

**MUNICIPALITY OF MENNO
MENNO, SOUTH DAKOTA**

AUDIT REPORT

**FOR THE YEAR JANUARY 1, 2019 TO DECEMBER 31, 2019
AND
FOR THE YEAR JANUARY 1, 2020 TO DECEMBER 31, 2020**

Schoenfish & Co., Inc.

CERTIFIED PUBLIC ACCOUNTANTS
P.O. Box 247
105 EAST MAIN, PARKSTON, SOUTH DAKOTA 57368

MUNICIPALITY OF MENNO

MUNICIPAL OFFICIALS
DECEMBER 31, 2020

MAYOR:

Darrell Mehlhaf

GOVERNING BOARD:

Ronald Diede – President
Scott Simonsen – Vice-President
George Cokens
Jerry Fischer
John Huber
Jacob Mettler

FINANCE OFFICER:

Lisa Edelman

ATTORNEY:

Ken Bertsch

Schoenfish & Co., Inc.

CERTIFIED PUBLIC ACCOUNTANTS

P.O. Box 247

105 EAST MAIN, PARKSTON, SOUTH DAKOTA 57366

TABLE OF CONTENTS

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*..... 1-2

Schedule of Prior Audit Findings..... 3

Schedule of Current Audit Findings..... 4

Independent Auditor’s Report..... 5-6

BASIC FINANCIAL STATEMENTS:

As of and For the Year Ended December 31, 2020:

Government-Wide Financial Statements:

Statement of Net Position – Modified Cash Basis..... 7

Statement of Activities – Modified Cash Basis..... 8

Fund Financial Statements:

Governmental Funds:

Balance Sheet – Modified Cash Basis..... 9

Statement of Revenues, Expenditures, and Changes
In Fund Balance – Modified Cash Basis..... 10-11

Proprietary Funds:

Statement of Net Position – Modified Cash Basis..... 12

Statement of Revenues, Expenses, and Changes
in Fund Net Position – Modified Cash Basis..... 13

As of and For the Year Ended December 31, 2019:

Government-Wide Financial Statements:

Statement of Net Position – Modified Cash Basis..... 14

Statement of Activities – Modified Cash Basis..... 15

Fund Financial Statements:

Governmental Funds:

Balance Sheet – Modified Cash Basis..... 16

Statement of Revenues, Expenditures, and Changes
In Fund Balance – Modified Cash Basis..... 17-18

Proprietary Funds:

Statement of Net Position – Modified Cash Basis..... 19

Statement of Revenues, Expenses, and Changes
in Fund Net Position – Modified Cash Basis..... 20

Notes to the Modified Cash Basis Financial Statements..... 21-33

Schoenfish & Co., Inc.

CERTIFIED PUBLIC ACCOUNTANTS
P.O. Box 247
105 EAST MAIN, PARKSTON, SOUTH DAKOTA 57366

TABLE OF CONTENTS
(Continued)

Supplementary Information:

For the Year Ended December 31, 2020:

Budgetary Comparison Schedules – Budgetary Basis:

General Fund..... 34-35

For the Year Ended December 31, 2019:

Budgetary Comparison Schedules – Budgetary Basis:

General Fund..... 36-37

Notes to the Supplementary Information – Budgetary Comparison Schedules..... 38

Schedule of the Municipality’s Proportionate Share of Net Pension Liability (Asset)..... 39

Schedule of the Municipal Contributions..... 40

Notes to the Supplementary Information – Pension Schedules..... 41

Schedule of Long-Term Debt..... 42-43

Schoenfish & Co., Inc.

CERTIFIED PUBLIC ACCOUNTANTS
P.O. Box 247

105 EAST MAIN, PARKSTON, SOUTH DAKOTA 57366

CERTIFIED PUBLIC ACCOUNTANTS
Phone: 605-928-7241
FAX No.: 605-928-6241
P.O. Box 247
105 EAST MAIN, PARKSTON, SOUTH DAKOTA 57366

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

Governing Board
Municipality of Menno
Menno, South Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, and each major fund of the Municipality of Menno, South Dakota (Municipality), as of December 31, 2020 and December 31, 2019, and for each of the two years in the biennial period then ended and have issued our report thereon dated July 22, 2021.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Current Audit Findings, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Municipality's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Current Audit Findings as item 2020-001 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Municipality's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an

opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Municipality's Response to Findings

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

Purpose of this Report

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



Schoenfish & Co., Inc.
Certified Public Accountants
July 22, 2021

SCHEDULE OF PRIOR AUDIT FINDINGS

PRIOR AUDIT FINDINGS:

Internal Control – Related Finding – Material Weakness:

Finding Number 2018-001:

A material weakness in internal controls was noted due to a lack of proper segregation of duties for revenues. This comment has not been corrected and is restated as current audit finding number 2020-001.

Schoenfish & Co., Inc.

CERTIFIED PUBLIC ACCOUNTANTS

P.O. Box 247

105 EAST MAIN, PARKSTON, SOUTH DAKOTA 57366

SCHEDULE OF CURRENT AUDIT FINDINGS

CURRENT AUDIT FINDINGS:

Internal Control – Related Finding – Material Weakness:

Finding Number 2020-001:

A material weakness in internal controls was noted due to a lack of proper segregation of duties for revenues. This is a continuing audit comment since 2007.

Criteria:

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

Condition:

The Finance Officer processes all revenue transactions from beginning to end. The Finance Officer receives money, issues receipts, records receipts, posts receipts in the accounting records, prepares bank deposits, reconciles bank statements, and prepares financial statements.

Effect:

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

Recommendation:

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

Management's Response:

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

CLOSING CONFERENCE

The audit findings and recommendations were discussed with the officials during the course of the audit and with the Mayor and Finance Officer on August 5, 2021.

Schoenfish & Co., Inc.

CERTIFIED PUBLIC ACCOUNTANTS
P.O. Box 247
105 EAST MAIN, PARKSTON, SOUTH DAKOTA 57366

CERTIFIED PUBLIC ACCOUNTANTS
Phone: 605-928-7241
FAX No.: 605-928-6241
P.O. Box 247
105 EAST MAIN, PARKSTON, SOUTH DAKOTA 57366

INDEPENDENT AUDITOR'S REPORT

Governing Board
Municipality of Menno
Menno, 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 Municipality of Menno, South Dakota, (Municipality) as of December 31, 2020 and December 31, 2019, and for each of the two years in the biennial period then ended, and the related notes to the financial statements, which collectively comprise the Municipality's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

The Municipality's management is responsible for the preparation and fair presentation of these financial statements in accordance with 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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Unmodified 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 Municipality of Menno as of December 31, 2020 and December 31, 2019, and the respective changes in financial position thereof for each of the two 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 Municipality's basic financial statements. The Budgetary Comparison Schedules, the Schedule of the Municipality's Proportionate Share of Net Pension Liability (Asset), the Schedule of the Municipal Contributions, and the Schedule of Long-Term Debt, as listed in the Table of Contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 22, 2021 on our consideration of the Municipality's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Municipality's internal control over financial reporting and compliance.



Schoenfish & Co., Inc.
 Certified Public Accountants
 July 22, 2021

Schoenfish & Co., Inc.

