

City of Castlewood
Audit Report
For the Two Years Ended December 31, 2020

City of Castlewood

City of Castlewood
City Officials
December 31, 2020

City Council members:

Brian Ries	Mayor
Jeanette Bohls	Council President
Heather Schmit	Council Vice President
Michelle Barker	Council Member
Jeff Shepherd	Council Member
Jenny Olson	Council Member
Chad Ries	Council Member

Finance Officer:

Sheila Gerhold

City Attorney:

Todd Boyd, Boyd Law Firm, Prof. L.L.C.	during 2019
Todd Wilkinson, Wilkinson & Schumacher Law Prof. L.L.C.	during 2020

City of Castlewood

**City of Castlewood
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GRANT AND WILLIAMS, INC.

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

To the City Council of
Castlewood, 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 modified cash basis of accounting financial statements of the governmental activities, the business-type activities, and each major fund, of the City of Castlewood, South Dakota (City), as of December 31, 2020, and for each of the years in the biennial period then ended, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 7, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City'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's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Current Audit Findings, as items 2020-001 and 2020-002 to be material weaknesses.

Compliance and Other Matters

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

grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City's Response to Findings

The City's response to the findings identified in our audit are described. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

The City did not wish to respond to the findings identified in our audit as described in 2020-001 and 2020-002.

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.



Grant and Williams, Inc.
Certified Public Accountants
December 7, 2022

**City of Castlewood
Schedule of Prior Audit Findings**

Prior Federal Audit Finding:

Finding No. 2018-001:

A lack of proper segregation of duties existed for the revenue function resulting in decreased reliability of reported financial data and increased potential for the loss of public assets. This finding has not been resolved and is restated as current finding 2020-001.

City of Castlewood
Schedule of Current Audit Findings

Current Audit Findings:

Internal Control-Related Findings - Material Weaknesses:

Finding 2020-001

Criteria: Internal control serves as a defense in safeguarding assets and in preventing and detecting errors; fraud; noncompliance with provisions of laws, regulations, contracts or grant agreements; or abuse. The City's lack of a proper segregation of duties for the revenue function resulted in decreased reliability of reported financial data and increased potential for the loss of public assets. This is the sixth consecutive audit report in which this finding has appeared.

Condition: We noted a lack of proper segregation of duties in the revenue function in that the finance officer processed all revenue transactions from beginning to end. The finance officer received money, issued receipts, recorded receipts in the accounting records, prepared bank deposits, reconciled bank statements, and prepared financial statements.

Cause: The City has a limited number of office personnel and, accordingly, does not have adequate internal accounting controls in the revenue function due to a lack of segregation of duties.

Effect: The City was exposed to an increased risk of accounting error or irregularities not being detected in a timely manner.

Recommendation: We recommend that City officials be cognizant of this lack of segregation of duties for revenues and attempt to provide compensating internal controls whenever and wherever possible and practical.

Views of responsible officials: Brian Ries, Mayor, is the contact person at this entity responsible for the corrective action plan for this comment. This comment is a result of the size of the City of Castlewood, which precludes staffing at a level sufficient to provide an ideal environment for internal controls. The City is aware of this problem and the City Council will continue to monitor the finance office's revenue process through monthly Council's reports and the implementation of compensating internal controls, whenever, and wherever possible and practical.

Finding 2020-002

Criteria: Internal control serves as a defense in safeguarding assets and in preventing and detecting errors; fraud; noncompliance with provisions of laws, regulations, contracts or grant agreements; or abuse.

Condition: We noted during the testing of disbursements of fifty transactions over the two-year period. There were two disbursements that were not included in the list of approved expenditures reported in the approved minutes in 2020.

Cause: The City has a limited number of office personnel and, accordingly, does not have adequate internal accounting controls in the disbursement function due to a lack of segregation of duties.

Effect: The City was exposed to an increased risk of accounting error or irregularities not being detected in a timely manner.

Recommendation: We recommend that City officials be cognizant of this lack of segregation of duties for disbursements and attempt to provide compensating internal controls whenever and wherever possible and practical.

Views of responsible officials: Brian Ries, Mayor, is the contact person at this entity responsible for the corrective action plan for this comment. We are taking steps to ensure that all expenditures are included in the approved expenditures reported in the approved minutes and the published minutes.

The contents of this report were discussed with Finance Officer Logan Kool and Mayor Brian Ries on December 9, 2022.

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Independent Auditor's Report

Governing Board
City of Castlewood
Castlewood, South Dakota

Report on the Financial Statements

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

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

Auditor's Responsibility

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

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

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

Opinions

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

Basis of Accounting

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

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the modified cash basis of accounting financial statements that collectively comprise the City's basic financial statements. The Budgetary Comparison Schedules, the Schedule of the City's Proportionate Share of the Net Pension Liability (Asset), and the Schedule of Changes in Long-Term listed in the Table of Contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2022, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide 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.



Grant and Williams, Inc.
Certified Public Accountants
December 7, 2022

City of Castlewood

City of Castlewood
Statement of Net Position - Modified Cash Basis
December 31, 2020

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets:			
Cash and Cash Equivalents	\$ 1,167,747.28	\$ 940,524.82	\$ 2,108,272.10
Investments	146,394.82	117,808.08	264,202.90
Total Assets	1,314,142.10	1,058,332.90	2,372,475.00
Net Position:			
Restricted for:			
Debt Service Purposes	-	40,807.96	40,807.96
Unrestricted (Deficit)	1,314,142.10	1,017,524.94	2,331,667.04
Total Net Position:	\$ 1,314,142.10	\$ 1,058,332.90	\$ 2,372,475.00

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

City of Castlewood
Statement of Activities - Modified Cash Basis
For the Year Ended December 31, 2020

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	\$ 106,626.37	\$ -	\$ 35,988.36	\$ -
Public Safety	39,000.00	4,823.38	-	-
Public Works	174,475.65	-	43,145.08	-
Culture and Recreation	23,072.54	16,389.50	-	-
Conservation and Development	16,520.00	-	-	-
Miscellaneous Expenditures	-	7,047.85	-	-
Total Governmental Activities	359,694.56	28,260.73	79,133.44	-
Business-type Activities:				
Water	89,263.00	128,868.98	-	-
Sewer	59,044.90	104,111.35	-	-
Solid Waste	66,690.89	67,118.15	-	-
Golf Course	167,599.34	190,395.70	-	-
Total Business-type Activities	382,598.13	490,494.18	-	-
Total Primary Government	\$ 742,292.69	\$ 518,754.91	\$ 79,133.44	\$ -

General Revenues:

Taxes:

