

**MUNICIPALITY OF COLTON  
COLTON, SOUTH DAKOTA**

**AUDIT REPORT**

**FOR THE YEAR JANUARY 1, 2020 TO DECEMBER 31, 2020  
AND  
FOR THE YEAR JANUARY 1, 2021 TO DECEMBER 31, 2021**

*Schoenfish & Co., Inc.*

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

MUNICIPALITY OF COLTON

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MUNICIPAL OFFICIALS  
DECEMBER 31, 2021

MAYOR:

Rick Lehman

GOVERNING BOARD:

Colby Jensen, President  
Riley Amundson, Vice-President  
Trevor Bunde  
Chas Foster  
Diann Nesheim

FINANCE OFFICER:

Heather Madison

ATTORNEY:

Meierhenry Law Firm

*Schoenfish & Co., Inc.*

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

Governing Board  
Municipality of Colton  
Colton, South Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of the Municipality of Colton, South Dakota (Municipality), as of December 31, 2021 and December 31, 2020, and for each of the years in the biennial period then ended which collectively comprise the Municipality's basic financial statements and have issued our report thereon dated December 27, 2022, which was adverse for the governmental activities, the business-type activities, and each major fund because we were unable to determine the accuracy of many of the Balance Sheet accounts and many of these amounts also affect the proper reporting of revenue and expenditures/expenses.

Internal Control Over Financial Reporting

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

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. A *significant deficiency* is a deficiency, or 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 were not identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Current Audit Findings as items 2022-001 and 2022-002 to be material weaknesses.

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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and which are described in the accompanying Schedule of Current Audit Findings as item 2021-003.

*Government Auditing Standards* requires the auditor to perform limited procedures on the Municipality's response to the findings identified in our audit. The Municipality of Colton's responses to the findings identified in our audit are described in the accompanying Schedule of Current Audit Findings. We did not audit the Municipality's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of the South Dakota Legislature, state granting agencies, the governing board and management of the Municipality of Colton, South Dakota and is not intended to be and should not be used by anyone other than these specified parties. However, 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  
December 27, 2022

*Schoenfish & Co., Inc.*

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SCHEDULE OF PRIOR AUDIT FINDINGSPRIOR AUDIT FINDINGS:Finding Number 2019-001:

A material weakness in controls existed due to a lack of proper segregation of duties. This comment is a result of the size of the entity which precludes staffing at a level sufficient to provide an ideal environment for internal controls. This comment has not been corrected and is restated as current audit finding number 2021-001.

Finding Number 2019-002:

Material Weaknesses were noted in internal accounting control and record keeping resulting in diminished assurance that transactions were properly executed and recorded and that assets were properly safeguarded. This comment has not been corrected and is restated as current audit finding number 2021-002.

Finding Number 2019-003:

Expenditures exceeded the amounts budgeted in the Third Penny Fund in 2018. Expenditures were excess amounts budgeted in several departments in the General Fund in 2018 and 2019. This comment has not been corrected and is restated as current audit finding number 2021-003.

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SCHEDULE OF CURRENT AUDIT FINDINGSCURRENT AUDIT FINDINGS:Internal Control – Related Findings – Material Weaknesses:Finding Number 2021-001:

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 finding since 2003.

Criteria:

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

Condition:

The office personnel process all revenue transactions from beginning to end. The office personnel also 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 Colton officials be cognizant of this lack of segregation of duties for revenues and attempt to provide compensating internal controls whenever, and wherever, possible and practical.

Management's Response:

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

Finding Number 2021-002:

Material weaknesses were noted in internal accounting control and record keeping resulting in diminished assurance that transactions were properly executed and recorded and that assets were properly safeguarded. This has been a continuing audit finding since 2015.

Criteria:

Proper preparation of municipal records results in increased reliability of reported financial data and decreased potential for the loss of public assets.

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SCHEDULE OF CURRENT AUDIT FINDINGS  
(Continued)

Condition:

The following deficiencies in internal accounting control and record keeping were noted:

a. The following deficiencies were noted:

1. Accounts receivables were not properly adjusted at year-end.
2. Utility revenue/receivable billing batches need to be transferred from the utility billing module to the fund accounting module monthly to accurately reflect revenue and utility receivable balances.
3. General capital asset records, enterprise fund capital asset, and depreciation records were not properly adjusted at year end.
4. Inventories were not updated by the maintenance department.
5. Bank reconciliations were not done accurately or in a timely manner.
6. SRF bond payments and receipts were not adjusted or recorded properly at year-end.
7. The financing lease was not properly recorded in the financial records. Future payments on this financing lease should be made from the debt service account.

b. The receipts were not written for revenue in a timely manner nor in the order in which they were received.

c. Bank balances were not compared to the records for accuracy and cash balances were not correct due to not reconciling timely. Several adjustments were made to the financial statements including an unexplained revenue to balance the 2020 financial statement in the amount of \$59,348.94. In 2021, cash was adjusted by \$32,892.00 due to errors made on checks recorded and deposits not recorded.

d. Accurate monthly financial reports were not provided to the governing board.

SDCL 9-14-18 states that the finance officer "shall keep regular books of account in which shall be entered all indebtedness of the Municipality, and which shall at all times show the financial condition of the Municipality, the amount of bonds, warrants, certificates, or other evidences of indebtedness issued by the governing body, and the amounts of all bonds, warrants, certificates, or other evidences of indebtedness which have been redeemed and the amount of each outstanding."

SDCL 9-14-19 states that the finance officer "shall supervise the accounting system for all departments and offices of the Municipality in accordance with the recommendations of the Department of Legislative Audit."

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, and improper records were maintained for the Municipality of Colton.

Recommendations:

2. We recommend that financial information be more accurately presented.
3. We recommend that all necessary accounting records be established and properly maintained.

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SCHEDULE OF CURRENT AUDIT FINDINGS  
(Continued)

Management's Response:

The Municipality of Colton Mayor, Trevor Bunde, is the contact person responsible for the corrective action plan for this comment. We will attempt to be more accurate and complete when preparing the financial statements and obtain sufficient expertise to do so.

Compliance – Related Finding:

Finding Number 2021-003:

Expenditures exceeded the amounts budgeted in the General Fund 2020. Expenditures were excess amounts budgeted in several departments in the General Fund in 2020 and 2021. This is the second consecutive audit in which a similar deficiency has been reported.

Criteria:

SDCL 9-21-2 states in part, "The governing body of each municipality shall, no later than its first regular meeting in September of each year or within ten days thereafter, introduce the annual appropriation ordinance for the ensuing fiscal year, in which it shall appropriate the sums of money necessary to meet all lawful expenses and liabilities of the municipality." Also, SDCL 9-21-9 states, "Neither the governing body nor any department or office of the municipality shall add to the municipal expenditures in any fiscal year any sum in excess of the amount provided for in the annual appropriation ordinance except as otherwise specially provided. Nor shall the amount spent for any purpose or any department exceed the total amount appropriated for such purpose or for such department in the annual appropriation ordinance for such year, except as otherwise specially provided."

Condition:

The Municipality expended money in excess of amounts budgeted without supplementing the budget as allowed by SDCL 9-21-7.

Effect:

Without amending the budget or limiting expenditures, expenditures are being made without proper authority. Also, budgets are not being properly adopted in accordance with budgetary guidelines.

Recommendations:

4. We recommend that budgets be adopted in accordance with SDCL 9-21-9 and that the expenditures be limited to amounts budgeted or budget supplements be made in accordance with SDCL 9-21-7 and SDCL 9-21-6.1 to allow for expenditures.

Management's Response:

The Municipality of Colton Mayor, Trevor Bunde, is the contact person responsible for the corrective action plan for this comment. The Municipality will be more careful to follow budgetary guidelines prescribed by law.

CLOSING CONFERENCE

The audit findings and recommendations were discussed with the mayor, one council member, and the finance officer during the course of the audit and on January 19, 2023.

*Schoenfish & Co., Inc.*

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## INDEPENDENT AUDITOR'S REPORT

Governing Board  
Municipality of Colton  
Colton, South Dakota

### Adverse Opinion

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Municipality of Colton, South Dakota, (Municipality) as of December 31, 2021 and December 31, 2020 and for each of the years in the biennial period then ended, and the related notes to the financial statements, which collectively comprise the Municipality's basic financial statements as listed in the Table of Contents.

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on the Financial Statements as a Whole section of our report, the financial statements referred to above do not present fairly the financial position of the Municipality of Colton as of December 31, 2021 and December 31, 2020, and the respective changes in financial position and the cash flows, where applicable, thereof for each of the years in the biennial period then ended in conformity with accounting principles generally accepted in the United States of America.

### Basis for Adverse Opinion on the Financial Statements as a Whole

The Balance Sheet accounts are not adjusted to the actual balances at year end for both years and we were unable to determine the accuracy of many of the balances reported beyond the fact that material misstatements exist. Also, many of those amounts affect the proper reporting of revenue and expenditures/expenses.

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

### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and 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.

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

### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Municipality of Colton, South Dakota's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Municipality of Colton, South Dakota's ability to continue as a going concern for a reasonable period of time.

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

### Other Matters

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Budgetary Comparison Schedules, the Schedule of the Municipality's Proportionate Share of the Net Pension Liability (Asset), and the Schedule of the Municipality's Contributions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Schoenfish & Co., Inc.*

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The Municipality has omitted the Management's Discussion and Analysis (MD&A), that accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

#### Other Information

Management is responsible for the other information included in the annual report. The other information comprises the List of Municipal Officials but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

#### Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 27, 2022 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  
December 27, 2022

*Schoenfish & Co., Inc.*

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**MUNICIPALITY OF COLTON**  
**STATEMENT OF NET POSITION**  
**December 31, 2021**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS:</b>			
Cash and Cash Equivalents	742,562.66	1,149,742.05	1,892,304.71
Accounts Receivable, Net	3,912.44	108,430.33	112,342.77
Net Pension Asset	19,409.17	11,706.46	31,115.63
Capital Assets:			
Land	11,600.00	1,000.00	12,600.00
Other Capital Assets, Net of Depreciation	750,587.17	6,199,023.88	6,949,611.05
<b>TOTAL ASSETS</b>	<b>1,528,071.44</b>	<b>7,469,902.72</b>	<b>8,997,974.16</b>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>			
Pension Related Deferred Outflows	24,578.25	14,824.14	39,402.39
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>24,578.25</b>	<b>14,824.14</b>	<b>39,402.39</b>
<b>LIABILITIES :</b>			
Other Current Liabilities	2,554.92	18,450.00	21,004.92
Noncurrent Liabilities:			
Due Within One Year	29,179.95	109,270.03	138,449.98
Due in More than One Year	178,215.58	3,051,131.29	3,229,346.87
<b>TOTAL LIABILITIES</b>	<b>209,950.45</b>	<b>3,178,851.32</b>	<b>3,388,801.77</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>			
Pension Related Deferred Inflows	37,701.66	22,739.40	60,441.06
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>37,701.66</b>	<b>22,739.40</b>	<b>60,441.06</b>
<b>NET POSITION:</b>			
Net Investment in Capital Assets	554,791.64	3,039,622.56	3,594,414.20
Restricted for:			
Debt Service Purposes		384,922.12	384,922.12
SDRS Pension Purposes	6,285.76	3,791.20	10,076.96
Recreation Purposes	43,469.96		43,469.96
Unrestricted (Deficit)	700,450.22	854,800.26	1,555,250.48
<b>TOTAL NET POSITION</b>	<b>1,304,997.58</b>	<b>4,283,136.14</b>	<b>5,588,133.72</b>

