modify the Commission's plans to construct a low-income housing unit, or to issue debt, which gives the Governing Board the ability to impose its will on the Commission. Separately issued financial statements of the Housing and Redevelopment Commission may be obtained from: 701 S. West Avenue; PO Box 785; Crooks, SD 57020 or crookshrc@gmail.com.

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.

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

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 two major categories: governmental and proprietary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the Municipality or it meets the following criteria:

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 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.

Entertainment Tax Fund – to account for the 3rd cent sales tax on motel rooms, restaurants and bars which may only be used for the promotion of the city, land acquisition, civic centers and auditoriums and debt service related to these acquisitions. (SDCL 10-52-8) This is a major fund.

Proprietary Funds:

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

- 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.

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

- c. The pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).

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

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

Gas Fund – financed primarily by user charges, this fund accounts for the construction and operation of the municipal gas system and related facilities. (SDCL 9-39-1 and 9-39-26) This is a major fund.

c. Measurement Focus and Basis of Accounting:

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

Measurement Focus:

Government-wide Financial Statements:

In the government-wide Statement of Net Position and Statement of Activities, the governmental, business-type, and component unit 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 fund types.

Basis of Accounting:

Government-wide Financial Statements:

In the government-wide Statement of Net Position and Statement of Activities, governmental, business-type, and component unit 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).

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

Fund Financial Statements:

All governmental funds 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 does not exceed one bill-paying cycle, and for the Municipality of Crooks, the length of that cycle is 30 days.

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. Unavailable revenues, where asset recognition criteria have been met, but for which revenue recognition criteria have not been met, are reported as a deferred inflow of resources.

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. Deposits and Investments:

For the purpose of financial reporting, "cash and cash equivalents" includes all demand and savings accounts and certificates of deposit for 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.

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

e. Capital Assets:

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 over 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 Statements

Capital assets are recorded at historical cost. Donated capital assets are valued at their estimated acquisition 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.

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NOTES TO THE FINANCIAL STATEMENTS
(Continued)

The total December 31, 2020 balance of governmental activities capital assets and business-type capital assets are all valued at original cost.

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, except for that portion related to common use assets for which allocation would be unduly complex, and which is reported as Unallocated Depreciation, 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	\$ -	-- N/A --	-- N/A --
Improvements other than buildings	\$ 15,000.00	Straight-line	15-50 yrs.
Buildings	\$ 25,000.00	Straight-line	20-100 yrs.
Machinery & Equipment	\$ 5,000.00	Straight-line	4-20 yrs.
Vehicles	\$ 10,000.00	Straight-line	5-10 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 statements.

f. 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 statements. The long-term liabilities primarily consist of revenue bonds, notes payable, and compensated absences.

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

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 statements.

g. Program Revenues:

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

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

h. 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.

i. Proprietary Funds Revenue and Expense Classifications:

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

j. Cash and Cash Equivalents:

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

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

k. Equity Classifications:

Government-wide 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.

l. Application of Net Position:

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

m. Fund Balance Classification Policies and Procedures:

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

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

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NOTES TO THE FINANCIAL STATEMENTS
(Continued)

The Nonspendable Fund Balance is comprised of the following:

- Amount reported in non-spendable form such as deposit held in Public Assurance Alliance Cumulative Reserve Fund and prepaid expenses.

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

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

n. Pensions:

For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense (revenue), 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 liability (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.

Investments - In general, SDCL 4-5-6 permits municipal 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.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

As of December 31, 2020, the Municipality did have funds deposited with SDFIT, as shown below, which is reported as a cash and cash equivalent. The investments reported in the financial statements consist of only certificates of deposit.

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

As of December 31, 2020, the Municipality had the following investments:

<u>Investment</u>	<u>Credit Rating</u>	<u>Maturities</u>	<u>Fair Value</u>
External Investment Pools:			
SDFIT	Unrated	N/A	\$ 106,266.88
TOTAL INVESTMENTS			<u>\$ 106,266.88</u>

The South Dakota Public Fund Investment Trust (SDFIT) is an external investment pool created for South Dakota local government investing. It is regulated by a nine-member board with representation from municipalities, school districts, and counties. The net asset value of the SDFIT money market account (GCR) is kept at one dollar per share by adjusting the rate of return on a daily basis. Earnings are credited to each account on a monthly basis.