Property Taxes

Sales Taxes

State Shared Revenues

Grants and Contributions not Restricted to Specific Programs

Unrestricted Investment Earnings

Miscellaneous Revenue

Transfers

Total General Revenues and Transfers

Change in Net Position

Net Position-Beginning

Net Position - Ending

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

**Net (Expense) Revenue and
Changes in Net Position**

Primary Government		
Governmental Activities	Business-Type Activities	Total
\$ (70,638.01)	\$ -	\$ (70,638.01)
(34,176.62)	-	(34,176.62)
(131,330.57)	-	(131,330.57)
(6,683.04)	-	(6,683.04)
(16,520.00)	-	(16,520.00)
7,047.85		7,047.85
<u>(252,300.39)</u>	<u>-</u>	<u>(252,300.39)</u>
-	39,605.98	39,605.98
-	45,066.45	45,066.45
-	427.26	427.26
-	22,796.36	22,796.36
<u>-</u>	<u>107,896.05</u>	<u>107,896.05</u>
(252,300.39)	107,896.05	(144,404.34)
269,798.95	-	269,798.95
154,933.18	-	154,933.18
6,564.16	-	6,564.16
3,838.92	-	3,838.92
19,402.00	5,970.02	25,372.02
58,294.80	15,331.02	73,625.82
5,950.90	(5,950.90)	-
<u>518,782.91</u>	<u>15,350.14</u>	<u>534,133.05</u>
<u>266,482.52</u>	<u>123,246.19</u>	<u>389,728.71</u>
<u>1,047,659.58</u>	<u>935,086.71</u>	<u>1,982,746.29</u>
<u>\$ 1,314,142.10</u>	<u>\$ 1,058,332.90</u>	<u>\$ 2,372,475.00</u>

City of Castlewood
Statement of Activities - Modified Cash Basis
For the Year Ended December 31, 2019

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	\$ 99,381.60	\$ -	\$ -	\$ -
Public Safety	39,000.00	5,291.48	-	-
Public Works	197,878.59	-	42,328.89	1,581.00
Culture and Recreation	35,464.67	23,787.22	-	-
Conservation and Development	276,311.00	-	-	-
Total Governmental Activities	<u>648,035.86</u>	<u>29,078.70</u>	<u>42,328.89</u>	<u>1,581.00</u>
Business-type Activities:				
Water	97,722.23	122,621.89	-	-
Sewer	58,319.47	101,545.20	-	-
Solid Waste	53,923.10	53,398.88	-	-
Golf Course	151,436.72	144,253.19	-	-
Total Business-type Activities	<u>361,401.52</u>	<u>421,819.16</u>	<u>-</u>	<u>-</u>
Total Primary Government	<u>\$ 1,009,437.38</u>	<u>\$ 450,897.86</u>	<u>\$ 42,328.89</u>	<u>\$ 1,581.00</u>

Component Unit

General Revenues:

Taxes:

Property Taxes

Sales Taxes

State Shared Revenues

Grants and Contributions not Restricted to Specific Programs

Unrestricted Investment Earnings

Miscellaneous Revenue

Sale of City Property

Compensation for Loss/Damages

Transfers

Total General Revenues and Transfers

Change in Net Position

Net Position-Beginning

Net Position - Ending

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

**Net (Expense) Revenue and
Changes in Net Position**

Primary Government		
Governmental Activities	Business-Type Activities	Total
\$ (99,381.60)	\$ -	\$ (99,381.60)
(33,708.52)	-	(33,708.52)
(153,968.70)	-	(153,968.70)
(11,677.45)	-	(11,677.45)
(276,311.00)	-	(276,311.00)
<u>(575,047.27)</u>	<u>-</u>	<u>(575,047.27)</u>
-	24,899.66	24,899.66
-	43,225.73	43,225.73
-	(524.22)	(524.22)
-	(7,183.53)	(7,183.53)
<u>-</u>	<u>60,417.64</u>	<u>60,417.64</u>
(575,047.27)	60,417.64	(514,629.63)
262,877.79	-	262,877.79
149,769.66	-	149,769.66
6,185.63	-	6,185.63
500.00	8,000.00	8,500.00
21,218.18	9,073.19	30,291.37
54,726.65	11,177.48	65,904.13
-	698.39	698.39
4,293.28	-	4,293.28
9,023.55	(9,023.55)	-
<u>508,594.74</u>	<u>19,925.51</u>	<u>528,520.25</u>
<u>(66,452.53)</u>	<u>80,343.15</u>	<u>13,890.62</u>
<u>1,114,112.11</u>	<u>854,743.56</u>	<u>1,968,855.67</u>
<u>\$ 1,047,659.58</u>	<u>\$ 935,086.71</u>	<u>\$ 1,982,746.29</u>

City of Castlewood

City of Castlewood
Balance Sheet - Modified Cash Basis
Governmental Funds
December 31, 2020

	<u>General Fund</u>	<u>First Cent Sales Tax Fund</u>	<u>Additional Sales Tax Fund</u>	<u>Total Governmental Funds</u>
Assets:				
Cash and Cash Equivalents	\$ 528,635.09	\$ 285,599.38	\$ 353,512.81	\$ 1,167,747.28
Investments	66,288.51	35,799.48	44,306.83	146,394.82
Total Assets	<u>594,923.60</u>	<u>321,398.86</u>	<u>397,819.64</u>	<u>1,314,142.10</u>
Fund Balances:				
Committed	-	321,398.86	397,819.64	719,218.50
Unassigned	594,923.60	-	-	594,923.60
Total Fund Balances	<u>\$ 594,923.60</u>	<u>\$ 321,398.86</u>	<u>\$ 397,819.64</u>	<u>\$ 1,314,142.10</u>

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

City of Castlewood
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds -
Modified Cash Basis
For the Year Ended December 31, 2020

	<u>General Fund</u>	<u>First Cent Sales Tax Fund</u>	<u>Additional Sales Tax Fund</u>	<u>Total Governmental Funds</u>
Revenues:				
Taxes:				
General Property Taxes	\$ 269,279.58	\$ -	\$ -	\$ 269,279.58
General Sales and Use Taxes	-	77,466.53	77,466.65	154,933.18
Amusement Taxes	60.00	-	-	60.00
Penalties and Interest on Delinquent Taxes	459.37	-	-	459.37
Licenses and Permits	4,696.60	-	-	4,696.60
Intergovernmental Revenue:				
Federal Grants	34,381.66	-	-	34,381.66
State Grants	1,606.70	-	-	1,606.70
State Shared Revenue:				
Bank Franchise Tax	2,224.22	-	-	2,224.22
Prorate License Fees	2,295.44	-	-	2,295.44
Liquor Tax Reversion (25%)	4,339.94	-	-	4,339.94
Motor Vehicle Licenses	17,231.38	-	-	17,231.38
Local Government	21,827.84	-	-	21,827.84
County Shared Revenue:				
County Road Tax (25%)	1,554.60	-	-	1,554.60
County Wheel Tax	235.82	-	-	235.82
Charges for Goods and Services:				
Culture and Recreation	10,099.50	-	-	10,099.50
Fines and Forfeits:				
Court Fines and Costs	126.78	-	-	126.78
Miscellaneous Revenue:				
Investment Earnings	3,505.37	13,552.42	2,344.21	19,402.00
Rentals	6,290.00	-	-	6,290.00
Contributions and Donations from Private Sources	3,838.92	-	-	3,838.92
Liquor Operating Agreements	7,047.85	-	-	7,047.85
Other	7,643.96	49,300.84	-	56,944.80
Total Revenue	<u>398,745.53</u>	<u>140,319.79</u>	<u>79,810.86</u>	<u>618,876.18</u>

