

**MUNICIPALITY OF CHAMBERLAIN  
CHAMBERLAIN, SOUTH DAKOTA**

**AUDIT REPORT**

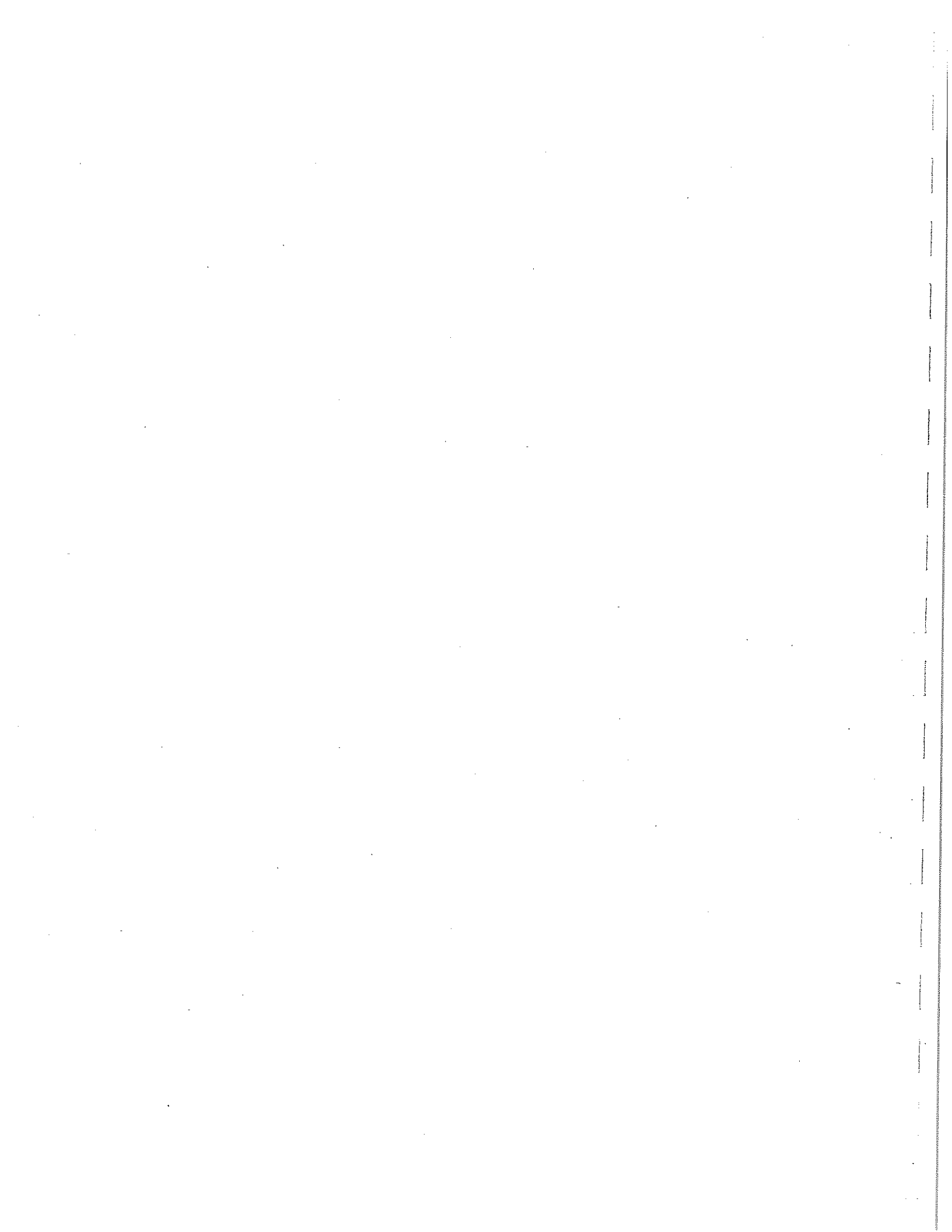
**FOR THE YEAR JANUARY 1, 2019 TO DECEMBER 31, 2019**

*Schoenfish & Co., Inc.*

CERTIFIED PUBLIC ACCOUNTANTS

P.O. Box 247

105 EAST MAIN, PARKSTON, SOUTH DAKOTA 57366



MUNICIPALITY OF CHAMBERLAIN

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MUNICIPAL OFFICIALS  
DECEMBER 31, 2019

MAYOR:

Chad Mutziger

GOVERNING BOARD:

Monte Claussen  
Hannah Ruhlman  
Clint Soulek  
Tim Thomas

FINANCE OFFICER:

Nicky Gaulke

ATTORNEY:

Cutler Law Firm, LLP

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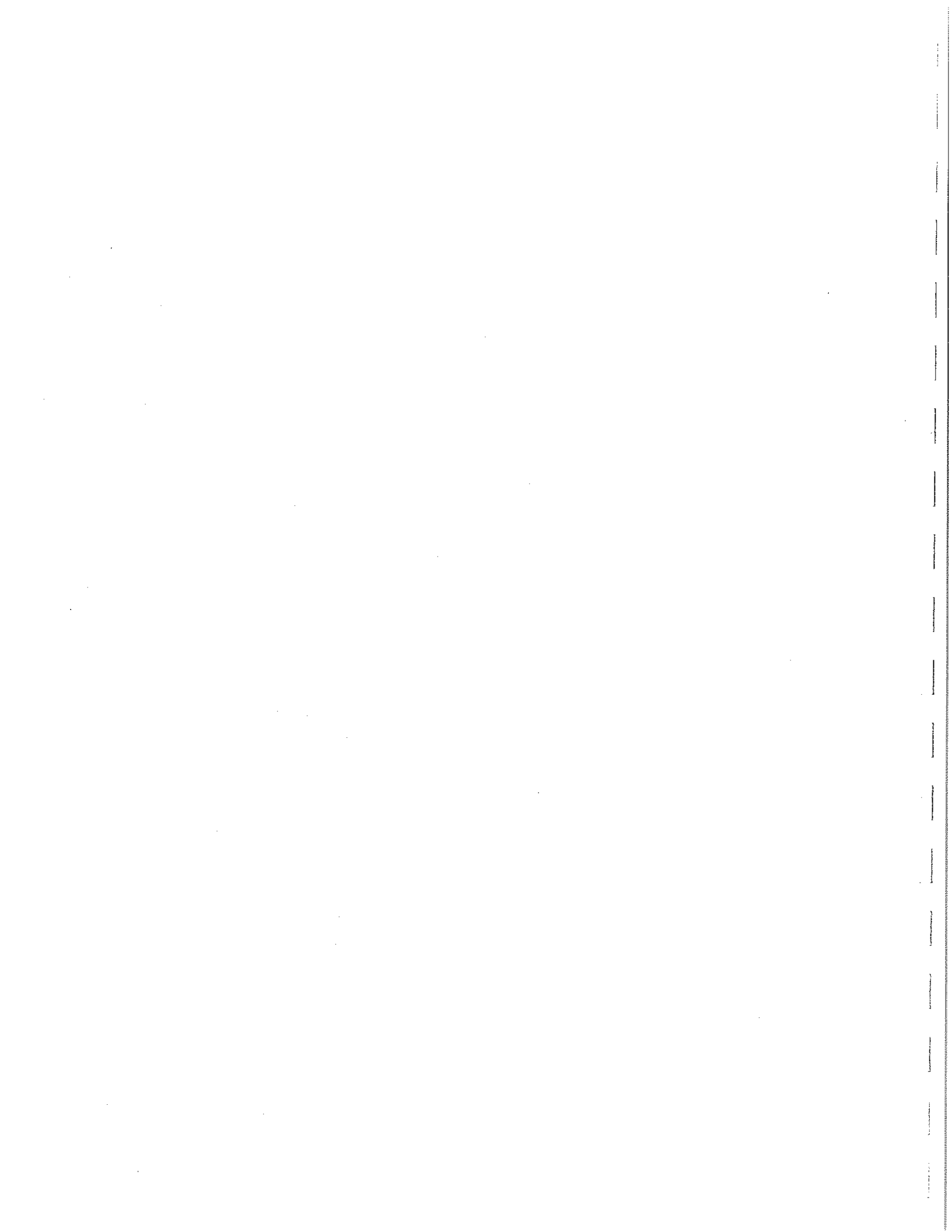