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

**MUNICIPALITY OF COLTON**  
**STATEMENT OF ACTIVITIES**  
For the Year Ended December 31, 2021

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
<b>Primary Government:</b>							
Governmental Activities:							
General Government	99,487.68	3,867.00	59,817.51		(35,803.17)		(35,803.17)
Public Safety	65,309.61	25.00			(65,284.61)		(65,284.61)
Public Works	180,004.36	4,283.57	37,585.16		(138,135.63)		(138,135.63)
Health and Welfare	6,896.86		1,347.00		(5,549.86)		(5,549.86)
Culture and Recreation	102,953.95	16,951.56			(86,002.39)		(86,002.39)
Conservation and Development	215.96				(215.96)		(215.96)
Miscellaneous	1,192.32				(1,192.32)		(1,192.32)
*Interest on Long-term Debt	9,958.63				(9,958.63)		(9,958.63)
<b>Total Governmental Activities</b>	<b>466,019.37</b>	<b>25,127.13</b>	<b>98,749.67</b>	<b>0.00</b>	<b>(342,142.57)</b>		<b>(342,142.57)</b>
<b>Business-type Activities:</b>							
Water	218,085.88	256,086.35		4,723.00		42,723.47	42,723.47
Sewer	169,160.50	189,690.41		22,759.98		43,289.89	43,289.89
<b>Total Business-type Activities</b>	<b>387,246.38</b>	<b>445,776.76</b>	<b>0.00</b>	<b>27,482.98</b>		<b>86,013.36</b>	<b>86,013.36</b>
<b>Total Primary Government</b>	<b>853,265.75</b>	<b>470,903.89</b>	<b>98,749.67</b>	<b>27,482.98</b>	<b>(342,142.57)</b>	<b>86,013.36</b>	<b>(256,129.21)</b>
<b>General Revenues:</b>							
Taxes:							
Property Taxes					217,783.67		217,783.67
Sales Taxes					177,835.26		177,835.26
State Shared Revenues					14,498.80		14,498.80
Unrestricted Investment Earnings					1,639.65		1,639.65
Miscellaneous Revenue					15,038.74		15,038.74
<b>Total General Revenues</b>					<b>426,796.12</b>	<b>0.00</b>	<b>426,796.12</b>
<b>Change in Net Position</b>					<b>84,653.55</b>	<b>86,013.36</b>	<b>170,666.91</b>
<b>Net Position - Beginning</b>					<b>1,220,344.03</b>	<b>4,197,122.78</b>	<b>5,417,466.81</b>
<b>NET POSITION - ENDING</b>					<b>1,304,997.58</b>	<b>4,283,136.14</b>	<b>5,588,133.72</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 COLTON**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
December 31, 2021

	General Fund	Second Penny Sales Tax Fund	Third Penny Sales Tax Fund	Total Governmental Funds
<b>ASSETS:</b>				
Cash and Cash Equivalents	103,147.53	595,945.77	43,469.36	742,562.66
Taxes Receivable--Delinquent	2,711.59			2,711.59
Accounts Receivable, Net	1,200.85			1,200.85
<b>TOTAL ASSETS</b>	<b>107,059.97</b>	<b>595,945.77</b>	<b>43,469.36</b>	<b>746,475.10</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:</b>				
Liabilities:				
Accrued Taxes Payable	2,554.92			2,554.92
Total Liabilities	2,554.92	0.00	0.00	2,554.92
Deferred Inflows of Resources:				
Unavailable Revenue--Property Taxes	2,711.59			2,711.59
Total Deferred Inflows of Resources	2,711.59	0.00	0.00	2,711.59
Fund Balances:				
Restricted for Recreation and Promotion			43,469.36	43,469.36
Committed for Debt Retirement		595,945.77		595,945.77
Unassigned	101,793.46			101,793.46
Total Fund Balances	101,793.46	595,945.77	43,469.36	741,208.59
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>107,059.97</b>	<b>595,945.77</b>	<b>43,469.36</b>	<b>746,475.10</b>

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



**MUNICIPALITY OF COLTON**  
**Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position**  
**December 31, 2021**

Total Fund Balances - Governmental Funds	<u>741,208.59</u>
Amounts reported for governmental activities in the statement of net position are different because:	
Net pension asset reported in governmental activities is not an available financial resource and therefore is not reported in the funds.	<u>19,409.17</u>
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	<u>762,187.17</u>
Pension related deferred outflows are components of pension liability (asset) and therefore are not reported in the funds.	<u>24,578.25</u>
Long-term liabilities, including bonds payable and accrued leave payable, are not due and payable in the current period and therefore are not reported in the funds.	<u>(207,395.53)</u>
Assets, such as taxes receivable (delinquent) and special assessment receivables (current, delinquent and deferred) are not available to pay for current period expenditures and therefore are deferred in the funds.	<u>2,711.59</u>
Pension related deferred inflows are components of pension liability (asset) and therefore are not reported in the funds.	<u>(37,701.66)</u>
Net Position - Governmental Activities	<u><u>1,304,997.58</u></u>

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

**MUNICIPALITY OF COLTON**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended December 31, 2021**

	General Fund	Second Penny Sales Tax Fund	Third Penny Sales Tax Fund	Total Governmental Funds
<b>Revenues:</b>				
Taxes:				
General Property Taxes	220,027.44			220,027.44
General Sales and Use Taxes	84,797.27	85,533.64	7,504.35	177,835.26
Penalties and Interest on Delinquent Taxes	894.34			894.34
Licenses and Permits	3,717.00			3,717.00
Intergovernmental Revenue:				
Federal Grants	59,817.51			59,817.51
State Grants	1,347.00			1,347.00
State Shared Revenue:				
Bank Franchise Tax	9,367.09			9,367.09
Prorate License Fees	408.70			408.70
Liquor Tax Reversion	5,131.71			5,131.71
Motor Vehicle Licenses	10,344.30			10,344.30
Local Government Highway and Bridge Fund	24,947.49			24,947.49
County Shared Revenue:				
County Wheel Tax	1,884.67			1,884.67
Charges for Goods and Services:				
Sanitation	4,283.57			4,283.57
Culture and Recreation	16,951.56			16,951.56
Fines and Forfeits:				
Parking Meter Fines	25.00			25.00
Miscellaneous Revenue:				
Investment Earnings	1,639.65			1,639.65
Liquor Operating Agreement Income	150.00			150.00
Other	15,038.74			15,038.74
<b>Total Revenue</b>	460,773.04	85,533.64	7,504.35	553,811.03
<b>Expenditures:</b>				
General Government:				
Legislative	22,571.17			22,571.17
Elections	1,828.85			1,828.85
Financial Administration	58,954.34			58,954.34
Other	14,030.32			14,030.32
<b>Total General Government</b>	97,384.68	0.00	0.00	97,384.68
Public Safety:				
Police	28,431.00			28,431.00
Fire	29,279.80			29,279.80
Other Protection	487.77			487.77
<b>Total Public Safety</b>	58,198.57	0.00	0.00	58,198.57

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

**MUNICIPALITY OF COLTON**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended December 31, 2021**

	<b>General Fund</b>	<b>Second Penny Sales Tax Fund</b>	<b>Third Penny Sales Tax Fund</b>	<b>Total Governmental Funds</b>
<b>Expenditures (continued):</b>				
Public Works:				
Highways and Streets	138,083.15			138,083.15
Sanitation	3,110.27			3,110.27
Total Public Works	141,193.42	0.00	0.00	141,193.42
Health and Welfare:				
Health	6,805.85			6,805.85
Total Health and Welfare	6,805.85	0.00	0.00	6,805.85
Culture and Recreation:				
Recreation	63,827.32			63,827.32
Parks	29,717.94			29,717.94
Libraries	1,825.19			1,825.19
Total Culture and Recreation	95,370.45	0.00	0.00	95,370.45
Conservation and Development:				
Economic Development and Assistance (Industrial Development)	215.96			215.96
Total Conservation and Development	215.96	0.00	0.00	215.96
Debt Service	20,679.92	17,244.00	0.00	37,923.92
Miscellaneous:				
Liquor Operating Agreements	1,192.32			1,192.32
Total Miscellaneous	1,192.32	0.00	0.00	1,192.32
Total Expenditures	421,041.17	17,244.00	0.00	438,285.17
Net Change in Fund Balances	39,731.87	68,289.64	7,504.35	115,525.86
Fund Balance - Beginning	62,061.59	527,656.13	35,965.01	625,682.73
FUND BALANCE - ENDING	101,793.46	595,945.77	43,469.36	741,208.59

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

**MUNICIPALITY OF COLTON**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCES TO THE STATEMENT OF ACTIVITIES**  
**For the Year Ended December 31, 2021**

Net Change in Fund Balances - Total Governmental Funds	<u>115,525.86</u>
Amounts reported for governmental activities in the statement of activities are different because:	
This amount represents the current year depreciation expense reported in the statement of activities which is not reported on the fund financial statements because it does not require the use of current financial resources.	<u>(60,343.63)</u>
Payment of principal on long-term debt is an expenditure in the governmental funds but the payment reduces long-term liabilities in the statement of net position.	<u>27,965.29</u>
The fund financial statement governmental fund property tax accruals differ from the government-wide statement property tax accruals in that the fund financial statements require the amounts to be "available".	<u>(3,138.11)</u>
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. (e.g., pension expense)	<u>(458.98)</u>
Changes in the pension related deferred outflows/inflows are direct components of pension liability (asset) and are not reflected in the governmental funds.	<u>5,103.12</u>
Change in Net Position of Governmental Activities	<u><u>84,653.55</u></u>

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

**MUNICIPALITY OF COLTON**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**December 31, 2021**

	<b>Enterprise Funds</b>		
	<b>Water Fund</b>	<b>Sewer Fund</b>	<b>Totals</b>
<b>ASSETS:</b>			
Current Assets:			
Cash and Cash Equivalents	434,137.33	715,604.72	1,149,742.05
Accounts Receivable, Net	76,248.59	32,181.74	108,430.33
Total Current Assets	510,385.92	747,786.46	1,258,172.38
Noncurrent Assets:			
Net Pension Asset	5,927.80	5,778.66	11,706.46
Capital Assets:			
Land	1,000.00		1,000.00
Improvements Other Than Buildings	3,862,261.47	3,515,727.82	7,377,989.29
Machinery and Equipment	60,048.42	65,417.50	125,465.92
Less: Accumulated Depreciation	(789,172.46)	(515,258.87)	(1,304,431.33)
Total Noncurrent Assets	3,140,065.23	3,071,665.11	6,211,730.34
<b>TOTAL ASSETS</b>	<b>3,650,451.15</b>	<b>3,819,451.57</b>	<b>7,469,902.72</b>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>			
Pension Related Deferred Outflows	7,506.50	7,317.64	14,824.14
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>7,506.50</b>	<b>7,317.64</b>	<b>14,824.14</b>
<b>LIABILITIES:</b>			
Current Liabilities:			
Customer Deposits	18,450.00		18,450.00
Bonds Payable Current:			
Revenue	57,359.85	51,910.18	109,270.03
Total Current Liabilities	75,809.85	51,910.18	127,720.03
Noncurrent Liabilities:			
Bonds Payable:			
Revenue	1,152,526.19	1,898,605.10	3,051,131.29
Total Noncurrent Liabilities	1,152,526.19	1,898,605.10	3,051,131.29
<b>TOTAL LIABILITIES</b>	<b>1,228,336.04</b>	<b>1,950,515.28</b>	<b>3,178,851.32</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>			
Pension Related Deferred Inflows	11,514.55	11,224.85	22,739.40
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>11,514.55</b>	<b>11,224.85</b>	<b>22,739.40</b>
<b>NET POSITION:</b>			
Net Investment in Capital Assets	1,924,251.39	1,115,371.17	3,039,622.56
Restricted For:			
Revenue Bond Debt Service	125,817.89	259,104.23	384,922.12
SDRS Pension Purposes	1,919.75	1,871.45	3,791.20
Unrestricted Net Position	366,118.03	488,682.23	854,800.26
<b>TOTAL NET POSITION</b>	<b>2,418,107.06</b>	<b>1,865,029.08</b>	<b>4,283,136.14</b>

