

Municipality of Oacoma, SD

**Independent Auditor's Report
and Financial Statements**

**For The Year Ended
December 31, 2020**

Municipality of Oacoma

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

To the Board of Trustees
Municipality of Oacoma, South Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the modified cash basis of accounting financial statements of the governmental activities, the business-type activities and each major fund of the Municipality, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Municipality's basic financial statements, and have issued our report thereon dated October 4, 2021.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that may have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of current audit findings that we consider to be significant deficiencies; see finding 2020-01.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Municipality's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, noncompliance with which could have a direct and material effect on the financial statement. 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 of Oacoma, SD's Response to Findings

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

Purpose of this Report

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

A handwritten signature in black ink that reads "CIO Prof LLC". The signature is written in a cursive, somewhat stylized font.

Chamberlain, South Dakota
October 4, 2021

Municipality of Oacoma, SD
Schedule of Prior and Current Year Audit Findings
December 31, 2020

Schedule of Prior Audit Findings

Finding No. 2019-01 – Lack of segregation of duties (internal control)

A significant deficiency in the internal controls was noted due to a lack of segregation of duties for revenue procedures resulting in decreased reliability of reported financial data and increased potential for the loss of public assets. This comment has not been corrected and is restated under current audit finding number 2020-01.

Schedule of Current Audit Findings

Finding No. 2020-01 – Lack of segregation of duties (internal control)

Criteria: A good system of internal control contemplates an adequate segregation of duties so that no one individual handles a transaction from its inception to its completion.

Condition: The small size of the Municipality indicates a significant deficiency in internal controls for lack of segregation of duties for revenue procedures.

Potential Effect: There is an increased likelihood that fraud or errors could occur and not be detected in a timely manner by employees or others in the ordinary course of performing their duties.

Cause: The finance officer processes all revenue transactions from beginning to end as well as receives money, issues receipts, posts receipts in the accounting records, prepares bank deposits, reconciles bank statements, and prepares financial statements.

Recommendation: Municipality 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.

Client Response: The Municipality agrees with this finding and is willing to accept the risk. Due to the small size of the Municipality, it is not cost beneficial to employ additional personnel to adequately segregate the duties above. The Municipality will continue to regularly provide compensating controls processes.



Independent Auditor's Report

To the Board of Trustees
Municipality of Oacoma, South Dakota

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 Oacoma, South Dakota, as of and for the year ended December 31, 2020, 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

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 also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, the business-type activities, and each major fund of Municipality of Oacoma as of December 31, 2020, and the respective changes in modified cash basis financial position and, where applicable, cash flows thereof for the year 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 opinions are 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 Management's Discussion and Analysis, Budgetary Comparison Schedules, Schedule of Changes in Long-Term Debt, Schedule of Changes in Capital Assets, Schedule of Municipal Contributions, Schedule of the Municipality's Proportionate Share of the Net Pension Liability (Asset), Depository Disclosure, and Municipal Officials, which is the responsibility of management, listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements.

Such information, except for the Management Discussion and Analysis, Schedule of Changes in Capital Assets and Municipal Officials, was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. That 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 procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, that information is fairly stated in all material respects in relation to the financial statements as a whole.

The Management Discussion and Analysis, Schedule of Changes in Capital Assets and Municipal Officials has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 4, 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 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.



Chamberlain, South Dakota
October 4, 2021

Municipality of Oacoma, SD
Management's Discussion and Analysis
December 31, 2020

Our discussion and analysis of the Municipality of Oacoma's financial performance provides an overview of Oacoma's financial activities for the fiscal year ended December 31, 2020, within the limitations of the town's modified cash basis of accounting. Please read it in conjunction with Oacoma's financial statements that begin on page 14.

Financial Highlights

- The general fund's total revenues exceeded total expenses, on the modified cash basis of accounting, by \$53,734 for the year.
- The General Fund ended the year with a fund balance of \$1,622,111, which represents a 3.43 percent increase from the previous year's ending fund balance 1,568,377.
- The Liquor, Lodging and Dining 1% Gross Receipts (BBB) Tax Fund ended the year with a fund balance of \$308,837, which represents a 0 percent change from the previous year's ending fund balance of 308,851.
- The Business Improvement District Fund ended the year with a fund balance of \$80,207, which represents a 6.27 percent increase from the previous year's ending fund balance of 75,476.
- The Water and Sewer Funds ended the year with fund balances of \$485,449 and \$743,601, respectively. Water Fund expenses exceeded revenues by \$25,594, representing a 5.01 percent decrease from the previous year's ending Water Fund balance of \$511,043. Sewer Fund revenues exceeded expenses by \$29,757 representing a 4.17 percent increase from the previous year's ending Sewer Fund balance of 713,844.

Using This Annual Report

This annual report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to Oacoma's modified cash basis of accounting.

Report Components

This annual report consists of four parts as follows:

Government-Wide Financial Statements: The Statement of Net Position and the Statement of Activities provide information about the activities of the Municipality using a government-wide focus (or "as a whole").

Fund Financial Statements: Fund financial statements focus on the individual parts of Municipal government. Fund financial statements also report the Municipality's operations in more detail than the government-wide statements by providing information about the Municipality's most significant ("major") funds. For *governmental activities*, these statements tell how these services were financed in the short term as well as what remains for future spending. For *proprietary activities*, these statements offer financial information about the activities Oacoma operates like businesses, such as water and sewer services.

Municipality of Oacoma, SD
Management's Discussion and Analysis
December 31, 2020

Notes to the Financial Statements: The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

Supplementary Information: This Management's Discussion and Analysis and the Budgetary Comparison Schedules represent financial information that may be presented. Such information provides users of this report with additional data that supplements the government-wide statements, fund financial statements, and notes (referred to as "the basic financial statement").

Basis of Accounting

The Municipality has elected to present its financial statements on a modified cash basis of accounting. This modified cash basis of accounting is a basis of accounting other than generally accepted accounting principles. Basis of accounting is a reference to when financial events are recorded, such as the timing for recognizing revenues, expenses, and their related assets and liabilities. Under the Municipality's modified cash basis of accounting, revenues and expenses and related assets are recorded when they result from cash transactions, except for the recording of investments.

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 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. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the modified cash basis of accounting.

Reporting the Municipality as a Whole

The Municipality's Reporting Entity Presentation

This annual report includes all activities for which the Oacoma Town Board of Trustees is fiscally responsible. These activities, defined as the Municipality's reporting entity, may be operated within separate legal entities that make up the primary government and could include separate legal entities included as a component unit(s).

The primary government includes the following legal entity:

- The Municipality of Oacoma, SD

The Municipality of Oacoma has no component units to present in this report.

The Government-Wide Statement of Net Position and the Statement of Activities

The government-wide financial statements are presented on pages 14 and 15. One of the most important questions asked about the Municipality's finances is, "Is the Municipality as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the Municipality as a whole and about its activities in a way that helps answer this question. These statements include all of the Municipality's assets resulting from the use of the modified cash basis of accounting.