CERTIFIED PUBLIC ACCOUNTANTS
 P.O. Box 247
 105 EAST MAIN, PARKSTON, SOUTH DAKOTA 57366

MUNICIPALITY OF MENNO
STATEMENT OF NET POSITION - MODIFIED CASH BASIS
December 31, 2020

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
ASSETS:			
Cash and Cash Equivalents	766,381.18	138,044.62	904,425.80
Investments	473,683.82	180,302.68	653,986.50
Restricted Assets:			
Cash and Cash Equivalents		73,735.24	73,735.24
Investments		53,548.80	53,548.80
TOTAL ASSETS	1,240,065.00	445,631.34	1,685,696.34
NET POSITION:			
Restricted:			
Debt Service Purposes	125,551.50	127,284.04	252,835.54
Equipment Repair and/or Replacement		165,498.02	165,498.02
Permanently Restricted Purposes:			
Expendable	16,679.86		16,679.86
Non-Expendable	50,000.00		50,000.00
Unrestricted	1,047,833.64	152,849.28	1,200,682.92
TOTAL NET POSITION	1,240,065.00	445,631.34	1,685,696.34

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

MUNICIPALITY OF MENNO
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
 For the Year Ended December 31, 2020

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-Type Activities	Total
Primary Government:							
Governmental Activities:							
General Government	127,720.21	4,960.00	147,793.30		25,033.09		25,033.09
Public Safety	136,679.54				(136,679.54)		(136,679.54)
Public Works	295,524.40	66,533.90	33,570.52		(195,419.98)		(195,419.98)
Health and Welfare	31,049.06	43,258.85	2,425.00		14,634.79		14,634.79
Culture and Recreation	64,977.63	6,789.00			(58,188.63)		(58,188.63)
Conservation and Development	16,381.19				(16,381.19)		(16,381.19)
Debt Service	61,387.24				(61,387.24)		(61,387.24)
Total Governmental Activities	733,719.27	121,541.75	183,788.82	0.00	(428,388.70)		(428,388.70)
Business-type Activities:							
Water	146,220.54	129,710.67				(16,509.87)	(16,509.87)
Sewer	112,451.61	163,794.30				51,342.69	51,342.69
Total Business-Type Activities	258,672.15	293,504.97	0.00	0.00		34,832.82	34,832.82
Total Primary Government	992,391.42	415,046.72	183,788.82	0.00	(428,388.70)	34,832.82	(393,555.88)
General Revenues:							
Taxes:							
Property Taxes					250,744.27		250,744.27
Sales Taxes					281,273.79		281,273.79
State Shared Revenues					6,775.18		6,775.18
Unrestricted Investment Earnings					7,285.81	2,916.71	10,202.52
Miscellaneous Revenue					25,203.02		25,203.02
Transfers					29,736.00	(29,736.00)	0.00
Total General Revenues and Transfers					601,018.07	(26,819.29)	574,198.78
Change in Net Position					172,629.37	8,013.53	180,642.90
Net Position - Beginning					1,067,435.63	437,617.81	1,505,053.44
NET POSITION - ENDING					1,240,065.00	445,631.34	1,685,696.34

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

MUNICIPALITY OF MENNO
BALANCE SHEET - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
December 31, 2020

	<u>General Fund</u>	<u>Cemetery Perpetual Care Fund</u>	<u>GO Bond Debt Service Fund</u>	<u>Total</u>
ASSETS:				
Cash and Cash Equivalents	702,306.10	452.86	63,622.22	766,381.18
Investments	345,527.54	66,227.00	61,929.28	473,683.82
TOTAL ASSETS	<u>1,047,833.64</u>	<u>66,679.86</u>	<u>125,551.50</u>	<u>1,240,065.00</u>
FUND BALANCES:				
Nonspendable for Cemetery Perpetual Care		50,000.00		50,000.00
Restricted for Cemetery Perpetual Care		16,679.86		16,679.86
Restricted for Debt Service			125,551.50	125,551.50
Assigned for Capital Outlay	306,008.98			306,008.98
Assigned for Next Year's Budget	50,000.00			50,000.00
Unassigned	691,824.66			691,824.66
TOTAL FUND BALANCES	<u>1,047,833.64</u>	<u>66,679.86</u>	<u>125,551.50</u>	<u>1,240,065.00</u>

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

MUNICIPALITY OF MENNO
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2020

	General Fund	Cemetery Perpetual Care Fund	GO Bond Debt Service Fund	Total
Revenues:				
Taxes:				
General Property Taxes	237,589.99		12,709.00	250,298.99
General Sales and Use Taxes	281,273.79			281,273.79
Amusement Taxes	84.00			84.00
Penalties & Interest on Delinquent Taxes	342.64		18.64	361.28
Total Taxes	519,290.42	0.00	12,727.64	532,018.06
Licenses and Permits	4,860.00	0.00	0.00	4,860.00
Intergovernmental Revenue:				
Federal Grants	144,195.71			144,195.71
State Grants	6,022.59			6,022.59
State Shared Revenue:				
Bank Franchise Tax	366.71			366.71
Liquor Tax Reversion	4,208.42			4,208.42
Motor Vehicle Licenses	11,649.77			11,649.77
Local Government Highway and Bridge Fund	16,551.17			16,551.17
Other	2,200.05			2,200.05
County Shared Revenue:				
County Road Tax	984.29			984.29
County Wheel Tax	4,385.29			4,385.29
Total Intergovernmental Revenue	190,564.00	0.00	0.00	190,564.00
Charges for Goods and Services:				
Highways & Streets	2,000.00			2,000.00
Sanitation	60,733.90			60,733.90
Culture and Recreation	6,789.00			6,789.00
Ambulance	43,258.85			43,258.85
Cemetery	1,900.00	1,900.00		3,800.00
Total Charges for Goods and Services	114,681.75	1,900.00	0.00	116,581.75
Fines and Forfeits:				
Other	1,649.28			1,649.28
Total Fines and Forfeits	1,649.28	0.00	0.00	1,649.28
Miscellaneous Revenue:				
Investment Earnings	7,054.00		231.81	7,285.81
Rentals	100.00			100.00
Contributions and Donations from Private Sources	12,314.51			12,314.51
Other	11,239.23			11,239.23
Total Miscellaneous Revenue	30,707.74	0.00	231.81	30,939.55
Total Revenue	861,753.19	1,900.00	12,959.45	876,612.64
Expenditures:				
General Government:				
Legislative	17,423.26			17,423.26
Executive	3,496.86			3,496.86
Financial Administration	71,291.87			71,291.87
Other	35,508.22			35,508.22
Total General Government	127,720.21	0.00	0.00	127,720.21