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

**MUNICIPALITY OF COLTON**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUNDS**  
**For the Year Ended December 31, 2021**

	Enterprise Funds		
	Water Fund	Sewer Fund	Totals
<b>Operating Revenue:</b>			
Charges for Goods and Services	145,489.39	117,138.47	262,627.86
Revenue Dedicated to Servicing Debt	110,596.96	72,551.94	183,148.90
Total Operating Revenue	256,086.35	189,690.41	445,776.76
<b>Operating Expenses:</b>			
Personal Services	17,929.61	17,064.21	34,993.82
Other Current Expense	29,643.61	27,453.88	57,097.49
Materials (Cost of Goods Sold)	45,627.60		45,627.60
Depreciation	89,066.28	75,100.00	164,166.28
Total Operating Expenses	182,267.10	119,618.09	301,885.19
Operating Income (Loss)	73,819.25	70,072.32	143,891.57
<b>Nonoperating Revenue (Expense):</b>			
Interest Expense	(35,818.78)	(49,542.41)	(85,361.19)
Total Nonoperating Revenue (Expense)	(35,818.78)	(49,542.41)	(85,361.19)
Capital Contributions	4,723.00	22,759.98	27,482.98
Change in Net Position	42,723.47	43,289.89	86,013.36
Net Position - Beginning	2,375,383.59	1,821,739.19	4,197,122.78
NET POSITION - ENDING	2,418,107.06	1,865,029.08	4,283,136.14

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

**MUNICIPALITY OF COLTON**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**For the Year Ended December 31, 2021**

	<b>Enterprise Funds</b>		
	<b>Water Fund</b>	<b>Sewer Fund</b>	<b>Totals</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Cash Receipts from Customers	227,149.49	188,018.76	415,168.25
Cash Payments to Employees for Services	(19,308.16)	(18,408.00)	(37,716.16)
Cash Payments to Suppliers of Goods and Services	(75,271.21)	(27,453.88)	(102,725.09)
Net Cash Provided (Used) by Operating Activities	132,570.12	142,156.88	274,727.00
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Proceeds from Capital Debt	11,352.00	39,022.00	50,374.00
Capital Contributions		22,759.98	22,759.98
Purchase of Capital Assets	(26,077.15)	(55,691.73)	(81,768.88)
Principal Paid on Capital Debt	(54,682.46)	(45,526.98)	(100,209.44)
Interest Paid on Capital Debt	(35,818.78)	(49,542.41)	(85,361.19)
Net Cash (Used) by Capital and Related Financing Activities	(105,226.39)	(88,979.14)	(194,205.53)
Net Increase (Decrease) in Cash and Cash Equivalents	27,343.73	53,177.74	80,521.47
Balances - Beginning	406,793.60	662,426.98	1,069,220.58
Balances - Ending	434,137.33	715,604.72	1,149,742.05
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>			
Operating Income (Loss)	73,819.25	70,072.32	143,891.57
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:			
Depreciation Expense	89,066.28	75,100.00	164,166.28
(Increase) decrease in Receivables	(29,736.86)	(1,671.65)	(31,408.51)
(Increase) decrease in Net Pension Asset	(5,895.69)	(5,747.36)	(11,643.05)
(Increase) decrease in Pension Related Deferred Outflows	(2,692.22)	(2,623.77)	(5,315.99)
(Decrease) increase in Pension Related Deferred Inflows	7,209.36	7,027.34	14,236.70
(Decrease) increase in Customer Deposits	800.00		800.00
Net Cash Provided (Used) by Operating Activities	132,570.12	142,156.88	274,727.00

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

**MUNICIPALITY OF COLTON**  
**STATEMENT OF NET POSITION**  
**December 31, 2020**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS:</b>			
Cash and Cash Equivalents	514,242.36	1,069,220.58	1,583,462.94
Accounts Receivable, Net	117,290.07	77,021.82	194,311.89
Net Pension Asset	97.39	63.41	160.80
Capital Assets:			
Land and Construction Work in Progress	41,168.00	4,823,521.26	4,864,689.26
Other Capital Assets, Net of Depreciation	781,362.80	1,460,201.17	2,241,563.97
<b>TOTAL ASSETS</b>	<b>1,454,160.62</b>	<b>7,430,028.24</b>	<b>8,884,188.86</b>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>			
Pension Related Deferred Outflows	14,603.12	9,508.15	24,111.27
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>14,603.12</b>	<b>9,508.15</b>	<b>24,111.27</b>
<b>LIABILITIES :</b>			
Accounts Payable		1,301.15	1,301.15
Other Current Liabilities		17,650.00	17,650.00
Noncurrent Liabilities:			
Due Within One Year	27,850.33	98,369.60	126,219.93
Due in More than One Year	207,510.49	3,116,590.16	3,324,100.65
<b>TOTAL LIABILITIES</b>	<b>235,360.82</b>	<b>3,233,910.91</b>	<b>3,469,271.73</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>			
Pension Related Deferred Inflows	13,058.89	8,502.70	21,561.59
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>13,058.89</b>	<b>8,502.70</b>	<b>21,561.59</b>
<b>NET POSITION:</b>			
Net Investment in Capital Assets	587,169.98	3,068,762.67	3,655,932.65
Restricted for:			
Debt Service Purposes		384,922.12	384,922.12
SDRS Pension Purposes	1,641.62	1,068.86	2,710.48
Recreation Purposes	35,965.01		35,965.01
Unrestricted (Deficit)	595,567.42	742,369.13	1,337,936.55
<b>TOTAL NET POSITION</b>	<b>1,220,344.03</b>	<b>4,197,122.78</b>	<b>5,417,466.81</b>

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



**MUNICIPALITY OF COLTON**  
**STATEMENT OF ACTIVITIES**  
For the Year Ended December 31, 2020

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-Type Activities	Total
<b>Primary Government:</b>							
Governmental Activities:							
General Government	95,578.53	3,969.75	138,387.45		46,778.67		46,778.67
Public Safety	60,531.15	155.00			(60,376.15)		(60,376.15)
Public Works	191,836.10	4,304.38	35,388.36		(152,143.36)		(152,143.36)
Health and Welfare	4,987.95		1,202.00		(3,785.95)		(3,785.95)
Culture and Recreation	54,521.46	645.00			(53,876.46)		(53,876.46)
Miscellaneous	1,291.68	2,089.37			797.69		797.69
*Interest on Long-term Debt	11,136.78				(11,136.78)		(11,136.78)
Total Governmental Activities	419,883.65	11,163.50	174,977.81	0.00	(233,742.34)		(233,742.34)
Business-type Activities:							
Water	230,924.16	180,931.62		138,487.00		88,494.46	88,494.46
Sewer	131,045.00	146,043.70		529,562.63		544,561.33	544,561.33
Total Business-type Activities	361,969.16	326,975.32	0.00	668,049.63		633,055.79	633,055.79
Total Primary Government	781,852.81	338,138.82	174,977.81	668,049.63	(233,742.34)	633,055.79	399,313.45
<b>General Revenues:</b>							
Taxes:							
Property Taxes					209,917.47		209,917.47
Sales Taxes					170,169.89		170,169.89
State Shared Revenues					13,533.49		13,533.49
Unrestricted Investment Earnings					2,415.64	139.38	2,555.02
Miscellaneous Revenue					74,870.96		74,870.96
Total General Revenues					470,907.45	139.38	471,046.83
Change in Net Position					237,165.11	633,195.17	870,360.28
Net Position - Beginning					983,178.92	3,563,927.61	4,547,106.53
NET POSITION - ENDING					1,220,344.03	4,197,122.78	5,417,466.81

\* 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 COLTON**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
December 31, 2020

	General Fund	Second Penny Sales Tax Fund	Third Penny Sales Tax Fund	Total Governmental Funds
<b>ASSETS:</b>				
Cash and Cash Equivalents		478,277.35	35,965.01	514,242.36
Taxes Receivable--Delinquent	5,849.70			5,849.70
Accounts Receivable, Net	828.54			828.54
Due from Other Government	110,611.83			110,611.83
Due from General Fund		49,378.78		49,378.78
<b>TOTAL ASSETS</b>	<b>117,290.07</b>	<b>527,656.13</b>	<b>35,965.01</b>	<b>680,911.21</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:</b>				
Liabilities:				
Due to Second Penny Sales Tax Fund	49,378.78	0.00	0.00	49,378.78
Total Liabilities	49,378.78	0.00	0.00	49,378.78
Deferred Inflows of Resources:				
Unavailable Revenue--Property Taxes	5,849.70			5,849.70
Total Deferred Inflows of Resources	5,849.70	0.00	0.00	5,849.70
Fund Balances:				
Restricted for Recreation and Promotion			35,965.01	35,965.01
Committed for Debt Retirement		527,656.13		527,656.13
Unassigned	62,061.59			62,061.59
Total Fund Balances	62,061.59	527,656.13	35,965.01	625,682.73
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>117,290.07</b>	<b>527,656.13</b>	<b>35,965.01</b>	<b>680,911.21</b>

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

**MUNICIPALITY OF COLTON**  
**Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position**  
**December 31, 2020**

Total Fund Balances - Governmental Funds	<u>625,682.73</u>
Amounts reported for governmental activities in the statement of net position are different because:	
Net pension asset reported in governmental activities is not an available financial resource and therefore is not reported in the funds.	<u>97.39</u>
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	<u>822,530.80</u>
Pension related deferred outflows are components of pension liability (asset) and therefore are not reported in the funds.	<u>14,603.12</u>
Long-term liabilities, including bonds payable and financing (capital acquisition) lease payable, are not due and payable in the current period and therefore are not reported in the funds.	<u>(235,360.82)</u>
Assets, such as taxes receivable (delinquent) and special assessment receivables (current, delinquent and deferred) are not available to pay for current period expenditures and therefore are deferred in the funds.	<u>5,849.70</u>
Pension related deferred inflows are components of pension liability (asset) and therefore are not reported in the funds.	<u>(13,058.89)</u>
Net Position - Governmental Activities	<u><u>1,220,344.03</u></u>

