

**MUNICIPALITY OF HARRISBURG  
HARRISBURG, SOUTH DAKOTA**

**AUDIT REPORT**

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

*Schoenfish & Co., Inc.*

CERTIFIED PUBLIC ACCOUNTANTS

P.O. Box 247

105 EAST MAIN, PARKSTON, SOUTH DAKOTA 57366

MUNICIPALITY OF HARRISBURG

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MUNICIPAL OFFICIALS  
DECEMBER 31, 2020

MAYOR:

Derick Wenck

GOVERNING BOARD:

Ryan Olson - President  
Kevin Maxwell - Vice-President  
Ryan Berg  
Danny Tank

CITY ADMINISTRATOR:

Andrew Pietrus

FINANCE OFFICER:

Mary McClung

ATTORNEY:

Nathan Schoen

*Schoenfish & Co., Inc.*

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TABLE OF CONTENTS

Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	1-2
Independent Auditor’s report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance.....	3-4
Schedule of Prior Audit Findings.....	5
Schedule of Current Audit Findings and Questioned Costs.....	6-8
Independent Auditor’s Report .....	9-10
Management’s Discussion and Analysis (MD&A).....	11-21
<b>BASIC FINANCIAL STATEMENTS:</b>	
Government-Wide Financial Statements:	
As of December 31, 2020:	
Statement of Net Position.....	22
For the Year Ended December 31, 2020:	
Statement of Activities.....	23
Fund Financial Statements:	
For the Year Ended December 31, 2020:	
Governmental Funds:	
Balance Sheet.....	24
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position.....	25
Statement of Revenues, Expenditures, and Changes In Fund Balances.....	26-27
Reconciliation of the Statement of Revenues, Expenditures, And Changes in Fund Balances to the Government-Wide Statement of Activities .....	28
Proprietary Funds:	
Statement of Net Position.....	29-30
Statement of Revenues, Expenses, and Changes in Fund Net Position.....	31
Statement of Cash Flows.....	32
Notes to the Financial Statements.....	33-57

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TABLE OF CONTENTS  
(Continued)

Required Supplementary Information Other than MD&A:

For the Year Ended December 31, 2020:

Budgetary Comparison Schedule – Budgetary Basis – General Fund.....	58-60
Budgetary Comparison Schedule – Budgetary Basis – Storm Sewer Maintenance Special Revenue Fund.....	61
Notes to the Required Supplementary Information – Budgetary Comparison Schedules.....	62
Schedule of the Municipality’s Proportionate Share of the Net Pension Liability (Asset).....	63
Schedule of the Municipality Contributions – South Dakota Retirement System.....	64
Notes to the Required Supplementary Information – Pension Schedules.....	65

Supplementary Information:

Combining Financial Statements:

As of December 31, 2020:

Combining Balance Sheet – Nonmajor Governmental Funds.....	66
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For the Year Ended December 31, 2020:

Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds.....	67
Schedule of Expenditures of Federal Awards.....	68

**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 Harrisburg  
Harrisburg, 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, each major fund, and the aggregate remaining fund information of the Municipality of Harrisburg, South Dakota (Municipality), as of December 31, 2020 and for the year then ended, and the related notes to the financial statements, which collectively comprise the Municipality's basic financial statements and have issued our report thereon dated October 1, 2021.

**Internal Control Over Financial Reporting**

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

*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 a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Current Audit Findings and Questioned Costs as item 2020-001 to be a material weakness.

**Compliance and Other Matters**

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

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

#### Municipality's Response to Findings

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

#### Purpose of this Report

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



Schoenfish & Co., Inc.  
Certified Public Accountants  
October 1, 2021

*Schoenfish & Co., Inc.*

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR  
FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL  
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Governing Board  
Municipality of Harrisburg  
Harrisburg, South Dakota

Report on Compliance for Each Major Federal Program

We have audited the Municipality of Harrisburg, South Dakota (Municipality), compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the Municipality's major federal programs for the year ended December 31, 2020. The Municipality's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Current Audit Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Municipality's major federal programs based on our audit of the types of compliance requirements referred to above.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Municipality's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on the Municipality's compliance.

### Opinion on Each Major Federal Program

In our opinion, the Municipality of Harrisburg complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2020.

### Report on Internal Control Over Compliance


Management of the Municipality is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Municipality's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Municipality's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Current Audit Findings and Questioned Costs as item 2020-001 to be a material weakness.

### Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purposes. As required by South Dakota Codified Law 4-11-11, this report and our report on compliance for each major federal program are matters of public record and their distribution is not limited.



Schoenfish & Co., Inc.  
 Certified Public Accountants  
 October 1, 2021

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SCHEDULE OF PRIOR AUDIT FINDINGS

PRIOR OTHER AUDIT FINDINGS:

Finding Number 2019-001:

A material weakness in internal controls was noted due to a lack of proper segregation of duties for the revenue function resulting in decrease reliability of reported financial data and an increased potential for the loss of public assets. This comment has not been corrected and is restated as current audit finding number 2020-001.

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SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS

Summary of the Independent Auditor's Results:

Financial Statements:

- a. An unmodified opinion was issued on the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information opinion units.
- b. A material weakness was disclosed by our audit of the financial statements for a lack of segregation of duties for revenues as discussed in finding number 2020-001.
- c. No material noncompliance instances were disclosed by our audit of the financial statements.

Federal Awards:

- d. A material weakness was disclosed for internal control over major federal programs for a lack of segregation of duties affecting the reporting compliance requirement category as discussed in finding number 2020-001.
- e. An unmodified opinion was issued on compliance with the requirements applicable to major programs.
- f. Our audit did not disclose any audit findings that need to be disclosed in accordance with 2 CFR 200.516(a) except for a material weakness resulting in a lack of segregation of duties for revenues as discussed in finding 2020-001.
- g. The federal awards tested as major programs were:
  1. CFDA No. 66.458      Clean Water State Revolving Funds
- h. The dollar threshold used to distinguish between Type A and Type B federal award programs was \$750,000.
- i. The Municipality of Harrisburg did not qualify as a low-risk auditee.

CURRENT FEDERAL AUDIT FINDINGS:

Internal Control – Related Finding – Material Weakness:

Finding Number 2020-001:

A material weakness in internal controls was noted due to a lack of proper segregation of duties for revenues. This affects the reporting requirement for the Clean Water State Revolving Funds, CFDA 66.458.

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SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS  
(Continued)

Criteria:

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

Condition:

The Finance Officer and Assistant Finance Officer process all revenue transactions from beginning to end. They 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.

Identification as a Repeat Finding:

This is a continuing audit finding since 2003.

Recommendation:

1. We recommend that the Municipality of Harrisburg 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.

CURRENT OTHER AUDIT FINDINGS:

There are no Current Other Audit Findings to report except for the lack of segregation of duties as stated in Current Federal Audit Finding Number 2020-001.

CLOSING CONFERENCE

The audit findings and recommendations were discussed with the municipal officials during the course of the audit and with the Finance Officer at the conclusion of the audit.

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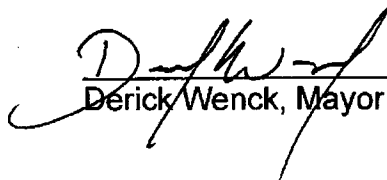
301 E WILLOW STREET • PO BOX 26 • HARRISBURG SD • 57032  
PHONE: 605-743-5872 • FAX: 605-743-2831


### **Corrective Action Plan**

**Finding Number 2020-001:** A material weakness in internal control was noted due to a lack of proper segregation of duties for revenues. This affects the report requirement for the Clean Water State Revolving Funds, CFDA 66.458.

#### **Views of Responsible Officials and Planned Corrective Action Plan:**

The City of Harrisburg's Mayor, Derick Wenck, is the contact person responsible for the corrective action plan for this finding. Because of the size of the City of Harrisburg, the municipality can't support hiring additional staff that would be sufficient to support the internal controls needed to properly segregate duties. The Mayor, City Council Members and Finance employees are aware of the problem. We will continue to work on different policies and controls that will help minimize future risk. This is an ongoing process that will include input from the Legislative Auditors Office, discussion with other municipalities and utilizing the City Administrator, Mayor and Council in some of the financial controls.

  
Derick Wenck, Mayor

  
Mary McClung, Finance Officer

## INDEPENDENT AUDITOR'S REPORT

Governing Board  
Municipality of Harrisburg  
Harrisburg, South Dakota

### Report on the Financial Statements

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

### Management's Responsibility for the Financial Statements

The Municipality's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

### Auditor's Responsibility

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

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

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

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Municipality of Harrisburg as of December 31, 2020,

and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

*Required Supplementary Information*

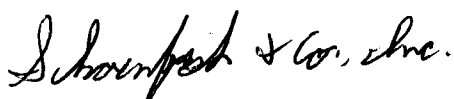
Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (MD&A), the Budgetary Comparison Schedules, the Schedule of the Municipality's Proportionate Share of the Net Pension Liability (Asset), and the Schedule of the Municipality's Contributions on pages 11 through 21, 58 through 61, 63, and 64, respectively, 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.

*Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Municipality's financial statements. The Schedule of Expenditures of Federal Awards, which as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the combining financial statements listed in the Table of Contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 1, 2021 on our consideration of the Municipality's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and 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  
 October 1, 2021

*Schoenfish & Co., Inc.*

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the City of Harrisburg's annual financial report presents our discussion and analysis of the City's financial performance during the fiscal year ended on December 31, 2020. Please read it in conjunction with the City's financial statements, which follow this section.