Municipality of Oacoma, SD
Management's Discussion and Analysis
December 31, 2020

These two statements report the Municipality's net position and changes in them. Keeping in mind the limitations of the modified cash basis of accounting, you can think of the Municipality's net position as one way to measure the Municipality's financial health or financial position. Over time, increases or decreases in the Municipality's net position are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the Municipality's sales tax base and the condition of the Municipality's roads, to assess the overall health of the Municipality.

In the Statement of Net Position and the Statement of Activities, we divide the Municipality into two kinds of activities:

Governmental activities: Most of the Municipality's basic services are reported here, including general government, public safety, streets, parks, promotion and development. In general, sales taxes, property taxes and state and federal grants finance most of these activities.

Business-type activities: The Municipality charges a fee to customers to help it cover all or most of the cost of certain services it provides. The Municipality's water and sewer systems are reported here.

Reporting the Municipality's Most Significant Funds

The Fund Financial Statements

The fund financial statements are presented on pages 15 to 20 and provide detailed information about the most significant funds-not the Municipality as a whole. Some funds are required to be established by State law and by bond covenants. However, the municipal governing body establishes certain other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. The Municipality has two kinds of funds - *governmental and proprietary*.

Governmental Funds - Most of the Municipality's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds report the acquisition of capital assets and payments for debt principal as expenditures and not as changes to asset and debt balances. The governmental fund statements provide a detailed short-term view of the Municipality's general government operations and the basic services it provides. Governmental fund information helps you determine (through a review of changes to fund balance) whether there are more or fewer financial resources that can be spent in the near future to finance the Municipality's programs. The Municipality considers the General Fund, Liquor, Lodging and Dining 1% Gross Receipts (BBB) Tax Fund, and the BID District Fund to be its significant or major governmental funds. The Municipality currently maintains no other funds which may be classified as non-major funds for reporting purposes.

Proprietary Funds - When the Municipality charges customers for the services it provides, these services are generally reported in proprietary funds. The Municipality's proprietary (enterprise) fund financial statements are essentially the same as the business-type activities we report in the government-wide statements, but the fund statements provide more detail and additional information.

Municipality of Oacoma, SD
Management's Discussion and Analysis
December 31, 2020

The Municipality currently has no fiduciary funds. *Fiduciary funds* are often used to account for assets that are held in a trustee or fiduciary capacity such as pension plan assets, assets held per trust agreements, and similar arrangements.

A Financial Analysis of the Municipality as a Whole

Net Position - Modified Cash Basis

The Municipality's combined net position, resulting from modified cash basis transactions, increased from approximately \$3.18 million to \$3.24 million, or 1.97 percent, between fiscal years 2019 and 2020. Looking at the net position and net expense of governmental and business-type activities separately, governmental activities increased by \$58,451 while business-type activities increased by \$4,163.

	<u>Governmental Activities 2019</u>	<u>Governmental Activities 2020</u>	<u>Business-Type Activities 2019</u>	<u>Business-Type Activities 2020</u>	<u>Total 2019</u>	<u>Total 2020</u>
Cash and Cash Equivalents	\$ 1,952,704	\$ 2,011,155	\$ 1,224,887	\$ 1,229,050	\$ 3,177,591	\$ 3,240,205
Total Assets	<u>\$ 1,952,704</u>	<u>\$ 2,011,155</u>	<u>\$ 1,224,887</u>	<u>\$ 1,229,050</u>	<u>\$ 3,177,591</u>	<u>\$ 3,240,205</u>
Net Position						
Restricted	\$ 384,327	\$ 389,044	\$ --	\$ --	\$ 384,327	\$ 389,044
Unrestricted	<u>1,568,377</u>	<u>1,622,111</u>	<u>1,224,887</u>	<u>1,229,050</u>	<u>2,793,264</u>	<u>2,851,161</u>
Total Net Position	<u>\$ 1,952,704</u>	<u>\$ 2,011,155</u>	<u>\$ 1,224,887</u>	<u>\$ 1,229,050</u>	<u>\$ 3,177,591</u>	<u>\$ 3,240,205</u>

Net position of the Municipality's governmental activities increased 2.99 percent from approximately \$1.95 million to \$2.01 million. However, \$0.39 million or 19.34 percent of the Municipality's total governmental net position is restricted as to the purpose it can be used for. The entire restricted net position is restricted by state statute for promotional purposes. Unrestricted net position totaled \$1,622,111 at year-end or 80.66 percent of the Municipality's total governmental net position.

Net position of the Municipality's business-type activities increased 0.34 percent from approximately \$1.22 million to \$1.23 million. None of the Municipality's total business-type net position is restricted as to the purposes for which it can be used.

Municipality of Oacoma, SD
Management's Discussion and Analysis
December 31, 2020

Changes in Net Position-Modified Cash Basis

For the year ended December 31, 2020, net position of the primary government (resulting from modified cash basis transactions) changed as follows:

	Governmental Activities 2019	Governmental Activities 2020	Business- Type Activities 2019	Business- Type Activities 2020	Total 2019	Total 2020
Revenues						
Program revenues						
Charges for services	\$ 24,968	14,724	\$ 301,123	\$ 300,819	\$ 326,091	\$ 315,543
Operating grants and contributions	24,168	54,424	--	1,005	24,168	55,429
Capital grants and contributions	268,893	149,883	--	--	268,893	149,883
General revenues						
Property tax	94,440	100,304	--	--	94,440	100,304
Sales tax	550,387	535,395	--	--	550,387	535,395
State shared revenues	3,380	3,837	--	--	3,380	3,837
Investment income	7,194	6,777	--	--	7,194	6,777
Miscellaneous	59,632	3,000	--	--	59,632	3,000
Total Revenues	1,033,062	868,344	301,123	301,824	1,334,185	1,170,168
Expenses						
General government	94,273	100,223	--	--	94,273	100,223
Public safety	41,706	48,819	--	--	41,706	48,819
Public works	123,948	100,471	--	--	123,948	100,471
Health and welfare	18,805	24,295	--	--	18,805	24,295
Culture and recreation	133,259	335,502	--	--	133,259	335,502
Conservation and development	77,975	102,268	--	--	77,975	102,268
Debt service	177,000	88,315	--	--	177,000	88,315
Water	--	--	148,830	196,371	148,830	196,371
Sewer	--	--	64,433	111,290	64,433	111,290
Total expenses	666,966	799,893	213,263	307,661	880,229	1,107,554
Excess before transfers	366,096	68,451	87,860	(5,837)	453,956	62,614
Transfers	(10,000)	(10,000)	10,000	10,000	--	--
Increase (decrease) in net position	\$ 356,096	\$ 58,451	\$ 97,860	\$ 4,163	\$ 453,956	\$ 62,614
Ending Net Position	\$ 1,952,704	\$ 2,011,155	\$ 1,224,887	\$ 1,229,050	\$ 3,177,591	\$ 3,240,205

Utility rate increases were approved in August 2019 and became effective with the January 2020 billing cycle. Prior to this action, the last utility rate increases were implemented in January 2019, 2018, 2017, 2016, 2015, 2014, 2013, 2012, 2011, 2010 and 2005.

