

**CITY OF ALCESTER**  
**FINANCIAL STATEMENTS**  
**AND**  
**INDEPENDENT AUDITOR'S REPORT**

**FOR THE YEAR ENDED**  
**DECEMBER 31, 2021**

**CITY OF ALCESTER  
MUNICIPAL OFFICIALS  
DECEMBER 31, 2021**

**Mayor**

Daniel Haeder

**Governing Board**

Cyndi Peeples

Kyle VandenHull

Linda Talbott

Lukas Driesen

Darla Reppe

**Finance Officer**

Pat Jurrens

**Attorney**

Sam Nelson

**CITY OF ALCESTER  
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# QUAM, BERGLIN & POST, P.C.

CERTIFIED PUBLIC ACCOUNTANTS  
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## INDEPENDENT AUDITOR'S REPORT

City Council  
City of Alcester  
Union County, South Dakota

### ***Report on the Financial Statements***

#### ***Disclaimer of Opinion and Unmodified Opinions***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Alcester, South Dakota, as of and for the year ended December 31, 2021, and the related notes to the financial statements. We were not engaged to audit the financial statements of the discretely presented component unit. These financial statements collectively comprise the City's basic financial statements as listed in the Table of Contents.

#### Disclaimer of Opinion on the Aggregate Discretely Presented Component Units

Because of the significance of the matter described in the Basis for Disclaimer of Opinion and Unmodified Opinions section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements of the aggregate discretely presented component units of the City of Alcester. Accordingly, we do not express opinions on those financial statements.

#### Unmodified Opinions on Governmental Activities, Business-type Activities, Each Major Fund, and Aggregate Remaining Fund Information

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and aggregate remaining fund information of the City of Alcester, South Dakota as of December 31, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

#### ***Basis for Disclaimer of Opinion and Unmodified Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Alcester, South Dakota, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our unmodified audit opinions.

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

The financial statements of the Alcester Housing and Redevelopment Commission has not been audited, and we were not engaged to audit the Alcester Housing and Redevelopment Commission's financial statements as part of the City's basic financial statements. The Alcester Housing and Redevelopment Commission financial activities are included in the City's basic financial statements as a part of the discretely presented component units and represent the assets, net position, and revenues of the City's aggregate discretely presented component units

### ***Management's Responsibility for the Financial Statements***

The City'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 control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

### ***Auditor's Responsibility for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Because of the matter described in the Basis for Disclaimer of Opinion and Unmodified Opinions section, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the aggregate discretely presented component units. Reasonable assurance is a high level of assurance but is not absolute assurance and therefor is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City of Alcester's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Alcester's ability to continue as a going concern for a reasonable period of time.

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

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Pension Schedules and the Budgetary Comparison Schedules as listed in the Table of Contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the 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.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2022, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

*Quam, Berglin & Post P.C.*

Quam, Berglin & Post, P.C.  
Certified Public Accountants

November 29, 2022

**CITY OF ALCESTER, SOUTH DAKOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2021**

This section of the city of Alcester's annual financial report presents our discussion and analysis of the city's financial performance for the fiscal year ending December 31, 2021. Please read it in conjunction with the city's financial statements.

**FINANCIAL HIGHLIGHTS:**

**January:**

Council Approves Electrical Panel Upgrade, City shop, Axel Ericson Electric, \$1,800, GF  
Resolution 2021-02, A Resolution Updating City's Use of Deadly Force Policy  
2021 Vacancies – Mayor, Ward 1 (3 yr), Ward 2 (1 yr, 3 yr) Ward 3 (3 yr)

**February:**

Resolution No 2021-03, Addressing & Responding to COVID-19  
Ordinance 2021-04, Chapter 10.03, Discretionary Tax Categories  
Applied Software, \$1,216, GF, shop computer  
Electronic Pump, \$31,857, Sewer Fund, new pumps  
Billion Auto, 2015 Nissan Rogue, \$15,000, 2<sup>nd</sup> Penny Fund  
Alcester Records Destroy List, February 2021, (*General Receipt Books 2011-2014, Utility Receipt Books/Monthly Billings Stubs 2011-2014, 2012 Records, 2013 Records, 2014 Records*)

**March:**

Resolution No 2021-05, Personnel Policy Manual, Section 2.6 Performance Reviews  
Resolution No 2021-06, Personnel Policy Manual, Section 3.2 Performance Based Bonuses  
Resolution No 2021-07, Personnel Policy Manual, Section 3.3 Longevity Bonuses  
Chip Sealing Bids Opened: Road Guy-\$1.65 / TopKote-\$1.90; Road Guy Awarded Bid

**April:**

SD DENR Awards City of Alcester \$3,710,000 Loan, \$2,650,000 Debt Forgiveness, 30 yr 2.125%  
Lowe 750 Post Hole Auger, \$1,200, General Fund  
Graverly Mower declared surplus, scrapped  
J&W Repair, 2021 Hustler X-1 Kawasaki 850, Pleasant Hill Cemetery Fund  
Resolution No 2021-08, Approval Sewer Facilities Improvements, Bond Sale  
Power Plan, Wheel Loader Repairs, \$12,629.37 Water, Sewer, SW, Street Funds  
Council Approves Wellmark Health Insurance with \$50 per month HSA City Contribution  
Spring Cleanup Days: April 16 – May 3, 2021; Roll Off's in Alcester

**May:**

B&B Golf Cart, Golf Cart purchase, \$1,900, 2<sup>nd</sup> Penny Fund  
Resolution No 2021-03, repealed

**June:**

Ordinance No 2021-09, Local Medical Cannabis Permits/Licenses  
Alcester Bar broken into, Gerritson Construction, \$4,555 Door Replacement, GF  
Daryl Stephenson's Asphalt, \$27,500, GF Street Repair

## **July:**

2 Conference Tables, 12 Chairs declared surplus and donated to VFW/American Legion room  
The Road Guy, \$32,991.75, GF, 2021 Chip Seal Project  
R&R Construction, \$4,590, GF, Curb & Gutter Park Street  
AWE Digital Learning, \$5,906, Library Fund, Computers  
Resolution No 2021-10, Series 2021 Sales Tax Bond, Community Center

## **August:**

Public Hearing for Total Stop Off Sale Liquor License, License denied  
Ordinance No 2021-12, Title 7, Traffic Code, Chapter 7.05 Parking  
Ordinance No 2021-13, Title 5, Offenses, Chapter 5.01 Offenses Against Public Welfare  
Resolution No 2021-18, Personnel Policy Manual, 7.02a, Vacation Leave

## **September:**

Ordinance No 2021-11, Title 7 Traffic Code, Chapter 7.09 Golf Carts  
Ordinance No 2021-15, Planning & Zoning Regulations, Chapter 15.04 Variances  
Resolution No 2021-19 Special Maintenance Fee  
Resolution No 2021-20 Sewer Rate Surcharge  
Resolution No 2021-21 Water Rate Surcharge  
Ordinance No 2021-16, Title 4 Licenses, Chapter 4.04 Licensing for Cannabis Establishments  
Ordinance No 2021-17, Chapter 1, Chapter 6, Chapter 7, Chapter 10, Chapter 19, Planning & Zoning Regulations

## **October:**

Variance Hearing, 310 Union Street, Council approved  
Variance Hearing, 406 Broad Street, Council approved  
Lukas Driesen appointed & seated, Ward 3 Alderman

## **November:**

Council approves hiring BusyBee Cleaning Service, Community Center, \$1,300 per month  
GTG Peterbuilt-Cedar Rapids, 2006 Sterling Dump Truck, GF, \$39,400

## **December:**

Resolution No 2021-18 Promissory Note  
Council approves Fund Transfer from Pleasant Hill Cemetery to GF \$8,492.23, Annual Expenses  
Council approves Fund Transfer from Main Checking to Community Center Fund, Bond Monies, \$300,571.71  
Council approves Fund Transfer \$22,500 from 2<sup>nd</sup> Penny to Golf Course Fund  
Council approves Fund Transfer \$39,000 from Community Center to Golf Course Fund  
Motorola Solutions, \$7,296.50, APX8500 Mobile Radio, GF  
Banner Engineering, \$11,750.70, Facility Work Upgrade, Sewer Fund  
Gerritson Construction, \$4,555, Repair, GF  
Resolution No 2021-20 Clean Water System Application for Financial Assistance  
Ordinance No 2021-19 Supplemental Appropriations  
Lawler Fixture, Single Door Cooler, \$2,875, Golf Fund  
Banner Engineering, Facility Work, \$40,592.30, Sewer Fund

## **OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of three parts: (1) management's discussion and analysis, (2) the basic financial statements and (3) required supplementary information. The basic financial statements include two kinds of statements that present the City from two different financial points of view.

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the City's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the City government, reporting the City's operations in more detail than the government-wide statements.
- The governmental funds statements tell how general government services like public safety were financed in the short-term as well as what remains for future spending.
- Proprietary fund statements offer short and long-term financial information about the activities that the City operates like businesses. The City has four proprietary funds and one component unit –Water, Sewer, Garbage, Golf Course and Alcester Housing and Redevelopment Unit.

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

Figure A-2 summarizes the major features of the City's financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of the overview section of the Management's Discussion and Analysis explains the structure and contents of each of the statements.

**Figure A-2**

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

### Government-Wide Statements

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

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

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

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

- **Governmental Activities** - This category includes most of the City's basic services, such as police, fire, public works, parks department and general administration. Property taxes, sales taxes, charges for services, state and federal grants, and interest earnings finance most of these activities.
- **Business-type Activities** - The City charges a fee to customers to help cover the costs of certain services it provides. The City's water, sewer, garbage, and golf course operations are included here.

### **Fund Financial Statements**

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

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

The City has two kinds of funds:

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

## FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

### Net Position

The Municipality's combined net position increased by 27.54% between fiscal year 2020 and 202 – increasing by \$1,083,639.87 (See Table A-1).