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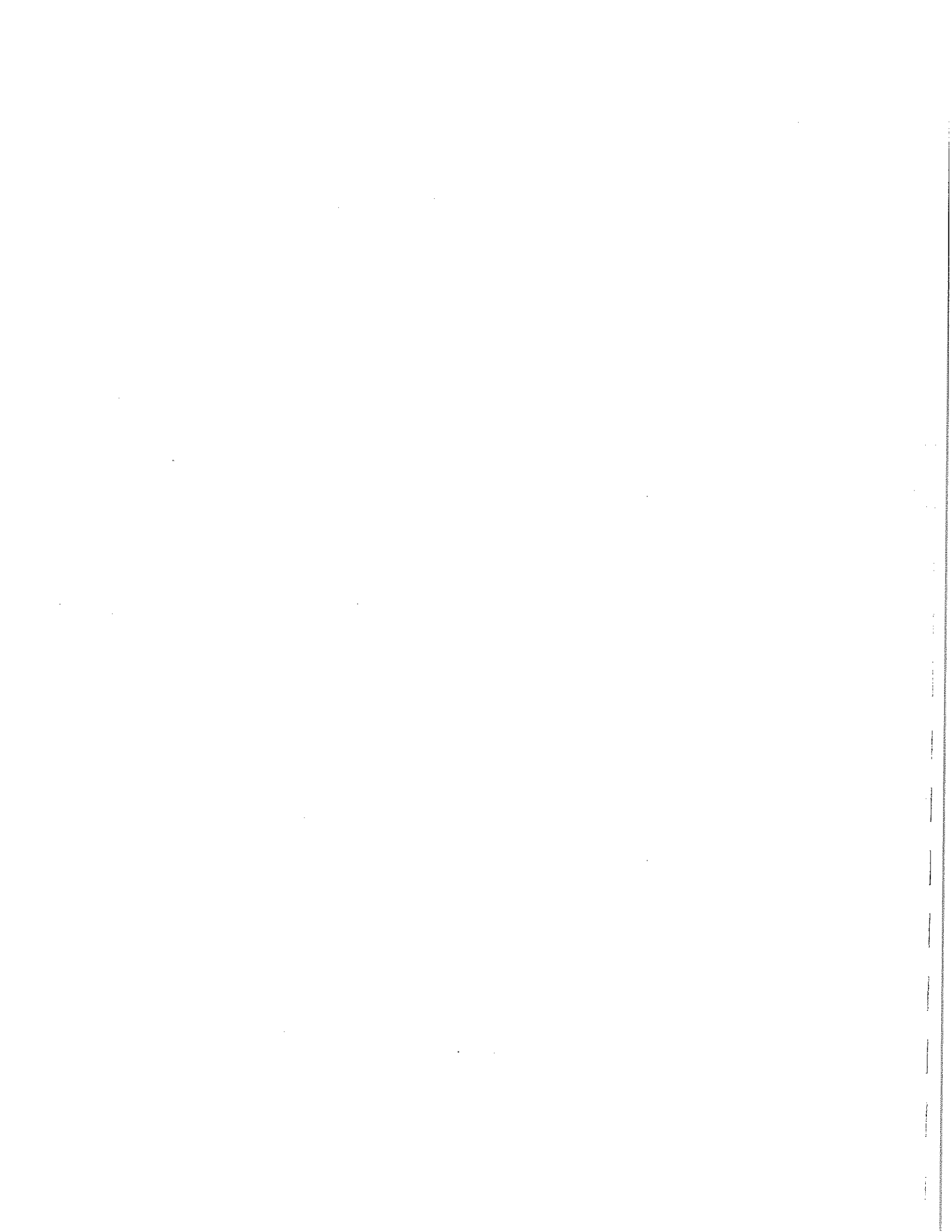
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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Governing Board  
Municipality of Chamberlain  
Chamberlain, South Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the modified cash basis of accounting financial statements of the governmental activities, the business-type activities, and each major fund, of the Municipality of Chamberlain, South Dakota (Municipality), as of December 31, 2019 and for the year then ended, and the related notes to the financial statements, which collectively comprise the Municipality's basic financial statements and have issued our report thereon dated January 7, 2021, which was adverse for aggregate discretely presented component units because they were not presented.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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 were not identified. However, as described in the accompanying Schedule of Current Audit Findings, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Municipality's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Current Audit Findings as item 2019-001 to be a material weakness.

### Compliance and Other Matters

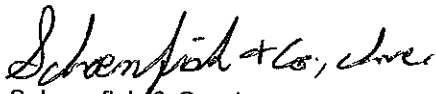
As part of obtaining reasonable assurance about whether the Municipality's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### Municipality's Response to Findings

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

### Purpose of this Report

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



Schoenfish & Co., Inc.  
Certified Public Accountants  
January 7, 2021

*Schoenfish & Co., Inc.*

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SCHEDULE OF PRIOR AUDIT FINDINGS

PRIOR OTHER AUDIT FINDINGS:

Finding Number 2018-001:

A material weakness in internal controls was noted due to a lack of proper segregation of duties for revenues. This comment has not been corrected and is restated as current audit finding number 2019-001.

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SCHEDULE OF CURRENT AUDIT FINDINGS

CURRENT OTHER AUDIT FINDINGS:

Internal Control – Related Finding – Material Weakness:

Finding Number 2019-001:

A material weakness in internal controls was noted due to a lack of proper segregation of duties for revenues. This has been a continuing audit comment since 1999.

Criteria:

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

Condition:

The Finance Officer and Deputy Finance Officer have the ability to process all revenue transactions from beginning to end. The Finance Officer and Deputy Finance Officer also have the ability to receive money, issue receipts, record receipts, post receipts in the accounting records, prepare bank deposits, reconcile bank statements, and prepare financial statements.

Effect:

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

Recommendation:

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

Managements Response:

The Municipality of Chamberlain Mayor, Chad Mutziger is the contact person responsible for the corrective action plan for this finding. Because of the size of the Municipality of Chamberlain, the Municipality can't support hiring additional staff that would be sufficient to support the internal controls needed to properly segregate duties. The Mayor, City Council Members and finance Administration employees are aware of the problem. We will be working on some different policies and controls that will help minimize the future risk. This will be an ongoing process that will include input from the state auditor's Office, talking to other municipalities and utilizing the Mayor and the Council in some of the controls.

CLOSING CONFERENCE

The audit was discussed with the officials during the course of the audit and with the Mayor, one Board Member, and the Finance Officer on January 14, 2021.

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## INDEPENDENT AUDITOR'S REPORT

Governing Board  
Municipality of Chamberlain  
Chamberlain, South Dakota

### Report on the Financial Statements

We have audited the accompanying modified cash basis of accounting financial statements of the governmental activities, the business-type activities, and each major fund of the Municipality of Chamberlain, South Dakota, (Municipality) as of December 31, 2019, and for the year then ended, and the related notes to the financial statements, which collectively comprise the Municipality's basic financial statements as listed in the Table of Contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

#### Basis for Adverse Opinions

The financial statements do not include financial data for the Municipality's legally separate component units. Accounting principles generally accepted in the United States of America require the financial data for those component units to be reported with the financial data of the Municipality's primary government unless the Municipality also issues financial statements for the financial reporting entity that include the financial data for its component units. The Municipality has not issued such reporting entity financial statements. Because of this departure from accounting principles generally accepted in the United States of America, the assets, liabilities, net position, revenues, and expenses of the aggregate discretely presented components units would have been presented inclusive of the component units.