Municipality of Oacoma, SD
Management's Discussion and Analysis
December 31, 2020

Governmental Activities

To aid in the understanding of the Statement of Activities, some additional explanation is given. Of particular interest is the format that is significantly different from a typical Statement of Revenue, Expenses, and Changes in Fund Balance. You will notice that expenses are listed in the first column, with revenues from that particular program reported to the right. The result is a Net (Expense)/Revenue. This type of format highlights the relative financial burden of each of the functions on the Municipality's taxpayers. It also identifies how much each function draws from the general revenues or if it is self-financing through fees and grants or contributions. All other governmental revenues are reported as general. It is important to note that all taxes are classified as general revenue, even if restricted for a specific purpose.

For the year ended December 31, 2020, total expenses for governmental activities, resulting from modified cash basis transactions, amounted to \$799,893. Of these total expenses, taxpayers and other general revenues funded \$649,313, while those directly benefiting from the program funded \$149,883 from grants and other contributions and \$69,149 from charges for services.

	(Exhibit II, Column 1)		(Exhibit II, Column 5)	
	Total Cost of Services		Net Cost of Services	
	2019	2020	2019	2020
General government	\$ 94,273	\$ 100,223	\$ (70,420)	\$ 3,123
Public safety	41,706	48,819	41,609	48,801
Public works	123,948	100,471	100,743	76,729
Health and welfare	18,805	24,295	18,805	24,295
Culture and recreation	133,259	335,502	128,709	237,331
Conservation and development	77,975	102,268	77,975	102,268
Miscellaneous	--	--	(125,483)	--
Debt service	177,000	88,315	177,000	88,315
Total	\$ 666,966	\$ 799,893	\$ 348,938	\$ 580,862

Business-Type Activities

In reviewing the business-type activities' net (expense)/revenue resulting from modified cash basis transactions, there are certain activities that need to be examined more closely. The water service activities reported net losses of \$35,595 and sewer service activities reported net revenues of \$29,757.

Significant or non-recurring expenses incurred during 2020 in the water fund included costs totaling \$25,100 to inspect and extend water intake lines and \$6,232 to repair the Water Treatment Plant roof caused by hail damage.

Significant or non-recurring expenses incurred during 2020 in the sewer fund included \$28,000 for purchase of a used Solar Bee 10000 v20 lagoon mixer.

Municipality of Oacoma, SD
Management's Discussion and Analysis
December 31, 2020

A Financial Analysis Of The Municipality's Funds

On the modified cash basis of accounting, certain funds experienced noteworthy changes from the prior year and are highlighted as follows:

- The General Fund reported revenues of \$613,311, expenditures of \$609,310, net transfers of \$10,000, and insurance loss proceeds of \$59,733 resulting in an overall increase of \$59,734 in the fund balance.
- The Liquor, Lodging and Dining Gross Receipts (BBB) Tax Fund reported revenues of \$92,996, expenditures of \$84,310 and net transfers out totaling \$8,700 to the BID District Fund for debt service, resulting in an overall decrease of \$14 in the fund balance.
- The BID District Fund reported revenues of \$102,304, expenditures of \$106,273 and net transfers in totaling \$8,700 from the Liquor, Lodging and Dining Gross Receipts (BBB) Tax Fund resulting in an overall increase of \$4,731 in the fund balance.

General Fund Budgetary Highlights

The Oacoma Town Board of Trustees made three revisions to the General Fund budget throughout the year. A General Fund transfer of \$12,500 from Contingency increased the Health and Welfare and Public Safety department budgets by \$4,500 and \$8,000, respectively. A grant from the Barger Foundation provided an automatic General Fund budget supplement of \$3,000 for Participant Recreation benefiting the Chamberlain-Oacoma Gun Club. Federal grant proceeds from the Coronavirus Relief Fund authorized by the CARES Act provided the following automatic budget supplements:

General Fund		
Governing Board, supplies	\$	1,450
Finance, supplies		1,406
Street, supplies		503
Community Center, supplies		1,365
Community Center, equipment		2,089
Sewer Fund		
Sewer, supplies		503
Water Fund		
Water, supplies	\$	503

For the year ended December 31, 2020, General Fund expenditures were \$303,734 below final appropriations, while actual resources available for appropriation were \$10,745 above the final budgeted amount.

Long-Term Debt

Oacoma's only long-term debt obligation was paid in full in 2020. The municipality has no long-term debt for the year ended December 31, 2020.

Municipality of Oacoma, SD
Management's Discussion and Analysis
December 31, 2020

Economic Factors And Next Year's Budget And Rates

For the upcoming fiscal year ending December 31, 2020, the Municipality's budget is fairly consistent with this year.

Contacting The Municipality's Financial Management

This report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the Municipality's finances and to demonstrate the Municipality's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Oacoma City Finance Office at 100 E 3rd Street, Oacoma, SD 57365 or telephone at (605) 734-4455.

Municipality of Oacoma, SD
Statement of Net Position – Modified Cash Basis
December 31, 2020

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets:			
Cash and cash equivalents	\$ 2,011,155	\$ 1,229,050	\$ 3,240,205
Total Assets	\$ 2,011,155	\$ 1,229,050	\$ 3,240,205
Net Position:			
Restricted for:			
Promotion of municipality	389,044	--	389,044
Unrestricted	1,622,111	1,229,050	2,851,161
Total Net Position	\$ 2,011,155	\$ 1,229,050	\$ 3,240,205

The accompanying Notes to Financial Statements are an integral part of this statement.

Municipality of Oacoma, SD
Statement of Activities – Modified Cash Basis
For the Year Ended December 31, 2020

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
Primary Government:							
Governmental Activities:							
General government	\$ 100,223	\$ 6,703	\$ 30,664	\$ 59,733	\$ (3,123)	\$ --	\$ (3,123)
Public safety	48,819	--	18	--	(48,801)	--	(48,801)
Public works	100,471	--	23,742	--	(76,729)	--	(76,729)
Health and welfare	24,295	--	--	--	(24,295)	--	(24,295)
Culture and recreation	335,502	8,021	--	90,150	(237,331)	--	(237,331)
Conservation and development	102,268	--	--	--	(102,268)	--	(102,268)
Debt service	88,315	--	--	--	(88,315)	--	(88,315)
Total Governmental Activities	799,893	14,724	54,424	\$ 149,883	(580,862)	--	(580,862)
Business-Type Activities:							
Water	196,371	160,274	503	--	--	(35,594)	(35,594)
Sewer	111,290	140,544	503	--	--	29,757	29,757
Total Business-Type Activities	307,661	300,818	1,006	--	--	(5,837)	(5,837)
Total Primary Government	\$ 1,107,554	\$ 315,542	\$ 55,430	\$ 149,883	\$ (580,862)	\$ (5,837)	\$ (586,699)
General Revenues:							
Taxes:							
Property tax					100,304	--	100,304
Sales tax					535,395	--	535,395
State shared revenues					3,837	--	3,837
Unrestricted investment earnings					6,777	--	6,777
Miscellaneous revenue					3,000	--	3,000
Transfers					(10,000)	10,000	--
Total General Revenues and Transfers					639,313	10,000	649,313
Change in Net Position					58,451	4,163	62,614
Net Position-Beginning of Year					1,952,704	1,224,887	3,177,591
Net Position-Ending of Year					\$ 2,011,155	\$ 1,229,050	\$ 3,240,205

The accompanying Notes to Financial Statements are an integral part of this statement.