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

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

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

4. INVENTORY

Inventory in the enterprise funds consists of expendable supplies held for consumption. Supplies are recorded at cost.

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.

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

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 offset by a 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 property in the Municipality.

6. CHANGES IN GENERAL CAPITAL ASSETS

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

	Balance 01/01/2020	Increases	Decreases	Balance 12/31/2020
Governmental Activities:				
Capital Assets, not being Depreciated:				
Land	92,177.00			92,177.00
Construction Work in Progress	45,222.08	21,666.68	(25,253.40)	41,635.36
Total, not being Depreciated	137,399.08	21,666.68	(25,253.40)	133,812.36
Capital Assets, being Depreciated:				
Buildings	602,058.60			602,058.60
Improvements Other Than Buildings	919,541.08	36,601.20		956,142.28
Machinery and Equipment	525,215.81	13,271.75		538,487.56
Total, being Depreciated	2,046,815.49	49,872.95	0.00	2,096,688.44
Less Accumulated Depreciation for:				
Buildings	(166,524.07)	(12,652.17)		(179,176.24)
Improvements Other Than Buildings	(185,221.56)	(43,835.27)		(229,056.83)
Machinery and Equipment	(282,944.03)	(31,569.66)		(314,513.69)
Total Accumulated Depreciation	(634,689.66)	(88,057.10)	0.00	(722,746.76)
Total Governmental Activities Capital Assets, being Depreciated, Net	1,412,125.83	(38,184.15)	0.00	1,373,941.68
Governmental Activity Capital Assets, Net	1,549,524.91	(16,517.47)	(25,253.40)	1,507,754.04

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

Depreciation expense was charged to functions as follows:

Governmental Activities:

General Government	4,656.96
Public Safety	279.00
Public Works	53,602.67
Culture and Recreation	28,594.40
Health and Welfare	50.00
Economic Development	874.07
Total Depreciation Expense - Governmental Activities	<u>88,057.10</u>

	Balance 01/01/2020	Increases	Decreases	Balance 12/31/2020
Business-Type Activities:				
Capital Assets, not being Depreciated:				
Land	177,293.00			177,293.00
Construction Work in Progress	2,955,495.26	441,347.59		3,396,842.85
Total, not being Depreciated	<u>3,132,788.26</u>	<u>441,347.59</u>	<u>0.00</u>	<u>3,574,135.85</u>
Capital Assets, being Depreciated:				
Buildings	13,000.00			13,000.00
Improvements Other Than Buildings	4,023,173.44	42,074.23		4,065,247.67
Machinery and Equipment	193,195.28	2,795.00		195,990.28
Total, being Depreciated	<u>4,229,368.72</u>	<u>44,869.23</u>	<u>0.00</u>	<u>4,274,237.95</u>
Less Accumulated Depreciation for:				
Buildings	(13,000.00)			(13,000.00)
Improvements Other Than Buildings	(1,668,849.25)	(98,021.38)		(1,766,870.63)
Machinery and Equipment	(160,945.27)	(5,961.39)		(166,906.66)
Total Accumulated Depreciation	<u>(1,842,794.52)</u>	<u>(103,982.77)</u>	<u>0.00</u>	<u>(1,946,777.29)</u>
Total Business-Type Activities Capital Assets, being Depreciated, Net	<u>2,386,574.20</u>	<u>(59,113.54)</u>	<u>0.00</u>	<u>2,327,460.66</u>
Business-Type Activity Capital Assets, Net	<u>5,519,362.46</u>	<u>382,234.05</u>	<u>0.00</u>	<u>5,901,596.51</u>

Depreciation expense was charged to functions as follows:

Business-Type Activities:

Water	26,361.86
Electricity	29,087.72
Gas	48,533.19
Total Depreciation Expense - Business-Type Activities	<u>103,982.77</u>

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

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

<u>Project Name</u>	<u>Project Authorization</u>	<u>Expended thru 12/31/2020</u>	<u>Committed</u>	<u>Required Future Financing</u>
West Ave 2nd Portion of				
Path Engineering	404,790.00	35,435.36	369,354.64	
Palmira Street & Utility Projects	3,508,365.78	3,396,842.85		111,522.93
Engineering Sunset Trails Phase 3	6,200.00	6,200.00		
TOTAL	<u>3,919,355.78</u>	<u>3,438,478.21</u>	<u>369,354.64</u>	<u>111,522.93</u>