#### Adverse Opinion

In our opinion, because of the omission of the discretely presented component units, as discussed previously, the financial statements referred to previously do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the aggregate discretely presented component units of the Municipality of Chamberlain, South Dakota, as of December 31, 2019, or the changes in financial position thereof for the year then ended.

#### Unmodified Opinions

In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position on a modified cash basis of accounting of the governmental activities, the business-type activities, and each major fund of the Municipality of Chamberlain as of December 31, 2019, and the respective changes in financial position 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 opinion is not modified with respect to this matter.

#### Other Matters

#### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the modified cash basis of accounting financial statements that collectively comprise the Municipality's basic financial statements. The Budgetary Comparison Schedules, the Schedule of Municipal Contributions, the Schedule of the Municipality's Proportionate Share of the Net Pension Liability (Asset), and the Long-Term Debt schedules listed in the Table of Contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to

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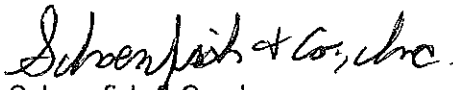
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prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 7, 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, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Municipality's internal control over financial reporting and compliance.



Schoenfish & Co., Inc.  
Certified Public Accountants  
January 7, 2021

*Schoenfish & Co., Inc.*

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

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
<b>ASSETS:</b>			
Cash and Cash Equivalents	2,749,597.57	627,578.78	3,377,176.35
<b>TOTAL ASSETS</b>	<b>2,749,597.57</b>	<b>627,578.78</b>	<b>3,377,176.35</b>
<b>NET POSITION:</b>			
Restricted for:			
Permanently Restricted for:			
Expendable for Library Special Gift Purposes	126,044.49		126,044.49
Douville Cemetery Purposes	489,826.52		489,826.52
City Promotion Purposes	143,067.12		143,067.12
Community Center Purposes	231.90		231.90
Business Improvement District Purposes	94,004.20		94,004.20
Grant Revolving Loan Purposes	61,623.95		61,623.95
Park Purposes	60,967.37		60,967.37
Recreation Purposes	444.40		444.40
Library Fines Purposes	9,671.54		9,671.54
Cemetery Care Purposes	179,581.60		179,581.60
Unrestricted	1,584,134.48	627,578.78	2,211,713.26
<b>TOTAL NET POSITION</b>	<b>2,749,597.57</b>	<b>627,578.78</b>	<b>3,377,176.35</b>

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

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

Functions/Programs	Program Revenues				Net (Expenses) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-Type Activities	Total
					Governmental Activities	Primary Government Business-Type Activities	Total
<b>Primary Government:</b>							
<b>Governmental Activities:</b>							
General Government	222,018.84	35,261.73			(186,757.11)		(186,757.11)
Public Safety	538,053.42	49,978.00	2,200.00	4,470.00	(481,405.42)		(481,405.42)
Health and Welfare	885,715.74	18,021.00	79,399.97	4,225.35	(784,069.42)		(784,069.42)
Culture and Recreation	5,977.00	839.26	2,559.00		(2,578.74)		(2,578.74)
Conservation and Development	1,380,054.67	97,457.83	25,950.00	245,000.00	(1,011,646.84)		(1,011,646.84)
* Interest on Long-Term Debt	600,641.04				(600,641.04)		(600,641.04)
	49,765.28				(49,765.28)		(49,765.28)
<b>Total Governmental Activities</b>	<b>3,682,225.99</b>	<b>201,557.82</b>	<b>110,108.97</b>	<b>253,695.35</b>	<b>(3,116,863.85)</b>		<b>(3,116,863.85)</b>
<b>Business-type Activities:</b>							
Water	773,318.35	599,206.68				(174,111.67)	(174,111.67)
Sewer	607,738.16	515,092.67			(92,645.49)		(92,645.49)
Airport	140,788.54		107,651.15		(33,137.39)		(33,137.39)
<b>Total Business-Type Activities</b>	<b>1,521,845.05</b>	<b>1,114,299.35</b>	<b>107,651.15</b>	<b>0.00</b>	<b>(299,894.55)</b>		<b>(299,894.55)</b>
<b>Total Primary Government</b>	<b>5,204,071.04</b>	<b>1,315,857.17</b>	<b>217,760.12</b>	<b>253,695.35</b>	<b>(3,116,863.85)</b>		<b>(3,416,758.40)</b>
<b>General Revenues:</b>							
<b>Taxes:</b>							
Property Taxes					1,064,749.99		1,064,749.99
Sales Taxes					1,395,796.50		1,395,796.50
State Shared Revenue					25,856.91		25,856.91
Grants and Contributions not Restricted to Specific Programs					90,289.77		90,289.77
Unrestricted Investment Earnings						2,933.34	2,933.34
Debt Issued					21,350.99		21,350.99
Miscellaneous Revenue					240,000.00		240,000.00
Transfers					197,298.09		197,298.09
					(15,500.00)		(15,500.00)
<b>Total General Revenue and Transfers</b>					<b>3,019,842.25</b>		<b>3,019,842.25</b>
<b>Change in Net Position</b>					<b>(97,021.60)</b>		<b>(97,021.60)</b>
<b>Net Position - Beginning</b>					<b>2,846,619.17</b>		<b>2,846,619.17</b>
<b>NET POSITION - ENDING</b>					<b>2,749,597.57</b>		<b>2,749,597.57</b>

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

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

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

	General Fund	Liquor, Lodging, and Dining Fund	Grant Revolving Loan Fund	Douville Cemetery Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS:</b>						
Cash and Cash Equivalents	1,595,251.23	143,067.12	61,623.95	489,826.52	459,828.75	2,749,597.57
<b>TOTAL ASSETS</b>	<u>1,595,251.23</u>	<u>143,067.12</u>	<u>61,623.95</u>	<u>489,826.52</u>	<u>459,828.75</u>	<u>2,749,597.57</u>
<b>FUND BALANCES:</b>						
Restricted for:						
Perpetual Care Cemetery					179,581.60	179,581.60
Grant Revolving Loan Purposes			61,623.95			61,623.95
Facilities and Promoting City		143,067.12				143,067.12
Community Center Purposes	231.90					231.90
Library Special Gift Purposes - Expendable Trust	16,000.00				110,044.49	126,044.49
Library Fines Purposes					9,671.54	9,671.54
Recreation Purposes	444.40					444.40
Park Purposes	60,967.37					60,967.37
Business Improvement District Purposes					94,004.20	94,004.20
Douville Cemetery Fund				489,826.52		489,826.52
Assigned for Capital Outlay Accumulations	31,660.92					31,660.92
Assigned for Recreation Purposes	1,485,946.64				66,526.92	66,526.92
Unassigned						1,485,946.64
<b>TOTAL FUND BALANCES</b>	<u>1,595,251.23</u>	<u>143,067.12</u>	<u>61,623.95</u>	<u>489,826.52</u>	<u>459,828.75</u>	<u>2,749,597.57</u>

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



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

	General Fund	Liquor, Lodging, & Dining Fund	Grant Revolving Loan Fund	Douville Cemetery Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenue:</b>						
<b>Taxes:</b>						
General Property Taxes	994,665.99					994,665.99
General Sales and Use Taxes	1,260,445.87	135,350.63				1,395,796.50
Gross Receipts Business Taxes					69,904.00	69,904.00
Amusement Taxes	180.00				180.00	180.00
Total Taxes	2,255,291.86	135,350.63	0.00	0.00	69,904.00	2,460,546.49
Licenses and Permits	32,825.00	0.00	0.00	0.00	0.00	32,825.00
Intergovernmental Revenue:						
State Grants	2,559.00					2,559.00
State Shared Revenue:						
Bank Franchise Tax	10,300.61					10,300.61
Prorate License Fees	5,785.24					5,785.24
Liquor Tax Reversion	15,556.30					15,556.30
Motor Vehicle Licenses	21,656.83					21,656.83
County Shared Revenue:						
County Road Tax	6,983.00					6,983.00
County Highway and Bridge Reserve Tax	41,684.10					41,684.10
County Wheel Tax	3,290.80					3,290.80
Total Intergovernmental Revenue	107,815.88	0.00	0.00	0.00	0.00	107,815.88
Charges for Goods and Services:						
General Government	2,436.73					2,436.73
Public Safety	49,574.00					49,574.00
Highways and Streets	11,287.00					11,287.00
Health	839.26					839.26
Culture and Recreation	66,479.51				29,823.35	96,302.86
Cemetery					6,134.00	6,134.00
Total Charges for Goods and Services	130,616.50	0.00	0.00	0.00	35,957.35	166,573.85
Fines and Forfeits:						
Library	404.00				1,154.97	1,558.97
Other						
Total Fines and Forfeits	404.00	0.00	0.00	0.00	1,154.97	1,558.97