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

**MUNICIPALITY OF COLTON**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended December 31, 2020**

	<b>General Fund</b>	<b>Second Penny Sales Tax Fund</b>	<b>Third Penny Sales Tax Fund</b>	<b>5th Street Capital Project Fund</b>	<b>Total Governmental Funds</b>
<b>Revenues:</b>					
<b>Taxes:</b>					
General Property Taxes	206,666.60				206,666.60
General Sales and Use Taxes	81,456.63	80,894.17	7,819.09		170,169.89
Amusement Taxes	132.00				132.00
Penalties and Interest on Delinquent Taxes	633.44				633.44
Licenses and Permits	3,969.75				3,969.75
<b>Intergovernmental Revenue:</b>					
Federal Grants	138,387.45				138,387.45
State Grants	1,202.00				1,202.00
<b>State Shared Revenue:</b>					
Bank Franchise Tax	8,778.25				8,778.25
Liquor Tax Reversion	4,755.24				4,755.24
Motor Vehicle Licenses	6,995.69				6,995.69
Local Government Highway and Bridge Fund	23,943.03				23,943.03
<b>County Shared Revenue:</b>					
County Wheel Tax	4,449.64				4,449.64
<b>Charges for Goods and Services:</b>					
Sanitation	4,304.38				4,304.38
Culture and Recreation	645.00				645.00
<b>Fines and Forfeits:</b>					
Parking Meter Fines	155.00				155.00
<b>Miscellaneous Revenue:</b>					
Investment Earnings	2,415.64				2,415.64
Liquor Operating Agreement Income	2,089.37				2,089.37
Other	15,522.02				15,522.02
Other - Unexplained Variance	59,348.94				59,348.94
<b>Total Revenue</b>	<b>565,850.07</b>	<b>80,894.17</b>	<b>7,819.09</b>	<b>0.00</b>	<b>654,563.33</b>
<b>Expenditures:</b>					
<b>General Government:</b>					
Legislative	28,764.96				28,764.96
Elections	1,024.97				1,024.97
Financial Administration	46,582.34				46,582.34
Other	12,080.21				12,080.21
<b>Total General Government</b>	<b>88,452.48</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>88,452.48</b>
<b>Public Safety:</b>					
Police	27,690.00				27,690.00
Fire	24,664.66				24,664.66
Other Protection	1,065.45				1,065.45
<b>Total Public Safety</b>	<b>53,420.11</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>53,420.11</b>

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

**MUNICIPALITY OF COLTON**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended December 31, 2020**

	<b>General Fund</b>	<b>Second Penny Sales Tax Fund</b>	<b>Third Penny Sales Tax Fund</b>	<b>5th Street Capital Project Fund</b>	<b>Total Governmental Funds</b>
<b>Expenditures (continued):</b>					
Public Works:					
Highways and Streets	147,855.99				147,855.99
Sanitation	3,087.21				3,087.21
Total Public Works	150,943.20	0.00	0.00	0.00	150,943.20
Health and Welfare:					
Health	4,646.39				4,646.39
Total Health and Welfare	4,646.39	0.00	0.00	0.00	4,646.39
Culture and Recreation:					
Recreation	23,475.39				23,475.39
Parks	19,121.20				19,121.20
Libraries	2,050.80				2,050.80
Total Culture and Recreation	44,647.39	0.00	0.00	0.00	44,647.39
Debt Service	20,679.92	17,244.00	0.00	0.00	37,923.92
Capital Outlay	326,810.96	0.00	0.00	0.00	326,810.96
Miscellaneous:					
Liquor Operating Agreements	1,291.68				1,291.68
Total Miscellaneous	1,291.68	0.00	0.00	0.00	1,291.68
Total Expenditures	690,892.13	17,244.00	0.00	0.00	708,136.13
Excess of Revenue Over (Under) Expenditures	(125,042.06)	63,650.17	7,819.09	0.00	(53,572.80)
<b>Other Financing Sources (Uses):</b>					
Transfers In				41,719.81	41,719.81
Compensation for Loss or Damage to Capital Assets	164,980.00				164,980.00
Transfers Out		(41,719.81)			(41,719.81)
Total Other Financing Sources (Uses)	164,980.00	(41,719.81)	0.00	41,719.81	164,980.00
Net Change in Fund Balances	39,937.94	21,930.36	7,819.09	41,719.81	111,407.20
Fund Balance - Beginning	22,123.65	505,725.77	28,145.92	(41,719.81)	514,275.53
FUND BALANCE - ENDING	62,061.59	527,656.13	35,965.01	0.00	625,682.73

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

**MUNICIPALITY OF COLTON**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCES TO THE STATEMENT OF ACTIVITIES**  
**For the Year Ended December 31, 2020**

Net Change in Fund Balances - Total Governmental Funds	<u>111,407.20</u>
Amounts reported for governmental activities in the statement of activities are different because:	
This amount represents capital asset purchases which are reported as expenditures on the fund financial statements but increase assets on the government-wide statements.	<u>326,810.96</u>
This amount represents the current year depreciation expense reported in the statement of activities which is not reported on the fund financial statements because it does not require the use of current financial resources.	<u>(60,168.25)</u>
In the statement of activities, gains and losses on disposal of capital assets are reported, whereas, in the governmental funds, the proceeds from the disposal of capital assets is reflected, regardless of whether a gain or loss is realized.	<u>(979.50)</u>
Payment of principal on long-term debt is an expenditure in the governmental funds but the payment reduces long-term liabilities in the statement of net position.	<u>26,787.14</u>
The issuance of long-term debt is an other financing source in the fund statements but an increase in long-term liabilities on the government-wide statements.	<u>(164,980.00)</u>
The fund financial statement governmental fund property tax accruals differ from the government-wide statement property tax accruals in that the fund financial statements require the amounts to be "available".	<u>2,485.43</u>
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. (e.g., pension expense)	<u>528.85</u>
Changes in the pension related deferred outflows/inflows are direct components of pension liability (asset) and are not reflected in the governmental funds.	<u>(4,726.72)</u>
Change in Net Position of Governmental Activities	<u><u>237,165.11</u></u>

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

**MUNICIPALITY OF COLTON**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**December 31, 2020**

	<b>Enterprise Funds</b>		
	<b>Water Fund</b>	<b>Sewer Fund</b>	<b>Totals</b>
<b>ASSETS:</b>			
Current Assets:			
Cash and Cash Equivalents	406,793.60	662,426.98	1,069,220.58
Accounts Receivable, Net	46,511.73	30,510.09	77,021.82
Total Current Assets	453,305.33	692,937.07	1,146,242.40
Noncurrent Assets:			
Net Pension Asset	32.11	31.30	63.41
Capital Assets:			
Land	1,000.00		1,000.00
Improvements Other Than Buildings	1,683,702.44	797,822.78	2,481,525.22
Machinery and Equipment	53,523.50	65,417.50	118,941.00
Construction Work in Progress	2,160,307.95	2,662,213.31	4,822,521.26
Less: Accumulated Depreciation	(700,106.18)	(440,158.87)	(1,140,265.05)
Total Noncurrent Assets	3,198,459.82	3,085,326.02	6,283,785.84
<b>TOTAL ASSETS</b>	<b>3,651,765.15</b>	<b>3,778,263.09</b>	<b>7,430,028.24</b>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>			
Pension Related Deferred Outflows	4,814.28	4,693.87	9,508.15
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>4,814.28</b>	<b>4,693.87</b>	<b>9,508.15</b>
<b>LIABILITIES:</b>			
Current Liabilities:			
Accounts Payable	1,301.15		1,301.15
Contracts Payable			0.00
Customer Deposits	17,650.00		17,650.00
Bonds Payable Current:			
Revenue	54,554.94	43,814.66	98,369.60
Total Current Liabilities	73,506.09	43,814.66	117,320.75
Noncurrent Liabilities:			
Bonds Payable:			
Revenue	1,203,384.56	1,913,205.60	3,116,590.16
Total Noncurrent Liabilities	1,203,384.56	1,913,205.60	3,116,590.16
<b>TOTAL LIABILITIES</b>	<b>1,276,890.65</b>	<b>1,957,020.26</b>	<b>3,233,910.91</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>			
Pension Related Deferred Inflows	4,305.19	4,197.51	8,502.70
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>4,305.19</b>	<b>4,197.51</b>	<b>8,502.70</b>
<b>NET POSITION:</b>			
Net Investment in Capital Assets	1,940,488.21	1,128,274.46	3,068,762.67
Restricted For:			
Revenue Bond Debt Service	125,817.89	259,104.23	384,922.12
SDRS Pension Purposes	541.20	527.66	1,068.86
Unrestricted Net Position	308,536.29	433,832.84	742,369.13
<b>TOTAL NET POSITION</b>	<b>2,375,383.59</b>	<b>1,821,739.19</b>	<b>4,197,122.78</b>

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

**MUNICIPALITY OF COLTON**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUNDS**  
**For the Year Ended December 31, 2020**

	<b>Enterprise Funds</b>		
	<b>Water Fund</b>	<b>Sewer Fund</b>	<b>Totals</b>
<b>Operating Revenue:</b>			
Charges for Goods and Services	104,886.86	91,009.84	195,896.70
Revenue Dedicated to Servicing Debt	73,196.54	55,033.86	128,230.40
Miscellaneous	2,848.22		2,848.22
<b>Total Operating Revenue</b>	<b>180,931.62</b>	<b>146,043.70</b>	<b>326,975.32</b>
<b>Operating Expenses:</b>			
Personal Services	19,673.84	5,511.71	25,185.55
Other Current Expense	82,576.69	54,150.16	136,726.85
Materials (Cost of Goods Sold)	37,904.43		37,904.43
Depreciation	44,842.60	20,959.63	65,802.23
<b>Total Operating Expenses</b>	<b>184,997.56</b>	<b>80,621.50</b>	<b>265,619.06</b>
<b>Operating Income (Loss)</b>	<b>(4,065.94)</b>	<b>65,422.20</b>	<b>61,356.26</b>
<b>Nonoperating Revenue (Expense):</b>			
Investment Earnings	45.54	93.84	139.38
Interest Expense	(45,926.60)	(50,423.50)	(96,350.10)
<b>Total Nonoperating Revenue (Expense)</b>	<b>(45,881.06)</b>	<b>(50,329.66)</b>	<b>(96,210.72)</b>
<b>Income (Loss) Before Contributions</b>	<b>(49,947.00)</b>	<b>15,092.54</b>	<b>(34,854.46)</b>
Capital Contributions	138,487.00	529,562.63	668,049.63
<b>Change in Net Position</b>	<b>88,540.00</b>	<b>544,655.17</b>	<b>633,195.17</b>
<b>Net Position - Beginning</b>	<b>2,286,843.59</b>	<b>1,277,084.02</b>	<b>3,563,927.61</b>
<b>NET POSITION - ENDING</b>	<b>2,375,383.59</b>	<b>1,821,739.19</b>	<b>4,197,122.78</b>

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



**MUNICIPALITY OF COLTON**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**For the Year Ended December 31, 2020**

	<b>Enterprise Funds</b>		
	<b>Water Fund</b>	<b>Sewer Fund</b>	<b>Totals</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Cash Receipts from Customers	160,970.45	136,875.87	297,846.32
Cash Payments to Employees for Services	(18,370.83)	(4,240.36)	(22,611.19)
Cash Payments to Suppliers of Goods and Services	(119,179.97)	(54,150.16)	(173,330.13)
Other Operating Cash Payments	2,848.22		2,848.22
Net Cash Provided (Used) by Operating Activities	26,267.87	78,485.35	104,753.22
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Proceeds from Capital Debt	332,901.00	829,098.00	1,161,999.00
Capital Contributions	138,487.00	529,562.63	668,049.63
Purchase of Capital Assets	(570,078.79)	(1,198,770.55)	(1,768,849.34)
Principal Paid on Capital Debt	(182,075.04)	(18,823.25)	(200,898.29)
Interest Paid on Capital Debt	(45,926.60)	(50,423.50)	(96,350.10)
Net Cash (Used) by Capital and Related Financing Activities	(326,692.43)	90,643.33	(236,049.10)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Cash Received for Interest	45.54	93.84	139.38
Net Cash Provided by Investing Activities	45.54	93.84	139.38
Net Increase (Decrease) in Cash and Cash Equivalents	(300,379.02)	169,222.52	(131,156.50)
Balances - Beginning	707,172.62	493,204.46	1,200,377.08
Balances - Ending	406,793.60	662,426.98	1,069,220.58
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>			
Operating Income (Loss)	(4,065.94)	65,422.20	61,356.26
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:			
Depreciation Expense	44,842.60	20,959.63	65,802.23
(Increase) decrease in Receivables	(17,841.48)	(9,167.83)	(27,009.31)
(Increase) decrease in Net Pension Asset	42.86	41.84	84.70
(Increase) decrease in Pension Related Deferred Outflows	(1,385.22)	(1,348.86)	(2,734.08)
(Decrease) increase in Accounts and Other Payables	1,301.15		1,301.15
(Decrease) increase in Pension Related Deferred Inflows	2,645.37	2,578.37	5,223.74
(Decrease) increase in Customer Deposits	728.53		728.53
Net Cash Provided (Used) by Operating Activities	26,267.87	78,485.35	104,753.22