### FINANCIAL HIGHLIGHTS

- During the year, the City's total revenues generated from charges for services, taxes and other revenues of the governmental and business-type programs were \$5,086,290 more than the \$6,816,508 governmental and business-type program expenditures.
- The total cost of the City's programs increased in programs including general government, public safety, culture and recreation, and conservation and development. No new programs were added this year.
- The governmental funds reported an increase of \$2,708,646 in the current year due to higher collections of property and sales tax revenue. The business type activities reported an increase of \$2,377,644 in the current year due to capital grants and contributions.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts – management's discussion and analysis (this section), the basic financial statements, including related notes, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the City:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the City's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the City government, reporting the City's operations in more detail than the government-wide statements.
  - The governmental funds statements tell how general government services like public safety were financed in the short-term as well as what remains for future spending.
  - Proprietary fund statements offer short- and long-term financial information about the activities that the City operates like businesses. The City has two proprietary funds – the Water Fund and the Sewer Fund.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

Figure A-2 summarizes the major features of the City’s financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of the overview section of the management’s discussion and analysis explains the structure and contents of each of the statements.

Figure A-2

Major Features of the City of Harrisburg’s Government-wide and Fund Financial Statements			
	Government-wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
<b>Scope</b>	Entire City government (except fiduciary funds and the fiduciary component units)	The activities of the City that are not proprietary or fiduciary, such as finance office, police, fire and parks	Activities the City operates similarly to private businesses, the water and sewer systems
Required Financial Statements	*Statement of Net Position *Statement of Activities	*Balance Sheet *Statement of Revenues, Expenditures and Changes in Fund Balances	*Statement of Net Position *Statement of Revenues, Expenses and Changes in Net Position *Statement of Cash Flows
<b>Accounting Basis and Measurement Focus</b>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of Asset/Liability Information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of Inflow/Outflow Information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid

**Government-wide Statements**

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government’s assets and liabilities. All of the current year’s revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the City’s net position and how they have changed. Net position – the difference between the City’s assets plus deferred outflows and liabilities plus deferred inflows – is one way to measure the City’s financial health or position.

- Increases or decreases in the City’s net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the City you need to consider additional nonfinancial factors such as changes in the City’s property tax base and changes in the sales tax revenue base.



The government-wide financial statements of the City are reported in two categories:

- **Governmental Activities** -- This category includes the most of the City's basic services, such as police, fire, public works, parks department and general administration. Property taxes, sales taxes, charges for services, state and federal grants and interest earnings finance most of these activities.
- **Business-type Activities** -- The City charges a fee to customers to help cover the costs of certain services it provides. The City's water and sewer systems are included here.

### **Fund Financial Statements**

The fund financial statements provide more detailed information about the City's most significant funds – not the City as a whole. Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes.

- State Law requires some of the funds.
- The City Council establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The City has two kinds of funds:

- **Governmental Funds** – Most of the City's basic services are included in the governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at the year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental fund's statements, or on the subsequent page, that explains the relationship (or differences) between them.
- **Proprietary Funds** – Services for which the City charges customers a fee, are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both short- and long-term financial information. The City's enterprise funds (one type of proprietary fund) are the same as its business-type activities, but provide more detail and additional information, such as cash flows.

## FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

### Net Position

The City's combined net position increased by 12.64% between fiscal year 2019 and 2020 increasing by \$5,086,290. (See Table A-1).

Table A-1  
City of Harrisburg  
Statement of Net Position

	Governmental Activities		Business-Type Activities		Total Activities	
	2019	2020	2019	2020	2019	2020
Current and Other Assets	7,800,997	9,136,361	3,413,239	4,866,123	11,214,236	14,002,484
Net Pension Asset	2,247	896	756	380	3,003	1,275
Capital Assets	9,839,859	11,879,008	29,237,907	43,061,679	39,077,766	54,940,688
Total Assets	17,643,102	21,016,265	32,651,902	47,928,182	50,295,005	68,944,447
Deferred Outflows of Resources	100,182	132,274	37,286	58,488	137,468	190,762
Net Pension Liability						
Long-Term Debt Outstanding	1,227,348	1,420,581	8,309,477	19,372,985	9,536,825	20,793,566
Other Liabilities	60,437	498,497	500,590	2,321,372	561,027	2,819,869
Total Liabilities	1,287,785	1,919,077	8,810,067	21,694,357	10,097,852	23,613,434
Deferred Inflows of Resources	61,763	127,081	17,845	53,391	79,608	180,472
Net Position:						
Net Investment in Capital Assets	8,643,038	10,499,540	20,932,951	21,951,041	29,575,988	32,450,581
Restricted for:						
Debt Service Purposes	40,666	20,383	496,517	1,579,907	496,517	1,600,290
SDRS Pension Purposes	56,144	6,089	20,197	5,476	60,862	11,565
Non-Expendable					56,144	
Other Purposes	916,304	1,472,027	174,183	182,975	1,090,487	1,655,002
Unrestricted	6,737,584	7,104,342	2,237,429	2,519,521	8,975,013	9,623,863
Total Net Position	16,393,736	19,102,381	23,861,276	26,238,921	40,255,012	45,341,302
Beginning Net Position	14,541,335	16,393,736	23,165,331	23,861,276	37,706,666	40,255,012
Prior Period Adjustment	32,996				32,996	0
Restated Beginning Net Position	14,574,331	16,393,736	23,165,331	23,861,276	37,739,662	40,255,012
Change in Net Position	1,819,405	2,708,646	695,945	2,377,644	2,515,350	5,086,290
Percentage of Increase in Net Position	12.48%	16.52%	3.00%	9.96%	6.67%	12.64%

The Statement of Net Position reports all financial and capital resources. The statement presents the assets and liabilities in order of relative liquidity. The liabilities with average maturities greater than one year are reported in two components – the amount due within one year and the amount due in more than one year. The long-term liabilities of the city, consisting of installment note payable, water revenue bonds payable, and sales tax bonds payable and sewer revenue bonds payable have been reported in this manner on the Statement of Net Position. The difference between the city's assets plus deferred outflows and liabilities plus deferred inflows is its net position.

The Municipality's net position reflects its investment in capital assets (e.g., land, buildings, machinery and equipment); less any related debt used to acquire those assets that is still outstanding. The Municipality uses these capital assets to provide services to citizens, consequently, these assets are not available for future spending. The increase in net position invested in capital assets, net of related debt relates primarily to the Municipality's purchase of vehicles and equipment for use by the various programs, continuing construction on the Columbia Basin storm sewer and sanitary sewer projects, completion of the construction of city hall and the acceptance of a sanitary sewer lift station installed by a private developer.

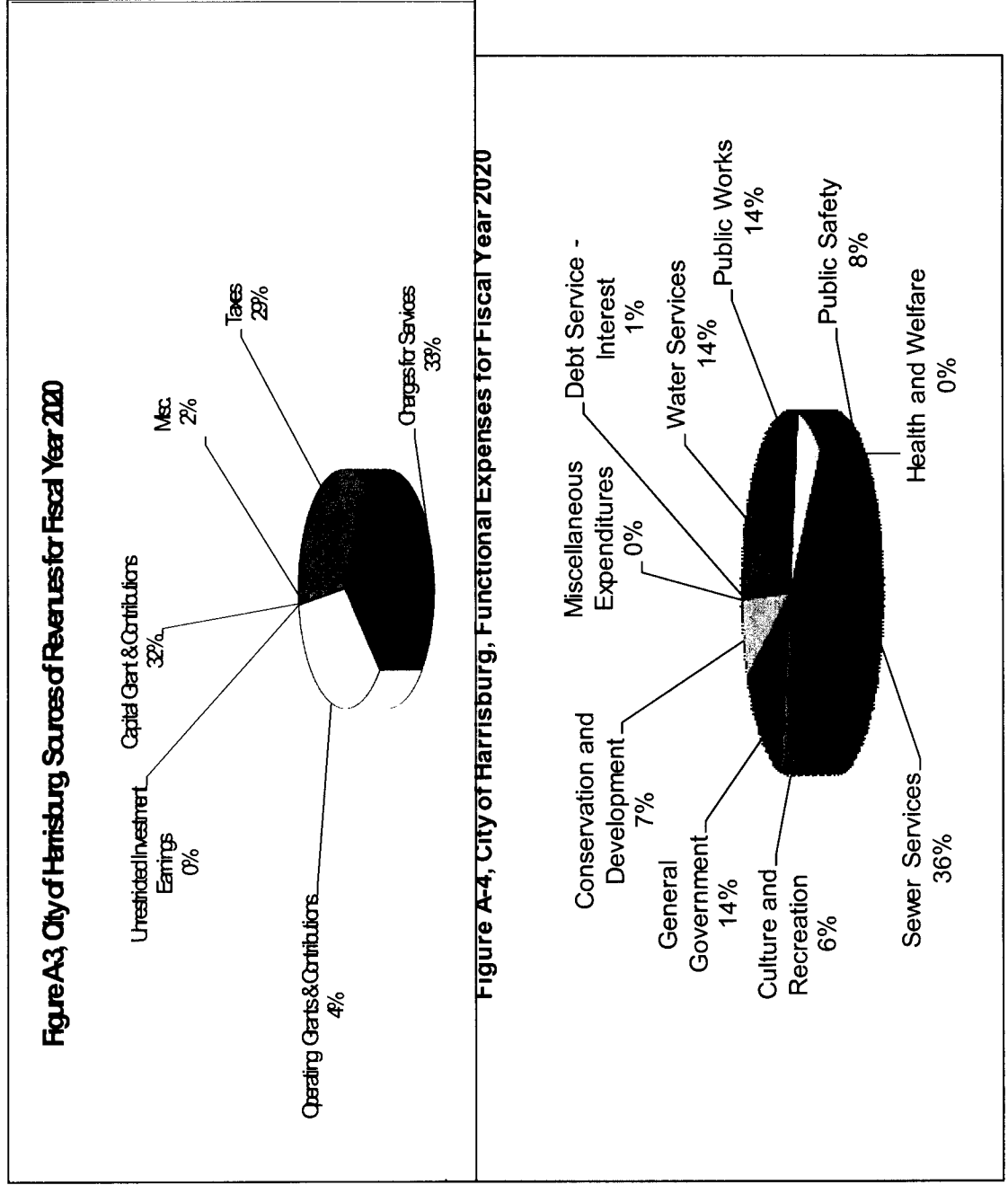
The Municipality's restricted net position represent resources that are subject to external restrictions on how they may be used. These restrictions are normally set by state statute, federal regulations, or debt covenants. There was an increase in restricted net position primarily due to collections of dedicated storm drainage assessments and dedicated water and sewer surcharges in excess of outlays of these resources toward their intended purposes. The remaining balance of net position are unrestricted and may be used to meet the Municipality's ongoing obligations to citizens and creditors.