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

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

	General Fund	Liquor, Lodging, & Dining Fund	Grant Revolving Loan Fund	Douville Cemetery Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenue (Continued):</b>						
Miscellaneous Revenues:						
Investment Earnings	4,920.12		12,815.71	1,674.34	1,493.29	21,350.99
Rentals	600.00	447.53				600.00
Special Assessments	4,225.35					4,225.35
Contributions and Donations from Private Sources	280,918.57					
Other	86,335.59	307.50	68,560.97		86,991.20	367,909.77
Total Miscellaneous Revenue	376,999.63	755.03	81,376.68	1,674.34	88,484.49	549,290.17
Total Revenue	2,903,952.87	136,105.66	81,376.68	1,674.34	195,500.81	3,318,610.36
<b>Expenditures:</b>						
General Government:						
Legislative	36,433.00					36,433.00
Financial Administration	175,452.39					175,452.39
Other	10,133.45					10,133.45
Total General Government	222,018.84	0.00	0.00	0.00	0.00	222,018.84
Public Safety:						
Police	448,840.75					448,840.75
Fire	48,515.70					48,515.70
Other Protection	5,000.00					5,000.00
Total Public Safety	502,356.45	0.00	0.00	0.00	0.00	502,356.45
Public Works:						
Highways and Streets	721,225.87					721,225.87
Transit	10,000.00					10,000.00
Total Public Works	731,225.87	0.00	0.00	0.00	0.00	731,225.87
Health and Welfare:						
Health	5,977.00					5,977.00
Total Health and Welfare	5,977.00	0.00	0.00	0.00	0.00	5,977.00

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

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

	General Fund	Liquor, Lodging, & Dining Fund	Grant Revolving Loan Fund	Douville Cemetery Fund	Other Governmental Funds	Total Governmental Funds
<b>Expenditures (Continued):</b>						
Culture and Recreation:						
Recreation	144,100.81				39,146.64	183,247.45
Parks	374,654.67					374,654.67
Libraries	79,818.99				94,868.89	174,687.88
Community Center	37,625.35					37,625.35
Total Culture and Recreation	636,199.82	0.00	0.00	0.00	134,015.53	770,215.35
Conservation and Development:						
Economic Development and Assistance (Industrial Development)	67,988.38	120,565.69	300,850.00		64,225.68	553,629.75
Total Conservation and Development	67,988.38	120,565.69	300,850.00	0.00	64,225.68	553,629.75
Debt Service	355,780.66	0.00	0.00	0.00	0.00	355,780.66
Capital Outlay	541,022.07	0.00	0.00	0.00	0.00	541,022.07
Total Expenditures	3,062,569.09	120,565.69	300,850.00	0.00	198,241.21	3,682,225.99
Excess of Revenue Over (Under) Expenditures	(158,616.22)	15,539.97	(219,473.32)	1,674.34	(2,740.40)	(363,615.63)
<b>Other Financing Sources (Uses):</b>						
Transfers In	40,000.00				11,600.00	51,600.00
Transfers Out	(67,100.00)					(67,100.00)
Long-Term Debt Issued	240,000.00					240,000.00
Sale of Municipal Property	20,800.00					20,800.00
Compensation for Loss or Damage to Capital Assets	21,294.03					21,294.03
Total Other Financing Sources (Uses)	254,994.03	0.00	0.00	0.00	11,600.00	266,594.03
Net Change in Fund Balance	96,377.81	15,539.97	(219,473.32)	1,674.34	8,859.60	(97,021.60)
Fund Balance - Beginning	1,498,873.42	127,527.15	281,097.27	488,152.18	450,969.15	2,846,619.17
<b>FUND BALANCE - ENDING</b>	<b>1,595,251.23</b>	<b>143,067.12</b>	<b>61,623.95</b>	<b>489,826.52</b>	<b>459,828.75</b>	<b>2,749,597.57</b>

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

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

	Enterprise Funds			Totals
	Water Fund	Sewer Fund	Airport Fund	
<b>ASSETS:</b>				
Current Assets:				
Cash and Cash Equivalents	273,251.72	340,749.70	13,577.36	627,578.78
Total Current Assets	273,251.72	340,749.70	13,577.36	627,578.78
<b>TOTAL ASSETS</b>	273,251.72	340,749.70	13,577.36	627,578.78
<b>NET POSITION:</b>				
Unrestricted Net Position	273,251.72	340,749.70	13,577.36	627,578.78
<b>TOTAL NET POSITION</b>	273,251.72	340,749.70	13,577.36	627,578.78

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

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

	Enterprise Funds			Totals
	Water Fund	Sewer Fund	Airport Fund	
<b>Operating Revenue:</b>				
Charges for Goods and Services	599,206.68	515,092.67		1,114,299.35
Total Operating Revenue	<u>599,206.68</u>	<u>515,092.67</u>	<u>0.00</u>	<u>1,114,299.35</u>
<b>Operating Expenses:</b>				
Personal Services	185,961.43	216,723.15		402,684.58
Other Current Expenses	541,958.86	268,972.72	137,062.67	947,994.25
Materials	45,398.06	30,712.95	3,725.87	79,836.88
Total Operating Expenses	<u>773,318.35</u>	<u>516,408.82</u>	<u>140,788.54</u>	<u>1,430,515.71</u>
Operating Income (Loss)	<u>(174,111.67)</u>	<u>(1,316.15)</u>	<u>(140,788.54)</u>	<u>(316,216.36)</u>
<b>Nonoperating Revenue (Expense):</b>				
Operating Grants			107,651.15	107,651.15
Investment Earnings	1,340.19	1,593.15		2,933.34
Rental Revenue			28,541.94	28,541.94
Debt Service		(91,329.34)		(91,329.34)
Total Nonoperating Revenue (Expense)	<u>1,340.19</u>	<u>(89,736.19)</u>	<u>136,193.09</u>	<u>47,797.09</u>
Income (Loss) Before Transfers	<u>(172,771.48)</u>	<u>(91,052.34)</u>	<u>(4,595.45)</u>	<u>(268,419.27)</u>
Transfers In			55,500.00	55,500.00
Transfers Out			(40,000.00)	(40,000.00)
Change in Net Position	<u>(172,771.48)</u>	<u>(91,052.34)</u>	<u>10,904.55</u>	<u>(252,919.27)</u>
Net Position - Beginning	446,023.20	431,802.04	2,672.81	880,498.05
<b>NET POSITION - ENDING</b>	<u>273,251.72</u>	<u>340,749.70</u>	<u>13,577.36</u>	<u>627,578.78</u>

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

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NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS1. 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 Chamberlain, (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 Chamberlain-Oacoma Volunteer Fire Department and the Chamberlain Country Club are discretely presented component units. The entities elect their own chairpersons and recruit and employ their own management and other workers. The entities, however, have the ability to impose financial burden on the Municipality through the purchase of equipment and other financial assistance.

The Municipality has created a Housing and Redevelopment Commission under the authority of South Dakota Codified Law 11-7-7. This commission has not been active and there is no financial information to report.