**Table A-1**  
**Statement of Net Position**

	Governmental Activities December 31,		Business type Activities December 31,		Total Activities December 31,		Total Change December 31,	
	2021	2020	2021	2020	2021	2020		
Current and Other Assets	\$ 887,136.14	\$ 1,434,089.39	\$ 453,904.24	\$ 380,402.35	\$ 1,341,040.38	\$ 1,814,491.74	\$ (473,451.36)	-26.09%
Capital Assets	3,849,286.37	1,270,681.82	1,567,844.65	1,520,966.52	5,417,131.02	2,791,648.34	2,625,482.68	94.05%
Total Assets	4,736,422.51	2,704,771.21	2,021,748.89	1,901,368.87	6,758,171.40	4,606,140.08	2,152,031.32	46.72%
Deferred Outflows of Resources								
Pension Related	154,245.10	97,743.16			154,245.10	97,743.16	56,501.94	57.81%
Total Deferred Outflows of Resources	154,245.10	97,743.16			154,245.10	97,743.16	56,501.94	57.81%
Long-Term Liabilities	802,147.51	262,863.82	365,000.00	380,000.00	1,167,147.51	642,863.82	524,283.69	81.55%
Other Liabilities	490,763.77	27,150.00	3,450.00	10,152.55	494,213.77	37,302.55	456,911.22	1224.88%
Total Liabilities	1,292,911.28	290,013.82	368,450.00	390,152.55	1,661,361.28	680,166.37	981,194.91	144.26%
Deferred Inflows of Resources								
Pension Related	233,071.17	89,372.69			233,071.17	89,372.69	143,698.48	160.79%
Total Deferred Inflows of Resources	233,071.17	89,372.69			233,071.17	89,372.69	143,698.48	160.79%
Net Position								
Net Investment in Capital Assets	3,047,138.86	1,007,818.00	1,212,844.65	1,140,966.52	4,259,983.51	2,148,784.52	2,111,198.99	98.25%
Restricted	207,432.75	1,081,798.31	96,181.20	96,053.11	303,613.95	1,177,851.42	(874,237.47)	-74.22%
Unrestricted	110,113.55	333,511.55	344,273.04	274,196.69	454,386.59	607,708.24	(153,321.65)	-25.23%
Total Net Position	\$ 3,364,685.16	\$ 2,423,127.86	\$ 1,653,298.89	\$ 1,511,216.32	\$ 5,017,984.05	\$ 3,934,344.18	\$ 1,083,639.87	27.54%

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

The City's net position reflects its net investment in capital assets (e.g., land, buildings, machinery and equipment); less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

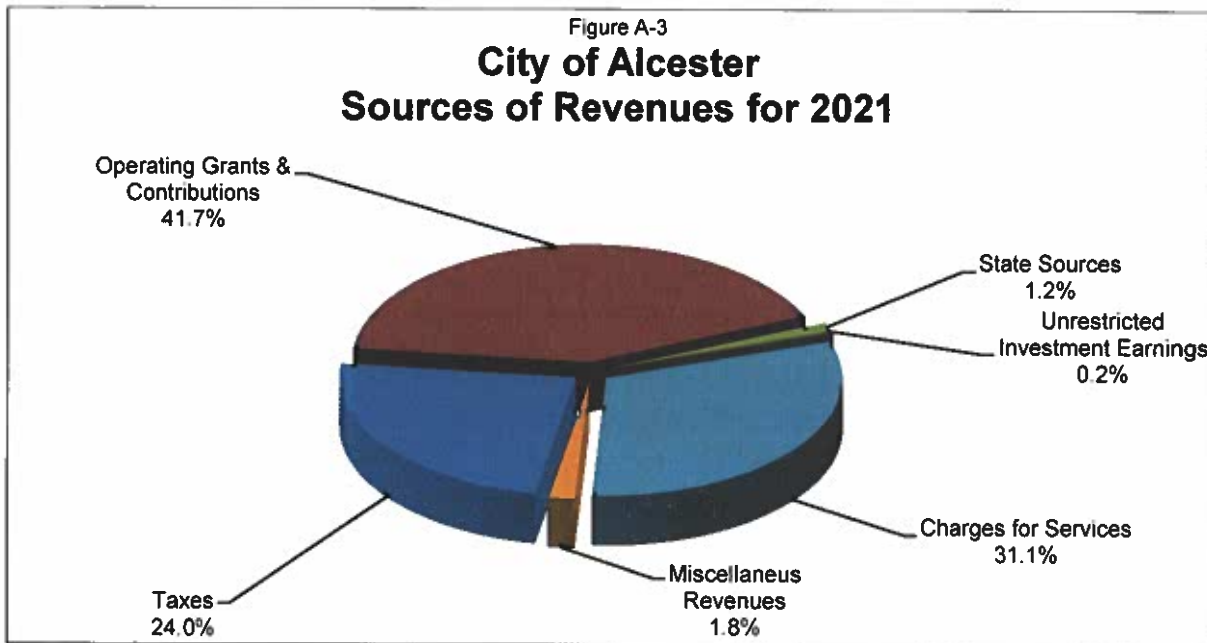
The City's restricted net position represent resources that are subject to external restrictions on how they may be used. These restrictions are normally set by state statute, federal regulations or debt covenants.

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

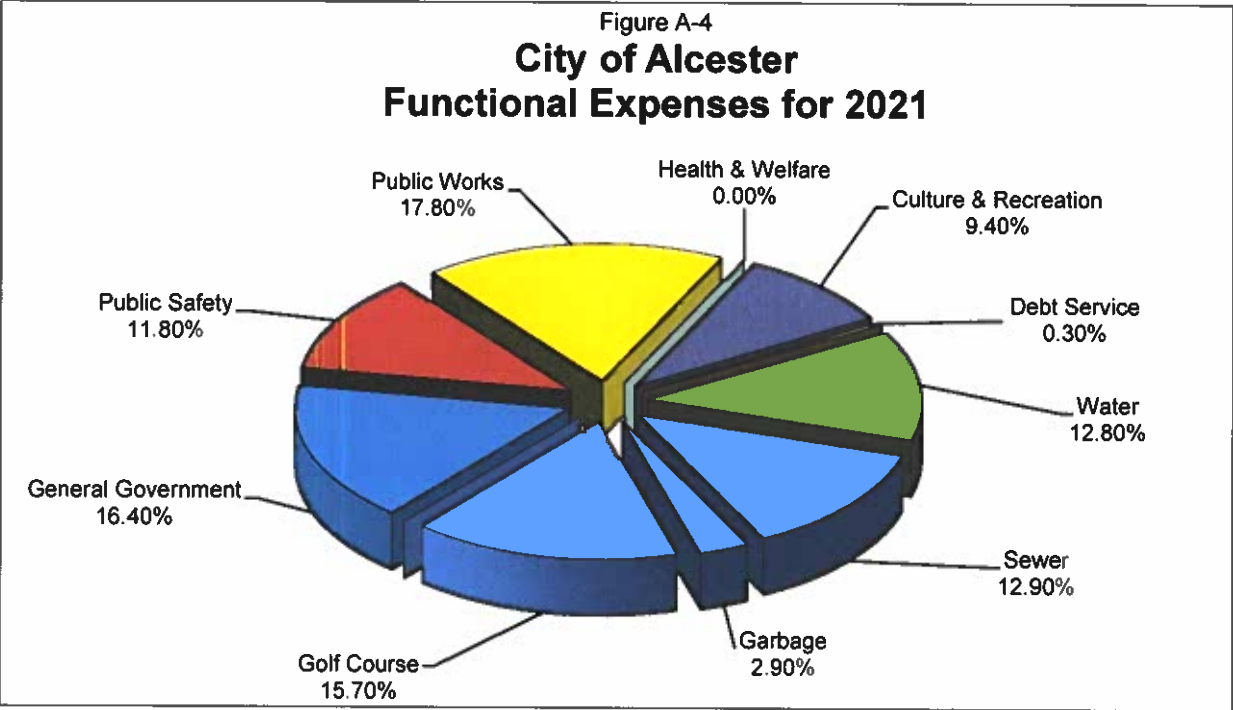
At the end of the current year, the City is able to report positive balances in total net position for both the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior year.

## CHANGES IN NET POSITION

The City of Alcester's total revenues for 2021 (excluding special items) totaled \$2,488,018.19. (See Table A-2.) During 2021, 42 cents of every dollar of the City of Alcester's revenue comes from operating grants and contributions; and 58 cents of every dollar raised coming from charges for services and taxes; with 31 cents of every dollar raised coming from charges for services and 26 cents of every dollar raised comes from some type of tax. (See Figure A-3). The remaining 1 cent come from unrestricted investment earnings, state shared revenue and miscellaneous.



The City of Alcester 2021 expenses cover a range of services with 12.8% from Water Services and 12.9% from Sewer Services, 2.9% from the Garbage and 15.7% from Golf Course. The cost of Public Safety was 11.8% and Public Works was 17.8%. Culture and Recreation costs were 9.4%. General Government costs were 16.4% and debt service nominal. (See Figure A-4)



## Governmental Activities

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

Total revenues for the City governmental activities slightly decreased by \$18,255.61 from 2021 to 2020 due to private donations for the Community Center Project. The corresponding expenses increased by \$101,655 from 2020 to 2021 mostly due to offering full services after COVID 19 in Culture/Recreation and expanding street repairs.

Table A-2								
Changes in Net Position								
	Governmental Activities		Business type Activities		Total Activities		Total Change	
	December 31,		December 31,		December 31,		December 31,	
	2021	2020	2021	2020	2021	2020		
Program Revenue:								
Charges for Service	\$ 70,957.89	\$ 31,997.63	\$ 703,115.54	\$ 568,115.56	\$ 774,073.43	\$ 600,113.19	\$ 173,960.24	28.99%
Operating Grants and Contributions	1,036,839.04	1,183,355.22			1,036,839.04	1,183,355.22	(146,516.18)	-12%
General Revenues:								
Taxes	598,936.09	524,615.02			598,936.09	524,615.02	74,321.07	14%
Revenue State Sources	28,922.49	27,546.46			28,922.49	27,546.46	1,376.03	5%
Unrestricted Investment Earnings	4,014.28	3,288.42	129.87	279.34	4,144.15	3,567.76	576.39	16%
Miscellaneous	45,102.99	167,076.15			45,102.99	167,076.15	(121,973.16)	-73%
Total Revenues	1,784,772.78	1,937,878.90	703,245.41	568,394.90	2,488,018.19	2,506,273.80	(18,255.61)	-1%
Expenses:								
General Government	230,808.37	263,036.64			230,808.37	263,036.64	32,228.27	12%
Public Safety	165,043.35	160,458.20			165,043.35	160,458.20	(4,585.15)	-3%
Public Works	250,089.85	153,732.64			250,089.85	153,732.64	(96,357.21)	-63%
Health & Welfare	400.00	1,400.00			400.00	1,400.00	1,000.00	71%
Culture & Recreation	131,703.43	101,312.71			131,703.43	101,312.71	(30,390.72)	-30%
Debt Service	3,670.48	119.43			3,670.48	119.43	(3,551.05)	-2973%
Water			179,840.67	188,836.41	179,840.67	188,836.41	8,995.74	5%
Sewer			181,453.36	227,727.35	181,453.36	227,727.35	46,273.99	20%
Garbage			40,363.00	38,483.08	40,363.00	38,483.08	(1,879.92)	-5%
Golf Course			221,005.81	148,520.74	221,005.81	148,520.74	(72,485.07)	-49%
Total Expenses	781,715.48	680,059.62	622,662.84	603,567.58	1,404,378.32	1,283,627.20	(120,751.12)	-9%
Excess (Deficiency) before Transfers	1,003,057.30	1,257,819.28	80,582.57	(35,172.68)	1,083,639.87	1,222,646.60	(139,006.73)	-11%
Transfers	(61,500.00)		61,500.00					
Change in Net Position	941,557.30	1,257,819.28	142,082.57	(35,172.68)	1,083,639.87	1,222,646.60	(139,006.73)	-11%
Net Position Beginning	2,423,127.86	1,089,211.58	1,511,216.32	1,546,389.00	3,934,344.18	2,635,600.58	1,298,743.60	49%
Prior Period Adjustment		76,097.00				76,097.00	(76,097.00)	100%
Net Position Ending	\$ 3,364,685.16	\$ 2,423,127.86	\$ 1,653,298.89	\$ 1,511,216.32	\$ 5,017,984.05	\$ 3,934,344.18	\$ 1,083,639.87	28%

## Business-type Activities

Revenues of the City's business-type activities increased by \$135,000 and expenses increased by \$19,095 from 2020 to 2021 for all business-type activities. The factors contributing to these results included:

- Water revenue increased due to increased utility billing; Water expenses decreased due to no major repairs
- Sewer revenue increased due to surcharge for debt service; Sewer expenses decreased due to no major repairs
- Solid Waste revenue had a slight increase; Solid Waste expenses also a slight increase
- Golf Course revenue increased due to new clubhouse with full dine in restaurant; expenses were higher due to Salary and supplies to furnish a full kitchen

## FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The financial analysis of the City's funds mirror those highlighted in the analysis of governmental and business-type activities presented above. The City maintains five governmental funds (four major and one non-major) - General, CDBG Special Revenue, 2<sup>nd</sup> Cent Sales Tax, Community Center and the Library Special Revenue. The City maintains four business type funds –Water, Sewer, Garbage, and Golf Course.

## GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the City Council revised the City budget. The City passes Supplemental Appropriations approved for unanticipated, yet necessary, expenses to provide for items necessary for health and welfare of its citizens.

## CAPITAL ASSET ADMINISTRATION

By the end of 2021, the City had net book value of \$5,417,131 in a broad range of capital assets, including, land, buildings, and various machinery and equipment. (See Table A-3.) This amount represents a net increase (including additions and deductions) of \$2,625,482 or 94.05% increase, over the last year.

Table A-3  
Capital Assets  
(Net of depreciation)

	Governmental Activities		Business-Type Activities		Total Dollar Change	Total % Change
	2021	2020	2021	2020		
Land	\$ 274,150	\$ 274,150	\$ 50,396	\$ 50,396	\$	0.00%
CWIP	3,070,904	480,863	114,543	23,920	2,680,664	531.05%
Buildings	66,371	70,585	25,082	27,590	(6,722)	-6.85%
Improv Other Than Buildings	183,387	200,730	1,301,554	1,359,609	(75,398)	-4.83%
Machinery & Equipment	254,474	244,354	76,270	59,452	26,938	8.87%
Total Capital Assets (net)	<u>\$ 3,849,286</u>	<u>\$ 1,270,682</u>	<u>\$ 1,567,845</u>	<u>\$ 1,520,967</u>	<u>\$ 2,625,482</u>	<u>94.05%</u>

The 'financial highlights' previously mentioned on page 3 states asset additions.

## LONG-TERM DEBT

At the end of the year the City had a total of \$1,157,148 in Sales Tax Revenue Bonds and Sewer Revenue Bonds. This is an increase of 80% from the previous year.

**Table A-4**  
**Outstanding Debt and Obligations**  
**(Net of depreciation)**

	Governmental Activities		Business-Type Activities		Total Dollar	Total %
	2021	2020	2021	2020	Change	Change
Revenue bonds	\$ 785,828	\$ 231,870			\$ 553,958	238.91%
Notes Payable	16,320	30,994			(14,674)	-47.34%
Sewer Revenue bonds			355,000	380,000	(25,000)	-6.58%
Total Outstanding Debt & Obligations	<u>\$ 802,148</u>	<u>\$ 262,864</u>	<u>\$ 355,000</u>	<u>\$ 380,000</u>	<u>\$ 514,284</u>	<u>80.00%</u>

The City of Alcester has outstanding \$48,917 as of December 31, 2021, in Sales Tax Revenue Bonds, Series 2011 used to acquire the golf course. The City of Alcester has outstanding \$151,117 as of December 31, 2021, Series 2018 for purchase of Street Sweeper & Skid Loader (Equipment Bond). During 2021, the City of Alcester secured a Series 2021 Community Center Revenue Bond with a balance of \$585,000. The bonds are secured and paid for from the 2<sup>nd</sup> Cent Fund.

The City of Alcester Water Fund has no debt. The Series 2020 Sewer Revenue Bond had a balance at December 31, 2021 of \$355,000. This bond is secured and paid from the Sewer fund.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The City of Alcester needs to look at street improvements, sidewalk replacement, an upgrade to the Wastewater Facility, an industrial park, starting a new residential development, equipment upgrades and finishing streets in the new addition. Funding for these Capital Improvements will come from the second penny sales tax and local grants.

## **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional information, contact the City of Alcester's business office at P.O. Box 318, Alcester, SD 57001.

**CITY OF ALCESTER**  
**STATEMENT OF NET POSITION**  
**DECEMBER 31, 2021**

	<b>Primary Government</b>			<b>Unaudited Component Unit Housing &amp; Redevelopment</b>
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>	
<b>ASSETS:</b>				
Cash and Cash Equivalents	\$ 719,399.11	\$ 209,613.30	\$ 929,012.41	\$ 26,786.57
Taxes Receivable	5,014.04		5,014.04	
Utilities Receivable, Net		33,820.74	33,820.74	
Due From Other Government	6,271.98	114,289.00	120,560.98	
Notes Receivable	14,139.29		14,139.29	
Investments-Certificates of Deposit	22,000.00		22,000.00	143,508.90
Restricted Assets:				
Cash and Cash Equivalents		96,181.20	96,181.20	
Net Pension Asset	120,311.72		120,311.72	
Capital Assets:				
Land & Construction in Progress	3,345,053.84	164,939.00	3,509,992.84	
Other Capital Assets, Net of Depreciation	<u>504,232.53</u>	<u>1,402,905.65</u>	<u>1,907,138.18</u>	<u>327,663.16</u>
<b>TOTAL ASSETS</b>	<u>4,736,422.51</u>	<u>2,021,748.89</u>	<u>6,758,171.40</u>	<u>497,958.63</u>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>				
Pension Related Deferred Outflows	<u>154,245.10</u>		<u>154,245.10</u>	
<b>LIABILITIES :</b>				
Construction Contracts and Retainage Payable	490,763.77		490,763.77	
Customer Deposits		13,450.00	13,450.00	
Noncurrent Liabilities:				
Due Within One Year	70,483.21	15,000.00	85,483.21	
Due in More than One Year	<u>731,664.30</u>	<u>340,000.00</u>	<u>1,071,664.30</u>	<u>598,077.48</u>
<b>TOTAL LIABILITIES</b>	<u>1,292,911.28</u>	<u>368,450.00</u>	<u>1,661,361.28</u>	<u>598,077.48</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>				
Pension Related Deferred Inflows	<u>233,071.17</u>		<u>233,071.17</u>	
<b>NET POSITION:</b>				
Net Investment in Capital Assets	3,047,138.86	1,212,844.65	4,259,983.51	(126,905.42)
Restricted for:				
Debt Service		96,181.20	96,181.20	
Community Development	135,496.75		135,496.75	
Library Operations	30,450.35		30,450.35	
SDRS Pension Purposes	41,485.65		41,485.65	
HRC Purposes				26,786.57
Unrestricted	<u>110,113.55</u>	<u>344,273.04</u>	<u>454,386.59</u>	
<b>TOTAL NET POSITION</b>	<u>\$ 3,364,685.16</u>	<u>\$ 1,653,298.89</u>	<u>\$ 5,017,984.05</u>	<u>\$ (100,118.85)</u>

The attached notes are an integral part of these financial statements

**CITY OF ALCESTER**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Unaudited Component Unit Housing & Redevelopment	
	Expenses	Charges for Services	Operating		Governmental Activities	Primary Government Business-Type Activities			Total
			Grants and Contributions						
Primary Government:									
Governmental Activities:									
General Government	\$ 230,808.37	\$ 33,241.51	\$	\$ (197,566.86)	\$	\$	\$ (197,566.86)		
Public Safety	165,043.35	274.25	92,180.29	(72,588.81)			(72,588.81)		
Public Works	250,089.85		15,836.30	(234,253.55)			(234,253.55)		
Health and Welfare	400.00			(400.00)			(400.00)		
Culture & Recreation	131,703.43	15,747.63	928,822.45	812,866.65			812,866.65		
Miscellaneous		21,694.50		21,694.50			21,694.50		
*Interest on Long-term Debt	3,670.48			(3,670.48)			(3,670.48)		
Total Governmental Activities	781,715.48	70,957.89	1,036,839.04	326,081.45			326,081.45		
Business-type Activities:									
Water	179,840.67	212,878.86				33,038.19	33,038.19		
Sewer	181,453.36	294,054.61				112,601.25	112,601.25		
Garbage	40,363.00	46,163.82				5,800.82	5,800.82		
Golf Course	221,005.81	150,018.25				(70,987.56)	(70,987.56)		
Total Business-type Activities	622,662.84	703,115.54				80,452.70	80,452.70		
Total Primary Government	\$ 1,404,378.32	\$ 774,073.43	\$ 1,036,839.04	326,081.45		80,452.70	406,534.15		
Component Unit:								\$ (1,289.24)	
Housing and Redevelopment	\$ 40,603.35	\$ 39,314.11							
General Revenues:									
Taxes:									
Property Taxes									
Sales and Use Taxes									
State Shared Revenues									
Unrestricted Investment Earnings									
Miscellaneous Revenue									
Transfers In (Out)									
Total General Revenues									
Change in Net Position									
Net Position - Beginning									
NET POSITION - ENDING									
* The Municipality does not have expense related to functions presented above. This amount includes indirect interest expense on general long-term debt.									

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

The attached notes are an integral part of these financial statements.

**CITY OF ALCESTER  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2021**

	Major Funds				Nonmajor		Total
	General Fund	CDBG Special Revenue Fund	2nd Cent Fund	Community Center Fund	Library Special Revenue Fund	Governmental Funds	
<b>ASSETS:</b>							
Cash and Cash Equivalents	\$ 327,727.87	\$ 105,037.46	\$ 59,676.73	\$ 218,506.70	\$ 8,450.35	\$ 719,399.11	
Taxes Receivable - Delinquent	5,014.04					5,014.04	
Due From Government	5,383.75		888.23			6,271.98	
Notes Receivable		14,139.29				14,139.29	
Advance to 2nd Cent Fund		16,320.00				16,320.00	
Investments-Certificates of Deposit					22,000.00	22,000.00	
<b>TOTAL ASSETS</b>	<u>338,125.66</u>	<u>135,496.75</u>	<u>60,564.96</u>	<u>218,506.70</u>	<u>30,450.35</u>	<u>783,144.42</u>	
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:</b>							
<b>Liabilities:</b>							
Construction Contracts Payable				354,459.91		354,459.91	
Retained Percentage				136,303.86		136,303.86	
Advance From CDBG Fund			16,320.00			16,320.00	
<b>Total Liabilities</b>			<u>16,320.00</u>	<u>490,763.77</u>		<u>507,083.77</u>	
<b>Deferred Inflows of Resources:</b>							
Unavailable Revenue - Property Taxes	5,014.04					5,014.04	
<b>Total Deferred Inflows of Resources</b>	<u>5,014.04</u>					<u>5,014.04</u>	
<b>Fund Balances:</b>							
Nonspendable		14,139.29				14,139.29	
Restricted		121,357.46			30,450.35	151,807.81	
Committed			44,244.96			44,244.96	
Unassigned	333,111.62			(272,257.07)		60,854.55	
<b>Total Fund Balances</b>	<u>333,111.62</u>	<u>135,496.75</u>	<u>44,244.96</u>	<u>(272,257.07)</u>	<u>30,450.35</u>	<u>271,046.61</u>	
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<u>\$ 338,125.66</u>	<u>\$ 135,496.75</u>	<u>\$ 60,564.96</u>	<u>\$ 218,506.70</u>	<u>\$ 30,450.35</u>	<u>\$ 783,144.42</u>	

The attached notes are an integral part of these financial statements.