At the end of the current year, the Municipality is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior year.

**Changes in Net Position**

The City's total revenues (excluding special items) totaled \$11,902,798 (See Table A-2.) Approximately 68 percent of the City's revenue came from charges for services and taxes, with 33 cents of every dollar raised coming from charges for services (primarily water and sewer operations) and 29 cents of every dollar raised coming from some type of tax. (See Figure A-3).

The total cost of all programs and services saw an increase. The City's expenses cover a range of services, with approximately 64% related to public work services (road maintenance, water system services and sewer system services). (See Figure A-4)



**Table A-2**  
**City of Harrisburg**  
**Changes in Net Position**

	Governmental Activities		Business-Type Activities		Total 2019	Total 2020	Total % Change
	2019	2020	2019	2020			
<b>Revenues</b>							
Program Revenues							
Charges for Services	\$ 257,758	\$ 397,835	\$ 3,005,535	\$ 3,509,467	\$ 3,263,293	\$ 3,907,302	19.7%
Operating Grants	43,883	447,412			\$ 43,883	\$ 447,412	919.5%
Grants and Contributions not Restricted to Specific Programs					\$ -	\$ -	
Capital Grants and Contributions	1,430,008	1,730,053	692,688	2,104,480	\$ 2,122,697	\$ 3,834,533	80.6%
General Revenues					\$ -	\$ -	
Taxes	2,896,187	3,453,049			\$ 2,896,187	\$ 3,453,049	19.2%
Revenue State Sources	51,672	41,758			\$ 51,672	\$ 41,758	-19.2%
Unrestricted Investment Earnings	48,970	7,337	26,232	3,432	\$ 75,203	\$ 10,770	-85.7%
Miscellaneous	51,074	54,563	65,696	153,411	\$ 116,770	\$ 207,975	78.1%
Transfers							
<b>Total Revenues</b>	<b>4,779,553</b>	<b>6,132,007</b>	<b>3,790,151</b>	<b>5,770,791</b>	<b>\$ 8,569,705</b>	<b>\$ 11,902,798</b>	<b>38.9%</b>
<b>Expenses</b>							
General Government	\$ 916,389	\$ 955,985			\$ 916,389	\$ 955,985	4.3%
Public Safety	414,291	556,202			\$ 414,291	\$ 556,202	34.3%
Public Works	1,013,742	967,465			\$ 1,013,742	\$ 967,465	-4.6%
Health and Welfare	29,777	25,890			\$ 29,777	\$ 25,890	-13.1%
Culture and Recreation	355,542	389,820			\$ 355,542	\$ 389,820	9.6%
Conservation and Development	112,496	489,912			\$ 112,496	\$ 489,912	335.5%
Miscellaneous Expenditures					\$ -	\$ -	
Interest on Long-term Debt	117,911	38,088			\$ 117,911	\$ 38,088	-67.7%
Water Services			790,334	920,791	\$ 790,334	\$ 920,791	16.5%
Sewer Services			2,303,872	2,472,356	\$ 2,303,872	\$ 2,472,356	7.3%
<b>Total Expenses</b>	<b>2,960,149</b>	<b>3,423,361</b>	<b>3,094,206</b>	<b>3,393,147</b>	<b>\$ 6,054,355</b>	<b>\$ 6,816,508</b>	<b>12.6%</b>
Excess (Deficiency) Before Special Items and Transfers							
Extraordinary Items - SDPPA change	0	0			\$ -	\$ -	
Transfers					\$ -	\$ -	
<b>Increase (Decrease) in Net Position</b>	<b>1,819,405</b>	<b>2,708,646</b>	<b>695,945</b>	<b>2,377,644</b>	<b>\$ 2,515,350</b>	<b>\$ 5,086,290</b>	<b>102.2%</b>
Prior Period Adjustments:							
Adjustments - Prior period corrections	32,996				\$ 32,996	\$ -	100.0%
<b>Ending Net Position</b>	<b>16,393,736</b>	<b>19,102,382</b>	<b>23,861,276</b>	<b>26,238,920</b>	<b>\$ 40,255,012</b>	<b>\$ 45,341,302</b>	<b>12.6%</b>

## FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The financial analysis of the City's funds mirror those highlighted in the analysis of governmental and business-type activities presented above. The City maintains ten governmental funds – General Fund, Liquor, Lodging and Dining Sales Tax Special Revenue Fund, Storm Drainage Special Revenue Fund, Street Lighting Fee Special Revenue Fund, Storm Water Basin Development Fee, Arterial Street Fee and four Tax Increment Financing Debt Service Funds and two business type funds – Water and Sewer Funds. The Governmental Activities increased by \$2,708,646 due to higher-than-expected collections of sales and use taxes from new business and shopping local due to COVID-19 and charges in services. The Water Fund had an increase in net position of \$602,600. The Sewer Fund had an increase in net position of \$1,775,044. The Water Fund increase was due to capital assets contributed by developers. The Sewer Fund increase was due to the school's contribution of sewer trunk line and capital assets contributed by developers.

### General Fund Budgetary Highlights

Over the course of the year, the City Council revised the city budget four times. These amendments fell into two categories:

- Supplemental appropriations, expenses to provide for items necessary for health and welfare of its citizens.
- Contingency Transfer

The following were the significant budget changes during the year. Funds used from unobligated general fund balance unless otherwise noted.

- \$50,000 - Street Lighting Fee Special Revenue Fund - Energy
- \$64,253 - Streets – machinery and equipment
- \$50,000 - Storm Drainage Fund – Improvements other than Buildings
- \$64,253 - Parks – machinery and equipment
- \$78,454 - Debt Service
- \$170,376 - TIF #8 Special Revenue Fund - Principal
- \$54,842 - TIF #2 Special Revenue Fund – Principal
- \$45,090 - Government Buildings – Professional Services and Fees
- \$30,000 - Stormwater Drainage Fund Engineering – Professional Services and Fees
- \$65,000 - Fire – Professional Services and Fee
- \$164,000 - Streets – Improvements other than Buildings
- \$142,250 - Storm Drainage Fund – Improvements Other than Buildings

## CAPITAL ASSET ADMINISTRATION

By the end of 2020, the City had invested \$54,940,688 in a broad range of capital assets including, land, buildings, infrastructure and various machinery and equipment, intangible assets, and construction in progress. (See Table A-3.)

**Table A-3**  
**City of Harrisburg - Capital Assets**  
**(net of depreciation)**

	Governmental		Business-type		Totals	
	Activities		Activities			
	2019	2020	2019	2020	2019	2020
Land	\$ 1,771,294	\$ 1,733,894	\$ 2,651,945	\$ 2,768,035	\$ 4,423,238	\$ 4,501,928
Buildings	\$ 1,608,987	\$ 1,497,057			\$ 1,608,987	\$ 1,497,057
Improvements Other Than Buildings	\$ 5,639,119	\$ 6,905,839	\$ 21,880,703	\$ 22,227,434	\$ 27,519,823	\$ 29,133,273
Machinery and Equipment	\$ 718,431	\$ 1,134,598	\$ 403,565	\$ 941,229	\$ 1,121,996	\$ 2,075,827
Intangible Assets	\$ 27,175	\$ 20,900	\$ 1,208,945	\$ 1,172,195	\$ 1,236,120	\$ 1,193,095
Construction in Progress	\$ 74,852	\$ 586,720	\$ 3,092,750	\$ 15,952,787	\$ 3,167,602	\$ 16,539,507
<b>Total Capital Assets (Net)</b>	<b>\$ 9,839,859</b>	<b>\$ 11,879,008</b>	<b>\$ 29,237,907</b>	<b>\$ 43,061,679</b>	<b>\$ 39,077,766</b>	<b>\$ 54,940,688</b>

This year's major capital asset additions included:

- Picnic Shelter at Lake Ole
- Shade Structure Addition on Diamond A
- Cedar Split Rail Fencing at Central Park
- Sidewalk, Approach and curb & gutter at Hugh Robinson Park
- Asphalt added to gravel path from Willow St to Legendary Development
- Public Works Facility Parking Lot Pavement Phase 2
- Sidewalk Improvements on Cliff Avenue
- Annual Slurry Seal
- AnnaWay Street Overlay
- Southeastern Avenue Grading Project
- Bioretention on Willow St (Between Prairie and Columbia)
- Acceptance of Phases 1-4 Devitt Farm Addition Infrastructure
- Columbia Street North to Foundation Drive
- Removal of Railroad Crossing on Willow
- 2" Asphalt lift on south end of Greyhawk
- Library Books
- 2020 Caterpillar Motor grader
- 2020 5610 Tier 4 Toolcat
- 2020 Caterpillar Telehandler
- 2020 Elgin Street Sweeper
- 2019 Vactor Jetter with 2021 Peterbilt Chassis
- Thunder Creek EV 750 Fuel Trailer
- Dell Server
- Generator for Govt Bldgs
- Emergency Warning Siren (Downtown)
- Generator for Water Tower
- Solar Pedestrian Crossing
- Permanent Easements for Westside Sanitary Sewer Trunk Line
- Columbia Street Manhole Rehabilitation
- Lewis & Clark Regional Water Meter Building Expansion
- Creekside Addition Phase 2 and 3 Water Main Upsizing

- Grand Avenue Replace Valve/Hydrant and upgraded to 6" line

## LONG-TERM DEBT

At year-end the City had \$3,024,223 in Water Revenue Bonds, \$15,223,101 in Clean Water Revenue Bond for wastewater improvements and land, \$1,044,962 in a Clean Water Revenue Bond for storm drainage improvements. The city also had note payable for the Westside Trunk Sewer in the amount of \$626,972 and notes payable for equipment purchases in the total amount of \$824,018 and \$50,289 payable to employees for accrued vacation leave.