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

MUNICIPALITY OF MENNO
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2020

	General Fund	Cemetery Perpetual Care Fund	GO Bond Debt Service Fund	Total
Expenditures (Continued):				
Public Safety:				
Police	92,093.38			92,093.38
Fire	44,586.16			44,586.16
Total Public Safety	136,679.54	0.00	0.00	136,679.54
Public Works:				
Highways and Streets	218,242.50			218,242.50
Sanitation	61,168.83			61,168.83
Cemeteries	16,113.07			16,113.07
Total Public Works	295,524.40	0.00	0.00	295,524.40
Health and Welfare:				
Health	4,561.20			4,561.20
Ambulance	26,487.86			26,487.86
Total Health and Welfare	31,049.06	0.00	0.00	31,049.06
Culture and Recreation:				
Recreation	35,516.36			35,516.36
Parks	19,105.41			19,105.41
Libraries	7,581.86			7,581.86
Auditorium	2,000.00			2,000.00
Museums	774.00			774.00
Total Culture and Recreation	64,977.63	0.00	0.00	64,977.63
Conservation and Development:				
Economic Development and Assistance	16,381.19			16,381.19
Total Conservation and Development	16,381.19	0.00	0.00	16,381.19
Debt Service	0.00	0.00	61,387.24	61,387.24
Total Expenditures	672,332.03	0.00	61,387.24	733,719.27
Excess Revenues Over (Under) Expenditures	189,421.16	1,900.00	(48,427.79)	142,893.37
Other Financing Sources (Uses):				
Transfers In			54,736.00	54,736.00
Transfers Out	(25,000.00)			(25,000.00)
Total Other Financing Sources (Uses)	(25,000.00)	0.00	54,736.00	29,736.00
Net Change in Fund Balance	164,421.16	1,900.00	6,308.21	172,629.37
Fund Balance - Beginning	883,412.48	64,779.86	119,243.29	1,067,435.63
FUND BALANCE - ENDING	1,047,833.64	66,679.86	125,551.50	1,240,065.00

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

MUNICIPALITY OF MENNO
STATEMENT OF NET POSITION - MODIFIED CASH BASIS
PROPRIETARY FUNDS
December 31, 2020

	Enterprise Funds		
	Water Fund	Sewer Fund	Totals
ASSETS:			
Current Assets:			
Cash and Cash Equivalents	360.02	137,684.60	138,044.62
Investments	32,457.57	147,845.11	180,302.68
Total Current Assets	32,817.59	285,529.71	318,347.30
Noncurrent Assets:			
Restricted Cash and Cash Equivalents		73,735.24	73,735.24
Restricted Investments		53,548.80	53,548.80
Total Noncurrent Assets	0.00	127,284.04	127,284.04
TOTAL ASSETS	32,817.59	412,813.75	445,631.34
NET POSITION:			
Restricted for:			
Revenue Bond Debt Service		127,284.04	127,284.04
Equipment Repair and/or Replacement	32,457.57	133,040.45	165,498.02
Unrestricted Net Position	360.02	152,489.26	152,849.28
TOTAL NET POSITION	32,817.59	412,813.75	445,631.34

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

MUNICIPALITY OF MENNO
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
FUND NET POSITION - MODIFIED CASH BASIS
PROPRIETARY FUNDS
For the Year Ended December 31, 2020

	Enterprise Funds		
	Water Fund	Sewer Fund	Totals
Operating Revenue:			
Charges for Goods and Services	122,144.54	99,664.51	221,809.05
Revenued Dedicated to Servicing Debt	7,566.13	64,129.79	71,695.92
Total Operating Revenue	129,710.67	163,794.30	293,504.97
Operating Expenses:			
Personal Services	34,135.94	34,046.85	68,182.79
Other Current Expense	23,772.89	28,712.92	52,485.81
Materials	63,002.10		63,002.10
Total Operating Expenses	120,910.93	62,759.77	183,670.70
Operating Income (Loss)	8,799.74	101,034.53	109,834.27
Non-operating Revenue (Expenses):			
Investment Earnings	605.57	2,311.14	2,916.71
Debt Service (Principal)	(24,976.44)	(27,557.44)	(52,533.88)
Debt Service (Interest)	(333.17)	(22,134.40)	(22,467.57)
Total Non-operating Revenue (Expenses)	(24,704.04)	(47,380.70)	(72,084.74)
Income (Loss) Before Transfers	(15,904.30)	53,653.83	37,749.53
Transfers Out		(29,736.00)	(29,736.00)
Change in Net Position	(15,904.30)	23,917.83	8,013.53
Net Position - Beginning	48,721.89	388,895.92	437,617.81
NET POSITION - ENDING	32,817.59	412,813.75	445,631.34

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

MUNICIPALITY OF MENNO
STATEMENT OF NET POSITION - MODIFIED CASH BASIS
December 31, 2019

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
ASSETS:			
Cash and Cash Equivalents	610,896.46	126,315.06	737,211.52
Investments	456,539.17	175,922.95	632,462.12
Restricted Assets:			
Cash and Cash Equivalents		82,151.97	82,151.97
Investments		53,227.83	53,227.83
TOTAL ASSETS	1,067,435.63	437,617.81	1,505,053.44
NET POSITION:			
Restricted:			
Debt Service Purposes	119,243.29	135,379.80	254,623.09
Equipment Repair and/or Replacement		145,095.09	145,095.09
Permanently Restricted Purposes:			
Expendable	14,779.86		14,779.86
Non-Expendable	50,000.00		50,000.00
Unrestricted	883,412.48	157,142.92	1,040,555.40
TOTAL NET POSITION	1,067,435.63	437,617.81	1,505,053.44

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

MUNICIPALITY OF MENNO
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
 For the Year Ended December 31, 2019

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	
					Governmental Activities	Business-Type Activities
Primary Government:						
General Government:						
General Government	106,816.12	5,670.00		3,762.16	(97,383.96)	(97,383.96)
Public Safety	136,531.49				(136,531.49)	(136,531.49)
Public Works	241,452.35	59,245.91	32,435.84	543.32	(149,227.28)	(149,227.28)
Health and Welfare	40,188.12	49,044.74	1,261.00		10,117.62	10,117.62
Culture and Recreation	67,224.31	8,261.00			(58,963.31)	(58,963.31)
Conservation and Development	16,811.55				(16,811.55)	(16,811.55)
Debt Service	61,387.24				(61,387.24)	(61,387.24)
Total Governmental Activities	670,411.18	122,221.65	33,696.84	4,305.48	(510,187.21)	(510,187.21)
Business-type Activities:						
Water	121,521.47	128,944.24			7,422.77	7,422.77
Sewer	104,906.98	159,370.79			54,463.81	54,463.81
Total Business-Type Activities	226,428.45	288,315.03	0.00	0.00	61,886.58	61,886.58
Total Primary Government	896,839.63	410,536.68	33,696.84	4,305.48	(510,187.21)	(448,300.63)
General Revenues:						
Taxes:						
Property Taxes					247,989.28	247,989.28
Sales Taxes					242,426.00	242,426.00
State Shared Revenues					11,283.95	11,283.95
Unrestricted Investment Earnings					3,591.91	3,591.91
Miscellaneous Revenue					17,829.99	17,829.99
Transfers					(29,736.00)	0.00
Total General Revenues and Transfers					556,847.24	530,703.15
Change in Net Position					46,660.03	82,402.52
Net Position - Beginning					1,020,775.60	1,422,650.92
NET POSITION - ENDING					1,067,435.63	1,505,053.44

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

MUNICIPALITY OF MENNO
BALANCE SHEET - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
December 31, 2019