**CITY OF ALCESTER  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE  
SHEET TO THE STATEMENT OF NET POSITION  
FOR THE YEAR ENDED DECEMBER 31, 2021**

Total Fund Balances - Governmental Funds	\$ 271,046.61
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

	Cost of Capital Assets	\$ 4,645,332.25	
	Accumulated Depreciation	<u>(796,045.88)</u>	3,849,286.37

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.

(802,147.51)

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 unavailable in the funds.

5,014.04

Net Pension Asset reported in governmental activities is not an available financial resource and therefore is not reported in the funds.

120,311.72

Pension related deferred outflows are components of pension asset and therefore are not reported in the funds.

154,245.10

Pension related deferred inflows are components of pension liability and therefore are not reported in the funds

(233,071.17)

Net Position - Governmental Funds

\$3,364,685.16

The attached notes are an integral part of these financial statements

**CITY OF ALCESTER**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

	Major Funds				Nonmajor	
	General	CDBG Special Revenue Fund	2nd Cent Fund	Community Center Fund	Library Special Revenue Fund	Total Governmental Funds
	Fund	Fund	Fund	Fund	Fund	Funds
<b>Revenues:</b>						
<b>Taxes:</b>						
General Property Taxes	\$ 354,943.81	\$	\$	\$	\$	\$ 354,943.81
General Sales and Use Tax	143,928.75		108,417.04			252,345.79
Licenses and Permits	2,681.00					2,681.00
<b>Intergovernmental Revenue:</b>						
Federal Grants - CARES	92,180.29					92,180.29
<b>State Shared Revenue:</b>						
Bank Franchise Tax	4,148.68					4,148.68
Liquor Tax Reversion	7,438.18					7,438.18
Motor Vehicle Licenses (5%)	13,210.42					13,210.42
Local Government Highway and Bridge Fund	4,125.21					4,125.21
<b>County Shared Revenue:</b>						
County Road Tax	8,512.86					8,512.86
<b>Charges for Goods and Services:</b>						
General Government	1,412.24					1,412.24
Public Safety	100.00					100.00
Culture and Recreation	15,747.63					15,747.63
Cemetery	15,836.30					15,836.30
<b>Fines and Forfeits:</b>						
Court Fines and Costs	174.25					174.25
<b>Miscellaneous Revenue:</b>						
Investment Earnings	2,836.79			675.63	501.86	4,014.28
Rental	19,013.50					19,013.50
Contribution and Donation from Private Sources	15,073.95			913,450.00	298.50	928,822.45
Other	35,336.42	322.78				35,659.20
<b>Total Revenue</b>	<b>736,700.28</b>	<b>322.78</b>	<b>108,417.04</b>	<b>914,125.63</b>	<b>800.36</b>	<b>1,760,366.09</b>
<b>Expenditures:</b>						
<b>General Government:</b>						
Legislative	58,831.05					58,831.05
Executive - Mayor	2,519.01					2,519.01
Financial Administration	93,015.78					93,015.78
Other	11,986.25					11,986.25
<b>Total General Government</b>	<b>166,352.09</b>					<b>166,352.09</b>
<b>Public Safety:</b>						
Police	130,764.52					130,764.52
Fire	24,670.00					24,670.00
Other Protection	932.59					932.59
<b>Total Public Safety</b>	<b>156,367.11</b>					<b>156,367.11</b>
<b>Public Works:</b>						
Highways and Streets	182,143.97		40,583.16			222,727.13
Cemeteries	18,686.48					18,686.48
<b>Total Public Works</b>	<b>200,830.45</b>		<b>40,583.16</b>			<b>241,413.61</b>

**CITY OF ALCESTER**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

	Major Funds				Nonmajor	
	General Fund	CDBG Special Revenue Fund	2nd Cent Fund	Community Center Fund	Library Special Revenue Fund	Total Governmental Funds
Health and Welfare:						
Ambulance	400.00					400.00
Total Health and Welfare	400.00					400.00
Culture and Recreation:						
Recreation	44,211.25					44,211.25
Parks	17,564.10					17,564.10
Golf Course			18,124.06			18,124.06
Libraries	33,356.74				887.99	34,244.73
Auditorium	8,611.60					8,611.60
Community Center				0.00		0.00
Liquor Store	4,609.56					4,609.56
Total Culture and Recreation	108,353.25		18,124.06	0.00	887.99	127,365.30
Debt Service				49,386.79		49,386.79
Total Expenditures	707,628.45		58,707.22	2,639,428.23	887.99	3,406,651.89
Excess of Revenue Over (Under) Expenditures	29,071.83	322.78	49,709.82	(1,725,302.60)	(87.63)	(1,646,285.80)
Other Financing Sources (Uses):						
Transfer (Out)			(22,500.00)	(39,000.00)		(61,500.00)
Sale of Surplus Property	930.93					930.93
Long-Term Debt Issued				585,000.00		585,000.00
Total Other Financing Sources (Uses)	930.93		(22,500.00)	546,000.00		524,430.93
Net Change in Fund Balances	30,002.76	322.78	27,209.82	(1,179,302.60)	(87.63)	(1,121,854.87)
Fund Balance - Beginning	303,108.86	135,173.97	17,035.14	907,045.53	30,537.98	1,392,901.48
FUND BALANCE - ENDING	\$ 333,111.62	\$ 135,496.75	\$ 44,244.96	\$ (272,257.07)	\$ 30,450.35	\$ 271,046.61

The attached notes are an integral part of these financial statements.

**CITY OF ALCESTER**  
**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, 2021**

Net Change in Fund Balances - Total Governmental Funds \$ (1,121,854.87)

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay expense exceeds depreciation expenses.

Investment in Capital Assets	\$2,665,366.99	
Depreciation Expense	<u>(86,762.44)</u>	2,578,604.55

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.

Revenue Bonds	45,716.31
---------------	-----------

Governmental funds report property taxes as revenue when cash is received, but the Statement of Activities includes the property taxes as revenue when earned.

(8,353.51)

The issuance of long-term debt is an other financing source in the fund statements but an increase in long-term liabilities on the government wide statements.

(585,000.00)

Changes in the pension related deferred outflows/inflows are direct components of pension liability(asset) and are not reflected in the governmental funds.

32,444.82

Change in Net Position of Governmental Activities	<u>\$ 941,557.30</u>
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The attached notes are an integral part of these financial statements

**CITY OF ALCESTER  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
DECEMBER 31, 2021**

	<b>Enterprise Funds</b>				
	<b>Water Fund</b>	<b>Sewer Fund</b>	<b>Garbage Fund</b>	<b>Golf Course</b>	<b>Totals</b>
<b>ASSETS:</b>					
Current Assets:					
Cash and Cash Equivalents	\$ 125,771.60	\$ 925.56	\$ 73,898.54	\$ 9,017.60	\$ 209,613.30
Utility Accounts Receivable, Net	16,363.47	14,524.27	2,933.00		33,820.74
Due From Government		114,289.00			114,289.00
Due From Other Funds	22,000.00				22,000.00
Total Current Assets	<u>164,135.07</u>	<u>129,738.83</u>	<u>76,831.54</u>	<u>9,017.60</u>	<u>379,723.04</u>
Noncurrent Assets:					
Restricted Cash and Cash Equivalents	70,040.26	26,140.94			96,181.20
Capital Assets:					
Land	12,700.00	27,000.00		10,696.00	50,396.00
Construction Work in Progress		114,543.00			114,543.00
Buildings	3,505.00			50,164.00	53,669.00
Improvements Other Than Buildings	463,440.25	2,185,622.66		67,234.50	2,716,297.41
Machinery and Equipment	98,093.20	94,650.41	13,375.00	76,256.00	282,374.61
Less: Accumulated Depreciation	<u>(432,524.76)</u>	<u>(1,076,164.52)</u>	<u>(8,237.50)</u>	<u>(132,508.59)</u>	<u>(1,649,435.37)</u>
Total Noncurrent Assets	<u>215,253.95</u>	<u>1,371,792.49</u>	<u>5,137.50</u>	<u>71,841.91</u>	<u>1,664,025.85</u>
<b>TOTAL ASSETS</b>	<u><b>379,389.02</b></u>	<u><b>1,501,531.32</b></u>	<u><b>81,969.04</b></u>	<u><b>80,859.51</b></u>	<u><b>2,043,748.89</b></u>
<b>LIABILITIES:</b>					
Current Liabilities:					
Due to Other Funds		22,000.00			22,000.00
Customer Deposits	13,450.00				13,450.00
Revenue Bonds Payable - Current		15,000.00			15,000.00
Total Current Liabilities	<u>13,450.00</u>	<u>37,000.00</u>			<u>50,450.00</u>
Noncurrent Liabilities:					
Bonds Payable:					
Revenue Bonds		340,000.00			340,000.00
Total Noncurrent Liabilities		<u>340,000.00</u>			<u>340,000.00</u>
<b>NET POSITION:</b>					
Net Investment in Capital Assets	145,213.69	990,651.55	5,137.50	71,841.91	1,212,844.65
Restricted for:					
Debt Service	70,040.26	26,140.94			96,181.20
Unrestricted Net Position	<u>150,685.07</u>	<u>107,738.83</u>	<u>76,831.54</u>	<u>9,017.60</u>	<u>344,273.04</u>
Total Net Position	<u><b>\$ 365,939.02</b></u>	<u><b>\$ 1,124,531.32</b></u>	<u><b>\$ 81,969.04</b></u>	<u><b>\$ 80,859.51</b></u>	<u><b>\$ 1,653,298.89</b></u>