Municipality of Oacoma, SD
 Balance Sheet – Modified Cash Basis - Governmental Funds
 December 31, 2020

	<u>General Fund</u>	<u>1% Gross Receipt (BBB) Tax Fund</u>	<u>Business Improvement District Fund</u>	<u>Total Governmental Funds</u>
Assets				
Cash and cash equivalents	\$ 1,622,111	\$ 308,837	\$ 80,207	\$ 2,011,155
Total Assets	<u>\$ 1,622,111</u>	<u>\$ 308,837</u>	<u>\$ 80,207</u>	<u>\$ 2,011,155</u>
Fund Balances				
Restricted for:				
Promotion of municipality	--	308,837	\$ 80,207	389,044
Assigned to:				
Subsequent year's budget	20,088	--	--	20,088
Unassigned	<u>1,602,023</u>	<u>--</u>	<u>--</u>	<u>1,602,023</u>
Total Fund Balances	<u>\$ 1,622,111</u>	<u>\$ 308,837</u>	<u>\$ 80,207</u>	<u>\$ 2,011,155</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

Municipality of Oacoma, SD

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

	General Fund	1% Gross Receipt (BBB) Tax Fund	Business Improvement District Fund	Total Governmental Funds
Revenues:				
Taxes:				
General property taxes	\$ 87,788			87,788
General sales and use taxes	442,399	92,996		535,395
Gross Receipts and Business Taxes			12,152	12,152
Amusement taxes	24			24
Penalties and interest on delinquent taxes	340			340
Licenses and permits	6,703			6,703
Intergovernmental:				
Federal grants	29,784			29,784
State grants	880			880
State shared revenue:				
Bank franchise tax	715			715
Prorate license fees	3,161			3,161
Liquor tax reversion (25%)	3,122			3,122
Motor vehicle licenses (5%)	11,060			11,060
Local government highway and bridge fund	8,968			8,968
911 Remittances	18			18
County shared revenue:				
County road tax (25%)	553			553
Charges for goods and services				
Culture and recreation	675			675
Other	7,346			7,346
Investment income	6,775		2	6,777
Fines and forfeits	--		90,150	90,150
Miscellaneous	3,000	--	--	3,000
Total Revenue	613,311	92,996	102,304	808,611
Expenditures:				
Current:				
General government:				
Legislative	28,387			28,387
Financial administration	71,836			71,836
Public safety:				
Police	42,775			42,775
Fire	5,000			5,000
Civil defense	1,044			1,044
Public works:				
Highways and streets	98,387			98,387
Cemeteries	2,084			2,084
Health and welfare:				
Health	1,311			1,311
Home health	5,000			5,000
Ambulance	17,984			17,984
Culture and recreation:				
Recreation	5,500			5,500
Parks	9,571			9,571
Libraries	18,000			18,000
Auditorium	302,431			302,431
Conservation and development:				
Economic development and assistance (industrial development)	--	84,310	17,958	102,268
Debt service	--		88,315	88,315
Total Expenditures	609,310	84,310	106,273	799,893

The accompanying Notes to Financial Statements are an integral part of this statement.

Municipality of Oacoma, SD

Statement of Revenues, Expenditures and Changes in Fund Balances – Modified Cash Basis - Governmental Funds
For the Year Ended December 31, 2020 (Continued)

	General Fund	1% Gross Receipt (BBB) Tax Fund	Business Improvement District Fund	Total Governmental Funds
Excess (Deficiency) of Revenues Over Expenditures	4,001	8,686	(3,969)	8,718
Other Financing Sources (Uses):				
Transfers in	--		8,700	8,700
Transfers out	(10,000)	(8,700)		(18,700)
Compensation for loss or damage to capital assets	59,733			59,733
Total Other Financing Sources (Uses)	49,733	(8,700)	8,700	49,733
Net Change in Fund Balance	53,734	(14)	4,731	58,451
Fund Balances - Beginning of Year	1,568,377	308,851	75,476	1,952,704
Fund Balances - Ending of Year	\$ 1,622,111	\$ 308,837	\$ 80,207	\$ 2,011,155

The accompanying Notes to Financial Statements are an integral part of this statement.

Municipality of Oacoma, SD
Statement of Net Position – Modified Cash Basis - Proprietary Funds
December 31, 2020

	Enterprise Funds		Totals
	Water Fund	Sewer Fund	
Assets			
Current Assets:			
Cash and cash equivalents	\$ 485,449	\$ 743,601	\$ 1,229,050
Total current assets	485,449	743,601	1,229,050
Total Assets	\$ 485,449	\$ 743,601	\$ 1,229,050
Net Position			
Unrestricted Net Position	\$ 485,449	\$ 743,601	\$ 1,229,050
Total Net Position	\$ 485,449	\$ 743,601	\$ 1,229,050

The accompanying Notes to Financial Statements are an integral part of this statement.

Municipality of Oacoma, SD

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

	<u>Enterprise Funds</u>		
	<u>Water</u>	<u>Sewer</u>	
	<u>Fund</u>	<u>Fund</u>	<u>Totals</u>
Operating Revenues:			
Charges for goods and services	\$ 160,274	\$ 140,544	\$ 300,818
Operating Expenses:			
Personal services	84,513	44,314	128,827
Other current expense	90,264	38,976	129,240
Materials	21,594	--	21,594
Capital assets	--	--	--
Total Operating Expenses	<u>196,371</u>	<u>83,290</u>	<u>279,661</u>
Operating Income (Loss)	<u>(36,097)</u>	<u>57,254</u>	<u>21,157</u>
Nonoperating Revenues (Expenses):			
Operating Grant	503	503	1,006
Capital Assets	--	(28,000)	(28,000)
Total Nonoperating Revenue	<u>503</u>	<u>(27,497)</u>	<u>(26,994)</u>
Net Income (Loss) Before Transfers	(35,594)	29,757	(5,837)
Transfers in	10,000		10,000
Change in Net Position	(25,594)	29,757	4,163
Total Net position - Beginning of Year	<u>511,043</u>	<u>713,844</u>	<u>1,224,887</u>
Total Net Position - Ending of Year	<u>\$ 485,449</u>	<u>\$ 743,601</u>	<u>\$ 1,229,050</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