	General Fund	Cemetery Perpetual Care Fund	GO Bond Debt Service Fund	Total
ASSETS:				
Cash and Cash Equivalents	552,929.52	552.86	57,414.08	610,896.46
Investments	330,482.96	64,227.00	61,829.21	456,539.17
TOTAL ASSETS	883,412.48	64,779.86	119,243.29	1,067,435.63
FUND BALANCES:				
Nonspendable for Cemetery Perpetual Care		50,000.00		50,000.00
Restricted for Cemetery Perpetual Care		14,779.86		14,779.86
Restricted for Debt Service			119,243.29	119,243.29
Assigned for Capital Outlay	282,410.27			282,410.27
Assigned for Next Year's Budget	50,000.00			50,000.00
Unassigned	551,002.21			551,002.21
TOTAL FUND BALANCES	883,412.48	64,779.86	119,243.29	1,067,435.63

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

MUNICIPALITY OF MENNO
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2019

	General Fund	Cemetery Perpetual Care Fund	GO Bond Debt Service Fund	Total
Revenues:				
Taxes:				
General Property Taxes	234,194.22		12,889.27	247,083.49
General Sales and Use Taxes	242,426.00			242,426.00
Amusement Taxes	72.00			72.00
Penalties & Interest on Delinquent Taxes	789.15		44.64	833.79
Total Taxes	477,481.37	0.00	12,933.91	490,415.28
Licenses and Permits	5,570.00	0.00	0.00	5,570.00
Intergovernmental Revenue:				
State Grants	1,261.00			1,261.00
State Shared Revenue:				
Bank Franchise Tax	5,488.10			5,488.10
Liquor Tax Reversion	3,962.39			3,962.39
Motor Vehicle Licenses	10,906.17			10,906.17
Local Government Highway and Bridge Fund	16,377.54			16,377.54
Other	1,833.46			1,833.46
County Shared Revenue:				
County Road Tax	984.29			984.29
County Wheel Tax	4,167.84			4,167.84
Total Intergovernmental Revenue	44,980.79	0.00	0.00	44,980.79
Charges for Goods and Services:				
Highways & Streets	2,000.00			2,000.00
Sanitation	57,045.91			57,045.91
Culture and Recreation	8,261.00			8,261.00
Ambulance	49,044.74			49,044.74
Cemetery	100.00	100.00		200.00
Total Charges for Goods and Services	116,451.65	100.00	0.00	116,551.65
Fines and Forfeits:				
Other	2,342.59			2,342.59
Total Fines and Forfeits	2,342.59	0.00	0.00	2,342.59
Miscellaneous Revenue:				
Investment Earnings	7,327.83		254.19	7,582.02
Rentals	100.00			100.00
Special Assessments	543.32			543.32
Contributions and Donations from Private Sources	9,067.00			9,067.00
Other	6,420.40			6,420.40
Total Miscellaneous Revenue	23,458.55	0.00	254.19	23,712.74
Total Revenue	670,284.95	100.00	13,188.10	683,573.05
Expenditures:				
General Government:				
Legislative	16,492.67			16,492.67
Executive	3,734.10			3,734.10
Financial Administration	79,003.60			79,003.60
Other	7,585.75			7,585.75
Total General Government	106,816.12	0.00	0.00	106,816.12

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

MUNICIPALITY OF MENNO
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2019

	General Fund	Cemetery Perpetual Care Fund	GO Bond Debt Service Fund	Total
Expenditures (Continued):				
Public Safety:				
Police	120,424.85			120,424.85
Fire	16,106.64			16,106.64
Total Public Safety	136,531.49	0.00	0.00	136,531.49
Public Works:				
Highways and Streets	172,744.66			172,744.66
Sanitation	56,579.83			56,579.83
Cemeteries	12,127.86			12,127.86
Total Public Works	241,452.35	0.00	0.00	241,452.35
Health and Welfare:				
Health	6,641.30			6,641.30
Ambulance	33,546.82			33,546.82
Total Health and Welfare	40,188.12	0.00	0.00	40,188.12
Culture and Recreation:				
Recreation	33,476.51			33,476.51
Parks	23,148.78			23,148.78
Libraries	7,825.02			7,825.02
Auditorium	2,000.00			2,000.00
Museums	774.00			774.00
Total Culture and Recreation	67,224.31	0.00	0.00	67,224.31
Conservation and Development:				
Economic Development and Assistance	16,811.55			16,811.55
Total Conservation and Development	16,811.55	0.00	0.00	16,811.55
Debt Service	0.00	0.00	61,387.24	61,387.24
Total Expenditures	609,023.94	0.00	61,387.24	670,411.18
Excess Revenues Over (Under) Expenditures	61,261.01	100.00	(48,199.14)	13,161.87
Other Financing Sources (Uses):				
Transfers In			54,736.00	54,736.00
Transfers Out	(25,000.00)			(25,000.00)
Compensation for Loss or Damage to Capital Assets	3,762.16			3,762.16
Total Other Financing Sources (Uses)	(21,237.84)	0.00	54,736.00	33,498.16
Net Change in Fund Balance	40,023.17	100.00	6,536.86	46,660.03
Fund Balance - Beginning	843,389.31	64,679.86	112,706.43	1,020,775.60
FUND BALANCE - ENDING	883,412.48	64,779.86	119,243.29	1,067,435.63

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

MUNICIPALITY OF MENNO
STATEMENT OF NET POSITION - MODIFIED CASH BASIS
PROPRIETARY FUNDS
December 31, 2019

	Enterprise Funds		
	Water Fund	Sewer Fund	Totals
ASSETS:			
Current Assets:			
Cash and Cash Equivalents		126,315.06	126,315.06
Investments	44,635.37	131,287.58	175,922.95
Total Current Assets	<u>44,635.37</u>	<u>257,602.64</u>	<u>302,238.01</u>
Noncurrent Assets:			
Restricted Cash and Cash Equivalents	4,086.52	78,065.45	82,151.97
Restricted Investments		53,227.83	53,227.83
Total Noncurrent Assets	<u>4,086.52</u>	<u>131,293.28</u>	<u>135,379.80</u>
TOTAL ASSETS	<u>48,721.89</u>	<u>388,895.92</u>	<u>437,617.81</u>
NET POSITION:			
Restricted for:			
Revenue Bond Debt Service	4,086.52	131,293.28	135,379.80
Equipment Repair and/or Replacement	28,523.43	116,571.66	145,095.09
Unrestricted Net Position	<u>16,111.94</u>	<u>141,030.98</u>	<u>157,142.92</u>
TOTAL NET POSITION	<u>48,721.89</u>	<u>388,895.92</u>	<u>437,617.81</u>

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

MUNICIPALITY OF MENNO
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
FUND NET POSITION - MODIFIED CASH BASIS
PROPRIETARY FUNDS
For the Year Ended December 31, 2019