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

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## NOTES TO THE FINANCIAL STATEMENTS

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### a. Financial Reporting Entity:

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

#### b. Basis of Presentation:

##### Government-wide Financial Statements:

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

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

##### Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into 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 as follows:

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

**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.

Second Penny Sales Tax Fund – to account for an additional one percent sales tax which may be used only for capital improvement, land acquisition, the funding of public ambulances and medical emergency response vehicles, public hospitals, or nonprofit hospitals with fifty or fewer licensed beds and other public health care facilities or nonprofit health care facilities with fifty or fewer licensed beds, the transfer to the special 911 fund, the purchasing of fire fighting vehicles and equipment, and debt retirement. (Local Ordinance # 231) This is a major fund.

Third Penny 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 promotion of advertising of the city. (SDCL 10-52-8) This is a major fund.

Capital Project Funds – Capital project funds are used to account for the 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).

Fifth Street Capital Project Fund – to account for financial resources to be used for the Fifth Street improvements. This project is being done in various phases as financing allows. This is a major fund. This fund was closed in 2020.

**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.

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

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.

Measurement Focus:

Government-wide Financial Statements:

In the government-wide Statement of Net Position and Statement of Activities, both governmental and business-type activities are presented using the economic resources measurement focus, applied on the accrual basis of accounting.

Fund Financial Statements:

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

Basis of Accounting:

Government-wide Financial Statements:

In the government-wide Statement of Net Position and Statement of Activities, governmental, and business-type activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues and related assets are recorded when earned (usually when the right to receive cash vests); and, expenses and related liabilities are recorded when an obligation is incurred (usually when the obligation to pay cash in the future vests).

Fund Financial Statements:

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues, including property taxes, are recognized when they become measurable and available. "Available" means resources are collected or to be collected soon enough after the end of the fiscal year that they can be used to pay the bills of the current period. The accrual period does not exceed one bill-paying cycle, and for the Municipality of Colton, the length of that cycle is 30 days. The revenues which are accrued at December 31, 2021 and 2020 are rubble site fees.

Under the modified accrual basis of accounting, receivables may be measurable but not available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Unavailable revenues, where asset recognition criteria have been met, but for which revenue recognition criteria have not been met, are reported as a deferred inflow of resources.

Expenditures are generally recognized when the related fund liability is incurred. Exceptions to this general rule include principal and interest on general long-term debt which are recognized when due.

All proprietary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

d. Interfund Eliminations and Reclassifications:

Government-wide Financial Statements:

In the process of aggregating data for the government-side financial statements, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified, as follows:

1. In order to minimize the grossing-up effect on assets and liabilities within the governmental and business-type activities columns of the primary government, amounts reported as interfund receivables and payables have been eliminated in the governmental and business-type activities columns, except for the net (if any), residual amounts due between governmental and business-type activities, which are presented as Internal Balances, if any.

e. Deposits and Investments:

For the purpose of financial reporting, "cash and cash equivalents" includes all demand and savings accounts and certificate 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.

f. Capital Assets:

Capital assets include land, buildings, machinery and equipment, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period. Infrastructure assets are long-lived capital assets that normally are stationary in nature and normally can be preserved for significantly greater number of years than most capital assets.

The accounting treatment over capital assets depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Government-Wide Statements

Capital assets are recorded at historical cost. Donated capital assets are valued at their estimated acquisition value on the date donated. Reported cost values include ancillary charges necessary to place the asset into its intended location and condition for use. Subsequent to initial capitalization, improvements or betterments that are significant and which extend the useful life of a capital asset are also capitalized.

Infrastructure assets used in general government operations, consisting of certain improvements other than buildings, including roads, bridges, sidewalks, drainage systems, and lighting systems, acquired prior to January 1, 2004, were not required to be capitalized by the Municipality. Infrastructure assets acquired since January 1, 2004 are recorded at cost, and classified as "Improvements Other than Buildings."

For governmental activities capital assets, construction-period interest is not capitalized, in accordance with USGAAP, while for capital assets used in business-type activities/proprietary fund's operations, construction period interest is capitalized in accordance with USGAAP.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the government-wide Statement of Activities, except for that portion related to common use assets for which allocation would be unduly complex, and which is reported as Unallocated Depreciation, with net capital assets reflected in the

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

Statement of Net Position. Accumulated depreciation is reported on the government-wide Statement of Net Position and on each proprietary fund's Statement of Net Position.

Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the government-wide statements and proprietary funds are as follows:

	<u>Threshold</u>	<u>Method</u>	<u>Useful Life</u>
Land and land rights	\$ -	-- N/A --	-- N/A --
Improvements other than buildings	\$ 25,000.00	Straight-line	50 yrs.
Buildings	\$ 5,000.00	Straight-line	50 yrs.
Machinery & Equipment	\$ 500.00	Straight-line	5-35 yrs.
Infrastructure	\$ 25,000.00	Straight-line	50 yrs.
Utility property and improvements	\$ 25,000.00	Straight-line	50 yrs.

Land is an inexhaustible capital asset and is not depreciated.

#### Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as Capital Outlay expenditures of the appropriate governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for on the accrual basis, the same as in the government-wide statements.

#### g. Long-Term Liabilities:

The accounting treatment of long-term liabilities depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term liabilities to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term liabilities primarily consist of sales tax revenue bonds, SRF loans and financing (capital acquisition) leases.

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

#### h. 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.

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NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

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.

i. Deferred Inflows and Deferred Outflows of Resources:

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. Deferred outflows of resources represent consumption of net position that applies to a future period or periods. These items will not be recognized as an outflow of resources until the applicable future period.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. Deferred inflows of resources represent acquisitions of net position that applies to a future period or periods. These items will not be recognized as an inflow of resources until the applicable future period.

j. 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.

k. 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.

l. Equity Classifications:

Government-wide Statements:

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

1. Net investment in capital assets – Consists of capital assets, including restricted capital assets, net of accumulated depreciation (if applicable) and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
2. Restricted net position – Consists of net position with constraints placed on its use either by (a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
3. Unrestricted net position – All other net position that does not meet the definition of "restricted" or "net investment in capital assets".

Fund Financial Statements:

Government 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.

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

m. 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 is available.

n. Fund Balance Classification Policies and Procedures:

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

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

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

<b>Major Special Revenue Fund</b>	<b>Revenue Source</b>
Third Penny Sales Tax Fund	Sales Tax Revenue
Second Penny Sales Tax Fund	Sales Tax Revenue

o. Pensions:

For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense (revenue), information about the fiduciary net position of the South Dakota Retirement System (SDRS) and additions to/deletions from SDRS's fiduciary net position have been determined on the same basis as they are reported by SDRS. Municipal contributions and net pension liability (asset) are recognized on an accrual basis of accounting.



NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

2. VIOLATIONS OF FINANCE-RELATED LEGAL AND CONTRACTUAL PROVISIONS:

The Municipality is prohibited by statute from spending in excess of appropriated amounts at the department level. The following represents the significant overdrafts of the expenditures compared to appropriations:

	<u>Year Ended</u> <u>12/31/2021</u>	<u>Year Ended</u> <u>12/31/2020</u>
General Fund:		
Legislative		\$ 58,071.30
Elections	\$ 703.88	
Financial Administration	9,454.34	1,782.96
Police	741.00	
Health	66.02	
Parks		147,925.20
Recreation	9,347.32	
Libraries		50.80
Debt Service	20,679.92	20,679.92
Miscellaneous:		
Other Expenditures	1,192.32	1,291.68

The Municipality plans to take the following actions to address these violations: The Municipality will use supplemental budgets when legal authority exists.

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

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

The Municipality does not have any investments to report.

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

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

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

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

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

4. RECEIVABLES AND PAYABLES

Receivables and payables are not aggregated in these financial statements. The Municipality expects all receivables to be collected within one year.

5. PROPERTY TAXES

Property taxes attach as an enforceable lien on property as of January 1 of each year. Taxes are levied on or before October 1 and payable in two installments on or before April 30 and October 31 of the following 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.

6. CHANGES IN GENERAL CAPITAL ASSETS

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

	Balance 01/01/2020	Increases	Decreases	Balance 12/31/2021
Governmental Activities:				
Capital Assets, not being Depreciated:				
Land	11,600.00			11,600.00
Construction Work in Progress	29,568.00		(29,568.00)	0.00
Total, not being Depreciated	41,168.00	0.00	(29,568.00)	11,600.00
Capital Assets, being Depreciated:				
Improvements Other Than Buildings	728,947.37	229,072.00		958,019.37
Machinery and Equipment	234,704.18	127,306.96	(1,959.00)	360,052.14
Total, being Depreciated	963,651.55	356,378.96	(1,959.00)	1,318,071.51
Less Accumulated Depreciation for:				
Improvements Other Than Buildings	(286,092.71)	(74,236.18)		(360,328.89)
Machinery and Equipment	(161,859.25)	(46,275.70)	979.50	(207,155.45)
Total Accumulated Depreciation	(447,951.96)	(120,511.88)	979.50	(567,484.34)
Total Capital Assets, being depreciated, net	515,699.59	235,867.08	(979.50)	750,587.17
Governmental Activity Capital Assets, Net	556,867.59	235,867.08	(30,547.50)	762,187.17

See Independent Auditor's Report.