**Table A-4**  
**City of Harrisburg - Outstanding Debt and Obligations**

	Governmental		Business-type		TOTAL	
	Activities		Activities			
	2019	2020	2019	2020	2019	2020
Compensated Absences	\$ 30,528	\$ 41,112	\$ 4,520	\$ 9,177	\$ 35,047	\$ 50,289
Note Payable - Columbia St.	\$ 87,057				\$ 87,057	\$ -
Note Payable - Street Sweeper		\$ 170,968			\$ -	\$ 170,968
Note Payable - Motor Grader		\$ 110,507		\$ 110,507	\$ -	\$ 221,014
Note Payable - Telehandler		\$ 53,031		\$ 53,031	\$ -	\$ 106,062
Note Payable - Sewer Jetter Truck				\$ 325,974	\$ -	\$ 325,974
Note Payable - HSD Wastewater				\$ 626,972	\$ -	\$ 626,972
Storm Drainage Revenue Bonds	\$ 1,109,764	\$ 1,044,962			\$ 1,109,764	\$ 1,044,962
Drinking Water Revenue Bonds			\$ 3,210,142	\$ 3,024,223	\$ 3,210,142	\$ 3,024,223
Wastewater Revenue Bonds			\$ 5,094,814	\$ 15,223,101	\$ 5,094,814	\$ 15,223,101
Net Pension Liability					\$ -	\$ -
<b>Total Outstanding Debt and Obligations</b>	<b>\$ 1,227,348</b>	<b>\$ 1,420,581</b>	<b>\$ 8,309,476</b>	<b>\$ 19,372,985</b>	<b>\$ 9,536,824</b>	<b>\$ 20,793,566</b>

The City has outstanding \$619,235 in Drinking Water #2 Revenue Bonds. The bonds are secured and paid for from the Water Fund. The City does not anticipate the use of any tax dollars to pay for these bonds. These bonds were used for the prepayment to Lewis & Clark Regional Water System and costs associated with the upsizing of pipe for the connection to Lewis & Clark, repayment began in 2009 and will be fully paid off October 15, 2028.

The City has outstanding \$1,039,988 in Drinking Water #3 Revenue Bonds. The bonds are secured and paid for from the Water Fund. The city does not anticipate the use of any tax dollars to pay for these bonds. These bonds were used to build the existing composite water tower by the Harrisburg High School and for the water main loop in the Harrisburg Homesites Addition repayment began in 2011 and will be fully paid off January 15, 2031.

The City has outstanding \$1,365,000 in a note payable to BB& T Governmental Finance. This note was secured and paid for from the Water Fund. This bond was used to for SD Hwy 115 Water Main Improvements.

The City has outstanding \$2,036,382 in Clean Water #3 Revenue Bonds. The bonds were secured and paid for from city sales tax dollars which was approved by the voters. These bonds were used to construct the force main to the City of Sioux Falls, repayment began in 2012 and will be fully paid off January 1, 2042. In 2013 the city set up a wastewater surcharge and converted the existing sales tax loan to bonds that are now secured and paid for from the Wastewater Fund.

The City has outstanding \$518,494 in Clean Water #4 Revenue Bonds. The bonds were secured and paid for from the Sewer Fund. These bonds were used to improve the Columbia Street sanitary sewer system. Repayment began in 2014 and will be fully paid off in 2034.

The City has outstanding \$10,313,225 in Clean Water #7 Revenue Bonds. The bonds were secured and will be paid for from the Sewer Fund. These bonds were used to build the Water Reclamation Facility and Force Main to the Sioux River. Repayment will begin in 2022 and will be fully paid off in January 2052.

The City has outstanding \$2,355,000 in a note payable to BB& T Governmental Finance. This note was secured and paid for from the Sewer Fund. This bond was used to purchase the land for the new wastewater treatment facility.



The City has outstanding \$1,044,962 in Clean Water #5 (Storm Drainage) Revenue Bonds. The bonds were secured and paid for from Storm Sewer Maintenance Fund. These bonds were used to improve the Columbia Street storm sewer system. Repayment began in 2014 and will be fully paid off in 2033.

The City has outstanding \$626,972 in a note payable to Harrisburg School District. This note was secured and paid for from the Sewer Fund. These funds were used to upsize the Westside Trunk Sewer Line. Repayment will begin on March 3, 2021 and will be fully paid off in 2025.

The City has outstanding \$170,968 in a lease note. This note was secured and paid from the General Fund. This lease was used to purchase a street sweeper and will be fully paid off in 2026.

The City has outstanding \$106,062 in a lease note. This note was secured and paid from the General Fund (50%), Water Fund (25%) and Sewer Fund (25%). This lease was used to purchase a telehandler and will be fully paid off in 2027.

The City has outstanding \$325,974 in a lease note. This note was secured and paid from the Sewer Fund. This lease was used to purchase a Vactor Truck and will be fully paid off in 2026.

The City has outstanding \$221,014 in a lease note. This note was secured and paid from the General, Water and Sewer Funds. This lease was used to purchase a Caterpillar Grader and will be fully paid off in 2027.

The City is liable for the accrued vacation leave payable to all full-time employees who have been employed for more than one year. The increase is due to an increase in the amount of leave accumulated and outstanding at the end of the year.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The City's current economic position has shown a slight change. The City experienced an increase in total property valuation of \$58,780,882 from the prior year. The increase in property valuation and CPI allows the City the ability to increase the amount of revenue generated from property taxes by approximately \$81,166. Under the state mandated property tax freeze, property taxes from one year to the next may increase 3% or an amount based on the Consumer Price Index (CPI) whichever is lower and for next year it is 1.7%. The property tax levy request increased due to our growth and CPI by 6.27%.

One of the primary sources of revenue to the city is based on taxable retail sales in the community (sales tax). The city experienced an increase in sales tax revenue of \$150,942 or almost 10.24% over the prior year.

The City's adopted General Fund budget for the next fiscal year increased to \$7,531,219 using \$2,800,000 from the unassigned fund balance.

## **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional information, contact the City of Harrisburg's Finance Office, PO Box 26, Harrisburg, SD 57032.

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

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
<b>ASSETS:</b>			
Cash and Cash Equivalents	7,763,252.78	2,822,995.58	10,586,248.36
Accounts Receivable, Net	1,285,891.10	268,869.06	1,554,760.16
Other Assets	26,041.55	11,376.07	37,417.62
Restricted Assets:			
Cash and Cash Equivalents		1,762,882.79	1,762,882.79
Deposits	61,176.00		61,176.00
Net Pension Asset	895.55	379.80	1,275.35
Capital Assets:			
Land and Construction Work in Progress	2,320,613.82	18,720,821.82	21,041,435.64
Other Capital Assets, Net of Depreciation	9,537,494.33	23,168,662.68	32,706,157.01
Intangible Assets, Net of Amortization	20,899.98	1,172,194.89	1,193,094.87
<b>TOTAL ASSETS</b>	<b>21,016,265.11</b>	<b>47,928,182.69</b>	<b>68,944,447.80</b>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>			
Pension Related Deferred Outflows	132,274.58	58,487.87	190,762.45
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>132,274.58</b>	<b>58,487.87</b>	<b>190,762.45</b>
<b>LIABILITIES :</b>			
Accounts Payable	447,829.47	1,862,905.37	2,310,734.84
Other Current Liabilities	50,667.18	458,466.91	509,134.09
Noncurrent Liabilities:			
Due Within One Year	127,732.03	474,303.45	602,035.48
Due in More than One Year	1,292,848.50	18,898,681.98	20,191,530.48
<b>TOTAL LIABILITIES</b>	<b>1,919,077.18</b>	<b>21,694,357.71</b>	<b>23,613,434.89</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension Related Deferred Inflows	127,080.67	53,391.89	180,472.56
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>127,080.67</b>	<b>53,391.89</b>	<b>180,472.56</b>
<b>NET POSITION:</b>			
Net Investment in Capital Assets	10,499,539.80	21,951,041.35	32,450,581.15
Restricted for:			
Debt Service Purposes	20,383.37	1,579,907.36	1,600,290.73
City Promotion/Parks	148,176.82		148,176.82
Storm Sewer Maintenance	1,256,804.69		1,256,804.69
Streets	5,869.51		5,869.51
SDRS Pension Purposes	6,089.46	5,475.77	11,565.23
Equipment Repair and Replacement		182,975.43	182,975.43
Cumulative Insurance Reserve	61,176.00		61,176.00
Unrestricted (Deficit)	7,104,342.19	2,519,521.05	9,623,863.24
<b>TOTAL NET POSITION</b>	<b>19,102,381.84</b>	<b>26,238,920.96</b>	<b>45,341,302.80</b>