	Enterprise Funds		
	Water Fund	Sewer Fund	Totals
Operating Revenue:			
Charges for Goods and Services	112,987.84	101,294.58	214,282.42
Revenued Dedicated to Servicing Debt	15,956.40	58,076.21	74,032.61
Total Operating Revenue	<u>128,944.24</u>	<u>159,370.79</u>	<u>288,315.03</u>
Operating Expenses:			
Personal Services	31,761.49	31,832.02	63,593.51
Other Current Expense	19,664.00	23,383.12	43,047.12
Materials	56,913.70		56,913.70
Total Operating Expenses	<u>108,339.19</u>	<u>55,215.14</u>	<u>163,554.33</u>
Operating Income (Loss)	<u>20,605.05</u>	<u>104,155.65</u>	<u>124,760.70</u>
Non-operating Revenue (Expenses):			
Investment Earnings	601.30	2,990.61	3,591.91
Debt Service (Principal)	(12,444.81)	(26,949.21)	(39,394.02)
Debt Service (Interest)	(737.47)	(22,742.63)	(23,480.10)
Total Non-operating Revenue (Expenses)	<u>(12,580.98)</u>	<u>(46,701.23)</u>	<u>(59,282.21)</u>
Income (Loss) Before Transfers	<u>8,024.07</u>	<u>57,454.42</u>	<u>65,478.49</u>
Transfers Out		(29,736.00)	(29,736.00)
Change in Net Position	<u>8,024.07</u>	<u>27,718.42</u>	<u>35,742.49</u>
Net Position - Beginning	<u>40,697.82</u>	<u>361,177.50</u>	<u>401,875.32</u>
NET POSITION - ENDING	<u><u>48,721.89</u></u>	<u><u>388,895.92</u></u>	<u><u>437,617.81</u></u>

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

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 (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements.

a. Financial Reporting Entity:

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

b. Basis of Presentation:

Government-wide Financial Statements:

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

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

Fund Financial Statements:

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

1. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and
 2. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined,
- or

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
(Continued)

3. Management has elected to classify one or more governmental or enterprise funds as major for consistency in reporting from year to year, or because of public interest in the fund's operations.

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

Governmental Funds:

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

Debt Service Funds – debt service funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

GO Bond Debt Service Fund – to account for property taxes which may be used only for the payment of the debt principal, interest, and related costs. This is a major fund.

Permanent Funds – Permanent funds are used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the Municipality's programs – that is for the benefit of the Municipality and its citizenry.

Cemetery Perpetual Care Fund – to account for the payments received for perpetual care of cemeteries which is permanently set aside and for which only the income from the trust fund investments is used for the care and maintenance of the cemetery. (SDCL 9-32-18) This is a major fund.

Proprietary Funds:

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

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

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

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

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
(Continued)

c. Measurement Focus and Basis of Accounting:

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

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

Measurement Focus:

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.

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used, applied with 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, 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. Acceptable modifications to the cash basis of accounting implemented by the Municipality in these financial statements are:

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

d. Deposits and Investments:

For the purpose of financial reporting, "cash and cash equivalents" includes all demand and savings accounts and certificates of deposit or short-term investments with a term to maturity at date of acquisition of three

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
(Continued)

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 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. Long-Term Liabilities:

Long-term liabilities include, but are not limited to, General Obligation Bonds, and Revenue Bonds.

As discussed in Note 1c. 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 Municipality has not elected to modify their cash basis presentation by recording long-term debt arising from cash transactions so any outstanding indebtedness is not reported on the financial statements of the Municipality. The Municipality does report the principal and interest payments on long-term debt as Debt Service expenditures on the Statement of Revenues, Expenditures and Changes in Fund Balances. On the 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 Municipality 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.

f. Revenue Received in Advance:

Under the modified cash basis of accounting, cash may have been received in advance of the Municipality's providing a good or service to a customer. These amounts are reported in the financial statements, in the year the cash is received.

g. Program Revenues:

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

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

h. Proprietary Funds Revenue and Expense Classifications:

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

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
(Continued)

i. Equity Classifications:

Government-wide Statements:

Equity is classified as net position and is displayed in two components.

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

Fund Financial Statements:

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

j. Application of Net Position:

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

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 Municipality classifies governmental fund balances as follows:

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

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

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

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
(Continued)

2. DEPOSITS AND INVESTMENTS, FAIR VALUE MEASUREMENT, CREDIT RISK, CONCENTRATION OF CREDIT RISK AND INTEREST RATE RISK

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

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

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

As of December 31, 2020 and December 31, 2019, the Municipality did not have any investments. The investments reported in the financial statements consist of only certificates of deposit.

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

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

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

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

3. PROPERTY TAXES

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

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

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
(Continued)

4. WATER PURCHASE AGREEMENT

In 1986, the Municipality of Menno entered into a 40-year agreement with B-Y Water to provide water to the Municipality. A monthly service charge in the amount of \$680 is paid by the Municipality to B-Y Water along with a charge of \$3.10 per 1,000 gallons of water consumed. The monthly service charge represents a contribution by the Municipality to aid B-Y Water in the construction of the facilities necessary to provide the Municipality with water. The Municipality will not acquire ownership of any of these water facilities through these payments. Payments are made from the Municipality's Water Fund.

5. RESTRICTED NET POSITION

Restricted net position for the two years ended December 31, 2020 were as follows:

Major Funds	<u>12/31/2020</u>	<u>12/31/2019</u>
Cemetery Perpetual Care Fund		
Expendable	16,679.86	14,779.86
Non-Expendable	50,000.00	50,000.00
Debt Service		
General Obligation Bond Fund	125,551.50	119,243.29
Water Fund		4,086.52
Sewer Fund	127,284.04	131,293.28
Equipment Repair and/or Replacement		
Water Fund	32,457.57	28,523.43
Sewer Fund	133,040.45	116,571.66
Total Restricted Net Position	<u>485,013.42</u>	<u>464,498.04</u>

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

6. 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://www.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

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
(Continued)

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 safety members where the sum of age and credited service is equal to or greater than 75. All Foundation retirement benefits that do not meet the above criteria may be payable at a reduced level.

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

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

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

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

Contributions:

Per SDCL 3-12, contribution requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A Members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. The Municipality's share of contributions to the SDRS for the fiscal years ended December 31, 2020, 2019, and 2018, were \$11,758.38, \$11,090.70, and \$10,632.82, respectively, equal to the required contributions each year.

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
(Continued)

Pension Liabilities (Assets):

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

Proportionate share of pension liability	\$ 1,041,081.47
Less proportionate share of net pension restricted for pension benefits	<u>\$ 1,041,449.28</u>
Proportionate share of net pension liability (asset)	<u>\$ (367.81)</u>

The net pension liability (asset) was measured as of June 30, 2020 and the total pension liability (asset) used to calculate the net pension liability (asset) was based on a projection of the Municipality's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2020, the Municipality's proportion was 0.00846890%, which is a decrease of 0.0000251% from its proportion measured as of June 30, 2019.

At June 30, 2019, SDRS is 100.09% funded and accordingly has net pension asset. The proportionate shares of the components of the net pension asset of the South Dakota Retirement System, for the Municipality as of the measurement period ending June 30, 2019 and reported by the Municipality as of December 31, 2019 are as follows:

Proportionate share of pension liability	\$ 1,058,539.47
Less proportionate share of net pension restricted for pension benefits	<u>\$ 1,059,439.60</u>
Proportionate share of net pension liability (asset)	<u>\$ (900.13)</u>

The net pension liability (asset) was measured as of June 30, 2019 and the total pension liability (asset) used to calculate the net pension liability (asset) was based on a projection of the Municipality's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2019, the Municipality's proportion was 0.00849400%, which is an increase of 0.0001186% from its proportion measured as of June 30, 2018.

Actuarial Assumptions:

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

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

See Independent Auditor's Report.