7. CHANGES IN INTANGIBLE ASSETS

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

	<u>Balance 01/01/2020</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 12/31/2020</u>
Business-Type Activities:				
Intangible Assets:				
Intangible Assets, being Amortized:	234,000.00			234,000.00
Less Accumulated Amortization	(46,800.00)	(46,800.00)		(93,600.00)
Business-Type Activity Intangible Assets,				
Net	<u>187,200.00</u>	<u>(46,800.00)</u>	<u>0.00</u>	<u>140,400.00</u>

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NOTES TO THE FINANCIAL STATEMENTS
(Continued)

8. LONG-TERM LIABILITIES

A summary of the changes in long-term liabilities for the year ended December 31, 2020 is as follows:

	Beginning Balance 01/01/2020	Additions	Deletions	Ending Balance 12/31/2020	Due Within One Year
Primary Government:					
Governmental Activities:					
RD Notes Payable - Payloader	140,123.54		15,633.88	124,489.66	16,145.91
Total Debt	140,123.54	0.00	15,633.88	124,489.66	16,145.91
Accrued Compensated Absences- Governmental Funds	3,254.12	4,881.29	2,792.28	5,343.13	5,343.13
Total Governmental Activities	143,377.66	4,881.29	18,426.16	129,832.79	21,489.04
Business-Type Activities:					
Series 2008 SRF Clean Water #1	186,999.64		22,976.79	164,022.85	23,732.68
Series 2019 SRF Drinking Water #2	882,254.00	200,899.00		1,083,153.00	12,213.07
Series 2019 SRF Clean Water #2	1,804,108.00	315,871.00		2,119,979.00	23,903.79
Total Debt	2,873,361.64	516,770.00	22,976.79	3,367,154.85	59,849.54
Accrued Compensated Absences- Business-Type Funds	9,388.63	8,902.51	836.12	17,455.02	17,455.02
Total Business-Type Activities	2,882,750.27	525,672.51	23,812.91	3,384,609.87	77,304.56
TOTAL PRIMARY GOVERNMENT	3,026,127.93	530,553.80	42,239.07	3,514,442.66	98,793.60

Compensated absences for governmental activities typically have been liquidated from the General Fund.

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

GOVERNMENTAL ACTIVITIES:

USDA Community Facilities Loan:

Interest Rate of 3.25%,
Final Maturity December 2027,
Retired by the General Fund

\$ 124,489.66

BUSINESS-TYPE ACTIVITIES:

Revenue Bonds:

Series 2008 State Revolving Fund – Clean Water # 1:

Interest Rates of 3.25%,
Final Maturity April 2027,
Payable from Sewer Fund

\$ 164,022.85

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

Series 2019 State Revolving Fund – Drinking Water # 2:

Interest Rates of 2.5%,

Final Maturity May 2051,

Payable from Water Fund

\$1,083,153.00

Series 2019 State Revolving Fund – Clean Water # 2:

Interest Rates of 3.25%,

Final Maturity May 2051,

Payable from Sewer Fund

\$2,119,979.00

Other Debt:

Compensated Absences:

Accrued Annual Leave and Benefits, Payment to be made by the fund that the payroll expenditures are charged to.

Governmental Activities	\$ 5,343.13
Business-Type Activities:	
Water Fund	5,294.91
Sewer Fund	5,376.95
Gas Fund	6,783.16

The annual requirements to amortize all debt outstanding as of December 31, 2020, except for compensated absences but including interest payments of \$1,516,348.41, are as follows:

Annual Requirements to Maturity for Long-Term Debt
December 31, 2020

Year Ending December 31,	USDA Community Facilities Loan		Drinking Water Borrower Bond Series 2019*		Clean Water Borrower Bond Series 2019*	
	Principal	Interest	Principal	Interest	Principal	Interest
2021	16,145.91	3,810.09	12,213.07	54,579.88	23,903.79	109,149.97
2022	16,678.55	3,277.45	24,887.49	26,541.39	48,710.53	51,947.59
2023	17,228.74	2,727.26	25,515.53	25,913.35	49,939.75	50,718.37
2024	17,797.07	2,158.93	26,159.42	25,269.46	51,200.01	49,458.12
2025	18,384.19	1,571.81	26,819.58	24,609.31	52,492.05	48,166.07
2026-2030	38,255.20	1,405.23	144,597.99	112,546.41	283,011.46	220,279.14
2031-2035			163,787.27	93,357.13	320,569.26	182,721.34
2036-2040			185,523.12	71,621.28	363,111.27	140,179.33
2041-2045			210,143.45	47,000.95	411,298.95	91,991.65
2046-2050			238,031.12	19,113.28	465,881.53	37,409.07
2051-2055			25,474.96	239.08	49,860.40	467.93
Totals	<u>124,489.66</u>	<u>14,950.77</u>	<u>1,083,153.00</u>	<u>500,791.52</u>	<u>2,119,979.00</u>	<u>982,488.58</u>