	<u>General Fund</u>	<u>First Cent Sales Tax Fund</u>	<u>Additional Sales Tax Fund</u>	<u>Total Governmental Funds</u>
Expenditures:				
General Government:				
Legislative	71,619.38	-	-	71,619.38
Elections	527.56	-	-	527.56
Financial Administration	27,819.06	6,660.37	-	34,479.43
Total General Government	99,966.00	6,660.37	-	106,626.37
Public Safety:				
Police	39,000.00	-	-	39,000.00
Public Works:				
Highways and Streets	169,271.15	-	5,204.50	174,475.65
Culture and Recreation:				
Recreation	14,923.31	-	-	14,923.31
Libraries	8,149.23	-	-	8,149.23
Total Culture and Recreation	23,072.54	-	-	23,072.54
Conservation and Development:				
Economic Development	-	16,520.00	-	16,520.00
Total Expenditures	331,309.69	23,180.37	5,204.50	359,694.56
Excess of Revenue Over	67,435.84	117,139.42	74,606.36	259,181.62
Other Financing Sources (Uses):				
Transfers In (Out)	10,187.46	(1,892.35)	(2,344.21)	5,950.90
Sale of Municipal Property	1,350.00	-	-	1,350.00
Total Other Financing Sources (Uses)	11,537.46	(1,892.35)	(2,344.21)	7,300.90
Net Change in Fund Balances	78,973.30	115,247.07	72,262.15	266,482.52
Fund Balance - Beginning	515,950.30	206,151.79	325,557.49	1,047,659.58
Fund Balance- Ending	<u>\$ 594,923.60</u>	<u>\$ 321,398.86</u>	<u>\$ 397,819.64</u>	<u>\$ 1,314,142.10</u>

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

City of Castlewood
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds -
Modified Cash Basis
For the Year Ended December 31, 2019

	<u>General Fund</u>	<u>First Cent Sales Tax Fund</u>	<u>Additional Sales Tax Fund</u>	<u>Total Governmental Funds</u>
Revenues:				
Taxes:				
General Property Taxes	\$ 262,278.65	\$ -	\$ -	\$ 262,278.65
General Sales and Use Taxes	-	74,884.76	74,884.90	149,769.66
Amusement Taxes	60.00	-	-	60.00
Penalties and Interest on	539.14	-	-	539.14
Licenses and Permits	5,171.20	-	-	5,171.20
Intergovernmental Revenue:				
State Grants	1,581.00	-	-	1,581.00
State Shared Revenue:				
Bank Franchise Tax	2,099.40	-	-	2,099.40
Prorate License Fees	2,248.64	-	-	2,248.64
Liquor Tax Reversion (25%)	4,086.23	-	-	4,086.23
Motor Vehicle Licenses	16,695.55	-	-	16,695.55
Local Government	21,598.85	-	-	21,598.85
County Shared Revenue:				
County Road Tax (25%)	1,554.60	-	-	1,554.60
County Wheel Tax	231.25	-	-	231.25
Charges for Goods and Services:				
Culture and Recreation	18,428.22	-	-	18,428.22
Fines and Forfeits:				
Court Fines and Costs	120.28	-	-	120.28
Miscellaneous Revenue:				
Investment Earnings	5,247.67	12,660.96	3,309.55	21,218.18
Rentals	5,359.00	-	-	5,359.00
Contributions and Donations from Private	500.00	-	-	500.00
Liquor Operating Agreement Income	7,467.90	-	-	7,467.90
Other	5,030.05	42,228.70	-	47,258.75
Total Revenue	<u>360,297.63</u>	<u>129,774.42</u>	<u>78,194.45</u>	<u>568,266.50</u>

	<u>General Fund</u>	<u>First Cent Sales Tax Fund</u>	<u>Additional Sales Tax Fund</u>	<u>Total Governmental Funds</u>
Expenditures:				
General Government:				
Legislative	61,056.82	-	-	61,056.82
Elections	155.10	-	-	155.10
Financial Administration	27,384.04	10,785.64	-	38,169.68
Total General Government	<u>88,595.96</u>	<u>10,785.64</u>	<u>-</u>	<u>99,381.60</u>
Public Safety:				
Police	39,000.00	-	-	39,000.00
Public Works:				
Highways and Streets	183,266.49	-	14,612.10	197,878.59
Culture and Recreation:				
Recreation	26,889.79	-	-	26,889.79
Libraries	8,574.88	-	-	8,574.88
Total Culture and Recreation	<u>35,464.67</u>	<u>-</u>	<u>-</u>	<u>35,464.67</u>
Conservation and Development:				
Economic Development	-	276,311.00	-	276,311.00
Total Expenditures	<u>346,327.12</u>	<u>287,096.64</u>	<u>14,612.10</u>	<u>648,035.86</u>
Excess of Revenue Over	<u>13,970.51</u>	<u>(157,322.22)</u>	<u>63,582.35</u>	<u>(79,769.36)</u>
Other Financing Sources (Uses):				
Transfers In (Out)	14,428.62	(2,095.52)	(3,309.55)	9,023.55
Compensation for loss / damage to assets	4,293.28	-	-	4,293.28
Total Other Financing Sources (Uses)	<u>18,721.90</u>	<u>(2,095.52)</u>	<u>(3,309.55)</u>	<u>13,316.83</u>
Net Change in Fund Balances	32,692.41	(159,417.74)	60,272.80	(66,452.53)
Fund Balance - Beginning	<u>483,257.89</u>	<u>365,569.53</u>	<u>265,284.69</u>	<u>1,114,112.11</u>
Fund Balance- Ending	<u>\$ 515,950.30</u>	<u>\$ 206,151.79</u>	<u>\$ 325,557.49</u>	<u>\$ 1,047,659.58</u>

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

City of Castlewood
Statement of Net Position - Modified Cash Basis
Proprietary Funds
December 31, 2020

	Enterprise Funds				Totals
	Water Fund	Sewer Fund	Solid Waste Fund	Golf Course Fund	
Assets					
Current Assets:					
Cash and Cash					
Equivalents	\$ 491,912.57	\$ 393,104.35	\$ 540.35	\$ 54,967.55	\$ 940,524.82
Investments	61,664.96	49,273.84	-	6,869.28	117,808.08
Total Assets	553,577.53	442,378.19	540.35	61,836.83	1,058,332.90
Net Position:					
Restricted Net Assets					
Restricted for:					
Revenue Bond Debt					
Service	14,844.00	25,963.96	-	-	40,807.96
Unrestricted	538,733.53	416,414.23	540.35	61,836.83	1,017,524.94
Total Net Position	\$ 553,577.53	\$ 442,378.19	\$ 540.35	\$ 61,836.83	\$ 1,058,332.90

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

City of Castlewood
Statement of Revenues, Expenses, and Changes in Fund Net Position - Modified Cash Basis
Proprietary Funds
For the Year Ended December 31, 2020