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
(Continued)

The total pension liability (asset) in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25 percent
Salary Increases	Graded by years of service, from 6.50% at entry to 3.00% after 25 years of service
Discount Rate	6.50% net of plan investment expense
Future COLAs	1.88%

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

The actuarial assumptions used in the June 30, 2020 and 2019 valuations were based on the results of an actuarial experience study for the period 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 for each major asset class included in the pension plan's target asset allocation as of June 30, 2020 (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

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

Best estimates of real rates for each major asset class included in the pension plan's target asset allocation as of June 30, 2019 (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	58.0%	4.7%
Fixed Income	30.0%	1.7%
Real Estate	10.0%	4.3%
Cash	2.0%	0.9%
Total	100%	

See Independent Auditor's Report.

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
(Continued)

Discount Rate:

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

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

For the year ended December 31, 2020, the following presents the Municipality's proportionate share of net pension liability (asset) calculated using the discount rate of 6.50 percent, as well as what the Municipality's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage point lower (5.50%) or 1-percentage point higher (7.50%) than the current rate:

	<u>1%</u> <u>Decrease</u>	<u>Current</u> <u>Discount</u> <u>Rate</u>	<u>1%</u> <u>Increase</u>
Municipality's proportionate share of the net pension liability (asset)	\$ 142,683.06	\$(367.81)	\$(117,380.59)

For the year ended December 31, 2019, the following presents the Municipality's proportionate share of net pension liability (asset) calculated using the discount rate of 6.50 percent, as well as what the Municipality's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage point lower (5.50%) or 1-percentage point higher (7.50%) than the current rate:

	<u>1%</u> <u>Decrease</u>	<u>Current</u> <u>Discount</u> <u>Rate</u>	<u>1%</u> <u>Increase</u>
Municipality's proportionate share of the net pension liability (asset)	\$ 149,404.20	\$(900.13)	\$(123,371.00)

Pension Plan Fiduciary Net Position:

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

7. SIGNIFICANT CONTINGENCIES - LITIGATION

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

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
(Continued)

8. RISK MANAGEMENT

The Municipality is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the period ended December 31, 2020, the Municipality managed its risks as follows:

Employee Health Insurance:

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

Liability Insurance:

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

Worker's Compensation:

The Municipality joined the South Dakota Municipal League Worker's Compensation Fund (Fund), a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The objective of the Fund is to formulate, develop, and administer, on behalf of the member organizations, a program of worker's compensation coverage, to obtain lower costs for that coverage, and to develop a comprehensive loss control program. The Municipality's responsibility is to initiate and maintain a safety program to give its employees safe and sanitary working conditions and to promptly report to and cooperate with the Fund to resolve any worker's compensation claims. The Municipality pays an annual premium, to provide worker's compensation coverage for its employees, under a retrospectively rated policy and the premiums are accrued based on the ultimate cost of the experience to date of the Fund members. Coverage limits are set by state statute. The pool pays the first \$650,000 of any claim per individual and has reinsurance which covers up to an additional \$2,000,000 per individual per incident.

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

Unemployment Benefits:

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

9. INTERFUND TRANSFERS

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

<u>Transfers From:</u>	<u>Transfers to:</u>
	<u>G.O. Bond Debt Service Fund</u>
Major Funds:	
General Fund	\$ 25,000.00
Sewer Fund	29,736.00
Total	\$ 54,736.00

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
(Continued)

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

<u>Transfers From:</u>	<u>Transfers to:</u> G.O. Bond Debt Service Fund
Major Funds:	
General Fund	\$ 25,000.00
Sewer Fund	29,736.00
Total	<u>\$ 54,736.00</u>

The Municipality typically budgets transfers to the G.O. Bond Debt Service Fund to conduct the indispensable functions of the Municipality.

10. RELATED PARTIES

George Cokens, a municipal council member, is the father of Anthony Cokens, a municipal employee. This could cause a conflict of interest when making certain decisions.

11. SUBSEQUENT EVENTS

Management has evaluated whether any subsequent events have occurred through July 22, 2021, the date on which the financial statements were available to be issued.

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

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u> <u>(Budgetary Basis)</u>	<u>Variance with</u> <u>Final Budget -</u> <u>Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes:				
General Property Taxes	241,684.00	241,684.00	237,589.99	(4,094.01)
General Sales and Use Taxes	220,000.00	220,000.00	281,273.79	61,273.79
Amusement Taxes	50.00	50.00	84.00	34.00
Penalties and Interest on Delinquent Taxes	400.00	400.00	342.64	(57.36)
Total Taxes	462,134.00	462,134.00	519,290.42	57,156.42
Licenses and Permits	5,100.00	5,100.00	4,860.00	(240.00)
Intergovernmental Revenue:				
Federal Grants	0.00	0.00	144,195.71	144,195.71
State Grants	1,300.00	1,300.00	6,022.59	4,722.59
State Shared Revenue:				
Bank Franchise Tax	3,000.00	3,000.00	366.71	(2,633.29)
Liquor Tax Reversion	3,700.00	3,700.00	4,208.42	508.42
Motor Vehicle Licenses	10,000.00	10,000.00	11,649.77	1,649.77
Local Government Highway and Bridge Fund	16,000.00	16,000.00	16,551.17	551.17
Other	2,000.00	2,000.00	2,200.05	200.05
County Shared Revenue:				
County Road Tax	900.00	900.00	984.29	84.29
County Wheel Tax	3,500.00	3,500.00	4,385.29	885.29
Total Intergovernmental Revenue	40,400.00	40,400.00	190,564.00	150,164.00
Charges for Goods and Services:				
Highways and Streets	2,000.00	2,000.00	2,000.00	0.00
Sanitation	53,600.00	53,600.00	60,733.90	7,133.90
Culture and Recreation	5,800.00	5,800.00	6,789.00	989.00
Ambulance	40,000.00	40,000.00	43,258.85	3,258.85
Cemetery	500.00	500.00	1,900.00	1,400.00
Total Charges for Goods and Services	101,900.00	101,900.00	114,681.75	12,781.75
Fines and Forfeits:				
Other	2,000.00	2,000.00	1,649.28	(350.72)
Total Fines and Forfeits	2,000.00	2,000.00	1,649.28	(350.72)
Miscellaneous Revenue:				
Investment Earnings	3,400.00	3,400.00	7,054.00	3,654.00
Rentals	600.00	600.00	100.00	(500.00)
Contributions and Donations from Private Sources	1,500.00	1,500.00	12,314.51	10,814.51
Other	5,700.00	5,700.00	11,239.23	5,539.23
Total Miscellaneous Revenue	11,200.00	11,200.00	30,707.74	19,507.74
Total Revenue	622,734.00	622,734.00	861,753.19	239,019.19