Municipality of Oacoma, SD
Statement of Cash Flows – Modified Cash Basis - Proprietary Funds
For the Year Ended December 31, 2020

	Enterprise Funds		Totals
	Water Fund	Sewer Fund	
Cash Flows from Operating Activities:			
Receipt from customers	\$ 160,274	\$ 140,544	\$ 300,818
Payments to suppliers	(111,858)	(38,976)	(150,834)
Payments to employees	(84,513)	(44,314)	(128,827)
Net Cash Provided by Operating Activities	<u>(36,097)</u>	<u>57,254</u>	<u>21,157</u>
Cash Flows from Noncapital Financing Activities:			
Operating Subsidies	503	503	1,006
Transfers in	10,000	--	10,000
Net Cash Provided by Noncapital Financing Activities	<u>10,503</u>	<u>503</u>	<u>11,006</u>
Cash Flows from Capital and Related Financing Activities:			
Purchase of capital assets	--	(28,000)	(28,000)
Net Cash (Used) by Capital and Related Financing Activities:	<u>--</u>	<u>(28,000)</u>	<u>(28,000)</u>
Net Increase in Cash and Cash Equivalents	\$ (25,594)	\$ 29,757	\$ 4,163
Cash and Cash Equivalents-Beginning of Year	<u>511,043</u>	<u>713,844</u>	<u>1,224,887</u>
Cash and Cash Equivalents-End of Year	<u>\$ 485,449</u>	<u>\$ 743,601</u>	<u>\$ 1,229,050</u>
Reconciliation of Operating Inome to Net Cash Provided by Operating Activities:			
Operating Income	<u>\$ (36,097)</u>	<u>\$ 57,254</u>	<u>\$ 21,157</u>
Net Cash Provided by Operating Activities	<u>\$ (36,097)</u>	<u>\$ 57,254</u>	<u>\$ 21,157</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

Municipality of Oacoma, SD
Notes to Basic Financial Statements – Modified Cash Basis
December 31, 2020

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 Oacoma, (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.

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

The Municipality participates in cooperative units. See detailed note entitled "Joint Ventures" for specific disclosures. Joint ventures do not meet the criteria for inclusion in the financial reporting entity as a component unit but are discussed in these notes because of their relationship with the Municipality.

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. 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.

Municipality of Oacoma, SD
Notes to Basic Financial Statements – Modified Cash Basis
December 31, 2020

1. Summary of Significant Accounting Policies: (Continued)

Fund Financial Statements:

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

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

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

Governmental Funds:

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

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

Liquor, Lodging and Dining Gross Receipts Tax Fund – to account for collection of a one percent tax on the gross receipts of lodgings, alcoholic beverages, prepared food and admissions which tax shall be used for the purpose of land acquisition, architectural fees, construction costs, payments for civic center, auditorium or athletic facility buildings, including the maintenance, staffing, and operation of such facilities and the promotion and advertising of the Municipality (SDCL 10-52A-2). This fund may be established at the direction of the governing body through local ordinance. This is a major fund.

Business Improvement District (BID) Fund – to account for a special occupation tax for the financing of business improvement district projects as allowed in (SDCL 9-55-2). This is a major fund.

Municipality of Oacoma, SD
Notes to Basic Financial Statements – Modified Cash Basis
December 31, 2020

1. Summary of Significant Accounting Policies: (Continued)

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

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; or
- c. The pricing policies of the activity establish fees and or 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.

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.

Municipality of Oacoma, SD
Notes to Basic Financial Statements – Modified Cash Basis
December 31, 2020

1. Summary of Significant Accounting Policies: (Continued)

Measurement Focus:

Government-Wide Financial Statements:

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

Fund Financial Statements:

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

Basis of Accounting:

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

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

- Recording long-term investments (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.

Municipality of Oacoma, SD
Notes to Basic Financial Statements – Modified Cash Basis
December 31, 2020

1. Summary of Significant Accounting Policies: (Continued)

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 of date of acquisition of three months or less. Investments in open-end mutual fund shares, or similar investments in external investment pools, are also considered to be cash equivalents.

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

e. Capital Assets:

Under the modified cash basis of accounting, capital assets are recorded when they result from cash transactions, and are depreciated, where appropriate. The accounting treatment for property, plant and equipment (capital assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Government-Wide Financial Statements:

Under the modified cash basis of accounting, capital assets are considered a cost of the program for which they were acquired, for the amount paid in cash. In the Statement of Activities, cash payments for capital assets are recorded in the program category for which they were acquired. Allocations between programs are made, where necessary to match the cost with the program that benefits from the use of the capital assets.

Fund Financial Statements:

In the fund financial statements, capital assets arising from cash transactions acquired for use in governmental fund operations are accounted for as expenditures of the governmental fund when paid for in cash. Capital assets acquired for use in proprietary fund operations are accounted for in the same manner as in the government-wide financial statements.

f. Long-Term Liabilities:

Long-term liabilities include, but are not limited to, General Obligation Bonds, Revenue Bonds, Certificates of Participation, Financing (Capital Acquisition) Leases and Compensated Absences.

Municipality of Oacoma, SD
Notes to Basic Financial Statements – Modified Cash Basis
December 31, 2020

1. Summary of Significant Accounting Policies: (Continued)

As discussed in Note 1c. above, the government-wide Statement of Net Position and Statement of Activities and the fund financial statements and governmental and business-type activities 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 and on the Statement of Activities.

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

g. Program Revenues:

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

- a. 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.
- b. 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.
- c. 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 a Statement of Cash Flows. That is, transactions for which related cash flows are reported as capital and related financing activities, noncapital financing activities, or investing activities are not reported as components of operating revenues or expenses.

i. Cash and Cash Equivalents:

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

Municipality of Oacoma, SD
Notes to Basic Financial Statements – Modified Cash Basis
December 31, 2020

1. Summary of Significant Accounting Policies: (Continued)

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

Fund Financial Statements:

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

k. 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.

l. 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:

Non-spendable – 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 of specific purposes that are internally imposed by the government through formal action of the highest level of decision-making authority and does not lapse at year-end.

Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted nor committed. Fund Balance may be assigned by the governing body or Finance Officer.

Municipality of Oacoma, SD
Notes to Basic Financial Statements – Modified Cash Basis
December 31, 2020

1. Summary of Significant Accounting Policies: (Continued)

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

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

2. Deposits and Investments Credit Risk, Concentrations of Credit Risk and Interest Rate Risk:

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

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

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

As of December 31, 2020 the Municipality did not have any investments.

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.

Custodial Credit Risk – The risk that, in the event of a depository failure, the Municipality’s deposits may not be returned to it. The Municipality does not have a deposit policy for custodial credit risk.