	Enterprise Funds				Totals
	Water Fund	Sewer Fund	Solid Waste Fund	Golf Course Fund	
Operating Revenue:					
Charges for Goods and Services	\$ 127,833.98	\$ 104,111.35	\$ 67,118.15	\$ 189,480.67	\$ 488,544.15
Miscellaneous	1,035.00	-	-	915.03	1,950.03
Total Operating Revenue	<u>128,868.98</u>	<u>104,111.35</u>	<u>67,118.15</u>	<u>190,395.70</u>	<u>490,494.18</u>
Operating Expenses:					
Personal Services	42,392.69	11,302.53	-	84,030.95	137,726.17
Other Current Expense	21,430.72	19,331.78	66,690.89	61,811.58	169,264.97
Materials (Cost of Goods Sold)	10,595.59	2,446.63	-	21,756.81	34,799.03
Total Operating Expenses	<u>74,419.00</u>	<u>33,080.94</u>	<u>66,690.89</u>	<u>167,599.34</u>	<u>341,790.17</u>
Operating Income (Loss)	<u>54,449.98</u>	<u>71,030.41</u>	<u>427.26</u>	<u>22,796.36</u>	<u>148,704.01</u>
Nonoperating Revenue (Expense):					
Investment Earnings	3,131.51	2,477.02	-	361.49	5,970.02
Debt Service (Principle)	-	(22,117.82)	-	-	(22,117.82)
Interest (Expense)	(14,844.00)	(3,846.14)	-	-	(18,690.14)
Compensation for loss or damage asset	-	-	-	2,750.00	2,750.00
Other	-	-	-	12,581.02	12,581.02
Total Nonoperating Revenue (Expense)	<u>(11,712.49)</u>	<u>(23,486.94)</u>	<u>-</u>	<u>15,692.51</u>	<u>(19,506.92)</u>
Income (Loss) Before Transfers	<u>42,737.49</u>	<u>47,543.47</u>	<u>427.26</u>	<u>38,488.87</u>	<u>129,197.09</u>
Transfers (Out)	<u>(3,121.96)</u>	<u>(2,467.45)</u>	<u>-</u>	<u>(361.49)</u>	<u>(5,950.90)</u>
Change in Net Assets	<u>39,615.53</u>	<u>45,076.02</u>	<u>427.26</u>	<u>38,127.38</u>	<u>123,246.19</u>
Net Position - Beginning	<u>513,962.00</u>	<u>397,302.17</u>	<u>113.09</u>	<u>23,709.45</u>	<u>935,086.71</u>
Net Position - Ending	<u>\$ 553,577.53</u>	<u>\$ 442,378.19</u>	<u>\$ 540.35</u>	<u>\$ 61,836.83</u>	<u>\$ 1,058,332.90</u>

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

City of Castlewood
Statement of Revenues, Expenses, and Changes in Fund Net Position - Modified Cash Basis
Proprietary Funds
For the Year Ended December 31, 2019

	Enterprise Funds				Totals
	Water Fund	Sewer Fund	Solid Waste Fund	Golf Course Fund	
Operating Revenue:					
Charges for Goods and Services	\$ 121,836.89	\$ 101,545.20	\$ 53,398.88	\$ 144,253.19	\$ 421,034.16
Miscellaneous	785.00	-	-	-	785.00
Total Operating Revenue	<u>122,621.89</u>	<u>101,545.20</u>	<u>53,398.88</u>	<u>144,253.19</u>	<u>421,819.16</u>
Operating Expenses:					
Personal Services	40,864.56	9,364.30	-	70,906.24	121,135.10
Other Current Expense	20,520.61	17,834.13	53,923.10	57,707.24	149,985.08
Materials (Cost of Goods Sold)	21,493.06	5,157.08	-	22,823.24	49,473.38
Total Operating Expenses	<u>82,878.23</u>	<u>32,355.51</u>	<u>53,923.10</u>	<u>151,436.72</u>	<u>320,593.56</u>
Operating Income (Loss)	<u>39,743.66</u>	<u>69,189.69</u>	<u>(524.22)</u>	<u>(7,183.53)</u>	<u>101,225.60</u>
Nonoperating Revenue (Expense):					
Investment Earnings	5,010.78	3,826.29	-	236.12	9,073.19
Grants	8,000.00	-	-	-	8,000.00
Debt Service (Principle)	(4,954.15)	(21,381.26)	-	-	(26,335.41)
Interest (Expense)	(9,889.85)	(4,582.70)	-	-	(14,472.55)
Sale of City Property	-	-	-	698.39	698.39
Other	-	-	-	11,177.48	11,177.48
Total Nonoperating Revenue (Expense)	<u>(1,833.22)</u>	<u>(22,137.67)</u>	<u>-</u>	<u>12,111.99</u>	<u>(11,858.90)</u>
Income (Loss) Before Transfers	<u>37,910.44</u>	<u>47,052.02</u>	<u>(524.22)</u>	<u>4,928.46</u>	<u>89,366.70</u>
Transfers (Out)	<u>(4,985.97)</u>	<u>(3,801.46)</u>	<u>-</u>	<u>(236.12)</u>	<u>(9,023.55)</u>
Change in Net Assets	<u>32,924.47</u>	<u>43,250.56</u>	<u>(524.22)</u>	<u>4,692.34</u>	<u>80,343.15</u>
Net Position - Beginning	<u>481,037.53</u>	<u>354,051.61</u>	<u>637.31</u>	<u>19,017.11</u>	<u>854,743.56</u>
Net Position - Ending	<u>\$ 513,962.00</u>	<u>\$ 397,302.17</u>	<u>\$ 113.09</u>	<u>\$ 23,709.45</u>	<u>\$ 935,086.71</u>

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

City of Castlewood
Notes to the Modified Cash Basis Financial Statements

1. **Summary of Significant Accounting Policies**

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

a. Financial Reporting Entity:

The reporting entity of the City of Castlewood (City) 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.

b. Basis of Presentation:

Government-wide Financial Statements:

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

The Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the 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 two major categories: governmental and proprietary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or it meets the following criteria:

1. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and

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

The funds of the 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 the proceeds of specific revenue sources (other than trusts for individuals, private organizations, or other governments or for major capital projects) that are legally restricted to expenditures for specified purposes.

First Cent Sales Tax Fund – to account for the collection of a 1% sales tax revenue committed by local ordinance to be used for economic development, including the placement of revolving loans to local businesses for expansion and businesses willing to locate in the City of Castlewood. This is a major fund.

Additional Sales Tax Fund – to account for the collection of an additional 1% sales tax revenue committed by local ordinance to be used for capital improvement, land acquisition, the funding of public ambulances and medical emergency response vehicles, public hospitals or non-profit hospitals, with fifty (50) or fewer licensed beds, the transfer to the special 911 fund authorized by SDCL 34-45-12, the purchasing of firefighting vehicles and equipment, debt retirement, and minor or major rehabilitation or reconstruction of streets as defined in the June 1994 South Dakota Department of Transportation Pavement Condition Survey Guide for City Streets. These expenditures may be financed through a sale-lease back agreement. 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 City 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 City sanitary sewer system and related facilities. (SDCL 9-48-2) This is a major fund.