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

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
Expenditures:				
General Government:				
Legislative	17,335.00	17,888.44	17,423.26	465.18
Contingency	15,000.00	15,000.00		
Amount Transferred		(13,680.00)		1,320.00
Executive	4,125.00	4,125.00	3,496.86	628.14
Elections	815.00	815.00	0.00	815.00
Financial Administration	78,565.00	78,565.00	71,291.87	7,273.13
Other	9,743.00	36,743.00	35,508.22	1,234.78
Total General Government	125,583.00	139,456.44	127,720.21	11,736.23
Public Safety:				
Police	97,075.00	97,075.00	92,093.38	4,981.62
Fire	26,165.00	54,345.92	44,586.16	9,759.76
Total Public Safety	123,240.00	151,420.92	136,679.54	14,741.38
Public Works:				
Highways and Streets	167,603.00	217,256.44	218,242.50	(986.06)
Sanitation	57,460.00	61,170.00	61,168.83	1.17
Cemeteries	13,470.00	18,470.00	16,113.07	2,356.93
Total Public Works	238,533.00	296,896.44	295,524.40	1,372.04
Health and Welfare:				
Health	3,340.00	4,570.00	4,561.20	8.80
Ambulance	26,375.00	28,764.28	26,487.86	2,276.42
Total Health and Welfare	29,715.00	33,334.28	31,049.06	2,285.22
Culture and Recreation:				
Recreation	33,833.00	35,523.00	35,516.36	6.64
Parks	17,141.00	19,111.00	19,105.41	5.59
Libraries	8,645.00	8,645.00	7,581.86	1,063.14
Auditorium	2,520.00	2,520.00	2,000.00	520.00
Museums	774.00	774.00	774.00	0.00
Total Culture and Recreation	62,913.00	66,573.00	64,977.63	1,595.37
Conservation and Development:				
Economic Development and Assistance	17,750.00	17,750.00	16,381.19	1,368.81
Total Conservation and Development	17,750.00	17,750.00	16,381.19	1,368.81
Total Expenditures	597,734.00	705,431.08	672,332.03	33,099.05
Excess of Revenues Over (Under)				
Expenditures	25,000.00	(82,697.08)	189,421.16	272,118.24
Other Financing Sources (Uses):				
Transfers Out	(25,000.00)	(25,000.00)	(25,000.00)	0.00
Total Other Financing Sources (Uses)	(25,000.00)	(25,000.00)	(25,000.00)	0.00
Net Change in Fund Balances	0.00	(107,697.08)	164,421.16	272,118.24
Fund Balance - Beginning	883,412.48	883,412.48	883,412.48	0.00
FUND BALANCE - ENDING	883,412.48	775,715.40	1,047,833.64	272,118.24

SUPPLEMENTARY INFORMATION
MUNICIPALITY OF MENNO
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
For the Year Ended December 31, 2019

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Taxes:				
General Property Taxes	235,137.00	235,137.00	234,194.22	(942.78)
General Sales and Use Taxes	220,000.00	220,000.00	242,426.00	22,426.00
Amusement Taxes	36.00	36.00	72.00	36.00
Penalties and Interest on Delinquent Taxes	300.00	300.00	789.15	489.15
Total Taxes	455,473.00	455,473.00	477,481.37	22,008.37
Licenses and Permits	5,100.00	5,100.00	5,570.00	470.00
Intergovernmental Revenue:				
State Grants	1,300.00	1,300.00	1,261.00	(39.00)
State Shared Revenue:				
Bank Franchise Tax	3,000.00	3,000.00	5,488.10	2,488.10
Liquor Tax Reversion	3,700.00	3,700.00	3,962.39	262.39
Motor Vehicle Licenses	10,000.00	10,000.00	10,906.17	906.17
Local Government Highway and Bridge Fund	16,000.00	16,000.00	16,377.54	377.54
Other	2,000.00	2,000.00	1,833.46	(166.54)
County Shared Revenue:				
County Road Tax	900.00	900.00	984.29	84.29
County Wheel Tax	3,500.00	3,500.00	4,167.84	667.84
Total Intergovernmental Revenue	40,400.00	40,400.00	44,980.79	4,580.79
Charges for Goods and Services:				
Highways and Streets	2,000.00	2,000.00	2,000.00	0.00
Sanitation	53,600.00	53,600.00	57,045.91	3,445.91
Culture and Recreation	5,700.00	5,700.00	8,261.00	2,561.00
Ambulance	40,000.00	40,000.00	49,044.74	9,044.74
Cemetery	500.00	500.00	100.00	(400.00)
Total Charges for Goods and Services	101,800.00	101,800.00	116,451.65	14,651.65
Fines and Forfeits:				
Other	2,000.00	2,000.00	2,342.59	342.59
Total Fines and Forfeits	2,000.00	2,000.00	2,342.59	342.59
Miscellaneous Revenue:				
Investment Earnings	2,250.00	2,250.00	7,327.83	5,077.83
Rentals	600.00	600.00	100.00	(500.00)
Special Assessments	0.00	0.00	543.32	543.32
Contributions and Donations from Private Sources	1,500.00	1,500.00	9,067.00	7,567.00
Other	6,700.00	6,700.00	6,420.40	(279.60)
Total Miscellaneous Revenue	11,050.00	11,050.00	23,458.55	12,408.55
Total Revenue	615,823.00	615,823.00	670,284.95	54,461.95

SUPPLEMENTARY INFORMATION
MUNICIPALITY OF MENNO
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
For the Year Ended December 31, 2019

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
Expenditures:				
General Government:				
Legislative	17,335.00	17,335.00	16,492.67	842.33
Contingency	15,000.00	15,000.00		
Amount Transferred		(14,841.00)		159.00
Executive	4,125.00	4,125.00	3,734.10	390.90
Elections	815.00	815.00	0.00	815.00
Financial Administration	83,665.00	83,665.00	79,003.60	4,661.40
Other	9,752.00	9,752.00	7,585.75	2,166.25
Total General Government	130,692.00	115,851.00	106,816.12	9,034.88
Public Safety:				
Police	119,225.00	120,425.00	120,424.85	0.15
Fire	23,165.00	23,165.00	16,106.64	7,058.36
Total Public Safety	142,390.00	143,590.00	136,531.49	7,058.51
Public Works:				
Highways and Streets	164,303.00	172,746.00	172,744.66	1.34
Sanitation	57,410.00	57,410.00	56,579.83	830.17
Cemeteries	12,970.00	12,970.00	12,127.86	842.14
Total Public Works	234,683.00	243,126.00	241,452.35	1,673.65
Health and Welfare:				
Health	2,840.00	6,642.00	6,641.30	0.70
Ambulance	25,055.00	35,725.70	33,546.82	2,178.88
Total Health and Welfare	27,895.00	42,367.70	40,188.12	2,179.58
Culture and Recreation:				
Recreation	33,793.00	33,793.00	33,476.51	316.49
Parks	17,991.00	23,149.16	23,148.78	0.38
Libraries	8,635.00	8,635.00	7,825.02	809.98
Auditorium	2,520.00	2,520.00	2,000.00	520.00
Museums	774.00	774.00	774.00	0.00
Total Culture and Recreation	63,713.00	68,871.16	67,224.31	1,646.85
Conservation and Development:				
Economic Development and Assistance	18,450.00	18,450.00	16,811.55	1,638.45
Total Conservation and Development	18,450.00	18,450.00	16,811.55	1,638.45
Total Expenditures	617,823.00	632,255.86	609,023.94	23,231.92
Excess of Revenues Over (Under) Expenditures	(2,000.00)	(16,432.86)	61,261.01	77,693.87
Other Financing Sources (Uses):				
Transfers Out	(25,000.00)	(25,000.00)	(25,000.00)	0.00
Compensation for Loss or Damage to Capital Assets	0.00	0.00	3,762.16	3,762.16
Total Other Financing Sources (Uses)	(25,000.00)	(25,000.00)	(21,237.84)	3,762.16
Net Change in Fund Balances	(27,000.00)	(41,432.86)	40,023.17	81,456.03
Fund Balance - Beginning	843,389.31	843,389.31	843,389.31	0.00
FUND BALANCE - ENDING	816,389.31	801,956.45	883,412.48	81,456.03

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

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

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

The Municipality did not encumber any amounts at December 31, 2020 or December 31, 2019.