**NOTES TO THE FINANCIAL STATEMENTS**  
(Continued)

Depreciation expense was charged to functions as follows:

Governmental Activities:	2020	2021
General Government	4,234.65	4,234.65
Public Safety	7,111.04	7,111.04
Public Works	39,687.57	40,050.93
Culture and Recreation	8,834.99	8,647.01
Miscellaneous Expense	300.00	300.00
<b>Total Depreciation Expense - Governmental Activities</b>	<b>60,168.25</b>	<b>60,343.63</b>

	Balance 01/01/2020	Increases	Decreases	Balance 12/31/2021
<b>Business-Type Activities:</b>				
<b>Capital Assets, not being Depreciated:</b>				
Land	1,000.00			1,000.00
Construction Work in Progress	3,293,027.45	1,603,436.62	(4,896,464.07)	0.00
<b>Total, not being depreciated</b>	<b>3,294,027.45</b>	<b>1,603,436.62</b>	<b>(4,896,464.07)</b>	<b>1,000.00</b>
<b>Capital Assets, being Depreciated:</b>				
Improvements Other Than Buildings	2,481,525.22	4,896,464.07		7,377,989.29
Machinery and Equipment	118,941.00	6,524.92		125,465.92
<b>Total, being depreciated</b>	<b>2,600,466.22</b>	<b>4,902,988.99</b>	<b>0.00</b>	<b>7,503,455.21</b>
<b>Less Accumulated Depreciation for:</b>				
Improvements Other Than Buildings	(994,079.40)	(214,453.60)		(1,208,533.00)
Machinery and Equipment	(80,383.42)	(15,514.91)		(95,898.33)
<b>Total Accumulated Depreciation</b>	<b>(1,074,462.82)</b>	<b>(229,968.51)</b>	<b>0.00</b>	<b>(1,304,431.33)</b>
<b>Total Capital Assets, being depreciated, net</b>	<b>1,526,003.40</b>	<b>4,673,020.48</b>	<b>0.00</b>	<b>6,199,023.88</b>
<b>Business-Type Activity Capital Assets, Net</b>	<b>4,820,030.85</b>	<b>6,276,457.10</b>	<b>(4,896,464.07)</b>	<b>6,200,023.88</b>

Business-Type Activities:	2020	2021
Water	44,842.60	89,066.28
Sewer	20,959.63	75,100.00
<b>Total Depreciation Expense - Business-Type Activities</b>	<b>65,802.23</b>	<b>164,166.28</b>

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

**7. LONG-TERM LIABILITIES**

A summary of changes in long-term liabilities follows:

	Beginning Balance 1/1/2020	Additions	Deletions	Ending Balance 12/31/2021	Due Within One Year
Primary Government:					
Governmental Activities:					
RECD Sales Tax Revenue					
Bonds - Series 2006	97,167.96		27,105.94	70,062.02	14,451.75
Financing (Capital					
Acquisition) Leases		164,980.00	27,646.49	137,333.51	14,728.20
Total Governmental Activities	<u>97,167.96</u>	<u>164,980.00</u>	<u>54,752.43</u>	<u>207,395.53</u>	<u>29,179.95</u>
Business-Type Activities:					
Bonds Payable:					
State Revolving Fund Loan -					
Drinking Water No. 1	391,263.10		42,028.45	349,234.65	22,138.52
State Revolving Fund Loan -					
Drinking Water No. 2	71,996.68		8,535.51	63,461.17	4,462.97
State Revolving Fund Loan -					
Drinking Water No. 3	64,868.76		23,815.40	41,053.36	12,314.54
State Revolving Fund Loan -					
Clean Water No. 2	107,013.51		12,686.98	94,326.53	6,633.64
State Revolving Fund Loan -					
Drinking Water No. 4	578,985.00	344,253.00	167,101.14	756,136.86	18,443.82
State Revolving Fund Loan -					
Clean Water No. 3	<u>1,039,732.00</u>	<u>868,120.00</u>	<u>51,663.25</u>	<u>1,856,188.75</u>	<u>45,276.54</u>
Total Business-Type Activities	<u>2,253,859.05</u>	<u>1,212,373.00</u>	<u>305,830.73</u>	<u>3,160,401.32</u>	<u>109,270.03</u>
TOTAL PRIMARY GOVERNMENT	<u>2,351,027.01</u>	<u>1,377,353.00</u>	<u>360,583.16</u>	<u>3,367,796.85</u>	<u>138,449.98</u>

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

Revenue Bonds:

RECD Sales Tax Revenue Bonds – Series 2006 for Street Project      \$ 70,062.02  
Interest Rate 4.3750%, Maturity August 11, 2026  
Payable from Sales Tax Fund

Financing (Capital Acquisition) Leases:

Musco Finance, LLC for Baseball Lights      \$ 137,333.51  
Maturity Date: February 4, 2029  
Interest Rate 4.25%  
Payable from General Fund

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NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

State Revolving Fund Loan - Drinking Water No. 1:

State Revolving Fund Loan for Water Project	\$ 349,234.65
Interest Rate 3.50%, Maturity January 15, 2034	
Payable from Water Fund	

State Revolving Fund Loan - Drinking Water No. 2:

State Revolving Fund Loan for Water Project on 5th Street	\$ 63,461.17
Interest Rate 3.00%, Maturity October 15, 2033	
Payable from Water Fund	

State Revolving Fund Loan - Drinking Water No. 3:

State Revolving Fund Loan for Water Meter Project	\$ 41,053.36
Interest Rate 2.25%, Maturity January 15, 2025	
Payable from Water Fund	

State Revolving Fund Loan - Clean Water No. 2:

State Revolving Fund Loan for 5th Street Sanitary Sewer	\$ 94,326.53
Interest Rate 3.00%, Maturity October 15, 2033	
Payable from Sewer Fund	

State Revolving Fund Loan - Drinking Water No. 4:

State Revolving Fund Loan for Water Improvement Project	\$ 756,136.86
Interest Rate 2.50%, Maturity May 15, 2050	
Payable from Water Fund	

State Revolving Fund Loan - Clean Water No. 3:

State Revolving Fund Loan for Sewer Improvement Project	\$1,856,188.75
Interest Rate 2.50%, Maturity May 15, 2050	
Payable from Sewer Fund	

The purchase price at the commencement of the financing (capital acquisition) leases were:

Principal	\$ 164,980.00
Interest	<u>41,819.20</u>
TOTAL	<u>\$ 206,799.20</u>

The Municipality's outstanding notes from direct borrowings and direct placements related to governmental activities of \$137,333.51 include the following provisions:

- a. The financing capital acquisition leases include provisions that in an event of default, outstanding amounts may become immediately due and payable and may also require the surrender of equipment collateralized. Collateralized equipment on the financing capital acquisition leases includes the Musco's Light-Structure System.

The annual requirements to amortize all debt outstanding as of December 31, 2021, including interest payments of \$1,201,213.45, are as follows:

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

Annual Requirements to Maturity for Long-Term Debt  
December 31, 2021

Year Ending December 31,	Sales Tax Revenue Bonds - Series 2006		State Revolving Fund Loan - Drinking Water No. 1		State Revolving Fund Loan - Drinking Water No. 2	
	Principal	Interest	Principal	Interest	Principal	Interest
2022	14,451.75	2,792.25	22,138.52	11,934.76	4,462.97	1,853.95
2023	15,096.85	2,147.15	22,923.61	11,149.67	4,598.36	1,718.56
2024	15,770.74	1,473.26	23,736.52	10,336.76	4,737.88	1,579.04
2025	16,474.72	769.28	24,578.27	9,495.01	4,881.62	1,435.30
2026	8,267.96	354.04	25,449.86	8,623.42	5,029.72	1,287.20
2027-2031			141,444.26	28,922.14	27,532.30	4,052.30
2032-2036			88,963.61	4,737.91	12,218.32	415.52
Totals	<u>70,062.02</u>	<u>7,535.98</u>	<u>349,234.65</u>	<u>85,199.67</u>	<u>63,461.17</u>	<u>12,341.87</u>

  

Year Ending December 31,	State Revolving Fund Loan - Drinking Water No. 3		State Revolving Fund Loan - Clean Water No. 2		State Revolving Fund Loan - Drinking Water No. 4	
	Principal	Interest	Principal	Interest	Principal	Interest
2022	12,314.54	820.30	6,633.64	2,755.64	18,443.82	18,731.42
2023	12,593.96	540.88	6,834.89	2,554.39	18,909.27	18,265.97
2024	12,879.72	255.12	7,042.25	2,347.03	19,386.45	17,788.79
2025	3,265.14	18.57	7,255.91	2,133.37	19,875.67	17,299.57
2026			7,476.05	1,913.23	20,377.24	16,798.00
2027-2031			40,923.28	6,023.12	109,864.15	76,012.05
2032-2036			18,160.51	618.05	124,443.94	61,432.26
2037-2041					140,958.61	44,917.59
2042-2046					159,664.91	26,211.29
2047-2051					124,212.80	5,901.10
Totals	<u>41,053.36</u>	<u>1,634.87</u>	<u>94,326.53</u>	<u>18,344.83</u>	<u>756,136.86</u>	<u>303,358.04</u>

  

Year Ending December 31,	State Revolving Fund Loan - Clean Water No. 3		Financing (Capital Lease) Purchase		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2022	45,276.54	45,982.45	14,728.20	5,951.72	138,449.98	90,822.49
2023	46,419.11	44,839.89	15,366.49	5,313.43	142,742.54	86,529.94
2024	47,590.51	43,668.49	16,032.43	4,647.49	147,176.50	82,095.98
2025	48,791.47	42,467.53	16,727.24	3,952.68	141,850.04	77,571.31
2026	50,022.76	41,236.24	17,452.16	3,227.76	134,075.75	73,439.89
2027-2031	269,698.20	186,596.80	57,026.99	5,012.77	646,489.18	306,619.18
2032-2036	371,289.35	150,805.79			615,075.73	218,009.53
2037-2041	280,229.85	110,265.01			421,188.46	155,182.60
2042-2046	391,950.88	71,179.76			551,615.79	97,391.05
2047-2051	304,920.08	7,650.38			429,132.88	13,551.48
Totals	<u>1,856,188.75</u>	<u>744,692.34</u>	<u>137,333.51</u>	<u>28,105.85</u>	<u>3,367,796.85</u>	<u>1,201,213.45</u>

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

8. WATER PURCHASE OPERATING AGREEMENT

The Municipality of Colton entered into a thirty-year agreement with Minnehaha Community Water Corporation to provide water to the Municipality. A charge is paid by the Municipality to Minnehaha Community Water Corp. of \$.0022 per gallon of water consumed. The Municipality will not acquire ownership of any of these water facilities through these payments. Payments are made from the Municipality's Water Fund. There are no minimum payments on this agreement.

9. INDIVIDUAL FUND INTERFUND RECEIVABLE AND PAYABLE BALANCES

Interfund receivable and payable balances at December 31, 2020 was:

Fund	12/31/2020	
	Interfund Receivables	Interfund Payables
Second Penny Fund	49,378.78	
General Fund		49,378.78

10. RESTRICTED NET POSITION

Restricted net position for the years ended December 31, 2020 and 2021 were as follows:

Major Purposes:	12/31/2020	12/31/2021
Recreation Purposes	35,965.01	43,469.96
Debt Service Purposes	384,922.12	384,922.12
SDRS Purposes	2,710.48	10,076.96
Total	<u>423,597.61</u>	<u>438,469.04</u>

11. 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

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

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.

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 calendar years ended December 31, 2021, 2020, and 2019 were \$4,975.80, \$5,553.76, and \$4,456.92, respectively, equal to the required contributions each year.

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

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



NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

Proportionate share of pension liability	\$ 563,390.62
Less proportionate share of net pension restricted for pension benefits	<u>\$ 594,506.25</u>
Proportionate share of net pension liability (asset)	<u>\$ (31,115.63)</u>

At December 31, 2021, the Municipality reported a liability (asset) of \$(31,115.63) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2021 and the total pension liability (asset) used to calculate the net pension liability (asset) was based on a projection of the Municipality's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2021, the Municipality's proportion was 0.00406300%, which is an increase (decrease) of 0.0003605% from its proportion measured as of June 30, 2020.

At June 30, 2020, SDRS is 100.04% funded and accordingly has net pension asset. The proportionate shares of the components of the net pension asset of 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	\$ 455,148.15
Less proportionate share of net pension restricted for pension benefits	<u>\$ 455,308.95</u>
Proportionate share of net pension liability (asset)	<u>\$ (160.80)</u>

At December 31, 2020, the Municipality reported a liability (asset) of \$(160.80) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2020 and the total pension liability (asset) used to calculate the net pension liability (asset) was based on a projection of the Municipality's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2020, the Municipality's proportion was 0.00370250%, which is an increase (decrease) of 0.0000647% from its proportion measured as of June 30, 2019.