Solid Waste Fund – financed primarily by user charges, this fund accounts for the collection and disposal of solid waste. (SDCL 9-32-11 and 34A-6) This is a major fund.

Golf Course Fund – financed primarily by user charges, this fund accounts for the operation maintenance of the City golf course. This is a major fund.

c. Measurement Focus and Basis of Accounting:

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

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

Measurement Focus:

Government-wide Financial Statements:

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

Fund Financial Statements:

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

Basis of Accounting:

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

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

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

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

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

d. Deposits and Investments:

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

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

e. Capital Assets:

Capital assets include land, buildings, improvements other than buildings, furnishings and equipment, construction/development in progress, infrastructure, intangible lease assets, 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 a significantly greater number of years than most capital assets.

As discussed in Note 1.c. above, the government-wide Statement of Net Position and Statement of Activities and the fund financial statements, governmental and business-type, are presented using a modified cash basis of accounting. The City has not elected to modify their cash basis presentation by recording capital assets arising from cash transactions and depreciating/amortizing those assets where appropriate, so any capital assets owned by the City and the related depreciation / amortization are not reported on the financial statements of the City.

f. Long-Term Liabilities:

Long-term liabilities include, but are not limited to, Revenue Bonds Payable.

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

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

g. Program Revenues:

Program revenues derive directly from the program itself or from parties other than the 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. 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 as operating or non-operating revenues and expenses. Operating revenues and expenses directly relate to the purpose of the fund.

i. Equity Classifications:

Government-wide Financial Statements:

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

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

Fund Financial Statements:

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

j. 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.

k. 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 Governing Board committed the following fund balance types by taking the following action:

<u>Fund Balance Type</u>	<u>2020 Amount</u>	<u>2019 Amount</u>	<u>Action</u>
First Cent Sales Tax Fund	\$ 321,398.86	\$ 206,151.79	Ordinance
Additional Sales Tax Fund	397,819.64	325,557.49	Ordinance

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.

The purpose of each major special revenue fund and revenue source is listed below:

<u>Major Special Revenue Fund</u>	<u>Purpose</u>	<u>Revenue Source</u>
First Cent Sales Tax Fund	See Page 28, Special	1 % Sales Tax
Additional Sales Tax Fund	Revenue Funds	1 % Sales Tax

A schedule of fund balances is provided as follows:

	<u>General Fund</u>	<u>First Cent Sales Tax Fund</u>	<u>Additional Sales Tax Fund</u>	<u>Total Governmental Funds</u>
Fund Balances:				
Economic Development Purposes	\$ -	\$ 321,398.86	\$ -	\$ 321,398.86
Capital Improvement Purposes	-	-	397,819.64	397,819.64
Unassigned	<u>594,923.60</u>	<u>-</u>	<u>-</u>	<u>594,923.60</u>
Total Fund Balances	<u>\$ 594,923.60</u>	<u>\$ 321,398.86</u>	<u>\$ 397,819.64</u>	<u>\$1,314,142.10</u>

2. **Violations of Finance-Related Legal and Contractual Provisions**

The City is prohibited by statute from spending in excess of appropriated expenditures amounts at the department level. The City did not have any significant overdrafts of the expenditures compared to appropriations for either years of 2020 or 2019.

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

As of December 31, 2020, the investments reported in the financial statements consist of only certificates of deposit.

Credit Risk – State law limits eligible investments for the City, as discussed above. The City investment policy does not further limit its investment choices.

Custodial Credit Risk – Deposits – The risk that, in the event of a depository failure, the City’s deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. As of December 31, 2020, the City’s deposits in financial institutions were not exposed to custodial credit risk.

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

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.

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 General Fund, except for the investment income related to the revolving loans issued through the First Cent Sales Tax Fund for economic development and the interest income related to the savings account set up for the City for the debt service requirements for the Water and Sewer Funds. USGAAP, on the other hand, requires income from deposits and investments to be reported in the fund whose assets generated that income except where legal or contractual requirements require investment income to be credited to a fund other than the one associated with the assets. Where the governing board has discretion to credit investment income to a fund other than the fund that provided the resources for investment, a transfer to the designated fund is reported. Accordingly, in the fund financial statements, interfund transfers of investment earnings are reported, while in the government-wide financial statements, they have been eliminated, except for the net amounts transferred between governmental activities and business-type activities.

4. **Property Taxes**

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

The 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.

5. **Operating Leases**

The City is leasing (5) Pre-owned 2014 Club Car Precedent gas golf cars for 66 months, with payments of \$420.30 per month for (6) months per year (May through October) with payments being made from the Golf Fund. Final lease payments are in 2023.

The following are the minimum payments on existing operating leases:

Year	Golf Course Fund
2021	\$ 2,521.80
2022	2,521.80
2023	2,521.80
Total	<u>\$ 7,565.40</u>

6. **Restricted Net Position**

Restricted Net Position for the year ended December 31, 2020 was as follows:

Major Purpose	12/31/2020
Debt service for Water	\$ 14,844.00
Debt service for Sewer	25,963.96
Total Restricted Net Position	<u>\$ 40,807.96</u>

These balances are restricted due to debt service requirements of the Water and Sewer Funds.

7. **Interfund transfers**

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

Transfers From:	Transfers To:
	General Fund
Major Funds:	
First Cent Sales Tax Fund	\$ 1,892.35
Additional Sales Tax Fund	2,344.21
Water Fund	3,121.96
Sewer Fund	2,467.45
Golf Course Fund	361.49
Total	<u>\$ 10,187.46</u>

The City typically performs allowable cash transfers relating to interest revenue generated by the above noted major funds to the General Fund.

Interfund transfers for the year ended December 31, 2019 were as follows:

Transfers From:	<u>Transfers To:</u>	
		<u>General</u>
		<u>Fund</u>
Major Funds:		
First Cent Sales Tax Fund	\$	2,095.52
Additional Sales Tax Fund		3,309.55
Water Fund		4,985.97
Sewer Fund		3,801.46
Golf Course Fund		<u>236.12</u>
Total		<u>\$ 14,428.62</u>

The City typically performs allowable cash transfers relating to interest revenue generated by the above noted major funds to the General Fund.

8. Pension Plan

Plan Information:

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

Benefits Provided:

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

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

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

of compensation funded by part of the employer contribution. VRAs will receive investment earnings based on investment returns.

Legislation enacted in 2017 established the current Cost-of-Living Adjustment (COLA) process. At each valuation date:

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

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 calendar years ended December 31, 2020, 2019, and 2018, equal to the required contributions each year, were as follows:

Year	Amount
2020	\$ 8,225.04
2019	\$ 8,002.33
2018	\$ 7,450.56

Pension Assets:

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

Proportionate share of net position restricted for pension benefits	\$ 791,373.86
Less proportionate share of total pension liability (asset)	<u>791,653.45</u>
Proportionate share of net pension liability (asset)	<u>\$ (279.59)</u>

The net pension asset was measured as of June 30, 2020 and the total pension liability used to calculate the net pension asset was based on a projection of the City’s share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2020, the City’s proportion was 0.00643760%, which is an increase (decrease) of 0.0005126% from its proportion measured as of June 30, 2019.