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NOTES TO THE FINANCIAL STATEMENTS
(Continued)

Year Ending December 31,	Series 2008 State Revolving Fund - Clean Water # 1		TOTALS	
	Principal	Interest	Principal	Interest
2021	23,732.68	5,043.48	75,995.45	172,583.42
2022	24,513.46	4,262.70	114,790.03	86,029.13
2023	25,319.91	3,456.25	118,003.93	82,815.23
2024	26,152.88	2,623.28	121,309.38	79,509.79
2025	27,013.27	1,762.89	124,709.09	76,110.08
2026-2030	37,290.65	968.94	503,155.30	335,199.72
2031-2035			484,356.53	276,078.47
2036-2040			548,634.39	211,800.61
2041-2045			621,442.40	138,992.60
2046-2050			703,912.65	56,522.35
2051-2055			75,335.36	707.01
Totals	<u>164,022.85</u>	<u>18,117.54</u>	<u>3,491,644.51</u>	<u>1,516,348.41</u>

*All funds have not been disbursed at December 31, 2020.

9. OPERATING LEASES

An operating lease agreement was entered into for a copier. The minimum monthly payment of \$252.37 is payable from the General, Gas, Water, and Sewer Funds.

The following are the minimum payments on the existing operating lease:

Year	Copier Lease
2021	3,028.44
2022	3,028.44
2023	1,514.22

10. RESTRICTED NET POSITION

Restricted net position for the year ended December 31, 2020 was as follows:

Major Purposes:

Cumulative Insurance Reserve	\$ 28,248.01
Crossing Lights/Pool	11,887.12
Economic Development	13,787.92
Debt Service Purposes	4,989.00
SDRS Pension	<u>1,920.82</u>
Total Restricted Net Position	<u>\$ 60,832.87</u>

These balances are restricted due to debt agreements and statutory requirements.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

11. PRIOR PERIOD ADJUSTMENTS

The Municipality has restated the beginning net position/fund balance to adjust for the following:

- Adjust accrued interest payable to reflect the correct amount due and payable for Drinking Water and Clean Water SRF loans in the Water and Sewer Funds.
- To adjust investment balance to correct for the prior year error.

The adjustments to beginning net position/fund balance as of January 1, 2020, are as follows:

	<u>Business-Type Activities</u>
Net Position January 1, 2020, as previously reported	\$ 3,813,286.90
Restatement:	
Accrued Interest from 2019 Project	(18,668.40)
Incorrect Investment Balance	1,104.15
Net Position January 1, 2020, as Restated	<u>\$ 3,795,722.65</u>

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Gas Fund</u>
Net Position January 1, 2020, as previously reported	\$ 1,100,687.41	\$ 697,873.17	\$ 2,014,726.32
Restatement:			
Accrued Interest from 2019 Project	(5,850.74)	(12,817.66)	
Incorrect Investment Balance			1,104.45
Net Position January 1, 2020, as Restated	<u>\$ 1,094,836.67</u>	<u>\$ 685,055.51</u>	<u>\$ 2,015,830.77</u>

12. PRIOR PERIOD ADJUSTMENTS

The component unit has restated the beginning net position to adjust for a change in accounting method from the accrual basis of accounting to the modified cash basis of accounting as follows:

	<u>Component Unit</u>
Net Position January 1, 2020, as previously reported	\$ 560,183.34
Restatement:	
Change in Accounting Method	(143,178.07)
Net Position January 1, 2020, as Restated	<u>\$ 417,005.27</u>

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

13. 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 plan administered by SDRS to provide retirement benefits for employees of the State of South Dakota and its political subdivisions. The SDRS provide 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 retirement benefits that do not meet the above criteria may be payable at a reduced level.