The Municipality participates in a cooperative unit with the Tri-County Landfill Association, Inc. and the Missouri Valley Ambulance Service. 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 the nature 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 except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

See Independent Auditor's Report.

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS  
(Continued)

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

**Fund Financial Statements:**

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

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

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

**Governmental Funds:**

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

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

Liquor, Lodging and Dining Sales Tax Fund – to account for the 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 operations of such facilities and the promotion and advertising of the city (SDCL 10-52A-2). This fund may be established at the direction of the governing body through local ordinance. This is a major fund.

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS  
(Continued)

Grant Revolving Loan Fund – to account for a federal grants that when given to the Municipality are subsequently loaned out to a new business to be repaid over a period of years. This is a major fund.

Douville Cemetery Fund – to account for a donation made to the municipal cemetery. There are some donor restrictions placed on the monies, but the entire balance may be spent. This is a major fund.

The remaining Special Revenue funds are not considered major funds: Business Improvement District Fund, Recreational Football Fund, Recreational Basketball Fund, Recreation Fund, Recreation Baseball Fund, Cemetery Care Fund, Recreational Softball Fund, and Library Fines Fund. These funds are reported on the fund financial statements as "Other Governmental Funds".

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

Cozard Library Special Gift Fund – to account for money derived by gift, bequest or devise to be spent on library purposes. This money is generally held by the library board and only the interest earned off the dollars received may be spent on library purposes. This is not a major fund.

**Proprietary Funds:**

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

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

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

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



NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS  
(Continued)

Airport Fund – financed primarily by the sale of fuel, rentals and an annual transfer from the General Fund. This fund accounts for the acquisition, construction, and operation of the municipal airport. (SDCL 50-7-2) 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.

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 with the limitations of the modified cash basis of accounting.

Basis of Accounting:

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

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

- a. Recording assets and liabilities related to interfund receivables and payables resulting from cash transactions between funds.

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS  
(Continued)

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

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

d. Deposits and Investments:

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

e. Long-Term Liabilities:

Under the modified cash basis of accounting, cash proceeds from long-term debt issuances is recorded as a receipt, while payments to creditors to reduce long-term debts are recorded as a cost of the program which benefits from the financing. Allocations are made where appropriate. Interest costs are not allocated, but are reported as a separate program cost category.

Long-term debts arising from cash transactions of governmental funds are not reported as liabilities in the fund financial statements. Instead, the debt proceeds are reported as other financing sources and payments of principal and interest are reported as expenditures. The accounting for long-term debts of proprietary funds is the same in the fund financial statements as it is in the government-wide financial statements.

f. Program Revenues:

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

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

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS  
(Continued)

g. Proprietary Funds Revenue and Expense Classifications:

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

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

i. 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 positions are available.

j. Fund Balance Classification Policies and Procedures:

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

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

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

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

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

<u>Major Special Revenue Fund</u>	<u>Revenue Source</u>
Liquor, Lodging, & Dining Sales Tax	City Promotion
Douville Cemetery Fund	Investment Earnings
Grant Revolving Loan Fund	Loan Repayments and Interest

**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, 2019, 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.

See Independent Auditor's Report.

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS  
(Continued)

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

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates that will adversely affect the value of an investment. The Municipality does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

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

### 3. PROPERTY TAXES

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

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

### 4. RESTRICTED NET POSITION

Restricted net position for the year ended December 31, 2019 was as follows:

	<u>Governmental Activities</u>
Major Purposes:	
Permanently Restricted:	
Library Special Gift Purposes	\$ 126,044.49
Douville Cemetery Purposes	489,826.52
City Promotion Purposes	143,067.12
Community Center Purposes	231.90
Business Improvement District Purposes	94,004.20
Grant Revolving Loan Purposes	61,623.95
Park Purposes	60,967.37
Recreation Purposes	444.40
Library Fines Purposes	9,671.54
Cemetery Care Purposes	179,581.60
Total Restricted Net Position	<u>\$ 1,165,463.09</u>

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

### 5. INTERFUND TRANSFERS

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

See Independent Auditor's Report.

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS  
(Continued)

	Transfers To:				Total
	Governmental Activities			Business-Type Activities	
	Major Funds	Other Governmental Funds		Major Fund	
	General Fund	Recreation Fund	Recreation Baseball Fund	Airport Fund	
Transfers From:					
Governmental Activities:					
Major Funds:					
General Fund		10,100.00	1,500.00	55,500.00	67,100.00
Business-Type Activities:					
Major Funds:					
Airport Fund	40,000.00				40,000.00
Total	<u>40,000.00</u>	<u>10,100.00</u>	<u>1,500.00</u>	<u>55,500.00</u>	<u>107,100.00</u>

The transfers were made as budgeted operating transfers to finance yearly operations.

**6. TAX ABATEMENTS**

The Municipality enters into property tax abatement agreements with local businesses under SDCL 11-9 and Resolution No. 2015-04. The tax increment district was created to stimulate and develop the general economic welfare and prosperity of the Municipality through the promotion and advancement of industrial, commercial, manufacturing, agricultural, or natural resources; and the improvement of the area will likely enhance significantly the value of substantially all of the other real property in the tax increment district. Under this agreement, the Municipality may grant property tax abatements of up to 100 percent of a business' property tax bill for the purpose of attracting or retaining businesses within their jurisdictions. The abatements may be granted to any business located within or promising to relocate to the Municipality.

For the year ended December 31, 2017, the Municipality entered into an agreement with KTJ268, LLC ("Developer") to locate a Shopko Hometown Store in the Municipality. The agreement provides that:

- Developer agrees that on all positive tax increment that are passed on to the Developer, \$5,000 of the positive increment will be held back and paid to the municipality as an administrative fee each year for years 2018-2020 for a total of \$20,000. The Developer will be entitled to a maximum amount of \$400,000 during the life of the TID. Once the Developer has been paid \$400,000, and should there be life left on the length of the TID, the Municipality will be entitled to collect the remaining revenue until 15 calendar years or the total costs of the project have been met.

**7. CONDUIT DEBT**

In the past, the Municipality has issued revenue bonds to provide financial assistance to certain private-sector entities for the acquisition and/or construction of facilities deemed to be in the public interest. These bonds are secured by the property being financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities is retained by the private-sector entity served by the bond issuance. Neither the Municipality, nor the State of South Dakota, nor any other political subdivision of the state is obligated in any manner

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS  
(Continued)

for the repayment of these conduit debt issues. As of December 31, 2019, there was one series of conduit bonds outstanding, with an aggregate unpaid principal amount of \$1,965,253.29.

#### 8. OPERATING LEASES

The Municipality of Chamberlain entered into a five-year lease for property with the State of South Dakota. The minimum payments on this lease are as follows:

<u>Year</u>	<u>Amount</u>
2020	\$ 200

#### 9. PENSION PLAN

##### Plan Information:

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

##### Benefits Provided:

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

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

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

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS  
(Continued)

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

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

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

Contributions:

Per SDCL 3-12, contribution requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A Members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. The Municipality's share of contributions to the SDRS for the fiscal years ended December 31, 2019, 2018, and 2017, were \$68,834.91, \$65,394.90, and \$63,750.34, respectively, equal to the required contributions each year.

Pension Liabilities (Assets):

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

Proportionate share of net position restricted for pension benefits	\$ 6,532,960.66
Less proportionate share of total pension liability	<u>\$ 6,538,515.98</u>
Proportionate share of net pension liability (asset)	<u>\$ (5,555.32)</u>

The net pension liability (asset) was measured as of June 30, 2019 and the total pension liability (asset) used to calculate the net pension liability (asset) was based on a projection of the Municipality's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2019, the Municipality's proportion was 0.05242220%, which is an increase of 0.0000372% from its proportion measured as of June 30, 2018.



NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS  
(Continued)

Actuarial Assumptions:

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

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

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

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period of July 1, 2011 to June 30, 2016.