The attached notes are an integral part of these financial statements

**CITY OF ALCESTER**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

	<b>Enterprise Funds</b>				
	<b>Water Fund</b>	<b>Sewer Fund</b>	<b>Garbage Fund</b>	<b>Golf Course</b>	<b>Totals</b>
<b>Operating Revenue:</b>					
Federal Grants	\$	\$ 114,289.00	\$	\$	\$ 114,289.00
Charges for Goods and Services (Revenues Securing Debt Issues)	204,931.46	162,301.45			367,232.91
Charges for Goods and Services		17,464.16	35,095.64	150,018.25	202,578.05
Other Revenue	<u>7,947.40</u>		<u>11,068.18</u>		<u>19,015.58</u>
<b>Total Operating Revenue</b>	<u>212,878.86</u>	<u>294,054.61</u>	<u>46,163.82</u>	<u>150,018.25</u>	<u>703,115.54</u>
<b>Operating Expenses:</b>					
Personal Services	43,837.62	61,303.01	8,674.62	100,211.35	214,026.60
Other Current Expense	30,818.50	70,262.38	30,350.88	108,379.41	239,811.17
Materials (Cost of Goods Sold)	92,563.20				92,563.20
Depreciation	<u>12,621.35</u>	<u>49,227.97</u>	<u>1,337.50</u>	<u>12,415.05</u>	<u>75,601.87</u>
<b>Total Operating Expenses</b>	<u>179,840.67</u>	<u>180,793.36</u>	<u>40,363.00</u>	<u>221,005.81</u>	<u>622,002.84</u>
<b>Operating Income (Loss)</b>	<u>33,038.19</u>	<u>113,261.25</u>	<u>5,800.82</u>	<u>(70,987.56)</u>	<u>81,112.70</u>
<b>Nonoperating Revenue (Expense):</b>					
Interest Income	71.73	56.36		1.78	129.87
Interest Expense and Fiscal Charges		<u>(660.00)</u>			<u>(660.00)</u>
<b>Total Nonoperating Revenue (Expense)</b>	<u>71.73</u>	<u>(603.64)</u>		<u>1.78</u>	<u>(530.13)</u>
<b>Income (Loss) Before Transfers</b>	<u>33,109.92</u>	<u>112,657.61</u>	<u>5,800.82</u>	<u>(70,985.78)</u>	<u>80,582.57</u>
Transfers In				<u>61,500.00</u>	<u>61,500.00</u>
<b>Change in Net Position</b>	<u>33,109.92</u>	<u>112,657.61</u>	<u>5,800.82</u>	<u>(9,485.78)</u>	<u>142,082.57</u>
<b>Net Position - Beginning</b>	<u>332,829.10</u>	<u>1,011,873.71</u>	<u>76,168.22</u>	<u>90,345.29</u>	<u>1,511,216.32</u>
<b>NET POSITION - ENDING</b>	<u>\$ 365,939.02</u>	<u>\$ 1,124,531.32</u>	<u>\$ 81,969.04</u>	<u>\$ 80,859.51</u>	<u>\$ 1,653,298.89</u>

The attached notes are an integral part of these financial statements

**CITY OF ALCESTER  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2021**

	Enterprise Funds				Totals
	Water Fund	Sewer Fund	Garbage Fund	Golf Course Fund	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>					
Cash Receipts from Customers	\$ 215,570.64	\$ 179,125.41	\$ 46,100.82	\$ 156,106.58	\$ 596,903.45
Cash Payments to Employees for Services	(43,837.62)	(61,303.01)	(8,674.62)	(100,211.35)	(214,026.60)
Cash Payments to Suppliers for Goods and Services	(129,470.03)	(70,262.38)	(30,350.88)	(108,379.41)	(338,462.70)
Net Cash Provided (Used) by Operating Activities	<u>42,262.99</u>	<u>47,560.02</u>	<u>7,075.32</u>	<u>(52,484.18)</u>	<u>44,414.15</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>					
Interfund Loans	(22,000.00)	22,000.00			
Transfers In (Out)				61,500.00	61,500.00
Net Cash Provided (Used) By Noncapital Financing Activities	<u>(22,000.00)</u>	<u>22,000.00</u>		<u>61,500.00</u>	<u>61,500.00</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>					
Purchase of Capital Assets		(122,480.00)			(122,480.00)
Principal Paid on Capital Debt		(25,000.00)			(25,000.00)
Interest Paid on Capital Debt		(660.00)			(660.00)
Net Cash (Used) by Capital and Related Financing Activities		<u>(148,140.00)</u>			<u>(148,140.00)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>					
Interest Earnings	71.73	56.36		1.78	129.87
Net Cash Provided (Used) by Investing Activities	<u>71.73</u>	<u>56.36</u>		<u>1.78</u>	<u>129.87</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>\$ 20,334.72</u>	<u>\$ (78,523.62)</u>	<u>\$ 7,075.32</u>	<u>\$ 9,017.60</u>	<u>\$ (42,095.98)</u>
Cash and Cash Equivalents at Beginning of Year	\$ 175,477.14	\$ 105,590.12	\$ 66,823.22	\$ 0.00	\$ 347,890.48
Cash and Cash Equivalents at End of Year	<u>195,811.86</u>	<u>27,066.50</u>	<u>73,898.54</u>	<u>9,017.60</u>	<u>305,794.50</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>\$ 20,334.72</u>	<u>\$ (78,523.62)</u>	<u>\$ 7,075.32</u>	<u>\$ 9,017.60</u>	<u>\$ (42,095.98)</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>					
Operating Income (Loss)	\$ 33,038.19	\$ 113,261.25	\$ 5,800.82	\$ (70,987.56)	\$ 81,112.70
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:					
Depreciation Expense	12,621.35	49,227.97	1,337.50	12,415.05	75,601.87
Change in Assets and Liabilities:					
Receivables	(605.67)	(114,929.20)	(63.00)	6,088.33	(109,509.54)
Payables	(6,088.33)				(6,088.33)
Customer Deposits	3,297.45				3,297.45
Net Cash Provided (Used) by Operating Activities	<u>\$ 42,262.99</u>	<u>\$ 47,560.02</u>	<u>\$ 7,075.32</u>	<u>\$ (52,484.18)</u>	<u>\$ 44,414.15</u>
Noncash Investing, Capital and Financing Activities:					
Transfers of Prior Year Interfund Loans	\$			\$	

The attached notes are an integral part of these financial statements

**CITY OF ALCESTER  
NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**a. Financial Reporting Entity:**

The reporting entity of the City of Alcester 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 or incomplete.

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

The Housing and Redevelopment Commission of the City of Alcester, South Dakota (Commission) is a proprietary fund-type, discretely presented component unit. The five members of the Commission are appointed by the Mayor and hold office until their successors have been appointed and qualified. 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 the Alcester City Hall, P.O. Box 318, Alcester, SD 57001.

**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 and discretely presented component units. 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. Discretely presented component units are legally separate organizations that meet certain criteria, as described in Note 1a., above, and may be classified as either governmental or business-type activities. See the discussion of individual component units in Note 1.a. above.

The Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by recipients of goods and services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of

a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

#### *Fund Financial Statements:*

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

1. Total assets and deferred outflows of resources, liabilities and deferred inflows of resources, 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 and deferred outflows of resources, liabilities and deferred inflows of resources, 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 City financial reporting entity are described below:

#### **Governmental Funds:**

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

Special Revenue Funds – Special revenue funds are used to account for and report 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 or committed to expenditure for specified purposes.

CDBG Revolving Loan Fund – A fund allowed by SDCL 4-11-6 to make loans to area businesses from funds that were originally provided by a Community Development Block Grant. This is a major fund.

2<sup>nd</sup> Cent Sales Tax Fund – A fund established by City Ordinance No. 2005 to account for additional 1% sales tax. The City has committed the use of this fund to capital improvements and debt service. This is a major fund.

Library Fund – A fund used to account for library operations obtained and used through governmental services. This is not a major fund.

Capital Project Funds – capital project funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds or trust funds for individuals, private organizations, or other governments).

Community Center Fund – to account for the financial resources to be used for the construction of a new community center for the community. 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.
- 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.

Garbage Fund - Financed primarily by user charges, this fund accounts for the construction and operation of the municipal garbage system and related facilities. This is a major fund.

Golf Course Fund - Financed by user charges, this fund accounts for the operations of the golf course services. 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, both governmental and business-type activities are presented using the economic resources measurement focus, applied on the accrual basis of accounting.

### *Fund Financial Statements:*

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

### ***Basis of Accounting:***

#### *Government-wide Financial Statements:*

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

#### *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 City of Alcester, the length of that cycle is 30 days. The revenues which are accrued at December 31, 2021, are amounts due from other governments and accounts receivable.

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.

#### *Fund Financial Statements:*

Noncurrent portions of long-term interfund receivables (reported in “Advance to” asset accounts) are equally offset by a nonspendable fund balance which indicates that they do not constitute “available spendable resources” since they are not a component of net current assets. Current portions of interfund receivables (reported in “Due from” asset accounts) are considered “available spendable resources.”

#### **d. Deposits and Investments**

For the purpose of financial reporting, “cash and cash equivalents” includes all demand and savings accounts and certificates of deposit or short-term investments with a term to maturity 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.

e. Capital Assets:

Capital assets include land, buildings, machinery and equipment, construction in progress, 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 Financial Statements:*

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

The total December 31, 2021 balance of governmental activities capital assets includes approximately 0.8% for which the costs were determined by estimates of the original costs. The total of December 31, 2021 balance of business-type capital assets are valued at original cost. These estimated costs were established by reviewing applicable historical costs of similar items and basing the estimations thereon.

Infrastructure assets used in general government operations, consisting of certain improvements other than buildings, including roads, bridges, sidewalks, drainage systems, and lighting systems, acquired prior to January 1, 2004, were not required to be capitalized by the City. 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/Amortization 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/Amortization, with net capital assets reflected in the Statement of Net Position. Accumulated depreciation/amortization is reported on the government-wide Statement of Net Position and on the 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 financial statements and proprietary funds are as follows:

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Land and Land Rights	All	NA	NA
Improvements Other than Buildings	5,000.00	Straight Line	10-50 yrs
Buildings	25,000.00	Straight Line	50 yrs
Machinery and Equipment	5,000.00	Straight Line	2-20 yrs

Land is an inexhaustible capital asset and is not depreciated.

***Fund Financial Statements:***

In the fund financial statements, capital assets used in governmental fund operations are accounted for as Capital Outlay 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 and notes payable.

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

**g. Program Revenues:**

Program revenues derive directly from the program itself or from parties other than the City'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 Net Position, revenues and expenses are classified in a manner consistent with how they are classified in the Statement of Cash Flows. That is, transactions for which related cash flows are reported as capital and related financing activities, noncapital financing activities, or investing activities are not reported as components of operating revenues or expenses.

j. Cash and Cash Equivalents:

The City 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.

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 places 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 City'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 City classifies governmental fund balances as follows:

- Nonspendable – Includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
- Restricted – Includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.
- Committed – Includes fund balance amounts that are constrained for specific purposes that are internally imposed 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 nor committed. Fund Balance may be assigned by the City Council.
- Unassigned – Includes positive fund balance within the General Fund which has not been classified within the above-mentioned categories and negative fund balances in other governmental funds.