Actuarial Assumptions:

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

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

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

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

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

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

Discount Rate:

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

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

The following presents the City’s proportionate share of net pension asset calculated using the discount rate of 6.50%, 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)	\$ 108,459.95	\$ (279.58)	\$ (89,226.38)

Pension Plan Fiduciary Net Position:

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

9. Significant Contingencies – Litigation

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

10. 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 period ended December 31, 2020, the City managed its risks as follows:

Employee Health Insurance:

The City joined the South Dakota City League Health Pool of South Dakota. This is a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The City pays a monthly premium to the pool to provide health insurance coverage for its employees. Under the U.S. Health Care Law, it is no longer allowed for the insurance companies to set a dollar limit on essential health benefits for either annual or lifetime coverage.

Liability Insurance:

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

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

along with the member's total contributions, current losses, unpaid losses, and loss expenses, the member's loss ratio, and number of membership years.

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

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

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

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

As of December 31, 2020, the City's balance available to be refunded per the SDPAA was \$24,716.00, which was an increase of \$1,065.00 from the previous year.

The City carries a no deductible for the general liability coverage, except for a \$5,000 deductible per occurrence for injunctive relief and employment related claims, no deductible for automobile liability coverage, and a \$500 deductible for the officials' liability coverage.

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

Worker's Compensation:

The City joined the South Dakota City 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 City has elected to be self-insured and retain all risk for liabilities resulting from claims for unemployment benefits.

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

11. **Subsequent Events**

The City has evaluated for subsequent events through December 7, 2022, the date which the financial statements were available to be issued. The City is not aware of any subsequent events which would require recognition or disclosure in the financial statements. A nonrecognized subsequent event that has occurred in 2020, but the impact of COVID-19 pandemic cannot be determined for the City at this time. A second nonrecognized subsequent event that occurred on May 12, 2022 when a tornado came through the City, the impact cannot be determined for the City at this time.

City of Castlewood
Supplementary Information

Required Supplementary Information
City of Castlewood
Budgetary Comparison Schedule - Budgetary Basis - Modified Cash Basis
General Fund
For the Year Ended December 31, 2020

	<u>Budgeted Amounts</u>		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes:				
General Property Taxes	275,000.00	\$ 275,000.00	\$ 269,279.58	\$ (5,720.42)
Amusement Taxes	60.00	60.00	60.00	-
Penalties and Interest on Delinquent Taxes	700.00	700.00	459.37	(240.63)
Licenses and Permits	3,000.00	3,000.00	4,696.60	1,696.60
Intergovernmental Revenue:				
Federal Grants	-	-	34,381.66	34,381.66
State Grants	-	-	1,606.70	1,606.70
State Shared Revenue:				
Bank Franchise Tax	2,000.00	2,000.00	2,224.22	224.22
Motor Vehicle Commercial Prorate	2,300.00	2,300.00	2,295.44	(4.56)
Liquor Tax Reversion	4,000.00	4,000.00	4,339.94	339.94
Motor Vehicle Licenses (5%)	16,000.00	16,000.00	17,231.38	1,231.38
Local Government Highway and Bridge Fund	21,000.00	21,000.00	21,827.84	827.84
County Shared Revenue:				
County Road Tax (25%)	1,600.00	1,600.00	1,554.60	(45.40)
County Wheel Tax	230.00	230.00	235.82	5.82
Charges for Goods and Services:				
Culture and Recreation	12,800.00	12,800.00	10,099.50	(2,700.50)
Fines and Forfeits:				
Court Fines and Costs	100.00	100.00	126.78	26.78
Miscellaneous Revenue:				
Investment Earnings	2,000.00	2,000.00	3,505.37	1,505.37
Rentals	4,500.00	4,500.00	6,290.00	1,790.00
Contributions and Donations from Private Sources	2,000.00	2,000.00	3,838.92	1,838.92
Liquor Operating Agreement Income	8,000.00	8,000.00	7,047.85	(952.15)
Other	6,000.00	6,000.00	7,643.96	1,643.96
Total Revenue	361,290.00	361,290.00	398,745.53	37,455.53

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts (Budgetary)	Final Budget - Positive
Expenditures:				
General Government:				
Legislative	65,130.00	72,130.00	71,619.38	510.62
Contingency	9,235.00	1,135.00	-	1,135.00
Elections	500.00	600.00	527.56	72.44
Financial Administration	27,160.00	28,160.00	27,819.06	340.94
Total General Government	<u>102,025.00</u>	<u>102,025.00</u>	<u>99,966.00</u>	<u>2,059.00</u>
Public Safety:				
Police	39,000.00	39,000.00	39,000.00	-
Total Public Safety	<u>39,000.00</u>	<u>39,000.00</u>	<u>39,000.00</u>	<u>-</u>
Public Works:				
Highways and Streets	187,855.00	187,855.00	169,271.15	18,583.85
Total Public Works	<u>187,855.00</u>	<u>187,855.00</u>	<u>169,271.15</u>	<u>18,583.85</u>
Culture and Recreation:				
Recreation	23,175.00	23,175.00	14,923.31	8,251.69
Libraries	9,235.00	9,235.00	8,149.23	1,085.77
Total Culture and Recreation	<u>32,410.00</u>	<u>32,410.00</u>	<u>23,072.54</u>	<u>9,337.46</u>
Total Expenditures	<u>361,290.00</u>	<u>361,290.00</u>	<u>331,309.69</u>	<u>29,980.31</u>
Excess of Revenue Over (Under) Expenditures	-	-	67,435.84	67,435.84
Other Financing Sources (Uses):				
Transfers In	-	-	10,187.46	10,187.46
Sale of Municipal Property	-	-	1,350.00	1,350.00
Total Other Financing Sources (Uses)	-	-	11,537.46	11,537.46
Net Change in Fund Balances	-	-	78,973.30	78,973.30
Fund Balance - Beginning	515,950.30	515,950.30	515,950.30	-
Fund Balance- Ending	<u>\$ 515,950.30</u>	<u>\$ 515,950.30</u>	<u>\$ 594,923.60</u>	<u>\$ 78,973.30</u>

Required Supplementary Information
City of Castlewood
Budgetary Comparison Schedule - Budgetary Basis - Modified Cash Basis
First Cent Sales Tax Fund
For the Year Ended December 31, 2020