Investment portfolio management is the statutory responsibility of the South Dakota Investment Council (SDIC), which may utilize the services of external money managers for management of a portion of the portfolio. SDIC is governed by the Prudent Man Rule (i.e., the council should use the same degree of care as a prudent man). Current SDIC investment policies dictate limits on the percentage of assets invested in various types of vehicles (equities, fixed income securities, real estate, cash, private equity, etc.). The long-term expected rate of return on pension plan investments was determined using a method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of real rates for each major asset class included in the pension plan's target asset allocation as of June 30, 2018 (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

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

Discount Rate:

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

See Independent Auditor's Report.

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS  
(Continued)

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

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

	<u>1%</u> <u>Decrease</u>	<u>Current</u> <u>Discount</u> <u>Rate</u>	<u>1%</u> <u>Increase</u>
Municipality's proportionate share of the net pension liability (asset)	\$ 922,074.01	\$(5,555.32)	\$(761,405.60)

Pension Plan Fiduciary Net Position:

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

**10. JOINT VENTURES**

The Municipality participates in a joint venture, known as the Tri-County Landfill Association, Inc., formed for the purpose of providing solid waste disposal services to participating members.

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

Alpena City	1.04%	Murdo City	2.81%
Aurora County	7.39%	New Witten City	0.36%
Brule County	8.81%	Oacoma City	1.52%
Buffalo County	1.09%	Plankinton City	2.50%
Chamberlain City	9.70%	Presho City	2.70%
Colome City	1.28%	Reliance City	0.70%
Draper City	0.51%	Stickney City	1.33%
Jerauld County	4.21%	Tripp County	13.10%
Jones County	2.16%	Vivian City	1.09%
Kennebec City	1.17%	Wessington Springs City	4.47%
Kimball City	3.07%	White Lake City	1.73%
Lane City	0.29%	White River City	2.46%
Lyman County	4.30%	Winner City	13.84%
Mellette County	6.07%	Wood City	0.30%

The joint venture's governing board is composed of 12 representatives—one from each of the 8 counties and 4 members at large. The board is responsible for adopting the budget and setting service fees at a level adequate to fund the adopted budget.

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.

At December 31, 2019, this joint venture had a total fund net position of \$1,794,325 and long-term debt of \$1,064,467. This is the most recent financial information available.

See Independent Auditor's Report.

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS  
(Continued)

Separate financial statements for this joint venture are available from the Tri-County Landfill Association, Inc.

The Municipality also participates in a joint venture known as the Missouri Valley Ambulance Service, formed for the purpose of providing ambulance service to the Municipality of Chamberlain and portions of Western Brule County and Eastern Lyman County.

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

Municipality of Chamberlain	38%
Brule County	40%
Lyman County Ambulance District and Town of Oacoma	20%
Town of Pukwana	2%

The joint venture's governing board is composed of five representatives who are appointed by the respective members. The board is responsible for adopting the budget and setting service fees at a level adequate to fund the adopted budget.

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 the Missouri Valley Ambulance Service. At December 31, 2017, this joint venture had total fund equity of \$705,983.00. This is the most recent financial information the entity was able to provide as of this audit.

#### 11. SIGNIFICANT CONTINGENCIES – LITIGATION

At December 31, 2019, the Municipality was not involved in any significant litigation.

#### 12. 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, 2019, the Municipality managed its risks as follows:

##### Employee Health Insurance:

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

##### Liability Insurance:

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

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS  
(Continued)

Worker's Compensation:

The Municipality joined the South Dakota Municipality League Worker's Compensation Fund (Fund), a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The objective of the Fund is to formulate, develop, compensation coverage, to obtain lower costs for the coverage, and to develop a comprehensive loss control program. The Municipality's responsibility is to initiate and maintain a safety program to give its employees safe and sanitary working conditions and to promptly report to and cooperate with the Fund to resolve any worker's compensation claims. The Municipality pays an annual premium, to provide worker's compensation coverage for its employees, under a 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 over the past three years.

Unemployment Benefits:

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

13. SUBSEQUENT EVENTS

Management has evaluated whether any subsequent events have occurred through January 7, 2021, the date on which the financial statements were available to be issued.

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

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>Revenue</b>				
<b>Taxes:</b>				
General Property Taxes	1,008,388.00	1,008,388.00	994,665.99	(13,722.01)
General Sales and Use Taxes	1,304,890.00	1,304,890.00	1,260,445.87	(44,444.13)
Amusement Taxes	3,000.00	3,000.00	180.00	(2,820.00)
Tax Deed Revenue	300.00	300.00	0.00	(300.00)
Penalties and Interest on Delinquent Taxes	1,000.00	1,000.00	0.00	(1,000.00)
<b>Total Taxes</b>	<b>2,317,578.00</b>	<b>2,317,578.00</b>	<b>2,255,291.86</b>	<b>(62,286.14)</b>
Licenses and Permits	30,300.00	30,300.00	32,825.00	2,525.00
<b>Intergovernmental Revenue:</b>				
State Grants	5,000.00	5,000.00	2,559.00	(2,441.00)
<b>State Shared Revenue:</b>				
Bank Franchise Tax	10,500.00	10,500.00	10,300.61	(199.39)
Prorate License Fees	5,000.00	5,000.00	5,785.24	785.24
Liquor Tax Reversion	15,000.00	15,000.00	15,556.30	556.30
Motor Vehicle Licenses	29,000.00	29,000.00	21,656.83	(7,343.17)
<b>County Shared Revenue:</b>				
County Road Tax	7,000.00	7,000.00	6,983.00	(17.00)
County HBR Tax	41,000.00	41,000.00	41,684.10	684.10
County Wheel Tax	4,000.00	4,000.00	3,290.80	(709.20)
<b>Total Intergovernmental Revenue</b>	<b>116,500.00</b>	<b>116,500.00</b>	<b>107,815.88</b>	<b>(8,684.12)</b>
<b>Charges for Goods and Services:</b>				
General Government	3,900.00	3,900.00	2,436.73	(1,463.27)
Public Safety	66,300.00	66,300.00	49,574.00	(16,726.00)
Highways and Streets	7,500.00	7,500.00	11,287.00	3,787.00
Health	300.00	300.00	839.26	539.26
Culture and Recreation	86,430.00	91,430.00	66,479.51	(24,950.49)
<b>Total Charges for Goods and Services</b>	<b>164,430.00</b>	<b>169,430.00</b>	<b>130,616.50</b>	<b>(38,813.50)</b>
<b>Fines and Forfeits:</b>				
Other	1,000.00	1,000.00	404.00	(596.00)
<b>Total Fines and Forfeits</b>	<b>1,000.00</b>	<b>1,000.00</b>	<b>404.00</b>	<b>(596.00)</b>
<b>Miscellaneous Revenue:</b>				
Investment Earnings	5,000.00	5,000.00	4,920.12	(79.88)
Rentals	1,500.00	1,500.00	600.00	(900.00)
Special Assessments	4,200.00	4,200.00	4,225.35	25.35
Contributions and Donations from Private Sources	100,000.00	266,200.00	280,918.57	14,718.57
Other	74,000.00	74,000.00	86,335.59	12,335.59
<b>Total Miscellaneous Revenue</b>	<b>184,700.00</b>	<b>350,900.00</b>	<b>376,999.63</b>	<b>26,099.63</b>
<b>Total Revenue</b>	<b>2,814,508.00</b>	<b>2,985,708.00</b>	<b>2,903,952.87</b>	<b>(81,755.13)</b>
<b>Expenditures:</b>				
<b>General Government:</b>				
Legislative	37,480.00	37,810.00	36,433.00	1,377.00
Contingency	30,000.00	30,000.00		
Amount Transferred		(9,750.00)		20,250.00
Elections	1,300.00	1,300.00		1,300.00
Financial Administration	190,782.00	190,782.00	175,452.39	15,329.61
Other	13,700.00	13,700.00	10,133.45	3,566.55
<b>Total General Government</b>	<b>273,262.00</b>	<b>263,842.00</b>	<b>222,018.84</b>	<b>41,823.16</b>