6. Formal budgetary integration is employed as a management control device during the year for the General Fund and special revenue funds.
7. Budgets for the General Fund are adopted on a basis consistent with the modified cash basis of accounting.

Note 2. GAAP/Budgetary Accounting Basis Differences:

The Municipality's budgetary process accounts for certain transactions on a basis other than GAAP. The major differences between the budgetary basis and the GAAP basis lie in the manner in which revenues and expenditures are recorded. Under the budgetary basis, revenue and expenditures are recognized on a modified cash basis. Utilizing the modified cash basis, revenues are recorded when received in cash and expenditures are recorded when paid. Under the GAAP basis, revenues and expenditures are recorded on the modified accrual basis of accounting on the governmental fund statements and on the full accrual basis on the government-wide statements.

SUPPLEMENTARY INFORMATION

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

South Dakota Retirement System

Last Six Years*

	2020	2019	2018	2017	2016	2015
Municipality's proportion of the net pension liability/asset	0.0084689%	0.0084940%	0.0083754%	0.0083793%	0.0093035%	0.0083145%
Municipality's proportionate share of net pension liability (asset)	\$ (368)	\$ (900)	\$ (195)	\$ (760)	\$ 31,426	\$ (35,264)
Municipality's covered-employee payroll	\$ 171,795	\$ 166,915	\$ 149,011	\$ 157,352	\$ 164,797	\$ 143,273
Municipality's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	0.21%	0.54%	0.13%	0.48%	19.07%	24.61%
Plan fiduciary net position as a percentage of the total pension liability (asset)	100.04%	100.09%	100.02%	100.10%	96.89%	104.10%

* The amounts presented were determined as of the measurement date of the collective net pension liability (asset) which is 06/30 of previous fiscal year.

SUPPLEMENTARY INFORMATION
 SCHEDULE OF THE MUNICIPALITY CONTRIBUTIONS

South Dakota Retirement System

Last Six Years

	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 11,758	\$ 11,091	\$ 10,633	\$ 10,132	\$ 10,619	\$ 10,110
Contributions in relation to the contractually required contribution	\$ 11,758	\$ 11,091	\$ 10,633	\$ 10,132	\$ 10,619	\$ 10,110
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Municipality's covered-employee payroll	\$ 181,077	\$ 170,951	\$ 151,917	\$ 155,751	\$ 164,273	\$ 156,923
Contributions as a percentage of covered-employee payroll	6.49%	6.49%	7.00%	6.51%	6.46%	6.44%

**Notes to Supplementary Information
for the Year Ended December 31, 2020**

Schedule of the Proportionate Share of the Net Pension Liability (Asset) and
Schedule of Pension Contributions.

Changes from Prior Valuation

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

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

Benefit Provision Changes

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

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

Actuarial Assumption Changes

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

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

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

Actuarial Method Changes

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

SUPPLEMENTARY INFORMATION

SCHEDULE OF LONG-TERM DEBT

A summary of changes in long-term debt follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Primary Government:					
Governmental Activities:					
Bonds Payable:					
G.O. Borrower Bond, Series 2013	1,071,943.82		54,406.47	1,017,537.35	28,547.34
Total Governmental Activities	<u>1,071,943.82</u>	<u>0.00</u>	<u>54,406.47</u>	<u>1,017,537.35</u>	<u>28,547.34</u>
Business-Type Activities:					
Bonds Payable:					
Sewer Project Revenue Bonds, Series 2014	1,000,144.40		37,003.97	963,140.43	19,283.79
SRF Clean Water Revenue Bonds, Series 2010	141,303.77		17,511.96	123,791.81	9,156.46
SRF Drinking Water Revenue Borrower Bond, Series 2012	37,421.28		37,421.28	0.00	0.00
Total Business-Type Activities	<u>1,178,869.45</u>	<u>0.00</u>	<u>91,937.21</u>	<u>1,086,932.24</u>	<u>28,440.25</u>
TOTAL PRIMARY GOVERNMENT	<u>2,250,813.27</u>	<u>0.00</u>	<u>146,343.68</u>	<u>2,104,469.59</u>	<u>56,987.59</u>

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

General Obligation Bonds:

 General Obligation Borrower Bond, Series 2013
 Interest Rate at 3.25%; Maturity Date of June 15, 2045;
 Paid by Debt Service Fund

\$ 1,017,537.35

Revenue Bonds:

 SRF Clean Water Revenue Bonds - Series 2010;
 Interest Rate at 3.0%; Maturity Date of April 15, 2032;
 Paid by Sewer Fund

\$ 123,791.81

 Rural Development Sewer Project Revenue
 Bond Series 2014
 Interest Rate: 1.85% Maturity Date of August 9, 2056
 Paid by Sewer Fund

\$ 963,140.43

SUPPLEMENTARY INFORMATION
(Continued)

The annual requirements to amortize all debt outstanding as of December 31, 2020, including interest payments of \$832,610.33, are as follows:

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

Year Ending Dec. 31,	General Obligation Borrower Bond Series 2013		SRF Clean Water Revenue Bond Series 2010	
	Principal	Interest	Principal	Interest
2021	28,547.34	32,839.90	9,156.46	3,611.38
2022	29,482.67	31,904.57	9,434.25	3,333.59
2023	30,448.64	30,938.60	9,720.48	3,047.36
2024	31,446.26	29,940.98	10,015.40	2,752.44
2025	32,476.57	28,910.67	10,319.25	2,448.59
2026-2030	179,058.44	127,877.76	56,486.78	7,352.42
2031-2035	210,378.04	96,558.16	18,659.19	492.57
2036-2040	247,175.82	59,760.38		
2041-2045	228,523.57	17,025.39		
2046-2050				
2051-2055				
2056-2060				
Totals	<u>1,017,537.35</u>	<u>455,756.41</u>	<u>123,791.81</u>	<u>23,038.35</u>

Year Ending Dec. 31,	RD Sewer Project Revenue Bond Series 2014		TOTALS	
	Principal	Interest	Principal	Interest
2021	19,283.79	17,640.21	56,987.59	54,091.49
2022	19,643.60	17,280.40	58,560.52	52,518.56
2023	20,010.11	16,913.89	60,179.23	50,899.85
2024	20,383.46	16,540.54	61,845.12	49,233.96
2025	20,763.75	16,160.25	63,559.57	47,519.51
2026-2030	109,776.41	74,843.59	345,321.63	210,073.77
2031-2035	120,406.65	64,213.35	349,443.88	161,264.08
2036-2040	132,066.21	52,553.79	379,242.03	112,314.17
2041-2045	144,854.84	39,765.16	373,378.41	56,790.55
2046-2050	158,881.83	25,738.17	158,881.83	25,738.17
2051-2055	174,267.15	10,352.85	174,267.15	10,352.85
2056-2060	22,802.63	1,813.37	22,802.63	1,813.37
Totals	<u>963,140.43</u>	<u>353,815.57</u>	<u>2,104,469.59</u>	<u>832,610.33</u>