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

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

A schedule of fund balances is provided as follows:

CITY OF ALCESTER  
DISCLOSURE OF FUND BALANCES REPORTED ON BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2021

	General Fund	CDBG Fund	2nd Cent Fund	Community Center Fund	Other Non-Major Governmental Funds	Total
<b>Fund Balances:</b>						
<i>Nonspendable:</i>						
Notes Receivable	\$	\$ 14,139.29	\$	\$	\$	\$ 14,139.29
<i>Restricted for:</i>						
Community Development		121,357.46				121,357.46
Library					30,450.35	30,450.35
<i>Committed:</i>						
Capital Improvements and Debt Service			44,244.96			44,244.96
<i>Unassigned</i>	333,111.62			(272,257.07)		60,854.55
<b>Total Fund Balances</b>	<b>\$ 333,111.62</b>	<b>\$ 135,496.75</b>	<b>\$ 44,244.96</b>	<b>\$ (272,257.07)</b>	<b>\$ 30,450.35</b>	<b>\$ 271,046.61</b>

#### 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. City contributions and net pension liability (asset) are recognized on an accrual basis of accounting.

#### **NOTE 2 - DEPOSITS AND INVESTMENTS CREDIT RISK, CONCENTRATIONS OF CREDIT RISK, AND INTEREST RATE RISK:**

The City 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 City'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 City funds to be invested 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.

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

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

**Concentration of Investment** – The City places no limit on the amount that may be invested in any one issuer.

**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 City's policy is to credit all income from deposits and investments to the fund making the investment.

#### **NOTE 3 - RESTRICTED CASH AND INVESTMENTS:**

Assets restricted to use for a specific purpose through segregation of balances in separate accounts are as follows:

<u>Fund</u>	<u>Amount</u>	<u>Purpose</u>
Water	\$ 70,040.26	Debt Service, by debt covenants
Sewer	26,140.94	Debt Service, by debt covenants

#### **NOTE 4 - RECEIVABLES AND PAYABLES:**

Receivables and payables are not aggregated in these financial statements. The City expects all receivables to be collected within one year, except for \$8,355.72 of receivables related to economic development loans to qualifying businesses reported in the CDBG Fund. This is a summary of CDBG Loans receivable as of December 31, 2021.

	Home Away From Home	Alcester Health Services	Arlene's Sunnyside Café	Alcester Steak House	Total
Year Ended Dec 31,	2017 CDBG Fund	2014 CDBG Fund	2018 CDBG Fund	2018 CDBG Fund	
2022	\$ 1,743.90	\$ 2,309.69	\$ 1,031.43	\$ 698.65	\$ 5,783.67
2023	1,779.63	2,357.03	401.50	712.95	5,251.11
2024	36.87	837.91		727.57	1,602.35
2025				742.47	742.47
2026				759.69	759.69
Total	\$ 3,560.40	\$ 5,504.63	\$ 1,432.93	\$ 3,641.33	\$ 14,139.29

#### **NOTE 5 - INVENTORY:**

Inventory in the General Fund consists of expendable supplies held for consumption. Supply inventories are recorded at cost. As of December 31, 2021, there were no material amounts of inventory to report in the General Fund.

Inventory acquired for resale in the proprietary funds is recorded as an asset when acquired. The consumption of inventories held for resale is charged to an expense as it is consumed. Inventories held for resale are recorded at the lower of cost or market, on the first-in, first-out cost flow assumption. As of December 31, 2021, there were no material amounts of inventory to report in the proprietary funds.

##### *Government-wide Financial Statements:*

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

##### *Fund Financial Statements:*

In the fund financial statements, inventory is recorded as an asset at the time of purchase, and charged to an expense as it is consumed. Material supply inventories are off-set 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.

**NOTE 6 - 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 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 City is permitted by several state statutes to levy varying amounts of taxes per \$1,000 of taxable valuation on taxable real property in the City.

**NOTE 7 - CHANGES IN GENERAL CAPITAL ASSETS:**

A summary of changes in capital assets for the year ended December 31, 2021 is as follows:

	Balance 1/1/2021	Increases	Decreases	Balance 12/31/2021
<b>Governmental Activities:</b>				
Capital Assets, not being depreciated:				
Land	\$ 274,149.90	\$	\$	\$ 274,149.90
Construction Work in Progress	<u>480,862.50</u>	<u>2,590,041.44</u>		<u>3,070,903.94</u>
Total not being depreciated	<u>755,012.40</u>	<u>2,590,041.44</u>		<u>3,345,053.84</u>
Capital Assets, being depreciated:				
Buildings	211,218.27			211,218.27
Improvements Other than Buildings	409,939.47			409,939.47
Machinery and Equipment	583,334.09	70,675.55	(11,876.00)	642,133.64
Library Books	<u>39,105.00</u>	<u>4,650.00</u>	<u>(6,767.97)</u>	<u>36,987.03</u>
Total being depreciated	<u>1,243,596.83</u>	<u>75,325.55</u>	<u>(18,643.97)</u>	<u>1,300,278.41</u>
Less Accumulated Depreciation for:				
Buildings	140,632.57	4,214.12		144,846.69
Improvements Other than Buildings	209,208.99	17,342.83		226,551.82
Machinery and Equipment	373,505.63	63,017.74	(11,876.00)	424,647.37
Library Books	<u>4,580.22</u>	<u>2,187.75</u>	<u>(6,767.97)</u>	
Total accumulated depreciation	<u>727,927.41</u>	<u>86,762.44</u>	<u>(18,643.97)</u>	<u>796,045.88</u>
Total Governmental Activities Capital Assets, Being Depreciated, Net	<u>515,669.42</u>	<u>(11,436.89)</u>		<u>504,232.53</u>
Governmental Activities Capital Assets, Net	<u>\$ 1,270,681.82</u>	<u>\$ 2,578,604.55</u>	<u>\$</u>	<u>\$ 3,849,286.37</u>

Depreciation Expense was charged to functions as follows:

General Government	\$ 65,071.83
Public Safety	8,676.24
Public Works	8,676.24
Culture and Recreation	<u>4,338.13</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 86,762.44</u>

Construction Work in Progress at December 31, 2021 is composed of the following:

<u>Project Name</u>	<u>Project Authorization</u>	<u>Expended through 12/31/2021</u>	<u>Committed</u>
<b><u>Governmental Activities:</u></b>			
Community Center	\$ 3,070,903.94	\$ 3,070,903.94	\$
<b><u>Business-Type Activities:</u></b>			
Wastewater Facility	<u>394,100.00</u>	<u>114,543.00</u>	<u>279,557.00</u>
<b>Total Governmental and Business-Type Activities</b>	<b><u>\$ 3,465,003.94</u></b>	<b><u>\$ 3,185,446.94</u></b>	<b><u>\$ 279,557.00</u></b>

	<u>Balance 1/1/2021</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 12/31/2021</u>
<b>Business - Type Activities:</b>				
<b>Capital Assets, not being Depreciated</b>				
Land	\$ 50,396.00	\$	\$	\$ 50,396.00
Construction Work in Progress	<u>23,920.00</u>	<u>90,623.00</u>		<u>114,543.00</u>
<b>Total Capital Assets, not being depreciated</b>	<u>74,316.00</u>	<u>90,623.00</u>		<u>164,939.00</u>
<b>Capital Assets, being Depreciated:</b>				
Buildings	53,669.00			53,669.00
Improvements Other Than Buildings	2,716,297.41			2,716,297.41
Machinery and Equipment	<u>259,717.61</u>	<u>31,857.00</u>	<u>(9,200.00)</u>	<u>282,374.61</u>
<b>Total being Depreciated</b>	<u>3,029,684.02</u>	<u>31,857.00</u>	<u>(9,200.00)</u>	<u>3,052,341.02</u>
<b>Less Accumulated Depreciation for:</b>				
Buildings	26,078.80	2,508.20		28,587.00
Improvements Other than Buildings	1,356,688.31	58,054.19		1,414,742.50
Machinery and Equipment	<u>200,266.39</u>	<u>15,039.48</u>	<u>(9,200.00)</u>	<u>206,105.87</u>
<b>Total Accumulated Depreciation</b>	<u>1,583,033.50</u>	<u>75,601.87</u>	<u>(9,200.00)</u>	<u>1,649,435.37</u>
<b>Total Business-Type Activities Capital Assets, being depreciated, net</b>	<u>1,446,650.52</u>	<u>(43,744.87)</u>		<u>1,402,905.65</u>
<b>Business-Type Activities Capital Assets, Net</b>	<b><u>\$1,520,966.52</u></b>	<b><u>\$ 46,878.13</u></b>	<b><u>\$</u></b>	<b><u>\$1,567,844.65</u></b>

Depreciation expense was charged to functions as follows:

Water	\$ 12,621.35
Sewer	49,227.97
Garbage	12,415.05
Golf Course	<u>1,337.50</u>
<b>Total Depreciation Expense - Business-type Activities</b>	<b><u>\$ 75,601.87</u></b>

**NOTE 8 - LONG-TERM LIABILITIES:**

A summary of changes in long-term liabilities follows:

	1/1/2021 Beginning <u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	12/31/2021 Ending <u>Balance</u>	<u>Due within One Year</u>
<b>Primary Government:</b>					
<b>Governmental Activities:</b>					
Bonds Payable: Revenue	\$ 231,869.87	\$ 585,000.00	\$ 31,042.36	\$ 785,827.51	\$ 62,323.21
Notes Payable	<u>30,993.95</u>		<u>14,673.95</u>	<u>16,320.00</u>	<u>8,160.00</u>
<b>Total Governmental Activities</b>	<u>262,863.82</u>	<u>585,000.00</u>	<u>45,716.31</u>	<u>802,147.51</u>	<u>70,483.21</u>
<b>Business-Type Activities:</b>					
Bonds Payable: Revenue	<u>380,000.00</u>		<u>25,000.00</u>	<u>355,000.00</u>	<u>15,000.00</u>
<b>Total Business - Type Activities</b>	<u>380,000.00</u>		<u>25,000.00</u>	<u>355,000.00</u>	<u>15,000.00</u>
<b>Total Primary Government</b>	<u>\$ 642,863.82</u>	<u>\$ 585,000.00</u>	<u>\$ 70,716.31</u>	<u>\$ 1,157,147.51</u>	<u>\$ 85,483.21</u>

Debt payable at December 31, 2021 is comprised of the following:

**Revenue Bonds:**

Sewer System Revenue Bonds - 2020 Rural Development Loan  
3.0% Interest, Final Maturity Date of 2043  
Retired by the Sewer Fund.

\$ 355,000.00

Sales Tax Revenue Bonds - Series 2011  
3.5% Interest, Final Maturity Date July 1, 2025  
Retired by the 2nd Cent Fund.

48,921.77

Equipment Bond-Series 2018  
4.5% Interest, Final Maturity Date November 1, 2028  
Retired by the 2nd Cent Fund.