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

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Expenditures: (continued)</b>				
Public Safety:				
Police	460,560.00	500,501.09	484,537.72	15,963.37
Fire	45,600.00	48,520.00	48,515.70	4.30
Other Protection	5,000.00	5,000.00	5,000.00	0.00
Total Public Safety	<u>511,160.00</u>	<u>554,021.09</u>	<u>538,053.42</u>	<u>15,967.67</u>
Public Works:				
Highways and Streets	847,761.00	938,661.00	800,006.71	138,654.29
Transit	10,000.00	10,000.00	10,000.00	0.00
Total Public Works	<u>857,761.00</u>	<u>948,661.00</u>	<u>810,006.71</u>	<u>138,654.29</u>
Health and Welfare:				
Health	6,000.00	6,000.00	5,977.00	23.00
Total Health and Welfare	<u>6,000.00</u>	<u>6,000.00</u>	<u>5,977.00</u>	<u>23.00</u>
Culture and Recreation:				
Recreation	137,105.00	144,405.00	144,100.81	304.19
Parks	317,250.00	913,050.00	801,198.93	111,851.07
Libraries	83,000.00	83,000.00	79,818.99	3,181.01
Community Center	45,200.00	45,200.00	37,625.35	7,574.65
Total Culture and Recreation	<u>582,555.00</u>	<u>1,185,655.00</u>	<u>1,062,744.08</u>	<u>122,910.92</u>
Conservation and Development:				
Economic Development and Assistance (Industrial Development)	57,350.00	87,388.32	67,988.38	19,399.94
Total Conservation and Development	<u>57,350.00</u>	<u>87,388.32</u>	<u>67,988.38</u>	<u>19,399.94</u>
Debt Service	<u>340,796.74</u>	<u>356,832.74</u>	<u>355,780.66</u>	<u>1,052.08</u>
Total Expenditures	<u>2,628,884.74</u>	<u>3,402,400.15</u>	<u>3,062,569.09</u>	<u>339,831.06</u>
Excess of Revenue Over (Under) Expenditures	<u>185,623.26</u>	<u>(416,692.15)</u>	<u>(158,616.22)</u>	<u>258,075.93</u>
<b>Other Financing Sources (Uses):</b>				
Transfers In	0.00	0.00	40,000.00	40,000.00
Transfers Out	(15,600.00)	(27,600.00)	(67,100.00)	(39,500.00)
Sale of Municipal Property	10,000.00	10,000.00	20,800.00	10,800.00
Compensation for Loss or Damage to Capital Assets	0.00	28,767.66	21,294.03	(7,473.63)
General Long-Term Debt Issued	0.00	240,000.00	240,000.00	0.00
Total Other Financing Sources (Uses)	<u>(5,600.00)</u>	<u>251,167.66</u>	<u>254,994.03</u>	<u>3,826.37</u>
Net Change in Fund Balances	<u>180,023.26</u>	<u>(165,524.49)</u>	<u>96,377.81</u>	<u>261,902.30</u>
Fund Balance - Beginning	1,498,873.42	1,498,873.42	1,498,873.42	0.00
FUND BALANCE - ENDING	<u>1,678,896.68</u>	<u>1,333,348.93</u>	<u>1,595,251.23</u>	<u>261,902.30</u>

**SUPPLEMENTARY INFORMATION  
MUNICIPALITY OF CHAMBERLAIN  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
LIQUOR, LODGING, & DINING SALES TAX FUND  
For the Year Ended December 31, 2019**

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenue:</b>				
Taxes:				
General Sales and Use Taxes	110,000.00	110,000.00	135,350.63	25,350.63
Total Taxes	<u>110,000.00</u>	<u>110,000.00</u>	<u>135,350.63</u>	<u>25,350.63</u>
Miscellaneous Revenue:				
Investment Earnings	500.00	500.00	447.53	(52.47)
Other	0.00	0.00	307.50	307.50
Total Miscellaneous Revenue	<u>500.00</u>	<u>500.00</u>	<u>755.03</u>	<u>255.03</u>
Total Revenue	<u>110,500.00</u>	<u>110,500.00</u>	<u>136,105.66</u>	<u>25,605.66</u>
<b>Expenditures:</b>				
Conservation and Development:				
Economic Development and Assistance (Industrial Development)	105,359.00	130,359.00	120,565.69	9,793.31
Total Conservation and Development	<u>105,359.00</u>	<u>130,359.00</u>	<u>120,565.69</u>	<u>9,793.31</u>
Total Expenditures	<u>105,359.00</u>	<u>130,359.00</u>	<u>120,565.69</u>	<u>9,793.31</u>
Net Change in Fund Balances	<u>5,141.00</u>	<u>(19,859.00)</u>	<u>15,539.97</u>	<u>35,398.97</u>
Fund Balance - Beginning	<u>127,527.15</u>	<u>127,527.15</u>	<u>127,527.15</u>	<u>0.00</u>
FUND BALANCE - ENDING	<u>132,668.15</u>	<u>107,668.15</u>	<u>143,067.12</u>	<u>35,398.97</u>

**SUPPLEMENTARY INFORMATION**  
**MUNICIPALITY OF CHAMBERLAIN**  
**BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS**  
**GRANT REVOLVING LOAN FUND**  
**For the Year Ended December 31, 2019**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u> <u>(Budgetary Basis)</u>	<u>Variance with</u> <u>Final Budget -</u> <u>Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenue:</b>				
Miscellaneous Revenue:				
Investment Earnings	6,985.22	12,625.51	12,815.71	190.20
Other	64,627.33	64,627.33	68,560.97	3,933.64
Total Miscellaneous Revenue	<u>71,612.55</u>	<u>77,252.84</u>	<u>81,376.68</u>	<u>4,123.84</u>
Total Revenue	<u>71,612.55</u>	<u>77,252.84</u>	<u>81,376.68</u>	<u>4,123.84</u>
<b>Expenditures:</b>				
Conservation and Development:				
Economic Development and				
Assistance (Industrial Development)	0.00	300,850.00	300,850.00	0.00
Total Conservation and Development	<u>0.00</u>	<u>300,850.00</u>	<u>300,850.00</u>	<u>0.00</u>
Total Expenditures	<u>0.00</u>	<u>300,850.00</u>	<u>300,850.00</u>	<u>0.00</u>
Net Change in Fund Balances	<u>71,612.55</u>	<u>(223,597.16)</u>	<u>(219,473.32)</u>	<u>4,123.84</u>
Fund Balance - Beginning	<u>281,097.27</u>	<u>281,097.27</u>	<u>281,097.27</u>	<u>0.00</u>
<b>FUND BALANCE - ENDING</b>	<u><u>352,709.82</u></u>	<u><u>57,500.11</u></u>	<u><u>61,623.95</u></u>	<u><u>4,123.84</u></u>



**SUPPLEMENTARY INFORMATION  
MUNICIPALITY OF CHAMBERLAIN  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
DOUVILLE CEMETERY FUND  
For the Year Ended December 31, 2019**

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenue:</b>				
Miscellaneous Revenue:				
Investment Earnings	2,000.00	2,000.00	1,674.34	(325.66)
Total Miscellaneous Revenue	2,000.00	2,000.00	1,674.34	(325.66)
<b>Total Revenue</b>	<b>2,000.00</b>	<b>2,000.00</b>	<b>1,674.34</b>	<b>(325.66)</b>
<b>Expenditures:</b>				
Public Works:				
Cemeteries	2,000.00	2,000.00	0.00	2,000.00
Total Public Works	2,000.00	2,000.00	0.00	2,000.00
<b>Total Expenditures</b>	<b>2,000.00</b>	<b>2,000.00</b>	<b>0.00</b>	<b>2,000.00</b>
<b>Net Change in Fund Balances</b>	<b>0.00</b>	<b>0.00</b>	<b>1,674.34</b>	<b>1,674.34</b>
Fund Balance - Beginning	488,152.18	488,152.18	488,152.18	0.00
<b>FUND BALANCE - ENDING</b>	<b>488,152.18</b>	<b>488,152.18</b>	<b>489,826.52</b>	<b>1,674.34</b>

NOTES TO THE SUPPLEMENTARY INFORMATION

Schedules of Budgetary Comparisons for the General Fund  
and for each major Special Revenue Fund with a legally required budget.