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

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

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

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

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

Contributions:

Per SDCL 3-12, contribution requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A Members 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State Statute also requires the employer to contribute an amount equal to the employee's contribution. The Municipality's share of contributions to the SDRS for the fiscal years ended December 31, 2020, 2019, and 2018, were \$11,563.80, \$11,091.76, and \$9,094.30, respectively, equal to the required contributions each year.

Pension Liabilities (Assets):

At June 30, 2020, SDRS is 100.04% funded and accordingly has net pension asset. The proportionate shares of the components of the net pension asset of the South Dakota Retirement System, for the Municipality as of the measurement period ending June 30, 2020 and reported by the Municipality as of December 31, 2020 are as follows:

Proportionate share of pension liability	\$ 1,070,830.53
Less proportionate share of net position restricted for pension benefits	<u>\$ 1,071,208.84</u>
Proportionate share of net pension liability (asset)	<u>\$ (378.31)</u>

At December 31, 2020, the Municipality reported a liability (asset) of \$(378.31) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2020 and the total pension liability (asset) used to calculate the net pension liability (asset) was based on a projection of the Municipality's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2020, the Municipality's proportion was 0.00871090%, which is an increase of 0.0005484% from its proportion measured as of June 30, 2019.

For the year ended December 31, 2020, the Municipality recognized pension expense (reduction of pension expense) of \$15,832.17. At December 31, 2020 the Municipality reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

	<u>Deferred Outflows Of Resources</u>	<u>Deferred Inflows Of Resources</u>
Difference between expected and actual experience.	\$ 1,447.26	\$ 296.35
Changes in assumption.	\$ 12,185.75	\$ 49,145.82
Net difference between projected and actual earnings on pension plan investments.	\$ 35,162.31	
Changes in proportion and difference between Municipality contributions and proportionate share of contributions.	\$ 1,896.33	\$ 5,514.23
Municipality contributions subsequent to the measurement date.	<u>\$ 5,807.26</u>	
TOTAL	<u>\$ 56,498.91</u>	<u>\$ 54,956.40</u>

\$5,807.26 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 pension expense) as follows:

Year Ended	
December 31:	
2021	\$ (5,346.47)
2022	\$ (4,902.32)
2023	\$ (484.27)
2024	<u>\$ 6,468.31</u>
TOTAL	<u>\$ (4,264.75)</u>

Actuarial Assumptions:

The total pension liability (asset) 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	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, adjusted to 2006 and 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.

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	58.0%	5.1%
Fixed Income	30.0%	1.5%
Real Estate	10.0%	6.2%
Cash	2.0%	1.0%
Total	100%	

Discount Rate:

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

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

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

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Municipality's proportionate share of the net pension liability (asset)	\$146,760.25	\$(378.31)	\$(120,734.76)

Pension Plan Fiduciary Net Position:

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

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

14. RELATED PARTY TRANSACTIONS

The Mayor was hired to perform duties for the Municipality beyond the scope of the mayoral functions in 2020.

The Mayor of the Municipality is the acting Executive Director on the board of the Crooks Housing & Redevelopment Commission, and Finance Officer is the bookkeeper of the Crooks Housing & Redevelopment Commission (Crooks HRC). The Crooks HRC is a component unit of the Municipality.

15. SIGNIFICANT CONTINGENCIES – LITIGATION

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

16. RISK MANAGEMENT

The Municipality is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the period ended December 31, 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 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 two 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 Members' Annual Operating Contribution, to provide liability coverage detailed below, under a claims-made policy and the premiums are accrued based on the ultimate cost of the experience to date of the SDPAA member, based on their exposure or type of coverage. The Municipality pays an annual premium to the pool to provide coverage for general liability, vehicle coverage, property and building coverage, errors and omissions of officials and employee coverage.

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

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

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

<u>Years</u>	<u>Percentage</u>
1	55%
2	50%
3	40%
4	35%
5	30%
6	20%

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

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

As of December 31, 2020, the Municipality's balance available to be refunded per the SDPAA was \$28,248.00, which was an increase of \$1,407.00 from the previous year. The change in the amount available for refund was accounted for as an increase or decrease in the insurance expenditures.

The Municipality carries a \$500 deductible for the official's liability coverage and \$250/500 deductible for the vehicle coverage and building coverage and a \$250/500 deductible for the property and building 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 retrospectively rated policy and the premiums are accrued based on the ultimate cost of the experience to date of the Fund members. Coverage limits are set by state statute. The pool pays the first \$650,000 of any claim per individual. The pool has reinsurance which covers up to an additional \$2,000,000 per individual per incident.