For the year ended December 31, 2021, the Municipality recognized pension expense (reduction of expense) of (\$7,366.48). At December 31, 2021 the Municipality reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

	<u>Deferred Outflows Of Resources</u>	<u>Deferred Inflows Of Resources</u>
Difference between expected and actual experience.	\$ 1,117.13	\$ 81.58
Changes in assumption.	\$ 35,782.65	\$ 15,582.26
Net difference between projected and actual earnings on pension plan investments.		\$ 44,449.29
Changes in proportion and difference between Municipality contributions and proportionate share of contributions.	\$ 8.50	\$ 327.93
Municipality contributions subsequent to the measurement date.	\$ 2,494.11	
<b>TOTAL</b>	<u>\$ 39,402.39</u>	<u>\$ 60,441.06</u>

\$2,494.11 reported as deferred outflow of resources related to pensions resulting from Municipality contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (reduction of pension expense) as follows:

Year Ended	
December 31:	
2022	\$ (5,925.95)
2023	(4,004.91)
2024	(1,098.06)
2025	(12,503.86)
<b>TOTAL</b>	<u>\$ (23,532.78)</u>

For the year ended December 31, 2020, the Municipality recognized pension expense (reduction of expense) of \$6,772.22. At December 31, 2020 the Municipality reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

	<u>Deferred Outflows Of Resources</u>	<u>Deferred Inflows Of Resources</u>
Difference between expected and actual experience.	\$ 615.14	\$ 125.97
Changes in assumption.	\$ 5,179.45	\$ 20,889.05
Net difference between projected and actual earnings on pension plan investments.	\$ 14,945.47	
Changes in proportion and difference between Municipality contributions and proportionate share of contributions.	\$ 141.29	\$ 546.57
Municipality contributions subsequent to the measurement date.	\$ 3,229.92	
<b>TOTAL</b>	<u>\$ 24,111.27</u>	<u>\$ 21,561.59</u>

\$3,229.92 reported as deferred outflow of resources related to pensions resulting from Municipality contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (reduction of pension expense) as follows:

Year Ended  
December 31:

2021	\$ (1,933.41)
2022	(1,641.25)
2023	118.43
2024	<u>2,775.99</u>
<b>TOTAL</b>	<u>\$ (680.24)</u>

Actuarial Assumptions:

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

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

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

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

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

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

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

Investment portfolio management is the statutory responsibility of the South Dakota Investment Council (SDIC), which may utilize the services of external money managers for management of a portion of the portfolio. SDIC is governed by the Prudent Man Rule (i.e., the council should use the same degree of care as a prudent man). Current SDIC investment policies dictate limits on the percentage of assets invested in various types of vehicles (equities, fixed income securities, real estate, cash, private equity, etc.). The long-term expected rate of return on pension plan investments was determined using a method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2021 (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	58.0%	4.3%
Fixed Income	30.0%	1.6%
Real Estate	10.0%	4.6%
Cash	2.0%	0.9%
Total	100%	

Best estimates of real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2020 (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

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

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

Discount Rate:

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

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

The following presents the Municipality's proportionate share as 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>2021</u>	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Municipality's proportionate share of the net pension liability (asset)	\$50,383.94	\$(31,115.63)	\$(97,274.30)
<u>2020</u>	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Municipality's proportionate share of the net pension liability (asset)	\$62,379.30	\$(160.80)	\$(51,317.36)

Pension Plan Fiduciary Net Position:

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

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, 2021 and December 31, 2020, the Municipality managed its risks as follows:

Employee Health Insurance:

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

Liability Insurance:

The Municipality purchase 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.

Worker's Compensation:

The Municipality purchases liability insurance for worker's compensation from a commercial carrier. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

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.

13. SIGNIFICANT CONTINGENCIES – LITIGATION

At December 31, 2021 and December 31, 2020, the Municipality was not involved in any significant litigation.

14. SUBSEQUENT EVENTS

Management has evaluated whether any subsequent events have occurred through December 27, 2022, the date on which the financial statements were available to be issued.

**REQUIRED SUPPLEMENTARY INFORMATION**  
**MUNICIPALITY OF COLTON**  
**BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS**  
**GENERAL FUND**  
**For the Year Ended December 31, 2021**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>(Budgetary Basis)</b>	<b>Final Budget -</b>
				<b>Positive (Negative)</b>
<b>Revenues:</b>				
<b>Taxes:</b>				
General Property Taxes	213,810.00	213,810.00	220,027.44	6,217.44
General Sales and Use Taxes	85,000.00	85,000.00	84,797.27	(202.73)
Penalties and Interest on Delinquent Taxes	500.00	500.00	894.34	394.34
Licenses and Permits	3,650.00	3,650.00	3,717.00	67.00
<b>Intergovernmental Revenue:</b>				
Federal Grants	0.00	0.00	59,817.51	59,817.51
State Grants	0.00	480.00	1,347.00	867.00
<b>State Shared Revenue:</b>				
Bank Franchise Tax	8,000.00	8,000.00	9,367.09	1,367.09
Prorate License Fees	0.00	0.00	408.70	408.70
Liquor Tax Reversion	4,000.00	4,000.00	5,131.71	1,131.71
Motor Vehicle Licenses	9,000.00	9,000.00	10,344.30	1,344.30
Local Government Highway and Bridge Fund	23,500.00	23,500.00	24,947.49	1,447.49
<b>County Shared Revenue:</b>				
County Wheel Tax	3,250.00	3,250.00	1,884.67	(1,365.33)
<b>Charges for Goods and Services:</b>				
Sanitation	3,000.00	3,000.00	4,283.57	1,283.57
Culture and Recreation	10,500.00	10,500.00	16,951.56	6,451.56
<b>Fines and Forfeits:</b>				
Parking Meter Fines	0.00	0.00	25.00	25.00
<b>Miscellaneous Revenue:</b>				
Investment Earnings	3,400.00	3,400.00	1,639.65	(1,760.35)
Rentals	12,000.00	12,000.00	150.00	(11,850.00)
Liquor Operating Agreement Income	4,000.00	4,000.00	0.00	(4,000.00)
Other	11,100.00	11,100.00	15,038.74	3,938.74
<b>Total Revenue</b>	<b>394,710.00</b>	<b>395,190.00</b>	<b>460,773.04</b>	<b>65,583.04</b>
<b>Expenditures:</b>				
<b>General Government:</b>				
Legislative	29,450.00	79,450.00	22,571.17	56,878.83
Contingency	5,000.00	5,000.00		
Amount Transferred		(670.25)		4,329.75
Elections	990.00	1,124.97	1,828.85	(703.88)
Financial Administration	49,500.00	49,500.00	58,954.34	(9,454.34)
Other	18,660.00	18,660.00	14,030.32	4,629.68
<b>Total General Government</b>	<b>103,600.00</b>	<b>153,064.72</b>	<b>97,384.68</b>	<b>55,680.04</b>

**REQUIRED SUPPLEMENTARY INFORMATION**  
**MUNICIPALITY OF COLTON**  
**BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS**  
**GENERAL FUND**  
**For the Year Ended December 31, 2021**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>(Budgetary Basis)</b>	<b>Final Budget -</b>
				<b>Positive (Negative)</b>
<b>Expenditures (continued):</b>				
Public Safety:				
Police	27,690.00	27,690.00	28,431.00	(741.00)
Fire	26,000.00	98,707.00	29,279.80	69,427.20
Other Protection	1,000.00	1,065.45	487.77	577.68
Total Public Safety	54,690.00	127,462.45	58,198.57	69,263.88
Public Works:				
Highways and Streets	92,960.00	166,541.00	138,083.15	28,457.85
Sanitation	6,220.00	6,220.00	3,110.27	3,109.73
Total Public Works	99,180.00	172,761.00	141,193.42	31,567.58
Health and Welfare:				
Health	6,270.00	6,739.83	6,805.85	(66.02)
Ambulance	1,500.00	1,500.00	0.00	1,500.00
Total Health and Welfare	7,770.00	8,239.83	6,805.85	1,433.98
Culture and Recreation:				
Recreation	54,480.00	54,480.00	63,827.32	(9,347.32)
Parks	70,700.00	70,700.00	29,717.94	40,982.06
Libraries	2,000.00	2,000.00	1,825.19	174.81
Total Culture and Recreation	127,180.00	127,180.00	95,370.45	31,809.55
Conservation and Development:				
Economic Development and Assistance (Industrial Development)	1,700.00	1,700.00	215.96	1,484.04
Total Conservation and Development	1,700.00	1,700.00	215.96	1,484.04
Debt Service	0.00	0.00	20,679.92	(20,679.92)
Miscellaneous				
Other Expenditures	0.00	0.00	1,192.32	(1,192.32)
Total Miscellaneous	0.00	0.00	1,192.32	(1,192.32)
Total Expenditures	394,120.00	590,408.00	421,041.17	169,366.83
Excess of Revenue Over (Under) Expenditures	590.00	(195,218.00)	39,731.87	234,949.87
<b>Other Financing Sources (Uses):</b>				
Transfers In	0.00	73,581.00	0.00	(73,581.00)
Total Other Financing Sources (Uses)	0.00	73,581.00	0.00	(73,581.00)
Net Change in Fund Balances	590.00	(121,637.00)	39,731.87	161,368.87
Fund Balance - Beginning	62,061.59	62,061.59	62,061.59	0.00
FUND BALANCE - ENDING	62,651.59	(59,575.41)	101,793.46	161,368.87



**REQUIRED SUPPLEMENTARY INFORMATION**  
**MUNICIPALITY OF COLTON**  
**BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS**  
**SECOND PENNY SALES TAX FUND**  
**For the Year Ended December 31, 2021**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>(Budgetary Basis)</b>	<b>Final Budget -</b>
				<b>Positive (Negative)</b>
<b>Revenues:</b>				
<b>Taxes:</b>				
General Sales and Use Taxes	80,000.00	80,000.00	85,533.64	5,533.64
<b>Total Revenue</b>	80,000.00	80,000.00	85,533.64	5,533.64
<b>Expenditures:</b>				
Debt Service	20,000.00	20,000.00	17,244.00	2,756.00
<b>Total Expenditures</b>	20,000.00	20,000.00	17,244.00	2,756.00
<b>Net Change in Fund Balances</b>	60,000.00	60,000.00	68,289.64	8,289.64
<b>Fund Balance - Beginning</b>	527,656.13	527,656.13	527,656.13	0.00
<b>FUND BALANCE - ENDING</b>	587,656.13	587,656.13	595,945.77	8,289.64

**REQUIRED SUPPLEMENTARY INFORMATION**  
**MUNICIPALITY OF COLTON**  
**BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS**  
**THIRD PENNY SALES TAX FUND**  
**For the Year Ended December 31, 2021**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>(Budgetary Basis)</b>	<b>Final Budget -</b>
				<b>Positive (Negative)</b>
<b>Revenues:</b>				
<b>Taxes:</b>				
General Sales and Use Taxes	6,000.00	6,000.00	7,504.35	1,504.35
<b>Total Revenue</b>	6,000.00	6,000.00	7,504.35	1,504.35
<b>Expenditures</b>	0.00	0.00	0.00	0.00
<b>Net Change in Fund Balances</b>	6,000.00	6,000.00	7,504.35	1,504.35
<b>Fund Balance - Beginning</b>	35,965.01	35,965.01	35,965.01	0.00
<b>FUND BALANCE - ENDING</b>	41,965.01	41,965.01	43,469.36	1,504.35