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

Municipality of Oacoma, SD
Notes to Basic Financial Statements – Modified Cash Basis
December 31, 2020

2. Deposits and Investments Credit Risk, Concentrations of Credit Risk and Interest Rate Risk: (Continued)

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

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

4. Interfund Transfers:

From the General Fund to the Water Fund	\$ 10,000
From the 1% Gross Receipts (BBB) Tax Fund to the Business Improvement District Fund to supplement other fund's sources (Debt Service)	8,700
Total transfers	<u>\$ 18,700</u>

5. 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 South Dakota Codified Law 3-12. The SDRS issues a publicly available financial report that includes financial statements and required supplemental information. That report may be obtained at <http://sdrs.sd.gov/publications.aspx> or by writing to the SDRS, P.O. Box 1098, Pierre, SD 57501-1098 or by calling (605) 773-3731.

Municipality of Oacoma, SD
Notes to Basic Financial Statements – Modified Cash Basis
December 31, 2020

5. Pension Plan: (Continued)

Benefits Provided:

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

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

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

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

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

Municipality of Oacoma, SD
Notes to Basic Financial Statements – Modified Cash Basis
December 31, 2020

5. Pension Plan: (Continued)

Contributions:

Per SDCL 3-12, contribution requirements of the active employees and 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% of salary; Class B Judicial Members, 9% of salary; and Class B Public Safety Members, 8% of salary. State statute also requires the employer to contribute an amount equal to the employee’s contribution. The Municipality’s share of contributions to the SDRS for the fiscal years ended December 31, 2020, 2019, and 2018, equal to the required contributions each year, were as follows:

<u>Year</u>	<u>Amount</u>
2020	\$ 10,911
2019	\$ 10,703
2018	\$ 10,719

Pension Asset:

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

Proportionate share of pension liability	\$ 1,047,511
Less proportionate share of net pension restricted for pension benefits	<u>1,047,881</u>
Proportionate share of net pension (asset)	<u><u>\$ (370)</u></u>

The net pension (asset) was measured as of June 30, 2020 and the total pension (asset) used to calculate the net pension (asset) was based upon 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 proportionate share was .0085212%, which is nearly unchanged from its proportion of .0082022% as of June 30, 2019.

Municipality of Oacoma, SD
Notes to Basic Financial Statements – Modified Cash Basis
December 31, 2020

5. Pension Plan: (Continued)

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	Graded by years of service, from 6.5% at entry to 3.0%
Discount Rate	6.5% net of plan investment expense
Future COLAs	1.41 percent

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

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

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

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

Municipality of Oacoma, SD
Notes to Basic Financial Statements – Modified Cash Basis
December 31, 2020

5. Pension Plan: (Continued)

Discount Rate:

The discount rate used to measure the total pension liability was 6.5%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that matching employer contributions will be made at rates equal to the member rate. Based on these assumptions, the pension plan’s fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

	1% Decrease	Current Discount Rate	1% Increase
Municipality's proportionate share of the net pension liability (asset)	\$ 143,564	\$ (370)	\$ (118,105)

Pension Plan Fiduciary Net Position:

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

6. Joint Ventures

Missouri Valley Ambulance Service:

The Municipality participates in a joint venture under a joint power’s agreement, known as Missouri Valley Ambulance Service, formed for the purpose of providing ambulance services to the Town of Oacoma, City of Chamberlain, Town of Pukwana, western Brule County and eastern Lyman County.

The members of the joint venture and their relative percentage of participation are as follows:

Town of Oacoma -----	10%
City of Chamberlain -----	38%
Town of Pukwana -----	2%
Brule County -----	40%
Lyman County-----	10%

The joint venture’s governing board is comprised of five representatives. Each party to the joint venture appoints one member to serve on the board. The board is responsible for adopting the annual budget and setting service fees at a level adequate to fund the adopted budget.

Municipality of Oacoma, SD
Notes to Basic Financial Statements – Modified Cash Basis
December 31, 2020

6. Joint Ventures (Continued)

The Municipality retains no equity in the Net Position of the joint venture but does have a responsibility to fund deficits of the joint venture in proportion to the relative participation described above.

Separate financial statements for this joint venture are available from Missouri Valley Ambulance Service, PO Box 354, Chamberlain, SD 57325.

The Municipality appropriated \$17,984 for an operating subsidy to Missouri Valley Ambulance Service in 2020.

Tri County Landfill Association, Inc.:

The Municipality is served by a regional landfill operated as a separate legal entity. One town board member serves on the landfill board of directors to provide direction and oversight of landfill operations. There are eight counties and 20 towns that have a joint powers agreement for the joint operation of the landfill. Although the Municipality has a joint powers agreement with Tri County Landfill Association, Inc., Oacoma provides no funding and receives no revenues from the landfill. The agreement states that the obligations of the landfill shall never constitute an indebtedness of the members within the meaning of any state constitutional provision or statutory limitation and shall never give rise to a pecuniary liability of the members or a charge against their respective general credit or taxing power and the taxing powers of the members may not be used to pay any loan, and no funds or property of the members, other than those described herein, may be used to pay loan payments. The agreements also state that any assets remaining upon dissolution of the landfill shall be distributed to each member based upon the proportion of assets put into the joint operation at its creation by each entity.

Separate financial statements for this joint venture are available from Tri County Landfill Association, Inc., 24978 349th Avenue, Pukwana, SD 57370.

The Municipality expended \$3,149 for landfill fees to Tri County Landfill Association, Inc. in 2020.

7. 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 from these risks have not exceeded the liability coverage during the past three years.

Municipality of Oacoma, SD
Notes to Basic Financial Statements – Modified Cash Basis
December 31, 2020

7. Risk Management: (Continued)

Liability Insurance:

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

Governmental General Liability
Law Enforcement Liability
Automobile Liability
Governmental Property

The agreement with the SDPAA provides that the above coverages will be provided to limits of \$2,000,000 for general liability, \$2,000,000 for law enforcement liability, and \$1,500,000 for auto liability. Member premiums are used by the pool for payment of claims and to pay for reinsurance for claims in excess of \$250,000 for property coverage and \$500,000 for liability coverage to the upper limit. A portion of the member premiums are also allocated to a cumulative reserve fund.

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

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

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

Municipality of Oacoma, SD
Notes to Basic Financial Statements – Modified Cash Basis
December 31, 2020

7. Risk Management: (Continued)

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

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

As of December 31, 2020, the Municipality’s balance available to be refunded per the SDPAA was \$24,865, which was a decrease of \$1,166 from the previous year.

The Municipality carries a \$250-\$2,500 deductible for the property coverage, depending on the type of property.

The Municipality does not carry additional insurance to cover claims in excess of the upper limit. Settled claims resulting from these risks have never exceeded the liability coverage, during the past three years.

Workers’ Compensation:

The Municipality joined the South Dakota Municipal League Workers’ 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 Workers’ 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 Workers’ compensation claims. The Municipality pays an annual premium, to provide Workers’ compensation coverage for its employees, under a self-funded program and the premiums are accrued based on the ultimate cost of the experience to date of the Fund members. Coverage limits are set by state statute. The pool pays the first \$650,000 of any claim per individual. The pool has reinsurance which covers up to statutory limits in addition to a separate combined employer liability limit of \$2,000,000 per incident.