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

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

During the year ended December 31, 2020, one claim was filed for unemployment benefits. These claims resulted in the payment of benefits in the amount of \$3,747.50. At December 31, 2020, no claims had been filed and were outstanding. It is estimated, based upon historical trends, that these claims will not result in any future payments. It is not anticipated that any additional claims for unemployment benefits will be filed in the next year.

17. NOTES RECEIVABLE AND DUE FROM CROOKS HOUSING AND REDEVELOPMENT COMMISSION

The notes receivable in the Gas Fund is a loan for development of property which is scheduled to be repaid over 5 years.

18. NONEXCHANGE FINANCIAL GUARANTEE

The Municipality of Crooks has entered into a debt service agreement with the Crooks Housing and Redevelopment Commission (a component unit of the Municipality of Crooks) pursuant to the type described in SDCL 11-7A-2. The agreement is to provide a partial back-up and guarantee to allow the Crooks HRC to issue a maximum of \$1,800,000.00 in revenue bonds to finance a housing development project. The balance of the bonds at December 31, 2020 is \$1,377,540.79. This guarantee shall extend to the final payment of the bonds which is June 14, 2031.

19. SUBSEQUENT EVENTS

Management has evaluated whether any subsequent events have occurred through August 27, 2021, the date on which the financial statements were available to be issued.

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

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget - Positive (Negative)
Revenues:				
Taxes:				
General Property Taxes	248,709.00	248,709.00	248,421.30	(287.70)
General Sales and Use Taxes	179,000.00	179,000.00	225,484.50	46,484.50
Amusement Taxes	108.00	108.00	120.00	12.00
Penalties & Interest on Delinquent Taxes	0.00	0.00	323.14	323.14
Licenses and Permits	14,775.00	14,775.00	25,343.50	10,568.50
Intergovernmental Revenue:				
Federal Grants	0.00	0.00	98,276.89	98,276.89
State Grants	0.00	0.00	1,368.00	1,368.00
State Shared Revenue:				
Bank Franchise Tax	6,630.00	6,630.00	10,254.19	3,624.19
Prorate License Fees	750.00	750.00	842.84	92.84
Liquor Tax Reversion	7,800.00	7,800.00	8,783.70	983.70
Motor Vehicle Licenses	7,650.00	7,650.00	8,721.65	1,071.65
Local Government Highway and Bridge Fund	9,650.00	9,650.00	10,256.95	606.95
County Shared Revenue:				
County Wheel Tax	1,430.00	1,430.00	1,590.86	160.86
Other	1,000.00	1,000.00	0.00	(1,000.00)
Charges for Goods and Services:				
General Government	0.00	0.00	150.00	150.00
Highways and Streets	0.00	0.00	247.50	247.50
Fines and Forfeits:				
Other	0.00	0.00	777.67	777.67
Miscellaneous Revenue:				
Investment Earnings	300.00	300.00	342.40	42.40
Rentals	6,000.00	6,000.00	6,020.11	20.11
Maintenance Assessments	60,000.00	60,000.00	65,349.34	5,349.34
Contributions and Donations from Private Sources	0.00	3,970.00	3,970.00	0.00
Other	9,300.00	9,300.00	12,526.62	3,226.62
Total Revenue	553,102.00	557,072.00	729,171.16	172,099.16
Expenditures:				
General Government:				
Legislative	18,619.00	19,735.00	17,515.26	2,219.74
Contingency	20,000.00	20,000.00		
Amount Transferred		(17,309.00)		2,691.00
Executive	25,294.00	28,307.00	24,965.55	3,341.45
Elections	1,730.00	1,730.00	23.46	1,706.54
Financial Administration	49,935.00	51,591.73	38,685.81	12,905.92
Other	49,429.00	50,553.03	35,763.32	14,789.71
Total General Government	165,007.00	154,607.76	116,953.40	37,654.36