NOTE 1. Budgets and Budgetary Accounting:

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

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

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

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

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

NOTE 2. Other Comprehensive Basis of Accounting Modified Cash Basis/Budgetary Accounting Basis Differences:

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

SUPPLEMENTARY INFORMATION

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

South Dakota Retirement System

Last Five Years

	2019	2018	2017	2016	2015
Municipality's proportion of the net pension liability/asset	0.05242222%	0.0523850%	0.0506966%	0.0513775%	0.0540683%
Municipality's proportionate share of net pension liability (asset)	\$ (5,555)	\$ (1,222)	\$ (4,601)	\$ 173,548	\$ (229,319)
Municipality's covered-employee payroll	\$ 1,030,179	\$ 996,684	\$ 947,049	\$ 895,433	\$ 909,652
Municipality's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	0.54%	0.12%	0.49%	19.38%	25.21%
Plan fiduciary net position as a percentage of the total pension liability (asset)	100.1%	100.0%	100.1%	96.89%	104.10%

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

SUPPLEMENTARY INFORMATION  
 SCHEDULE OF THE MUNICIPALITY CONTRIBUTIONS

South Dakota Retirement System

Last Five Years

	2019	2018	2017	2016	2015
Contractually required contribution	\$ 68,835	\$ 65,395	\$ 63,750	\$ 59,915	\$ 58,949
Contributions in relation to the contractually required contribution	\$ 68,835	\$ 65,395	\$ 63,750	\$ 59,915	\$ 58,949
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Municipality's covered-employee payroll	\$ 1,051,178	\$ 1,005,832	\$ 976,768	\$ 912,829	\$ 901,958
Contributions as a percentage of covered-employee payroll	6.55%	6.53%	6.53%	6.56%	6.54%

**Notes to Required Supplementary Information  
for the Year Ended December 31, 2019**  
Schedule of the Proportionate Share of the Net Pension Liability (Asset) and  
Schedule of Pension Contributions.

**Changes of benefit terms:**

No significant changes.

**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, 2018 and exists again this year as of June 30, 2019. Future COLAs are assumed to equal the current restricted maximum COLA which was 2.03% as of June 30, 2018 and is 1.88% as of June 30, 2019.

The changes in actuarial assumptions decreased the Actuarial Accrued Liability by 1.5% of the Actuarial Accrued Liability based on the 2.03% COLA, reflecting the current and assumed future restricted maximum COLA of 1.88%.

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

SUPPLEMENTARY INFORMATIONLONG-TERM DEBT

A summary of changes in long-term debt for the year ended December 31, 2019 is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Primary Government:					
Governmental Activities:					
Bonds Payable:					
SRF-Series 2008	170,498.79		13,477.58	157,021.21	13,920.96
SRF-Series 2009	437,611.10		27,960.91	409,650.19	28,809.22
Sales Tax Revenue Bond - Series 2014	1,178,959.70		183,295.06	995,664.64	188,315.39
Notes Payable:					
Revolving Fund	47,011.29		47,011.29	0.00	0.00
Note Payable - Fire Truck	30,574.46		11,100.24	19,474.22	11,324.79
Note Payable - Street Sweeper	34,270.54		34,270.54	0.00	0.00
Note Payable - Golf Course Renovations	0.00	240,000.00	0.00	240,000.00	78,571.79
Total Governmental Activities	<u>1,898,925.88</u>	<u>240,000.00</u>	<u>317,115.62</u>	<u>1,821,810.26</u>	<u>320,942.15</u>
Business-Type Activities:					
Bonds Payable:					
DENR-Consolidated Water	113,025.11		91,329.34	21,695.77	21,695.77
Total Business-Type Activities	<u>113,025.11</u>	<u>0.00</u>	<u>91,329.34</u>	<u>21,695.77</u>	<u>21,695.77</u>
TOTAL	<u>2,011,950.99</u>	<u>240,000.00</u>	<u>408,444.96</u>	<u>1,843,506.03</u>	<u>342,637.92</u>

Debt payable at December 31, 2019, is comprised of the following:

Revenue Bonds:

Drinking Water #1 – SRF Series 2008  
Maturity Date: July 15, 2029  
Interest Rate: 3.25%  
Payable from General Fund  
\$ 157,021.21

Drinking Water #2 – SRF Series 2009  
Maturity Date: October 15, 2031  
Interest Rate: 3.00%  
Payable from General Fund  
\$ 409,650.19

Sales Tax Revenue Bond – Series 2014  
Maturity Date: October 15, 2024  
Interest Rate: 2.75%  
Payable from General Fund  
\$ 995,664.64

DENR – Consolidated Water Revenue Bond  
Maturity Date: May 15, 2020  
Interest Rate: 3.00%  
Payable from Sewer Fund  
\$ 21,695.77

SUPPLEMENTARY INFORMATION

Notes Payable:

Notes Payable – Firetruck \$ 19,474.22  
Maturity Date: June 15, 2021  
Interest Rate: 2.99%  
Payable from General Fund

Notes Payable – Golf Course Renovations \$ 240,000.00  
Maturity Date: May 1, 2022  
Interest Rate: 3.25%  
Payable from General Fund

SUPPLEMENTARY INFORMATION

The annual requirements to amortize all debt outstanding as of December 31, 2019 are as follows:

Annual Requirements to Maturity for Long-Term Debt  
December 31, 2019

Year Ending	SRF - Drinking Water # 1 Series 2008		SRF - Drinking Water # 2 Series 2009		DENR - Consolidated Water Revenue Bond	
	Principal	Interest	Principal	Interest	Principal	Interest
December 31,						
2020	13,920.96	4,934.68	28,809.22	11,967.42	21,695.77	169.95
2021	14,378.95	4,476.69	29,683.27	11,093.37		
2022	14,851.98	4,003.66	30,583.83	10,192.81		
2023	15,340.59	3,515.05	31,511.73	9,264.91		
2024	15,845.27	3,010.37	32,467.76	8,308.88		
2025-2029	82,683.46	6,880.83	177,725.98	26,157.22		
2030-2031			78,868.40	2,684.88		
Totals	<u>157,021.21</u>	<u>26,821.28</u>	<u>409,650.19</u>	<u>79,669.49</u>	<u>21,695.77</u>	<u>169.95</u>

Year Ending	Sales Tax Revenue Bond - Series 2014		Notes Payable - Fire Truck		Notes Payable - Golf Course Renovations	
	Principal	Interest	Principal	Interest	Principal	Interest
December 31,						
2020	188,315.39	25,519.65	11,324.79	689.29	78,571.79	6,153.33
2021	193,620.22	20,214.82	8,149.43	243.67	79,405.84	5,319.28
2022	198,999.93	14,835.11			82,022.37	2,702.75
2023	204,529.12	9,305.92				
2024	210,199.98	3,635.06				
2025-2029						
2030-2031						
Totals	<u>995,664.64</u>	<u>73,510.56</u>	<u>19,474.22</u>	<u>932.96</u>	<u>240,000.00</u>	<u>14,175.36</u>

Year Ending	Totals	
	Principal	Interest
December 31,		
2020	342,637.92	49,434.32
2021	325,237.71	41,347.83
2022	326,458.11	31,734.33
2023	251,381.44	22,085.88
2024	258,513.01	14,954.31
2025-2029	260,409.44	33,038.05
2030-2031	78,868.40	2,684.88
Totals	<u>1,843,506.03</u>	<u>195,279.60</u>