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary)</u>	<u>Variance with Final Budget - Positive</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes:				
General Sales and Use Taxes	\$ 80,000.00	\$ 80,000.00	\$ 77,466.53	\$ (2,533.47)
Miscellaneous Revenue:				
Investment Earnings	10,000.00	10,000.00	13,552.42	3,552.42
Other	25,000.00	25,000.00	49,300.84	24,300.84
Total Revenue	<u>115,000.00</u>	<u>115,000.00</u>	<u>140,319.79</u>	<u>25,319.79</u>
Expenditures:				
General Government:				
Financial Administration	14,260.00	14,260.00	6,660.37	7,599.63
Conservation and Development:				
Economic Development and Assistance (Industrial Development)	85,725.00	85,725.00	16,520.00	69,205.00
Total Expenditures	<u>99,985.00</u>	<u>99,985.00</u>	<u>23,180.37</u>	<u>76,804.63</u>
Excess of Revenue Over (Under) Expenditures	<u>15,015.00</u>	<u>15,015.00</u>	<u>117,139.42</u>	<u>102,124.42</u>
Other Financing Sources (Uses):				
Transfers (Out)	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(1,892.35)</u>	<u>(1,892.35)</u>
Net Change in Fund Balances	<u>15,015.00</u>	<u>15,015.00</u>	<u>115,247.07</u>	<u>100,232.07</u>
Fund Balance - Beginning	<u>206,151.79</u>	<u>206,151.79</u>	<u>206,151.79</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 221,166.79</u>	<u>\$ 221,166.79</u>	<u>\$ 321,398.86</u>	<u>\$ 100,232.07</u>

Required Supplementary Information
City of Castlewood
Budgetary Comparison Schedule - Budgetary Basis - Modified Cash Basis
Additional Sales Tax Fund
For the Year Ended December 31, 2020

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u> <u>(Budgetary)</u>	<u>Final Budget -</u> <u>Positive</u>
Revenues:				
Taxes:				
General Sales and Use Taxes	\$ 80,000.00	\$ 80,000.00	\$ 77,466.65	\$ (2,533.35)
Miscellaneous Revenue:				
Investment Earnings	1,800.00	1,800.00	2,344.21	544.21
Total Revenue	<u>81,800.00</u>	<u>81,800.00</u>	<u>79,810.86</u>	<u>(1,989.14)</u>
Expenditures:				
Public Works:				
Highways and Streets	85,800.00	87,800.00	5,204.50	82,595.50
Total Expenditures	<u>85,800.00</u>	<u>87,800.00</u>	<u>5,204.50</u>	<u>82,595.50</u>
Excess of Revenue Over (Under)				
Expenditures	<u>(4,000.00)</u>	<u>(6,000.00)</u>	<u>74,606.36</u>	<u>(84,584.64)</u>
Other Financing Sources (Uses):				
Transfers (Out)	-	-	-	-
Total Other Financing Sources				
(Uses)	<u>-</u>	<u>-</u>	<u>(2,344.21)</u>	<u>(2,344.21)</u>
Net Change in Fund Balances	<u>(4,000.00)</u>	<u>(6,000.00)</u>	<u>72,262.15</u>	<u>(86,928.85)</u>
Fund Balance - Beginning	<u>325,557.49</u>	<u>325,557.49</u>	<u>325,557.49</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 321,557.49</u>	<u>\$ 319,557.49</u>	<u>\$ 397,819.64</u>	<u>\$ (86,928.85)</u>

Required Supplementary Information
City of Castlewood
Budgetary Comparison Schedule - Budgetary Basis - Modified Cash Basis
General Fund
For the Year Ended December 31, 2019

	<u>Budgeted Amounts</u>		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes:				
General Property Taxes	\$ 263,000.00	\$ 263,000.00	\$ 262,278.65	\$ (721.35)
Amusement Taxes	100.00	100.00	60.00	(40.00)
Penalties and Interest on Delinquent Taxes	700.00	700.00	539.14	(160.86)
Licenses and Permits	2,900.00	2,900.00	5,171.20	2,271.20
Intergovernmental Revenue:				
State Grants	-	-	1,581.00	1,581.00
State Shared Revenue:				
Bank Franchise Tax	1,200.00	1,200.00	2,099.40	899.40
Motor Vehicle Commercial Prorate	2,000.00	2,000.00	2,248.64	248.64
Liquor Tax Reversion	4,000.00	4,000.00	4,086.23	86.23
Motor Vehicle Licenses (5%)	15,000.00	15,000.00	16,695.55	1,695.55
Local Government Highway and Bridge Fund	20,000.00	20,000.00	21,598.85	1,598.85
County Shared Revenue:				
County Road Tax (25%)	1,600.00	1,600.00	1,554.60	(45.40)
County Wheel Tax	250.00	250.00	231.25	(18.75)
Culture and Recreation	10,900.00	10,900.00	18,428.22	7,528.22
Fines and Forfeits:				
Court Fines and Costs	250.00	250.00	120.28	(129.72)
Miscellaneous Revenue:				
Investment Earnings	1,300.00	1,300.00	5,247.67	3,947.67
Rentals	4,000.00	4,000.00	5,359.00	1,359.00
Contributions and Donations from Private Sources	2,000.00	2,000.00	500.00	(1,500.00)
Liquor Operating Agreement Income	6,500.00	6,500.00	7,467.90	967.90
Other	7,000.00	7,000.00	5,030.05	(1,969.95)
Total Revenue	<u>342,700.00</u>	<u>342,700.00</u>	<u>360,297.63</u>	<u>17,597.63</u>

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts (Budgetary)	Final Budget - Positive
Expenditures:				
General Government:				
Legislative	70,145.00	70,145.00	61,056.82	9,088.18
Contingency	9,235.00	9,235.00	-	9,235.00
Elections	1,000.00	1,000.00	155.10	844.90
Financial Administration	26,400.00	27,400.00	27,384.04	15.96
Total General Government	106,780.00	107,780.00	88,595.96	19,184.04
Public Safety:				
Police	39,000.00	39,000.00	39,000.00	-
Total Public Safety	39,000.00	39,000.00	39,000.00	-
Public Works:				
Highways and Streets	165,755.00	191,306.00	183,266.49	8,039.51
Total Public Works	165,755.00	191,306.00	183,266.49	8,039.51
Culture and Recreation:				
Recreation	22,250.00	28,250.00	26,889.79	1,360.21
Libraries	8,915.00	8,915.00	8,574.88	340.12
Total Culture and Recreation	31,165.00	37,165.00	35,464.67	1,700.33
Total Expenditures	342,700.00	375,251.00	346,327.12	28,923.88
Excess of Revenue Over (Under) Expenditures	-	(32,551.00)	13,970.51	46,521.51
Other Financing Sources (Uses):				
Transfers In	-	-	14,428.62	14,428.62
Compensation for Loss or Damage to Capital Assets	-	-	4,293.28	4,293.28
Total Other Financing Sources (Uses)	-	-	18,721.90	18,721.90
Net Change in Fund Balances	-	(32,551.00)	32,692.41	65,243.41
Fund Balance - Beginning	483,257.89	483,257.89	483,257.89	-
Fund Balance - Ending	\$ 483,257.89	\$ 450,706.89	\$ 515,950.30	\$ 65,243.41

Required Supplementary Information
City of Castlewood
Budgetary Comparison Schedule - Budgetary Basis - Modified Cash Basis
First Cent Sales Tax Fund
For the Year Ended December 31, 2019