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

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
Expenditures (Cont.):				
Public Safety:				
Police	46,500.00	46,500.00	46,150.00	350.00
Fire	22,000.00	70,592.76	70,592.76	0.00
Protective Inspection	13,850.00	22,770.00	22,713.88	56.12
Total Public Safety	82,350.00	139,862.76	139,456.64	406.12
Public Works:				
Highways and Streets	178,709.00	179,441.41	142,457.47	36,983.94
Total Public Works	178,709.00	179,441.41	142,457.47	36,983.94
Health and Welfare:				
Health	17,894.00	26,098.41	17,620.82	8,477.59
Humane Society	1,346.00	1,346.00	1,332.03	13.97
Total Health and Welfare	19,240.00	27,444.41	18,952.85	8,491.56
Culture and Recreation:				
Parks	71,181.00	90,591.32	86,873.40	3,717.92
Total Culture and Recreation	71,181.00	90,591.32	86,873.40	3,717.92
Conservation and Development:				
Economic Development and Assistance	15,189.00	16,509.00	16,496.25	12.75
Total Conservation and Development	15,189.00	16,509.00	16,496.25	12.75
Debt Service	21,426.00	21,426.00	19,956.00	1,470.00
Total Expenditures	553,102.00	629,882.66	541,146.01	88,736.65
Excess of Revenue Over (Under)				
Expenditures	0.00	(72,810.66)	188,025.15	260,835.81
Other Financing Sources (Uses):				
Transfers In	635,000.00	635,000.00	0.00	(635,000.00)
Sale of Municipal Property	0.00	0.00	193.15	193.15
Total Other Financing Sources (Uses)	635,000.00	635,000.00	193.15	(634,806.85)
Net Change in Fund Balances	635,000.00	562,189.34	188,218.30	(373,971.04)
Fund Balance - Beginning	163,304.16	163,304.16	163,304.16	0.00
FUND BALANCE - ENDING	798,304.16	725,493.50	351,522.46	(373,971.04)

REQUIRED SUPPLEMENTARY INFORMATION
MUNICIPALITY OF CROOKS
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
ENTERTAINMENT TAX FUND
For the Year Ended December 31, 2020

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget -
				Positive (Negative)
Revenues:				
Taxes:				
General Sales and Use Taxes	8,500.00	8,500.00	10,959.68	2,459.68
Total Revenue	8,500.00	8,500.00	10,959.68	2,459.68
Expenditures:				
Conservation and Development:				
Economic Development and Assistance	8,500.00	8,500.00	7,333.62	1,166.38
Total Conservation and Development	8,500.00	8,500.00	7,333.62	1,166.38
Total Expenditures	8,500.00	8,500.00	7,333.62	1,166.38
Net Change in Fund Balances	0.00	0.00	3,626.06	3,626.06
Fund Balance - Beginning	10,161.86	10,161.86	10,161.86	0.00
FUND BALANCE - ENDING	10,161.86	10,161.86	13,787.92	3,626.06

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

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

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

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

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 the accounting principles generally accepted in the United States (USGAAP).

NOTE 2. GAAP/Budgetary Accounting Basis Differences

The financial statements prepared in conformity with USGAAP 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 Revenue, 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.

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

South Dakota Retirement System

Last Six Years *

	2020	2019	2018	2017	2016	2015
Municipality's proportion of the net pension liability/asset	0.0087109%	0.0081625%	0.0066469%	0.0075582%	0.0063572%	0.0052454%
Municipality's proportionate share of net pension liability (asset)	\$ (378)	\$ (865)	\$ (155)	\$ (686)	\$ 21,474	\$ (22,247)
Municipality's covered-employee payroll	\$ 191,176	\$ 173,551	\$ 138,189	\$ 152,297	\$ 118,631	\$ 95,765
Municipality's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	0.20%	0.50%	0.11%	0.45%	18.10%	23.23%
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 06/30 of the previous fiscal year.

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE MUNICIPALITY CONTRIBUTIONS

South Dakota Retirement System

Last Six Years

	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 11,564	\$ 11,092	\$ 9,094	\$ 8,869	\$ 8,370	\$ 5,696
Contributions in relation to the contractually required contribution	\$ 11,564	\$ 11,092	\$ 9,094	\$ 8,869	\$ 8,370	\$ 5,696
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Municipality's covered-employee payroll	\$ 192,728	\$ 184,864	\$ 151,572	\$ 147,830	\$ 139,799	\$ 96,858
Contributions as a percentage of covered-employee payroll	6.00%	6.00%	6.00%	6.00%	5.99%	5.88%

**Notes to Supplementary Information
for the Two Years Ended December 31, 2020**
Schedule of the Proportionate Share of the Net Pension Liability (Asset) and
Schedule of Pension Contributions.

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:

Benefit 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 1.41% as of June 30, 2020.

The changes in actuarial assumptions 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.