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

8. Restricted Net Position:

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

Purpose	Restricted By	Amount
Promotion of Municipality	Law	\$ 389,044

Municipality of Oacoma, SD
Notes to Basic Financial Statements – Modified Cash Basis
December 31, 2020

9. Risk and Uncertainty:

As a result of the spread of the SARS-COV-2 virus, the incidence of COVID-19, and the world-wide coronavirus pandemic economic uncertainties have arisen which may negatively affect the financial position, results of operations, and cash flows of the Municipality. The Municipality is closely monitoring its operations, liquidity, and capital resources and is working to minimize the current and future impact of this unprecedented situation. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time.

Supplemental Information

Municipality of Oacoma, SD
 Budgetary Comparison Schedules – Modified Cash Basis - General Fund
 For the Year Ended December 31, 2020

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
				<u>Positive (Negative)</u>
Revenues:				
Taxes:				
General property taxes	\$ 86,153	\$ 86,153	\$ 87,788	\$ 1,635
General sales and use taxes	450,000	450,000	442,399	(7,601)
Amusement taxes	100	100	24	(76)
Penalties and interest on delinquent taxes	400	400	340	(60)
Total Taxes	<u>536,653</u>	<u>536,653</u>	<u>530,551</u>	<u>(6,102)</u>
Licenses and permits	5,000	5,000	6,703	1,703
Intergovernmental:				
Federal grants	--	6,862	29,784	22,922
State grants	--	--	880	880
State shared revenue:				
Bank franchise tax	500	500	715	215
Prorate license fees	2,000	2,000	3,161	1,161
Liquor tax reversion (25%)	2,500	2,500	3,122	622
Motor vehicle licenses (5%)	10,000	10,000	11,060	1,060
Local government highway and bridge fund	10,000	10,000	8,968	(1,032)
911 Remittances	--	--	18	18
County shared revenue:				
County road tax (25%)	553	553	553	--
Total Intergovernmental	<u>25,553</u>	<u>32,415</u>	<u>58,261</u>	<u>25,846</u>
Charges for Goods and Services:				
Culture and recreation	10,000	10,000	675	(9,325)
Other	7,500	7,500	7,346	(154)
Total Charges for Goods and Services	<u>17,500</u>	<u>17,500</u>	<u>8,021</u>	<u>(9,479)</u>
Miscellaneous Revenue:				
Investment earnings	8,000	8,000	6,775	(1,225)
Contributions and donations from private sources	--	3,000	3,000	--
Total Miscellaneous Revenue	<u>8,000</u>	<u>11,000</u>	<u>9,775</u>	<u>(1,225)</u>
Total Revenue	<u>592,706</u>	<u>602,568</u>	<u>613,311</u>	<u>10,743</u>

See accompanying Note to Budgetary Comparison Schedules.

Municipality of Oacoma, SD
 Budgetary Comparison Schedules – Modified Cash Basis - General Fund
 For the Year Ended December 31, 2020 (Continued)

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
				<u>Positive (Negative)</u>
Expenditures:				
General Government:				
Legislative	\$ 26,800	\$ 28,300	\$ 28,387	\$ (87)
Contingency	25,672	25,672		25,672
Amount transferred	--	(12,500)	--	(12,500)
Elections	800	800	--	800
Financial administration	77,700	79,106	71,836	7,270
Total General Government	<u>130,972</u>	<u>121,378</u>	<u>100,223</u>	<u>21,155</u>
Public Safety:				
Police	36,000	44,000	42,775	1,225
Fire	5,000	5,000	5,000	--
Other protection	1,200	1,200	1,044	156
Total Public Safety	<u>42,200</u>	<u>50,200</u>	<u>48,819</u>	<u>1,381</u>
Public Works:				
Highways and streets	280,500	281,003	98,387	182,616
Cemeteries	4,150	4,150	2,084	2,066
Total Public Works	<u>284,650</u>	<u>285,153</u>	<u>100,471</u>	<u>184,682</u>
Health and Welfare:				
Health	4,500	4,500	1,311	3,189
Home health	5,500	5,500	5,000	500
Ambulance	13,484	17,984	17,984	--
Total Health and Welfare	<u>23,484</u>	<u>27,984</u>	<u>24,295</u>	<u>3,689</u>
Culture and Recreation:				
Recreation	2,500	5,500	5,500	--
Parks	19,100	19,100	9,571	9,529
Libraries	18,000	18,000	18,000	--
Auditorium	300,800	304,253	302,431	1,822
Total Culture and Recreation	<u>340,400</u>	<u>346,853</u>	<u>335,502</u>	<u>11,351</u>
Conservation and Development:				
Economic development and assistance	1,000	1,000	--	1,000
Total Conservation and Development	<u>1,000</u>	<u>1,000</u>	<u>--</u>	<u>1,000</u>
Total Expenditures	<u>822,706</u>	<u>832,568</u>	<u>609,310</u>	<u>223,258</u>
Excess of Revenues Over (Under) Expenditures	(230,000)	(230,000)	4,001	(234,001)
Other Financing Sources (Uses):				
Transfers in	10,000	10,000	--	(10,000)
Transfers out	(30,000)	(30,000)	(10,000)	20,000
Compensation for loss/damage to capital assets	--	--	59,733	59,733
Total Other Financing Uses	<u>(20,000)</u>	<u>(20,000)</u>	<u>49,733</u>	<u>69,733</u>
Net Change in Fund Balance	(250,000)	(250,000)	53,734	303,734
Beginning Budgetary Fund Balance	1,568,377	1,568,377	1,568,377	--
Ending Budgetary Fund Balance	<u>\$ 1,318,377</u>	<u>\$ 1,318,377</u>	<u>\$ 1,622,111</u>	<u>\$ 303,734</u>

See accompanying Note to Budgetary Comparison Schedules.

Municipality of Oacoma, SD

Budgetary Comparison Schedules – Modified Cash Basis 1% Gross Receipts (BBB) Sales Tax Fund
For the Year Ended December 31, 2020

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final		Final Budget
				Positive (Negative)
Beginning Budgetary Fund Balance	\$ 308,851	\$ 308,851	\$ 308,851	\$ --
Resources (Inflows):				
Taxes	105,000	105,000	92,996	(12,004)
Charges for goods and services	--	--	--	--
Amounts Available for Appropriations	<u>105,000</u>	<u>105,000</u>	<u>92,996</u>	<u>(12,004)</u>
Charges to Appropriations (Outflows):				
Conservation and Development:				
Economic development and assistance (industrial development)	105,000	105,000	84,310	20,690
Total Charges to Appropriations	<u>105,000</u>	<u>105,000</u>	<u>84,310</u>	<u>20,690</u>
Transfers out	(25,000)	(25,000)	(8,700)	(16,300)
Total Other Financing Uses	<u>(25,000)</u>	<u>(25,000)</u>	<u>(8,700)</u>	<u>16,300</u>
Ending Budgetary Fund Balance	<u>\$ 283,851</u>	<u>\$ 283,851</u>	<u>\$ 308,837</u>	<u>\$ 24,986</u>

See accompanying Note to Budgetary Comparison Schedules.