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

**MUNICIPALITY OF HARRISBURG**  
**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	Primary Government		Total
					Governmental Activities	Business-Type Activities	
<b>Primary Government:</b>							
Governmental Activities:							
General Government	955,984.97	82,978.16	94,438.43		(778,568.38)	(778,568.38)	(778,568.38)
Public Safety	556,201.61	244,797.47	304,886.50		(6,517.64)	(6,517.64)	(6,517.64)
Public Works	967,464.84	41,953.19	48,086.94	1,730,052.52	852,627.81	852,627.81	852,627.81
Health and Welfare	25,889.91				(25,889.91)	(25,889.91)	(25,889.91)
Culture and Recreation	389,819.61	28,106.00			(361,713.61)	(361,713.61)	(361,713.61)
Conservation and Development	489,911.74				(489,911.74)	(489,911.74)	(489,911.74)
*Interest on Long-term Debt	38,088.04				(38,088.04)	(38,088.04)	(38,088.04)
Total Governmental Activities	<u>3,423,360.72</u>	<u>397,834.82</u>	<u>447,411.87</u>	<u>1,730,052.52</u>	<u>(848,061.51)</u>	<u>(848,061.51)</u>	<u>(848,061.51)</u>
Business-type Activities:							
Water	920,790.96	1,122,900.54		353,164.42	555,274.00	555,274.00	555,274.00
Sewer	2,472,356.28	2,386,566.89		1,751,316.48	1,665,527.09	1,665,527.09	1,665,527.09
Total Business-type Activities	<u>3,393,147.24</u>	<u>3,509,467.43</u>	<u>0.00</u>	<u>2,104,480.90</u>	<u>2,220,801.09</u>	<u>2,220,801.09</u>	<u>2,220,801.09</u>
<b>Total Primary Government</b>	<u>6,816,507.96</u>	<u>3,907,302.25</u>	<u>447,411.87</u>	<u>3,834,533.42</u>	<u>(848,061.51)</u>	<u>1,372,739.58</u>	<u>1,372,739.58</u>
<b>General Revenues:</b>							
Taxes:							
Property Taxes					1,510,468.95	1,510,468.95	1,510,468.95
Sales Taxes					1,942,580.22	1,942,580.22	1,942,580.22
State Shared Revenues					41,757.67	41,757.67	41,757.67
Unrestricted Investment Earnings					7,337.40	7,337.40	7,337.40
Miscellaneous Revenue					54,563.39	54,563.39	54,563.39
Total General Revenues					<u>3,556,707.63</u>	<u>3,556,707.63</u>	<u>3,556,707.63</u>
Change in Net Position					<u>2,708,646.12</u>	<u>2,708,646.12</u>	<u>2,708,646.12</u>
Net Position - Beginning					16,393,735.72	23,861,276.40	40,255,012.12
<b>NET POSITION - ENDING</b>					<u>19,102,381.84</u>	<u>26,238,920.96</u>	<u>45,341,302.80</u>

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

	General Fund	Storm Sewer Maintenance Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS:</b>				
Cash and Cash Equivalents	6,810,495.87	741,369.59	206,939.38	7,758,804.84
Cash with Fiscal Agent	3,854.16	593.78		4,447.94
Taxes Receivable--Delinquent	7,176.81			7,176.81
Accounts Receivable, Net	9,123.53			9,123.53
Special Assessments Receivable--Current	461,667.41	463,910.57		925,577.98
Special Assessments Receivable--Delinquent	2,796.06	5,620.70		8,416.76
Special Assessments Receivable--Noncurrent		34,910.05		34,910.05
Due from Other Funds	88,620.10			88,620.10
Due from Other Governments	334,055.13		8,815.09	342,870.22
Deposits	61,176.00			61,176.00
Prepaid Expenses	26,041.55			26,041.55
<b>TOTAL ASSETS</b>	<b>7,805,006.62</b>	<b>1,246,404.69</b>	<b>215,754.47</b>	<b>9,267,165.78</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES:</b>				
Liabilities:				
Accounts Payable	433,613.01		14,216.46	447,829.47
Due to General Fund			88,620.10	88,620.10
Accrued Wages Payable	35,452.72			35,452.72
Accrued Taxes Payable	4,706.55			4,706.55
<b>Total Liabilities</b>	<b>473,772.28</b>	<b>0.00</b>	<b>102,836.56</b>	<b>576,608.84</b>
Deferred Inflows of Resources:				
Unavailable Revenue--Sales and Use Taxes	13,912.12		1,020.48	14,932.60
Unavailable Revenue--Property Taxes	7,176.81			7,176.81
Unavailable Revenue--Special Assessments	463,642.22	504,441.32		968,083.54
Other Deferred Inflows of Resources	13,317.00			13,317.00
<b>Total Deferred Inflows of Resources</b>	<b>498,048.15</b>	<b>504,441.32</b>	<b>1,020.48</b>	<b>1,003,509.95</b>
Fund Balances:				
Nonspendable:				
Cumulative Insurance Reserve	61,176.00			61,176.00
Prepaid Expenses	26,041.55			26,041.55
Restricted:				
City Promotion/Parks			147,156.34	147,156.34
Storm Sewer Maintenance		741,963.37	10,400.00	752,363.37
Streets			5,869.51	5,869.51
Debt Service			20,383.37	20,383.37
Assigned for Next Year's Budget	253,500.00			253,500.00
Unassigned	6,492,468.64		(71,911.79)	6,420,556.85
<b>Total Fund Balances</b>	<b>6,833,186.19</b>	<b>741,963.37</b>	<b>111,897.43</b>	<b>7,687,046.99</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>7,805,006.62</b>	<b>1,246,404.69</b>	<b>215,754.47</b>	<b>9,267,165.78</b>

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

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

Total Fund Balances - Governmental Funds	<u>7,687,046.99</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>895.55</u>
Capital assets and Intangible assets used in governmental activities are not financial resources and therefore are not reported in the funds.	<u>11,879,008.13</u>
Pension related deferred outflows are components of pension liability (asset) and therefore are not reported in the funds.	<u>132,274.58</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>(1,420,580.53)</u>
Assets such as taxes receivable (delinquent), special assessment receivables (current, delinquent and noncurrent), and sales tax receivable are not available to pay for current period expenditures and therefore are deferred in the funds.	<u>961,325.70</u>
Pension related deferred inflows are components of pension liability (asset) and therefore are not reported in the funds.	<u>(127,080.67)</u>
Interest on general long-term debt is not recognized when incurred in the funds but is rather recognized when due. Accordingly, interest expense accrued but not due is not reported in the funds statements.	<u>(10,507.91)</u>
Net Position - Governmental Activities	<u><u>19,102,381.84</u></u>

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

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

	General Fund	Storm Sewer Maintenance Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
Taxes:				
General Property Taxes	1,236,922.44		270,502.34	1,507,424.78
General Sales and Use Taxes	1,876,108.06		68,843.72	1,944,951.78
Amusement Taxes	336.00			336.00
Penalties and Interest on Delinquent Taxes	1,149.48			1,149.48
Licenses and Permits	247,755.22			247,755.22
Intergovernmental Revenue:				
Federal Grants	364,810.08			364,810.08
State Grants	220,731.65			220,731.65
State Shared Revenue:				
Bank Franchise Tax	13,454.65			13,454.65
Prorate License Fees	2,485.64			2,485.64
Liquor Tax Reversion	28,303.02			28,303.02
Motor Vehicle Licenses	29,906.50			29,906.50
Local Government Highway and Bridge Fund	7,925.45			7,925.45
County Shared Revenue:				
County Highway and Bridge Tax	1,037.13			1,037.13
County Wheel Tax	6,732.22			6,732.22
Charges for Goods and Services:				
General Government	57,227.17		16,269.51	73,496.68
Highways and Streets	19,823.10		41,030.24	60,853.34
Sanitation	722.50			722.50
Culture and Recreation	27,750.00			27,750.00
Fines and Forfeits:				
Animal Control Fines	325.00			325.00
Parking Meter Fines	125.00			125.00
Library	356.00			356.00
Other	266.25			266.25
Miscellaneous Revenue:				
Investment Earnings	6,930.31	191.67	215.42	7,337.40
Rentals	5,807.48			5,807.48
Special Assessments		117,487.06		117,487.06
Maintenance Assessments	366,998.64	398,362.50		765,361.14
Contributions and Donations from Private Sources	5,920.00			5,920.00
Other	37,640.78			37,640.78
<b>Total Revenue</b>	<b>4,567,549.77</b>	<b>516,041.23</b>	<b>396,861.23</b>	<b>5,480,452.23</b>
<b>Expenditures:</b>				
General Government:				
Legislative	35,087.23			35,087.23
Executive	154,439.72			154,439.72
Elections	1,505.07			1,505.07
Financial Administration	221,055.15			221,055.15
Other	391,743.19	93,822.05		485,565.24
<b>Total General Government</b>	<b>803,830.36</b>	<b>93,822.05</b>	<b>0.00</b>	<b>897,652.41</b>