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u> <u>(Budgetary)</u>	<u>Final Budget -</u> <u>Positive</u>
Revenues:				
Taxes:				
General Sales and Use Taxes	\$ 70,000.00	\$ 70,000.00	\$ 74,884.76	\$ 4,884.76
Miscellaneous Revenue:				
Investment Earnings	10,000.00	10,000.00	12,660.96	2,660.96
Other	<u>22,000.00</u>	<u>22,000.00</u>	<u>42,228.70</u>	<u>20,228.70</u>
Total Revenue	<u>102,000.00</u>	<u>102,000.00</u>	<u>129,774.42</u>	<u>27,774.42</u>
Expenditures:				
General Government:				
Financial Administration	13,809.00	16,809.00	10,785.64	6,023.36
Conservation and Development:				
Economic Development and Assistance (Industrial Development)	<u>86,000.00</u>	<u>286,000.00</u>	<u>276,311.00</u>	<u>9,689.00</u>
Total Expenditures	<u>99,809.00</u>	<u>302,809.00</u>	<u>287,096.64</u>	<u>15,712.36</u>
Excess of Revenue Over (Under) Expenditures	<u>2,191.00</u>	<u>(200,809.00)</u>	<u>(157,322.22)</u>	<u>43,486.78</u>
Other Financing Sources (Uses):				
Transfers In (Out)	<u>-</u>	<u>-</u>	<u>(2,095.52)</u>	<u>(2,095.52)</u>
Net Change in Fund Balances	<u>2,191.00</u>	<u>(200,809.00)</u>	<u>(159,417.74)</u>	<u>41,391.26</u>
Fund Balance - Beginning	<u>365,569.53</u>	<u>365,569.53</u>	<u>365,569.53</u>	<u>-</u>
Fund Balance - Ending	<u><u>\$ 367,760.53</u></u>	<u><u>\$ 164,760.53</u></u>	<u><u>\$ 206,151.79</u></u>	<u><u>\$ 41,391.26</u></u>

Required Supplementary Information
City of Castlewood
Budgetary Comparison Schedule - Budgetary Basis - Modified Cash Basis
Additional Sales Tax Fund
For the Year Ended December 31, 2019

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u> <u>(Budgetary)</u>	<u>Final Budget -</u> <u>Positive</u>
Revenues:				
Taxes:				
General Sales and Use Taxes	\$ 70,000.00	\$ 70,000.00	\$ 74,884.90	\$ 4,884.90
Miscellaneous Revenue:				
Investment Earnings	<u>1,000.00</u>	<u>1,000.00</u>	<u>3,309.55</u>	<u>2,309.55</u>
Total Revenue	<u>71,000.00</u>	<u>71,000.00</u>	<u>78,194.45</u>	<u>7,194.45</u>
Expenditures:				
Public Works:				
Highways and Streets	<u>71,000.00</u>	<u>86,000.00</u>	<u>14,612.10</u>	<u>71,387.90</u>
Total Expenditures	<u>71,000.00</u>	<u>86,000.00</u>	<u>14,612.10</u>	<u>71,387.90</u>
Excess of Revenue Over (Under)				
Expenditures	<u>-</u>	<u>(15,000.00)</u>	<u>63,582.35</u>	<u>78,582.35</u>
Other Financing Sources (Uses):				
Transfers In (Out)	<u>-</u>	<u>-</u>	<u>(3,309.55)</u>	<u>(3,309.55)</u>
Net Change in Fund Balances	<u>-</u>	<u>(15,000.00)</u>	<u>60,272.80</u>	<u>75,272.80</u>
Fund Balance - Beginning	<u>265,284.69</u>	<u>265,284.69</u>	<u>265,284.69</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 265,284.69</u>	<u>\$ 250,284.69</u>	<u>\$ 325,557.49</u>	<u>\$ 75,272.80</u>

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

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

6. Formal budgetary integration is employed as a management control device during the year for the General Fund and special revenue funds.

City of Castlewood
Supplementary Information

Required Supplementary Information
City of Castlewood
Schedule of the City's Proportionate Share of the Net Pension Liability (Asset)
South Dakota Retirement System

Last 7 Fiscal Years *

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
City's proportion of the net pension liability (asset)	0.0064376%	0.0059250%	0.0057915%	0.0062736%
City's proportionate share of net pension liability (asset)	\$ (280)	\$ (628)	\$ (135)	\$ (593)
City's covered-employee payroll	\$ 141,272	\$ 125,980	\$ 120,407	\$ 127,471
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	0.198%	0.498%	0.112%	0.465%
Plan fiduciary net position as a percentage of the total pension liability (asset)	100.04%	100.09%	100.02%	100.10%

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

This schedule is presented to illustrate the requirement to show information for 7 years.

<u>2016</u>	<u>2015</u>	<u>2014</u>
0.0063680%	0.4986200%	0.0038643%
\$ 21,405	\$ (21,148)	\$ (27,841)
\$ 120,496	\$ 91,036	\$ 67,577
(17.764%)	23.230%	41.199%
96.89%	104.10%	107.30%

City of Castlewood
Notes to Supplementary Information
Schedule of the Proportionate Share of the Net Pension Liability (Asset)

Changes from Prior Valuation

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

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

Benefit Provision Changes

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

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

Actuarial Assumption Changes

The SDRS COLA equals the percentage increase in the most recent third calendar quarter CPI-W over the prior year, no less than 0.5% and no greater than 3.5%. However, if the Fair Value Funded Ratio (FVFR) assuming the long-term COLA is equal to the baseline COLA assumption (currently 2.25%) is less than 100%, the maximum COLA payable will be limited to the increase that if assumed on a long-term basis, results in a FVFR equal to or exceeding 100%. That condition existed as of June 30, 2019 and exists again this year as of June 30, 2020. Future COLAs are assumed to equal the current restricted maximum COLA which was 1.88% as of June 30, 2019 and is 1.41% as of June 30, 2020.

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

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

Actuarial Method Changes

No changes in actuarial methods have been made since the prior valuation.

Supplementary Information
City of Castlewood
Schedule of Changes in Long-Term Debt
For the Two Years Ended December 31, 2020

Indebtedness	Balance 1/1/2019	Additions to Debt	Debt Retired	Balance 12/31/2020
Enterprise Long-Term Debt -				
Revenue Bonds:				
Water Utility Improvement	\$ 210,467.89	\$ -	\$ 10,148.78	\$ 200,319.11
Wastewater Treatment Improvement	65,610.38	-	26,308.27	39,302.11
Wastewater Treatment Improvement	78,680.03	-	17,190.81	61,489.22
	<u>\$ 354,758.30</u>	<u>\$ -</u>	<u>\$ 53,647.86</u>	<u>\$ 301,110.44</u>

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

Water Utility Improvement Revenue Bonds; Issued 9/19/2002; Final Maturity 2/19/2042; Interest Rate 4.75%; Paid from the Water Fund.	\$ 200,319.11
Wastewater Treatment Improvement Revenue Bonds; Issued 2/20/2002; Final Maturity 7/15/2023; Interest Rate 3.50%; Paid from the Sewer Fund.	\$ 39,302.11
Wastewater Treatment Improvement Revenue Bonds; Issued 8/15/2006; Final Maturity 2/19/2023; Interest Rate 3.25%; Paid from the Sewer Fund.	\$ 61,489.22