Municipality of Oacoma, SD

Budgetary Comparison Schedules – Modified Cash Basis Business Improvement District (BID) Fund
For the Year Ended December 31, 2020

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final		Final Budget
				Positive (Negative)
Beginning Budgetary Fund Balance	\$ 75,476	\$ 75,476	\$ 75,476	\$ --
Resources (Inflows):				
Gross receipts business taxes	10,000	10,000	12,152	2,152
Investment earnings	--	--	2	2
Special assessments	103,500	103,500	90,150	(13,350)
Amounts Available for Appropriations	<u>113,500</u>	<u>113,500</u>	<u>102,304</u>	<u>(11,196)</u>
Charges to Appropriations (Outflows)				
Financial administration	5,000	5,000	--	5,000
Economic dev & assistance	43,000	43,000	17,958	25,042
Debt service	90,500	90,500	88,315	2,185
Total Charges to Appropriations	<u>138,500</u>	<u>138,500</u>	<u>106,273</u>	<u>32,227</u>
Other Financing Sources:				
Transfers from other funds	25,000	25,000	8,700	16,300
Total Other Financing Uses	<u>25,000</u>	<u>25,000</u>	<u>8,700</u>	<u>16,300</u>
Ending Budgetary Fund Balance	<u>\$ 75,476</u>	<u>\$ 75,476</u>	<u>\$ 80,207</u>	<u>\$ 4,731</u>

See accompanying Note to Budgetary Comparison Schedules.

Municipality of Oacoma, SD
Note to Budgetary Comparison Schedules
For the Year Ended December 31, 2020

Note 1. Budgets and Budgetary Accounting:

The Municipality follows these procedures in establishing the budgetary data reflected in the schedules:

1. At the first regular board meeting in September of each year or within ten days thereafter, the Governing Board 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. Unexpended appropriations lapse at year end unless encumbered by resolution of the Governing Board.

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

6. Formal budgetary integration is employed as a management control device during the year for the General Fund and special revenue funds.
7. The Municipality of Oacoma presents its budget on the modified cash basis of accounting to coincide with the basis of accounting utilized by the basic financial statements. See Note 1.c. to the basic financial statements for a definition of modified cash basis.

Municipality of Oacoma, SD

Schedule of Changes in General Capital Assets – Modified Cash Basis
For the Year Ended December 31, 2020

Under the modified cash basis, capital assets arising from cash transactions acquired for use in governmental fund operations are accounted for as capital outlay expenditures and are not recorded on the Statement of Net Position. However, a summary of changes in capital assets for the year ended December 31, 2020 is as follows:

	<u>Balance</u> <u>1/1/20</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>12/31/20</u>
Governmental Activities:				
Land	\$ 25,136	\$ --	\$ --	\$ 25,136
Construction in Progress	28,095	--	(28,095)	--
Buildings & structures	4,219,999	258,527	--	4,478,526
Improvements other than buildings	114,265	--	--	114,265
Machinery and equipment	337,667	4,839	--	342,506
Work in progress	--	--	--	--
Total	<u>\$ 4,725,162</u>	<u>\$ 263,366</u>	<u>\$ (28,095)</u>	<u>\$ 4,960,433</u>

	<u>Balance</u> <u>1/1/20</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>12/31/20</u>
Business-Type Activities:				
Buildings & structures	\$ 2,144,402	\$ --	\$ --	\$ 2,144,402
Improvements other than buildings	3,526,814	--	--	3,526,814
Machinery and equipment	241,820	28,000	--	269,820
Total	<u>\$ 5,913,036</u>	<u>\$ 28,000</u>	<u>\$ --</u>	<u>\$ 5,941,036</u>

Municipality of Oacoma, SD
Schedule of Changes in Long-Term Debt
For the Year Ended December 31, 2020

<u>Indebtedness</u>	<u>Long-Term Debt 1/1/20</u>	<u>Less Debt Retired</u>	<u>Long-Term Debt 12/31/20</u>	<u>Due Within One Year</u>
Governmental Long-Term Debt:				
Other long-term liabilities	\$ 87,102	\$ (87,102)	\$ --	\$ --
Total	<u>\$ 87,102</u>	<u>\$ (87,102)</u>	<u>\$ --</u>	<u>\$ --</u>

Municipality of Oacoma, SD
Schedule of Municipality's
Proportionate Share of the Net Pension Liability (Asset)
For the Year Ended December 31, 2020

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Municipality's proportion of the net pension liability/asset	0.0085212%	0.0082022%	0.0081517%	0.0081627%	0.0083728%	0.0083136%
Municipality's proportionate share of net pension liability (asset)	\$ (370)	\$ (869)	\$ (190)	\$ (741)	\$ 28,283	\$ (35,260)
Municipality's covered-employee payroll	\$ 187,012	\$ 174,395	\$ 169,458	\$ 165,843	\$ 159,208	\$ 152,670
Municipality's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	0.20%	0.50%	0.11%	0.45%	17.76%	23.23%
Plan fiduciary net position as a percentage of the total pension liability (asset)	100.04%	100.09%	100.02%	100.10%	96.89%	104.10%

*The amounts presented for each fiscal year were determined as of the measurement date of the collective pensional liability (asset) which is June 30.

**GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the Municipality will present information for those years for which information is available.

Municipality of Oacoma, SD
Schedule of Municipality's
Proportionate Share of the Net Pension Liability (Asset)
For the Year Ended December 31, 2020

Changes of benefit terms:

The June 30, 2020 Actuarial Valuation reflects no changes in actuarial methods from 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 establishing 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 apportion 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 in Member retire prior to age 62 and actuarially increase 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.

Changes of assumptions:

Legislation enacted in 2017 modified the SDRS COLA. For COLAs first applicable in 2018, the SDRS COLA will equal 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 decreased the Actuarial Accrued Liability by \$595 million, or 4.6% of the Actuarial Accrued Liability based on the 1.88% COLA, reflecting the current and assumed future restricted maximum COLA of 1.41%.

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 the first implemented in the June 30, 2022 Actuarial Valuation.

Municipality of Oacoma, SD
Depository Disclosure
For the Year Ended December 31, 2020

Municipal funds are deposited or invested with the following depositories:

First Dakota Bank - Checking	\$ 3,240,205
Total Funds on Deposit as of December 31, 2020	<u>\$ 3,240,205</u>

Municipality of Oacoma, SD
Municipal Officials
December 31, 2020

Governing Board 2020

Gary Dominiack, ----- President
Richard Kirkpatrick ----- Vice President
Kyle Fuchs ----- Member
Roger Twamley ----- Member
Robin Hutmacher ----- Member

Valerie J. Moore ----- Municipal Finance Officer

Nathan S. Schoen ----- Municipal Attorney
Cutler Law Firm