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

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

	General Fund	Storm Sewer Maintenance Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
<b>Expenditures (Continued):</b>				
Public Safety:				
Police	361,116.75			361,116.75
Fire	125,786.92			125,786.92
Protective Inspection	56,092.89			56,092.89
Other Protection	8,441.27			8,441.27
Total Public Safety	551,437.83	0.00	0.00	551,437.83
Public Works:				
Highways and Streets	218,003.93	163,160.92	48,961.60	430,126.45
Sanitation	19,347.87			19,347.87
Total Public Works	237,351.80	163,160.92	48,961.60	449,474.32
Health and Welfare:				
Health	25,527.56			25,527.56
Total Health and Welfare	25,527.56	0.00	0.00	25,527.56
Culture and Recreation:				
Parks	216,472.42			216,472.42
Libraries	69,327.48			69,327.48
Total Culture and Recreation	285,799.90	0.00	0.00	285,799.90
Conservation and Development:				
Economic Development and Assistance	27,570.01		275,915.75	303,485.76
Total Conservation and Development	27,570.01	0.00	275,915.75	303,485.76
Debt Service	150,922.77	97,369.72	0.00	248,292.49
Capital Outlay	2,057,157.05	192,941.75	0.00	2,250,098.80
Total Expenditures	4,139,597.28	547,294.44	324,877.35	5,011,769.07
Excess of Revenue Over (Under) Expenditures	427,952.49	(31,253.21)	71,983.88	468,683.16
<b>Other Financing Sources (Uses):</b>				
Sale of Municipal Property	10,650.00			10,650.00
Compensation for Loss or Damage to Capital Assets	352.61			352.61
Long-Term Debt Issued	395,258.94			395,258.94
Total Other Financing Sources (Uses)	406,261.55	0.00	0.00	406,261.55
Net Change in Fund Balances	834,214.04	(31,253.21)	71,983.88	874,944.71
Fund Balance - Beginning	5,998,972.15	773,216.58	39,913.55	6,812,102.28
FUND BALANCE - ENDING	6,833,186.19	741,963.37	111,897.43	7,687,046.99

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

**MUNICIPALITY OF HARRISBURG**  
**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund**  
**Balances to the Government-Wide Statement of Activities**  
**For the Year Ended December 31, 2020**

Net Change in Fund Balances - Total Governmental Funds	<u>874,944.71</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>2,250,098.80</u>
This amount represents the current year depreciation and amortization 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>(670,720.75)</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 are reflected, regardless of whether a gain or loss is realized.	<u>(186,425.98)</u>
The receipt of donated capital assets is not reported on the fund statements, but is reported as a program revenue on the government-wide statements.	<u>646,197.31</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>212,611.37</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>(395,258.94)</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>1,558.69</u>
The fund financial statement governmental fund sales and use tax accruals differ from the government-wide statement sales and use tax accruals in that the fund financial statements require the amounts to be "available".	<u>(2,371.56)</u>
Governmental funds report special assessments as revenue when "available", but the statement of activities includes the full amount of special assessments as revenue upon completion of the project at the point when an enforceable legal claim arises.	<u>12,883.94</u>
Governmental funds recognize expenditures for amounts of compensated absences actually paid to employees with current financial resources during the fiscal year. Amounts of compensated absences earned by employees are not recognized in the funds. In the statement of activities, expenses for these benefits are recognized when the employees earn leave credits.	<u>(10,584.59)</u>
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	<u>12,696.20</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.	<u>(2,406.92)</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>(34,576.16)</u>
Change in Net Position of Governmental Activities	<u>2,708,646.12</u>

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



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

	Enterprise Funds		Totals
	Water Fund	Sewer Fund	
<b>ASSETS:</b>			
Current Assets:			
Cash and Cash Equivalents	2,396,591.57	426,404.01	2,822,995.58
Accounts Receivable, Net	12,975.79	17,944.88	30,920.67
Unbilled Accounts Receivable	57,930.69	180,017.70	237,948.39
Prepaid Expense	4,649.47	6,726.60	11,376.07
<b>Total Current Assets</b>	<b>2,472,147.52</b>	<b>631,093.19</b>	<b>3,103,240.71</b>
Noncurrent Assets:			
Restricted Cash and Cash Equivalents	692,176.18	1,070,706.61	1,762,882.79
Net Pension Asset	183.39	196.41	379.80
Capital Assets:			
Land	56,250.71	2,711,783.81	2,768,034.52
Improvements Other Than Buildings	11,064,264.40	18,836,309.45	29,900,573.85
Machinery and Equipment	552,920.03	1,136,610.14	1,689,530.17
Construction Work in Progress	1,077,183.89	14,875,603.41	15,952,787.30
Less: Accumulated Depreciation	(3,213,688.50)	(5,207,752.84)	(8,421,441.34)
Intangible Assets	1,581,618.46	6,237.51	1,587,855.97
Less: Accumulated Amortization	(412,987.87)	(2,673.21)	(415,661.08)
<b>Total Noncurrent Assets</b>	<b>11,397,920.69</b>	<b>33,427,021.29</b>	<b>44,824,941.98</b>
<b>TOTAL ASSETS</b>	<b>13,870,068.21</b>	<b>34,058,114.48</b>	<b>47,928,182.69</b>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>			
Pension Related Deferred Outflows	27,211.20	31,276.67	58,487.87
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>27,211.20</b>	<b>31,276.67</b>	<b>58,487.87</b>
<b>LIABILITIES:</b>			
Current Liabilities:			
Accounts Payable	16,283.71	99,791.98	116,075.69
Notes Payable	10,484.39	61,448.67	71,933.06
Contracts Payable		1,746,829.68	1,746,829.68
Accrued Interest Payable	18,144.95	135,650.97	153,795.92
Accrued Wages Payable	7,060.62	8,060.69	15,121.31
Accrued Taxes Payable	951.09	1,087.59	2,038.68
Customer Deposits	287,511.00		287,511.00
Bonds Payable Current:			
Revenue	205,883.53	192,986.86	398,870.39
Accrued Leave Payable-Current	1,500.00	2,000.00	3,500.00
<b>Total Current Liabilities</b>	<b>547,819.29</b>	<b>2,247,856.44</b>	<b>2,795,675.73</b>

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

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

	<b>Enterprise Funds</b>		<b>Totals</b>
	<b>Water Fund</b>	<b>Sewer Fund</b>	
<b>Noncurrent Liabilities:</b>			
<b>Bonds Payable:</b>			
Revenue	2,818,340.04	15,030,113.90	17,848,453.94
Accrued Leave Payable	2,452.71	3,224.36	5,677.07
Other Long-Term Liabilities	71,284.62	973,266.35	1,044,550.97
<b>Total Noncurrent Liabilities</b>	<b>2,892,077.37</b>	<b>16,006,604.61</b>	<b>18,898,681.98</b>
<b>TOTAL LIABILITIES</b>	<b>3,439,896.66</b>	<b>18,254,461.05</b>	<b>21,694,357.71</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>			
Pension Related Deferred Inflows	25,562.73	27,829.16	53,391.89
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>25,562.73</b>	<b>27,829.16</b>	<b>53,391.89</b>
<b>NET POSITION:</b>			
Net Investment in Capital Assets	7,599,568.54	14,351,472.81	21,951,041.35
Restricted Net Position, Restricted for:			
Revenue Bond Debt Service	605,554.14	974,353.22	1,579,907.36
Equipment Repair and/or Replacement	86,622.04	96,353.39	182,975.43
SDRS Pension Purposes	1,831.86	3,643.91	5,475.77
Unrestricted Net Position	2,138,243.44	381,277.61	2,519,521.05
<b>TOTAL NET POSITION</b>	<b>10,431,820.02</b>	<b>15,807,100.94</b>	<b>26,238,920.96</b>

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

**MUNICIPALITY OF HARRISBURG**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUNDS**

For the Year Ended December 31, 2020

	Enterprise Funds		Totals
	Water Fund	Sewer Fund	
<b>Operating Revenue:</b>			
Surcharge as Security for Debt	415,960.14	437,356.04	853,316.18
Charges for Goods and Services	706,940.40	1,949,210.85	2,656,151.25
Total Operating Revenue	1,122,900.54	2,386,566.89	3,509,467.43
<b>Operating Expenses:</b>			
Personal Services	143,956.60	156,461.09	300,417.69
Other Current Expense	194,617.97	1,592,546.56	1,787,164.53
Materials (Cost of Goods Sold)	166,510.76		166,510.76
Amortization	35,858.93	891.07	36,750.00
Depreciation	273,079.03	435,436.49	708,515.52
Total Operating Expenses	814,023.29	2,185,335.21	2,999,358.50
Operating Income (Loss)	308,877.25	201,231.68	510,108.93
<b>Nonoperating Revenue (Expense):</b>			
Investment Earnings	2,665.76	766.57	3,432.33
Rental Revenue	40,785.14	23,876.00	64,661.14
Interest Expense	(106,767.67)	(287,021.07)	(393,788.74)
Gain (Loss) on Disposition of Assets	3,875.00	84,875.00	88,750.00
Total Nonoperating Revenue (Expense)	(59,441.77)	(177,503.50)	(236,945.27)
Income (Loss) Before Contributions	249,435.48	23,728.18	273,163.66
Capital Contributions	353,164.42	1,751,316.48	2,104,480.90
Change in Net Position	602,599.90	1,775,044.66	2,377,644.56
Net Position - Beginning	9,829,220.12	14,032,056.28	23,861,276.40
<b>NET POSITION - ENDING</b>	<b>10,431,820.02</b>	<b>15,807,100.94</b>	<b>26,238,920.96</b>