151,905.74

Sales Tax Revenue Bonds - Series 2021  
2.5% Interest, Final Maturity Date May 1, 2041  
Retired by the 2nd Cent Fund

585,000.00

Note Payable-Police Vehicle Loan  
0% Interest, Final Maturity Date November 5, 2023  
Retired by the 2nd Cent Fund

16,320.00

The annual requirements to amortize all debt outstanding, as of December 31, 2021, are as follows:

Year Ended Dec 31,	Governmental Activities:			
	Revenue Bonds		Note Payable	
	Principal	Interest	Principal	Interest
2022	\$ 62,323.21	\$ 16,804.89	\$ 8,160.00	\$
2023	58,657.66	20,773.55	8,160.00	
2024	60,048.04	18,758.17		
2025	54,010.16	16,684.49		
2026	47,637.72	14,945.44		
2027-2031	178,150.72	53,378.52		
2032-2036	150,000.00	33,125.00		
2037-2041	175,000.00	13,125.00		
Total	<u>\$ 785,827.51</u>	<u>\$ 187,595.06</u>	<u>\$ 16,320.00</u>	<u>\$</u>

Year Ended Dec 31,	Business-Type Activities:			
	Revenue Bonds		Totals	
	Principal	Interest	Principal	Interest
2022	\$ 15,000.00	10,285.00	\$ 85,483.21	\$ 27,089.89
2023	15,000.00	9,910.00	81,817.66	30,683.55
2024	15,000.00	9,535.00	75,048.04	28,293.17
2025	15,000.00	9,160.00	69,010.16	25,844.49
2026	15,000.00	8,785.00	62,637.72	23,730.44
2027-2031	75,000.00	38,210.00	253,150.72	91,588.52
2032-2036	85,000.00	26,815.00	235,000.00	59,940.00
2037-2041	100,000.00	12,400.00	275,000.00	25,525.00
2042-2046	20,000.00	620.00	20,000.00	620.00
Total	<u>\$ 355,000.00</u>	<u>\$ 125,720.00</u>	<u>\$ 1,157,147.51</u>	<u>\$ 313,315.06</u>

#### **NOTE 9 - CONDUIT DEBT:**

In the past, the City issued revenue bonds to provide financial assistance to certain private-sector entities for the acquisition and/or construction of facilities deemed to be in the public interest. These bonds are secured by the property being financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities is retained by the private-sector entity served by the bond issuance. Neither the City, the State of South Dakota, nor any other political subdivision of the state is obligated in any manner for the repayment of these conduit debt issues. Accordingly, these bonds are not reported as liabilities in the accompanying financial statements. As of December 31, 2021, there were two conduit bond issues outstanding with an aggregate unpaid principal amount of \$553,603.95. Final payment for the debt is December of 2043 and December of 2030.

**NOTE 10 - INDIVIDUAL FUND INTERFUND RECEIVABLE AND PAYABLE BALANCES:**

Interfund receivable and payable balances at December 31, 2021 were:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
2nd Cent Fund	\$	\$ 16,320.00
CDBG Special Revenue Fund	16,320.00	
Water Fund	22,000.00	
Sewer Fund		22,000.00
Total	<u>\$ 38,320.00</u>	<u>\$ 38,320.00</u>

The City's 2<sup>nd</sup> Cent Fund borrowed from the CDBG Special Revenue Fund to pay, in full, the Promissory Note for police vehicles. Of the \$16,320.00 interfund loan, \$8,160.00 is expected to be repaid during the next fiscal year.

The Water Fund made a loan to the Sewer Fund to cover cash shortages.

**NOTE 11 - RESTRICTED NET POSITION:**

Restricted Net Position for the year ended December 31, 2021 were as follows:

	<u>Governmental</u>	<u>Business-Type</u>	<u>Total</u>
Major Funds:			
CDBG Fund			
Community Development:	\$ 135,496.75	\$	\$ 135,496.75
Debt Service		96,181.20	96,181.20
Nonmajor Fund:			
Library	30,450.35		30,450.35
SDRS Pension	<u>41,485.65</u>		<u>41,485.65</u>
Total Restricted Net Position	<u>\$ 207,432.75</u>	<u>\$ 96,181.20</u>	<u>\$ 303,613.95</u>

These balances are restricted due to federal grant and statutory requirements.

**NOTE 12 - INTERFUND TRANSFERS:**

Interfund transfers for the year ended December 31, 2021 were as follows:

	<u>Transfers To:</u>
<u>Transfers From:</u>	<u>Golf Course Fund</u>
2nd Cent	\$ 22,500.00
Community Center	39,000.00
	<u>\$ 61,500.00</u>

The City transferred monies to the Golf Course Fund from the 2<sup>nd</sup> Cent and Community Center Funds.

**NOTE 13 - SIGNIFICANT CONTINGENCIES - LITIGATION:**

At December 31, 2021, the City of Alcester was not involved in any significant litigation.

**NOTE 14 - RISK MANAGEMENT:**

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

*Employee Health Insurance:*

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

*Liability Insurance:*

The City purchases liability insurance for risks related to torts; theft or damage to property; and errors and omissions of public officials from a commercial insurance carrier. Settled claims from these risks have not exceeded the liability coverage during the past three years.

*Worker's Compensation:*

The City joined the South Dakota Municipal League 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 City's responsibility is to initiate and maintain a safety program to give its employees safe and sanitary working conditions and to promptly report to and cooperate with the Fund to resolve any worker's compensation claims. The City pays an annual premium, to provide worker's compensation coverage for its employees, under a self-funded program and the premiums are accrued based on the ultimate cost of the experience to date of the Fund members. Coverage limits are set by state statute. The pool pays the first \$650,000 of any claim per individual. The pool has reinsurance, which covers up to statutory limits in addition to a separate combined employer liability limit of \$2,000,000 per incident.

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

*Unemployment Benefits:*

The 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. At December 31, 2021, no claims had been filed and were outstanding.

## **NOTE 15 - 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 defined benefit pension plan administered by SDRS to provide retirement benefits for employees of the State of South Dakota and its political subdivisions. The SDRS provides retirement, disability, and survivor benefits. The right to receive retirement benefits vests after three years of credited service. Authority for establishing, administering and amending plan provisions are found in SDCL 3-12. The SDRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained at <http://www.sdrs.sd.gov/publications/> 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, Class B public safety and judicial members, and Class C Cement Plant Retirement Fund members.

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

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

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

- Baseline actuarial accrued liabilities will be calculated assuming the COLA is equal to 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 3<sup>rd</sup> 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 3<sup>rd</sup> quarter CPI-W, no less than 0.5% and no greater than a restricted maximum such that, that if the restricted maximum is assumed for future COLAs, the fair value of assets will be greater or equal to the accrued liabilities.

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

**Contributions:**

Per SDCL 3-12, contribution requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A Members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. The City's share of contributions to the SDRS for the fiscal years ended December 31, 2021, 2020 and 2019 equal to required contributions each year, were as follows:

<u>Year</u>	<u>Amount</u>
2021	\$ 22,005.06
2020	20,735.95
2019	18,866.74

**Pension Liabilities (Assets), Pension Expense (Revenue), and Deferred Outflows of Resources and Deferred Inflows of Resources to Pensions:**

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

Proportionate share of pension liability (asset)	\$ 2,178,406.76
Less proportionate share of net pension restricted for pension benefits	<u>2,298,718.47</u>
Proportionate share of net pension liability (asset)	<u>\$ (120,311.72)</u>

At December 31, 2021, the City reported a liability (asset) of \$(120,311.72) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2021 and the total pension liability (asset) used to calculate the net pension liability (asset) was based on a projection of the City's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2021, the City's proportion was 0.01571000%, which is an increase (decrease) of 0.0002746% from its proportion measured as of June 30, 2020.

For the year ended December 31, 2021, the City recognized pension expense (revenue) of \$(32,444.82). At December 31, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 4,319.50	\$ 315.43
Changes in assumption	138,659.41	60,250.36
Net difference between projected and actual earnings on pension plan investments		171,867.69
Changes in proportion and difference between City contributions and proportionate share of contributions	143.95	637.69
City contributions subsequent to the measurement date	11,122.25	
<b>TOTAL</b>	<b>\$ 154,245.10</b>	<b>\$ 233,071.17</b>

\$11,122.25 reported as deferred outflow of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability (asset) in the year ending December 31, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (revenue) as follows:

Year Ended December 31:

2022	\$ (22,257.45)
2023	(15,336.64)
2024	(4,306.97)
2025	(48,349.41)
<b>TOTAL</b>	<b>\$ (90,250.47)</b>

**Actuarial Assumptions:**

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

Inflation	2.25 percent
Salary Increases	Graded by years of service, from 6.5% at entry to 3.00% after 25 years of service
Discount Rate	6.50% net of plan investment expense. This is composed of an average inflation rate of 2.25% and real returns of 4.25%
Future COLAs	2.25%

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

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

Investment portfolio management is the statutory responsibility of the South Dakota Investment Council (SDIC), which may utilize the services of external money managers for management of a portion of the portfolio. SDIC is governed by the Prudent Man Rule (i.e., the council should use the same degree of care as a prudent man). Current SDIC investment policies dictate limits on the

percentage of assets invested in various types of vehicles (equities, fixed income securities, real estate, cash, private equity, etc.). The long-term expected rate of return on pension plan investments was determined using a method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2021 (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

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

#### **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 City's proportionate share of net pension liability (asset) calculated using the discount rate of 6.50 percent, as well as what the City'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>
City's proportionate share of the net pension liability (asset)	\$ 194,814.60	\$ (120,311.72)	\$ (376,120.92)

#### **Pension Plan Fiduciary Net Position:**

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

**REQUIRED SUPPLEMENTARY INFORMATION  
CITY OF ALCESTER  
BUDGETARY BASIS COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2021**

	<u>Budgeted Amounts</u>		<b>Actual Amounts (Budgetary Basis)</b>	<b>Variance Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
<b>Taxes:</b>				
General Property Taxes	\$ 349,500.00	\$ 349,500.00	\$ 354,943.81	\$ 5,443.81
General Sales and Use Taxes	130,110.00	130,110.00	143,928.75	13,818.75
Licenses and Permits	6,000.00	6,000.00	2,681.00	(3,319.00)
<b>Intergovernmental Revenue:</b>				
Federal Grants			92,180.29	92,180.29
<b>State Shared Revenue:</b>				
Bank Franchise Tax	3,000.00	3,000.00	4,148.68	1,148.68
Liquor Tax Reversion	5,250.00	5,250.00	7,438.18	2,188.18
Motor Vehicle Licenses (5%)	12,500.00	12,500.00	13,210.42	710.42
Local Government Highway and Bridge Fund	6,250.00	6,250.00	4,125.21	(2,124.79)
<b>County Shared Revenue:</b>				
County Road Tax	5,400.00	5,400.00	8,512.86	3,112.86
<b>Charges for Goods and Services:</b>				
General Government	1,800.00	1,800.00	1,412.24	(387.76)
Public Safety	250.00	250.00	100.00	(150.00)
Culture and Recreation	10,500.00	10,500.00	15,747.63	5,247.63
Cemetery Income	24,033.00	24,033.00	15,836.30	(8,196.70)
<b>Fines and Forfeits:</b>				
Court Fines and Costs	1,000.00	1,000.00	174.25	(825.75)
<b>Miscellaneous Revenue:</b>				
Investment Earnings	3,000.00	3,000.00	2,836.79	(163.21)
Rental	17,000.00	17,000.00	19,013.50	2,013.50
Contribution and Donation from Private Sources	15,500.00	15,500.00	15,073.95	(426.05)
Other	<u>45,550.00</u>	<u>45,550.00</u>	<u>35,336.42</u>	<u>(10,213.58)</u>
<b>Total Revenue</b>	<u>636,643.00</u>	<u>636,643.00</u>	<u>736,700.28</u>	<u>100,057.28</u>
<b>Expenditures:</b>				
<b>General Government:</b>				
Legislative	55,806.00	61,706.00	58,831.05	2,874.95
Executive - Mayor	2,530.00	2,530.00	2,519.01	10.99
Elections	1,725.00	1,725.00		1,725.00
Finance Office	90,813.00	96,813.00	93,015.78	3,797.22
Other	<u>13,460.00</u>	<u>13,460.00</u>	<u>11,986.25</u>	<u>1,473.75</u>
<b>Total General Government</b>	<u>164,334.00</u>	<u>176,234.00</u>	<u>166,352.09</u>	<u>9,881.91</u>