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

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>(Budgetary Basis)</b>	<b>Final Budget - Positive (Negative)</b>
<b>Revenues:</b>				
<b>Taxes:</b>				
General Property Taxes	213,746.00	213,746.00	206,666.60	(7,079.40)
General Sales and Use Taxes	85,000.00	85,000.00	81,456.63	(3,543.37)
Amusement Taxes	200.00	200.00	132.00	(68.00)
Penalties and Interest on Delinquent Taxes	500.00	500.00	633.44	133.44
Licenses and Permits	4,930.00	4,930.00	3,969.75	(960.25)
<b>Intergovernmental Revenue:</b>				
Federal Grants	0.00	122,707.00	138,387.45	15,680.45
State Grants	0.00	0.00	1,202.00	1,202.00
<b>State Shared Revenue:</b>				
Bank Franchise Tax	6,000.00	6,000.00	8,778.25	2,778.25
Liquor Tax Reversion	3,000.00	3,000.00	4,755.24	1,755.24
Motor Vehicle Licenses	8,000.00	8,000.00	6,995.69	(1,004.31)
Local Government Highway and Bridge Fund	22,000.00	22,000.00	23,943.03	1,943.03
<b>County Shared Revenue:</b>				
County Wheel Tax	1,700.00	1,700.00	4,449.64	2,749.64
<b>Charges for Goods and Services:</b>				
Sanitation	3,000.00	3,000.00	4,304.38	1,304.38
Culture and Recreation	8,600.00	8,600.00	645.00	(7,955.00)
<b>Fines and Forfeits:</b>				
Parking Meter Fines	300.00	300.00	155.00	(145.00)
<b>Miscellaneous Revenue:</b>				
Investment Earnings	4,800.00	4,800.00	2,415.64	(2,384.36)
Rentals	10,000.00	10,000.00	0.00	(10,000.00)
Liquor Operating Agreement Income	4,000.00	4,000.00	2,089.37	(1,910.63)
Other	19,000.00	19,000.00	15,522.02	(3,477.98)
Other - Unexplained Varaince	0.00	0.00	59,348.94	59,348.94
<b>Total Revenue</b>	<b>394,776.00</b>	<b>517,483.00</b>	<b>565,850.07</b>	<b>48,367.07</b>
<b>Expenditures:</b>				
<b>General Government:</b>				
Legislative	29,450.00	79,450.00	137,521.30	(58,071.30)
Contingency	5,000.00	5,000.00		
Amount Transferred		(670.25)		4,329.75
Elections	990.00	1,124.97	1,024.97	100.00
Financial Administration	49,500.00	49,500.00	51,282.96	(1,782.96)
Other	18,660.00	18,660.00	12,080.21	6,579.79
<b>Total General Government</b>	<b>103,600.00</b>	<b>153,064.72</b>	<b>201,909.44</b>	<b>(48,844.72)</b>

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

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>(Budgetary Basis)</b>	<b>Final Budget - Positive (Negative)</b>
<b>Expenditures (continued):</b>				
Public Safety:				
Police	27,690.00	27,690.00	27,690.00	0.00
Fire	26,000.00	98,707.00	24,664.66	74,042.34
Other Protection	1,000.00	1,065.45	1,065.45	0.00
Total Public Safety	54,690.00	127,462.45	53,420.11	74,042.34
Public Works:				
Highways and Streets	92,960.00	166,541.00	161,705.99	4,835.01
Sanitation	6,220.00	6,220.00	3,087.21	3,132.79
Total Public Works	99,180.00	172,761.00	164,793.20	7,967.80
Health and Welfare:				
Health	6,270.00	6,739.83	4,646.39	2,093.44
Ambulance	1,500.00	1,500.00	0.00	1,500.00
Total Health and Welfare	7,770.00	8,239.83	4,646.39	3,593.44
Culture and Recreation:				
Recreation	54,480.00	54,480.00	23,475.39	31,004.61
Parks	70,700.00	70,700.00	218,625.20	(147,925.20)
Libraries	2,000.00	2,000.00	2,050.80	(50.80)
Total Culture and Recreation	127,180.00	127,180.00	244,151.39	(116,971.39)
Conservation and Development:				
Economic Development and Assistance (Industrial Development)	1,700.00	1,700.00	0.00	1,700.00
Total Conservation and Development	1,700.00	1,700.00	0.00	1,700.00
Debt Service	0.00	0.00	20,679.92	(20,679.92)
Miscellaneous				
Other Expenditures	0.00	0.00	1,291.68	(1,291.68)
Total Miscellaneous	0.00	0.00	1,291.68	(1,291.68)
Total Expenditures	394,120.00	590,408.00	690,892.13	(100,484.13)
Excess of Revenue Over (Under) Expenditures	656.00	(72,925.00)	(125,042.06)	(52,117.06)
<b>Other Financing Sources (Uses):</b>				
Transfers In	0.00	73,581.00	0.00	(73,581.00)
Compensation for Loss or Damage to Capital Assets	0.00	0.00	164,980.00	164,980.00
Total Other Financing Sources (Uses)	0.00	73,581.00	164,980.00	91,399.00
Net Change in Fund Balances	656.00	656.00	39,937.94	39,281.94
Fund Balance - Beginning	22,123.65	22,123.65	22,123.65	0.00
FUND BALANCE - ENDING	22,779.65	22,779.65	62,061.59	39,281.94

**REQUIRED SUPPLEMENTARY INFORMATION**  
**MUNICIPALITY OF COLTON**  
**BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS**  
**SECOND PENNY SALES TAX FUND**  
**For the Year Ended December 31, 2020**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>(Budgetary Basis)</b>	<b>Final Budget -</b>
				<b>Positive (Negative)</b>
<b>Revenues:</b>				
Taxes:				
General Sales and Use Taxes	55,000.00	55,000.00	80,894.17	25,894.17
Total Revenue	55,000.00	55,000.00	80,894.17	25,894.17
<b>Expenditures:</b>				
Debt Service	20,000.00	20,000.00	17,244.00	2,756.00
Total Expenditures	20,000.00	20,000.00	17,244.00	2,756.00
Excess of Revenue Over (Under)				
Expenditures	35,000.00	35,000.00	63,650.17	28,650.17
<b>Other Financing Sources (Uses):</b>				
Transfers Out	0.00	(73,581.00)	(41,719.81)	31,861.19
Total Other Financing Sources (Uses)	0.00	(73,581.00)	(41,719.81)	31,861.19
Net Change in Fund Balances	35,000.00	(38,581.00)	21,930.36	60,511.36
Fund Balance - Beginning	505,725.77	505,725.77	505,725.77	0.00
FUND BALANCE - ENDING	540,725.77	467,144.77	527,656.13	60,511.36

**REQUIRED SUPPLEMENTARY INFORMATION**  
**MUNICIPALITY OF COLTON**  
**BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS**  
**THIRD PENNY SALES TAX FUND**  
**For the Year Ended December 31, 2020**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>(Budgetary Basis)</b>	<b>Final Budget -</b>
				<b>Positive (Negative)</b>
<b>Revenues:</b>				
Taxes:				
General Sales and Use Taxes	5,500.00	5,500.00	7,819.09	2,319.09
<b>Total Revenue</b>	5,500.00	5,500.00	7,819.09	2,319.09
<b>Expenditures:</b>				
<b>Total Expenditures</b>	0.00	0.00	0.00	0.00
<b>Net Change in Fund Balances</b>	5,500.00	5,500.00	7,819.09	2,319.09
<b>Fund Balance - Beginning</b>	28,145.92	28,145.92	28,145.92	0.00
<b>FUND BALANCE - ENDING</b>	33,645.92	33,645.92	35,965.01	2,319.09

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

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

**Note 1. Budgets and Budgetary Accounting:**

The 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, special revenue funds.

The Municipality did not encumber any amounts at either December 31, 2020, or December 31, 2021.

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 accounting principles generally accepted in the United States (USGAAP).

**NOTE 2. GAAP/Budgetary Accounting Basis Differences**

The financial statements prepared in conformity with USGAAP 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.

REQUIRED SUPPLEMENTARY INFORMATION

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

South Dakota Retirement System

Last Seven Years \*

	2021	2020	2019	2018	2017	2016	2015
Municipality's proportion of the net pension liability (asset)	0.0040630%	0.0037025%	0.0036378%	0.0034834%	0.0034756%	0.0038584%	0.0037465%
Municipality's proportionate share of net pension liability (asset)	\$ (31,116)	\$ (161)	\$ (386)	\$ (81)	\$ (315)	\$ 13,033	\$ (15,890)
Municipality's covered-employee payroll	\$ 95,194	\$ 78,009	\$ 74,282	\$ 69,933	\$ 68,595	\$ 69,001	\$ 67,839
Municipality's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	32.69%	0.21%	0.52%	0.12%	0.46%	18.89%	23.42%
Plan fiduciary net position as a percentage of the total pension liability (asset)	105.52%	100.04%	100.09%	100.02%	100.10%	96.89%	104.10%

\* The amounts presented for each year were determined as of the measurement date of the collective net pension liability (asset) which is 06/30. Until a full 10-year trend is compiled, the Municipality will present information for those years for which information is available.



REQUIRED SUPPLEMENTARY INFORMATION

## SCHEDULE OF THE MUNICIPALITY CONTRIBUTIONS

## South Dakota Retirement System

## Last Seven Years \*

	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 4,976	\$ 5,554	\$ 4,457	\$ 4,457	\$ 4,177	\$ 4,069	\$ 4,181
Contributions in relation to the contractually required contribution	\$ 4,976	\$ 5,554	\$ 4,457	\$ 4,457	\$ 4,177	\$ 4,069	\$ 4,181
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Municipality's covered-employee payroll	\$ 82,930	\$ 92,562	\$ 74,282	\$ 74,282	\$ 69,617	\$ 67,815	\$ 69,684
Contributions as a percentage of covered-employee payroll	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%

\* Until a full 10-year trend is compiled, the Municipality will present information for those years for which information is available.

**Notes to Required Supplementary Information  
for the Year Ended December 31, 2021**  
Schedule of the Proportionate Share of the Net Pension Liability (Asset) and  
Schedule of Pension Contributions.

**Changes from Prior Valuation**

The June 30, 2021 Actuarial Valuation reflects no changes in actuarial methods from the June 30, 2020 Actuarial Valuation. One change in actuarial assumptions and 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 2021 reduced the minimum SDRS COLA from 0.5% to 0%. This change will impact the SDRS COLA only when inflation is very low or when a restricted maximum COLA of 0.5% is not affordable. The change had no impact on the current assets or liabilities of SDRS.

**Actuarial Assumption Changes**

The SDRS COLA equals the percentage increase in the most recent third calendar quarter CPI-W over the prior year, no less than 0.5% 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, 2020 and July 2021 SDRS COLA was limited to a restricted maximum of 1.41%. As of June 30, 2021, the FVFR assuming the COLA is equal to the baseline COLA assumption is greater than 100%. The July 2022 SDRS COLA will equal inflation, between 0% and 3.5%. For the June 30, 2020 Actuarial Valuation, future COLAs were assumed to equal the restricted maximum COLA of 1.41%. For this June 30, 2021 Actuarial Valuation, future COLAs are assumed to equal the baseline COLA assumption of 2.25%.

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

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

**Actuarial Method Changes**

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