**REQUIRED SUPPLEMENTARY INFORMATION  
CITY OF ALCESTER  
BUDGETARY BASIS COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2021**

	<b>Budgeted Amounts</b>		<b>Actual Amounts (Budgetary Basis)</b>	<b>Variance Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
Public Safety:				
Police	144,319.00	157,244.00	146,540.07	10,703.93
Fire	17,800.00	24,700.00	24,670.00	30.00
Other Protection	1,100.00	1,100.00	932.59	167.41
Total Public Safety	<u>163,219.00</u>	<u>183,044.00</u>	<u>172,142.66</u>	<u>10,901.34</u>
Public Works:				
Highways and Streets	177,485.00	253,385.00	237,043.97	16,341.03
Cemetery	24,033.00	24,033.00	18,686.48	5,346.52
Total Public Works	<u>201,518.00</u>	<u>277,418.00</u>	<u>255,730.45</u>	<u>21,687.55</u>
Health and Welfare:				
Ambulance	1,400.00	1,400.00	400.00	1,000.00
Total Health and Welfare	<u>1,400.00</u>	<u>1,400.00</u>	<u>400.00</u>	<u>1,000.00</u>
Culture and Recreation:				
Recreation	41,975.00	44,975.00	44,211.25	763.75
Parks	14,965.00	18,865.00	17,564.10	1,300.90
Libraries	37,392.00	43,292.00	38,006.74	5,285.26
Auditorium	11,000.00	11,000.00	8,611.60	2,388.40
Liquor Store	2,630.00	4,630.00	4,609.56	20.44
Total Culture and Recreation	<u>107,962.00</u>	<u>122,762.00</u>	<u>113,003.25</u>	<u>9,758.75</u>
Total Expenditures	<u>638,433.00</u>	<u>760,858.00</u>	<u>707,628.45</u>	<u>53,229.55</u>
Excess of Revenue Over (Under)				
Net Change in Fund Balances	(1,790.00)	(124,215.00)	29,071.83	153,286.83
Other Financing Sources (Uses):				
Sale of Municipal Property	2,500.00	2,500.00	930.93	(1,569.07)
Total Other Financing Sources (Uses)	<u>2,500.00</u>	<u>2,500.00</u>	<u>930.93</u>	<u>(1,569.07)</u>
Net Change in Fund Balances	710.00	(121,715.00)	30,002.76	151,717.76
Fund Balance - Beginning	<u>303,108.86</u>	<u>303,108.86</u>	<u>303,108.86</u>	
FUND BALANCE - ENDING	<u>\$ 303,818.86</u>	<u>\$ 181,393.86</u>	<u>\$ 333,111.62</u>	<u>\$ 151,717.76</u>

**REQUIRED SUPPLEMENTARY INFORMATION  
CITY OF ALCESTER  
BUDGETARY BASIS COMPARISON SCHEDULE  
SPECIAL REVENUE FUND - CDBG FUND  
FOR THE YEAR ENDED DECEMBER 31, 2021**

	<b>Budgeted Amounts</b>		<b>Actual Amounts (Budgetary Basis)</b>	<b>Variance Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues:</b>				
Miscellaneous Revenue:				
Other Special Rev.	\$ 21,533.84	\$ 21,533.84	\$ 322.78	\$ (21,211.06)
Investment Earnings	<u>200.00</u>	<u>200.00</u>		<u>(200.00)</u>
Total Revenue	<u>21,733.84</u>	<u>21,733.84</u>	<u>322.78</u>	<u>(21,411.06)</u>
<b>Expenditures:</b>				
Total Expenditures	<u></u>	<u></u>	<u></u>	<u></u>
Net Change in Fund Balances	21,733.84	21,733.84	322.78	(21,411.06)
Fund Balance - Beginning	<u>135,173.97</u>	<u>135,173.97</u>	<u>135,173.97</u>	<u></u>
FUND BALANCE - ENDING	<u>\$ 156,907.81</u>	<u>\$ 156,907.81</u>	<u>\$ 135,496.75</u>	<u>\$ (21,411.06)</u>

**REQUIRED SUPPLEMENTARY INFORMATION  
CITY OF ALCESTER  
BUDGETARY BASIS COMPARISON SCHEDULE  
SPECIAL REVENUE FUND - 2nd CENT FUND  
FOR THE YEAR ENDED DECEMBER 31, 2021**

	<u>Budgeted Amounts</u>		<b>Actual Amounts (Budgetary Basis)</b>	<b>Variance Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Taxes:				
General Sales and Use Taxes	<u>\$ 130,110.00</u>	<u>\$ 130,110.00</u>	<u>\$ 108,417.04</u>	<u>\$ (21,692.96)</u>
Total Revenue	<u>130,110.00</u>	<u>130,110.00</u>	<u>108,417.04</u>	<u>(21,692.96)</u>
<b>Expenditures:</b>				
Public Safety:				
Police	14,670.00	14,670.00		14,670.00
Public Works:				
Highways and Streets	40,587.00	40,587.00	40,583.16	3.84
Culture and Recreation:				
Golf Course	<u>42,897.00</u>	<u>42,897.00</u>	<u>18,124.06</u>	<u>24,772.94</u>
Total Expenditures	<u>98,154.00</u>	<u>98,154.00</u>	<u>58,707.22</u>	<u>39,446.78</u>
Excess of Revenue Over (Under) Expenditures	31,956.00	31,956.00	49,709.82	17,753.82
<b>Other Financing Sources (Uses):</b>				
Transfer (Out)		(22,500.00)	(22,500.00)	
Total Other Financing Sources (Uses)		<u>(22,500.00)</u>	<u>(22,500.00)</u>	
Net Change in Fund Balances	31,956.00	9,456.00	27,209.82	17,753.82
Fund Balance - Beginning	<u>17,035.14</u>	<u>17,035.14</u>	<u>17,035.14</u>	
FUND BALANCE - ENDING	<u>\$ 48,991.14</u>	<u>\$ 26,491.14</u>	<u>\$ 44,244.96</u>	<u>\$ 17,753.82</u>

**CITY OF ALCESTER**  
**NOTES TO 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 City follows these procedures in establishing the budgetary data reflected in the schedules:

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

Encumbrances 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, special revenue fund, and capital projects funds.

6. Formal budgetary integration is employed as a management control device during the year for the General Fund, special revenue funds and capital project funds.
7. Budgets for the General Fund and Special Revenue funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America (USGAAP).

**Note 2: GAAP/ Budgetary Accounting Basis Differences**

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

**Schedule of Required Supplementary Information**  
**CITY OF ALCESTER**

**SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)**

**South Dakota Retirement System**

	2014	2015	2016	2017	2018	2019	2020	2021
City's proportion of the net pension liability (asset)	0.0134346%	0.0144053%	0.0127576%	0.0150680%	0.0148772%	0.0148507%	0.0154354%	0.0157100%
City's proportionate share of net pension liability (asset)	\$ (96,791)	\$ (61,097)	\$ 43,094	\$ (1,367)	\$ (347)	\$ (1,574)	\$ (670)	\$ (120,312)
City's covered-employee payroll	\$ 225,546	\$ 231,260	\$ 247,331	\$ 282,514	\$ 296,981	\$ 284,801	\$ 311,697	\$ 323,070
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-42.91%	-26.42%	17.42%	-0.48%	-0.12%	-0.55%	-0.21%	-37.24%
Plan fiduciary net position as a percentage of the total pension liability (asset)	107.30%	104.10%	96.89%	100.10%	100.02%	100.09%	100.04%	105.52%

\* The amounts presented for each fiscal year were determined as of the measurement date of the collective net pension liability (asset) which is 6/30 of the previous fiscal year. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

**Schedule of Required Supplementary Information**

**CITY OF ALCESTER**

**SCHEDULE OF THE CITY'S CONTRIBUTIONS**

**South Dakota Retirement System**

	2015	2016	2017	2018	2019	2020	2021
Contractually required contribution	\$ 15,167	\$ 16,238	\$ 18,579	\$ 19,429	\$ 18,867	\$ 20,736	\$ 22,005
Contributions in relation to the contractually required contribution	\$ 15,167	\$ 16,238	\$ 18,579	\$ 19,429	\$ 18,867	\$ 20,736	\$ 22,005
Contribution deficiency (excess)	\$	\$	\$	\$	\$	\$	\$
City's covered-employee payroll	\$ 231,260	\$ 247,331	\$ 282,514	\$ 296,981	\$ 284,801	\$ 311,697	\$ 338,417
Contributions as a percentage of covered-employee payroll	6.56%	6.57%	6.58%	6.54%	6.62%	6.65%	6.50%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

CITY OF ALCESTER  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
Schedule of Proportionate Share of the Net Pension Liability (Asset) and Schedule  
Of Pension Contributions.

**Changes from Prior Valuation:**

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

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

**Benefit Provision Changes:**

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

**Actuarial Assumption Changes:**

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

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

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

**Actuarial Method Changes:**

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

# QUAM, BERGLIN & POST, P.C.

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

City Council  
City of Alcester  
Union County, 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, each major fund, and the aggregate remaining fund information of the City of Alcester, South Dakota, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the City of Alcester's basic financial statements and have issued our report thereon dated November 29, 2022. A disclaimer of opinion was issued on the aggregate discretely presented component units because the financial data of these components units was not audited.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City of Alcester's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Alcester's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Alcester'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 City'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. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Alcester's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contract 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 Standard*.

## **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 City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the 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.



Quam, Berglin & Post, P.C.  
Certified Public Accountants  
Elk Point, SD

November 29, 2022

**CITY OF ALCESTER  
SCHEDULE OF PRIOR AND CURRENT AUDIT FINDINGS**

**STATUS OF PRIOR AUDIT FINDINGS:**

The prior audit recommendations 2020-001 and 2020-002 have since been corrected.

**CURRENT AUDIT FINDINGS:**

There are no current audit findings.