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

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

	<b>Enterprise Funds</b>		<b>Totals</b>
	<b>Water Fund</b>	<b>Sewer Fund</b>	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Cash Receipts from Customers	1,113,462.85	2,353,702.19	3,467,165.04
Cash Payments to Employees for Services	(131,006.40)	(140,824.56)	(271,830.96)
Cash Payments to Suppliers of Goods and Services	(355,021.85)	(1,573,311.25)	(1,928,333.10)
Net Cash Provided (Used) by Operating Activities	<u>627,434.60</u>	<u>639,566.38</u>	<u>1,267,000.98</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Proceeds from Capital Debt	95,174.47	11,426,031.47	11,521,205.94
Capital Contributions		1,483,235.83	1,483,235.83
Purchase of Capital Assets	(390,527.95)	(11,884,736.99)	(12,275,264.94)
Proceeds from Sale of Capital Assets	3,875.00	84,875.00	88,750.00
Principal Paid on Capital Debt	(199,334.07)	(263,030.20)	(462,364.27)
Interest Paid on Capital Debt	(121,004.37)	(172,775.20)	(293,779.57)
Net Cash (Used) by Capital and Related Financing Activities	<u>(611,816.92)</u>	<u>673,599.91</u>	<u>61,782.99</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Cash Received for Interest	2,665.76	766.57	3,432.33
Cash Received for Rent	40,785.14	23,876.00	64,661.14
Net Cash Provided by Investing Activities	<u>43,450.90</u>	<u>24,642.57</u>	<u>68,093.47</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>59,068.58</u>	<u>1,337,808.86</u>	<u>1,396,877.44</u>
Balances - Beginning	3,029,699.17	159,301.76	3,189,000.93
Balances - Ending	<u>3,088,767.75</u>	<u>1,497,110.62</u>	<u>4,585,878.37</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>			
Operating Income (Loss)	308,877.25	201,231.68	510,108.93
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:			
Depreciation and Amortization Expense	308,937.96	436,327.56	745,265.52
(Increase) decrease in Receivables	(20,412.69)	(32,864.70)	(53,277.39)
(Increase) decrease in Prepaid Expenses	2,288.51	(18.00)	2,270.51
(Increase) decrease in Pension Related Deferred Outflows	(9,780.35)	(11,421.72)	(21,202.07)
(Increase) decrease in Net Pension Asset	194.41	181.99	376.40
(Decrease) increase in Accounts and Other Payables	3,818.37	19,253.31	23,071.68
(Decrease) increase in Accrued Wages and Taxes Payable	4,035.91	5,172.49	9,208.40
(Decrease) increase in Accrued Leave Payable	1,692.79	2,964.44	4,657.23
(Decrease) increase in Pension Related Deferred Inflows	16,807.44	18,739.33	35,546.77
(Decrease) increase in Customer Deposits	10,975.00		10,975.00
Net Cash Provided (Used) by Operating Activities	<u>627,434.60</u>	<u>639,566.38</u>	<u>1,267,000.98</u>
Noncash Investing, Capital and Financing Activities:			
Donated Capital Assets	353,164.42	268,080.65	621,245.07

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 Harrisburg (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.

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

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

**Governmental Funds:**

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

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

Liquor, Lodging and Dining Sales Tax – 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 municipality. (SDCL 10-52-8) This is not a major fund.

Storm Sewer Maintenance Special Revenue Fund – to account for the proceeds of the special assessment for the purpose of maintaining the municipal sewers and septic or sewage treatment plants. (SDCL 9-48-21) This is a major fund.

Street Lighting Service Fee Special Revenue Fund – to account for the collection of a fee for the purpose of maintaining or repairing street lighting within the municipality. This is not a major fund.

Stormwater Basin Development Special Revenue Fund – to account for the collection of a fee for the purpose of maintaining or repairing public improvements within the municipality that are maintained by the municipality. This is not a major fund.

Arterial Street Fee Special Revenue Fund – to account for the collection of a fee for the purpose of street maintenance or repair within the municipality. This is not a major fund.

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

TIF #2 Debt Service Fund – to account for property taxes which may be used only for the payment of the debt principal, interest, and related costs. This is not a major fund.

TIF #3 Debt Service Fund – to account for property taxes which may be used only for the payment of the debt principal, interest, and related costs. This is not a major fund.

TIF #4 Debt Service Fund – to account for property taxes which may be used only for the payment of the debt principal, interest, and related costs. This is not a major fund.

TIF #8 Debt Service Fund – to account for property taxes which may be used only for the payment of the debt principal, interest, and related costs. This is not a major fund.

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

**Proprietary Funds:**

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

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

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

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

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 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,

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NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

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 Harrisburg, the length of that cycle is 30 days. The revenues which are accrued at December 31, 2020 are sales tax revenue and franchise 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.

d. Interfund Eliminations and Reclassifications:

*Government-wide Financial Statements:*

In the process of aggregating data for the government-wide 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, residual amounts due between governmental and business-type activities, which are presented as Internal Balances.

e. Deposits and Investments:

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

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.



NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

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 or estimated historical cost if actual historical cost is not available. 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.

The total December 31, 2020 balance of capital assets for governmental activities and business-type activities are all valued at original cost.

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 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>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Land and land rights	\$ -	-- N/A --	-- N/A --
Improvements other than buildings	\$ 10,000.00	Straight-line	10-50 yrs.
Buildings	\$ 10,000.00	Straight-line	50 yrs.
Machinery & Equipment	\$ 1,000.00	Straight-line	5-10 yrs.
Infrastructure	\$ 10,000.00	Straight-line	10-50 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.

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

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 revenue bonds, notes payable, financing acquisition leases, and compensated absences.

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.
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.

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NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

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

Fund Financial Statements:

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

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 are 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.

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

- Unassigned – includes positive fund balance within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

The Nonspendable Fund Balance is comprised of the following:

- Amount legally or contractually required to be maintained intact such as Cumulative Insurance Reserve.
- Amount reported in non-spendable form such as prepaid expenses.

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.

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.

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:

	Year Ended 12/31/2020
General Fund:	
<u>Activity</u>	
General Government:	
Elections	\$ 255.07

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

3. DEFICIT FUND BALANCES / NET POSITION OF INDIVIDUAL NONMAJOR FUNDS

As of December 31, 2020, the following individual nonmajor funds had deficit fund balance/net position in the amounts shown:

Street Lighting Service Special Revenue Fund	\$ 7,931.36
TIF # 3 Debt Service Fund	\$ 14,120.10
TIF # 4 Debt Service Fund	\$ 34,500.00
TIF # 8 Debt Service Fund	\$ 15,360.33

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

4. DEPOSITS AND INVESTMENTS, FAIR VALUE MEASUREMENT, 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 as follows:

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

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

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.

As of December 31, 2020, the Municipality had the following investments which are reported as cash and cash equivalents in the financial statements. All investments are in an external investment pool.

<u>Investment</u>	<u>Credit Rating</u>	<u>Fair Value</u>
External Investment Pools:		
SDFIT	Unrated	<u>\$ 2,604,166.15</u>
Total Investments		<u>\$ 2,604,166.15</u>

The South Dakota Public Fund Investment Trust (SDFIT) is an external investment pool created for South Dakota local government investing. It is regulated by a nine member board with representation from municipalities, school districts and counties. The net asset value of the SDFIT money market account (GCR) is kept at one dollar per share by adjusting the rate of return on a daily basis. Earnings are credited to each account on a monthly basis.

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 deposits and investments to the fund making the investment.

See Independent Auditor's Report.

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NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

5. RESTRICTED DEPOSITS

Assets restricted to use for a specific purpose through segregation of balances in separate accounts are as follows:

Amount:	Purpose:
\$ 61,176.00	Restricted amount on deposit with the South Dakota Public Assurance Alliance

6. RECEIVABLES AND PAYABLES

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

7. PROPERTY TAXES

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

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

8. TAX ABATEMENTS

The Municipality entered into a sales tax abatement with a local business under SDCL 9-54 and 9-12-11 and Ordinance No. 2017-13. The sales tax abatement was created to provide economic benefits to the Municipality and other political subdivisions, including paying real property taxes to the Municipality and other taxing subdivisions and generating significant retail sales tax revenues for the Municipality when the development is operational. For the year December 31, 2020, the Municipality entered into an agreement with Offensive Holdings, LLC dba Ace Hardware (Developer) and Harrisburg Economic Development Corporation (HEDC). The agreement provides that for a period of five years, beginning on the month of first retail sale at the site, or until such time that \$100,000 has been reimbursed to Developer, the Municipality shall reimburse to HEDC, and HEDC shall reimburse the Developer, fifty percent of the Municipality's sales taxes received from the site.

For the year ended December 31, 2020, the Municipality abated taxes totaling \$21,746.03 under this program.

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

9. CHANGES IN GENERAL CAPITAL ASSETS

A summary of changes in capital assets for the year ended December 31, 2020, is as follows:

	Balance 01/01/2020	Increases	Decreases	Balance 12/31/2020
Primary Government:				
Governmental Activities:				
Capital Assets, not being depreciated:				
Land	1,771,293.78	7,600.00	(45,000.00)	1,733,893.78
Construction in Progress	74,852.46	1,067,396.21	(555,528.63)	586,720.04
Total, not being depreciated	<u>1,846,146.24</u>	<u>1,074,996.21</u>	<u>(600,528.63)</u>	<u>2,320,613.82</u>
Capital Assets, being depreciated:				
Buildings	1,928,097.86	70,319.67	(144,312.22)	1,854,105.31
Improvements Other Than Buildings	14,583,969.10	1,731,203.76		16,315,172.86
Machinery & Equipment	1,536,449.00	575,305.10	(69,869.00)	2,041,885.10
Total, being depreciated	<u>18,048,515.96</u>	<u>2,376,828.53</u>	<u>(214,181.22)</u>	<u>20,211,163.27</u>
Less Accumulated Depreciation for:				
Buildings	(319,110.70)	(40,824.24)	2,886.24	(357,048.70)
Improvements Other Than Buildings	(8,944,849.65)	(464,483.86)		(9,409,333.51)
Machinery & Equipment	(818,018.08)	(159,137.65)	69,869.00	(907,286.73)
Total Accumulated Depreciation	<u>(10,081,978.43)</u>	<u>(664,445.75)</u>	<u>72,755.24</u>	<u>(10,673,668.94)</u>
Total Capital Assets, being depreciated, net	<u>7,966,537.53</u>	<u>1,712,382.78</u>	<u>(141,425.98)</u>	<u>9,537,494.33</u>
Governmental Activity Capital Assets, Net	<u>9,812,683.77</u>	<u>2,787,378.99</u>	<u>(741,954.61)</u>	<u>11,858,108.15</u>

Depreciation expense was charged to functions as follows:

Governmental Activities:	
General Government	\$ 20,288.14
Public Safety	4,763.78
Public Works	542,208.44
Culture and Recreation	<u>97,185.39</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 664,445.75</u>

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

	Balance 01/01/2020	Increases	Decreases	Balance 12/31/2020
Business-type Activities:				
Capital Assets, not being depreciated:				
Land	2,651,944.52	116,090.00		2,768,034.52
Construction Work in Progress	3,092,750.02	13,035,077.93	(175,040.65)	15,952,787.30
Total, not being depreciated	<u>5,744,694.54</u>	<u>13,151,167.93</u>	<u>(175,040.65)</u>	<u>18,720,821.82</u>
Capital Assets, being depreciated:				
Improvements Other Than Buildings	28,947,904.97	952,668.88		29,900,573.85
Machinery & Equipment	1,326,790.95	640,241.55	(277,502.33)	1,689,530.17
Total, being depreciated	<u>30,274,695.92</u>	<u>1,592,910.43</u>	<u>(277,502.33)</u>	<u>31,590,104.02</u>
Less Accumulated Depreciation for:				
Improvements Other Than Buildings	(7,067,201.86)	(605,938.38)		(7,673,140.24)
Machinery & Equipment	(923,226.29)	(102,577.14)	277,502.33	(748,301.10)
Total Accumulated Depreciation	<u>(7,990,428.15)</u>	<u>(708,515.52)</u>	<u>277,502.33</u>	<u>(8,421,441.34)</u>
Total Capital Assets, being depreciated, net	<u>22,284,267.77</u>	<u>884,394.91</u>	<u>0.00</u>	<u>23,168,662.68</u>
Business-type Activity Capital Assets, Net	<u>28,028,962.31</u>	<u>14,035,562.84</u>	<u>(175,040.65)</u>	<u>41,889,484.50</u>

Depreciation expense was charged to functions as follows:

Business-Type Activities:	
Water	\$ 273,079.03
Sewer	<u>435,436.49</u>
Total Depreciation Expense - Business-Type Activities	<u>\$ 708,515.52</u>

Construction Work in Progress at December 31, 2020 is composed of the following:

Project Name	Project Authorization	Expended Thru 12/31/2020	Committed	Required Future Financing
SD Hwy 115 Water Main Improvement	1,150,080.55	1,077,183.89	72,896.66	0.00
Willow St. Row & Easement Acquisition	544,249.42	538,770.36	5,479.06	0.00
Westside Trunk Sewer	3,621,567.00	3,431,259.81	190,307.19	0.00
Wastewater Treatment Facility	26,487,000.00	11,444,343.60	0.00	15,042,656.40
Cliff Avenue/Willow Street Intersection	57,805.00	38,412.40	19,392.60	0.00
Central Park - Phase 2 Concept & Grading Plan	29,103.00	9,537.28	19,565.72	0.00
Total	<u>31,889,804.97</u>	<u>16,539,507.34</u>	<u>307,641.23</u>	<u>15,042,656.40</u>

Intangible assets are composed of the following:

	Balance 01/01/2020	Increases	Decreases	Balance 12/31/2020
Governmental Activities:				
Software & Website	60,219.98			60,219.98
Less Accumulated Amortization	(33,045.00)	(6,275.00)		(39,320.00)
Governmental Activities, Net	<u>27,174.98</u>	<u>(6,275.00)</u>	<u>0.00</u>	<u>20,899.98</u>

See Independent Auditor's Report.



NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

Amortization expense was charged to functions as follows:

Governmental Activities	
General Government	\$ 6,275.00
Total Amortization Expense - Governmental Activities	<u>\$ 6,275.00</u>

	<u>Balance</u> 01/01/2020	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> 12/31/2020
Business-type Activities:				
Intangible Assets	1,587,805.97	50.00		1,587,855.97
Less Accumulated Amortization	<u>(378,861.08)</u>	<u>(36,800.00)</u>		<u>(415,661.08)</u>
Business-type Activities, Net	<u>1,208,944.89</u>	<u>(36,750.00)</u>	<u>0.00</u>	<u>1,172,194.89</u>

Amortization expense was charged to functions as follows:

Business-Type Activities:	
Water	\$ 35,858.93
Sewer	<u>891.07</u>
Total Amortization Expense - Business-Type Activities	<u>\$ 36,750.00</u>

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

10. LONG-TERM LIABILITIES

A summary of changes in long-term liabilities follows:

	Beginning Balance 1/1/2020	Additions	Deletions	Ending Balance 12/31/2020	Due Within One Year
Primary Government:					
Governmental Activities:					
Bonds Payable:					
Storm Water Assessment Bond - Series 2011	1,109,763.56		64,801.27	1,044,962.29	66,767.29
Notes Payable - First National Bank	87,057.20		87,057.20	0.00	0.00
Financing (Capital Acquisition) Lease:					
CapFirst Financing - 2020 CAT Motor Grader	0.00	128,505.79	17,998.70	110,507.09	14,252.52
CapFirst Financing - 2020 CAT Telehandler	0.00	61,863.15	8,832.20	53,030.95	6,716.27
CapFirst Financing - 2020 Elgin Sweeper	0.00	204,890.00	33,922.00	170,968.00	24,995.95
Total Debt	<u>1,196,820.76</u>	<u>395,258.94</u>	<u>212,611.37</u>	<u>1,379,468.33</u>	<u>112,732.03</u>
Accrued Compensated Absences- Governmental Funds	<u>30,527.71</u>	<u>23,962.26</u>	<u>13,377.77</u>	<u>41,112.20</u>	<u>15,000.00</u>
Total Governmental Activities	<u>1,227,348.47</u>	<u>419,221.20</u>	<u>225,989.14</u>	<u>1,420,580.53</u>	<u>127,732.03</u>
Business-Type Activities:					
Bonds Payable:					
Water Revenue, Series 2007	685,963.89		66,728.71	619,235.18	68,923.96
Water System Revenue, Series 2008	1,124,178.26		84,189.87	1,039,988.39	86,959.57
Clean Water Revenue Bonds, Series 2009	2,101,936.08		65,554.31	2,036,381.77	67,710.94
Clean Water Revenue Bonds, Series 2011	547,878.43		29,384.44	518,493.99	30,275.92
Wastewater Surcharge Rev. Bonds, Series 2018	2,445,000.00		90,000.00	2,355,000.00	95,000.00
Water System Surcharge Revenue Bonds	1,400,000.00		35,000.00	1,365,000.00	50,000.00
Clean Water Revenue Bonds, Series 2019	0.00	10,313,225.00		10,313,225.00	0.00
Notes Payable:					
Note Payable - Harrisburg School District	0.00	626,972.00		626,972.00	3,305.51
Financing (Capital Acquisition) Lease:					
CapFirst Financing - 2020 Motor Grader	0.00	128,505.80	17,998.71	110,507.09	14,252.52
CapFirst Financing - 2020 CAT Telehandler	0.00	61,863.14	8,832.20	53,030.94	6,716.26
CapFirst Financing - 2019 Vactor Jetter with 2021 Peterbilt Chasis	0.00	390,650.00	64,676.00	325,974.00	47,658.77
Total Debt	<u>8,304,956.66</u>	<u>11,521,215.94</u>	<u>462,364.24</u>	<u>19,363,808.36</u>	<u>470,803.45</u>
Accrued Compensated Absences- Business-Type Funds	<u>4,519.84</u>	<u>8,069.66</u>	<u>3,412.43</u>	<u>9,177.07</u>	<u>3,500.00</u>
Total Business-Type Activities	<u>8,309,476.50</u>	<u>11,529,285.60</u>	<u>465,776.67</u>	<u>19,372,985.43</u>	<u>474,303.45</u>
TOTAL PRIMARY GOVERNMENT	<u>9,536,824.97</u>	<u>11,948,506.80</u>	<u>691,765.81</u>	<u>20,793,565.96</u>	<u>602,035.48</u>

Compensated absences for governmental activities typically have been liquidated from the General Fund.

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

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

Revenue Bonds:

Sales Tax Revenue Bonds - Series 2009 3.25 Percent Interest, Final Maturity Date of January 2042, Retired by the Sewer Fund.	2,036,381.77
Water Improvement Revenue Bonds SRF - Series 2007 3.25 Percent Interest, Final Maturity Date of October 2028, Retired by the Water Fund.	619,235.18
Water System Revenue Bonds SRF - Series 2008 3.25 Percent Interest, Final Maturity Date of January 2031, Retired by the Water Fund.	1,039,988.39
Clean Water Revenue Bonds SRF - Series 2011 3.00 Percent Interest, Final Maturity Date of October 2034, Retired by the Sewer Fund.	518,493.99
Storm Water Assessment Bond SRF - Series 2011 3.00 Percent Interest, Final Maturity Date of October 2033, Retired by the Storm Sewer Maintenance Fund.	1,044,962.29
Wastewater Surcharge Revenue Bonds SRF - Series 2018 3.68 Percent Interest, Final Maturity Date of December 15, 2038. Retired by the Sewer Fund.	2,355,000.00
Water System Surcharge Revenue Bonds SRF - Series 2019 3.30 Percent Interest, Final Maturity Date of December 15, 2039. Retired by the Water Fund.	1,365,000.00
Clean Water System Surcharge Revenue Bonds SRF - Series 2019 2.50 Percent Interest, Final Maturity Date of January 15, 2052. Retired by the Sewer Fund.	10,313,225.00

Notes Payable:

Note Payable – Harrisburg School District Interest Rate 1.50%, Maturity March 3, 2025 Payable from Sewer Fund	626,972.00
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Compensated Absences:

Compensated Absences Accrued at Year End, Payable from the Fund that the payroll is incurred.	
General Fund	41,112.20
Water Fund	3,952.71
Sewer Fund	5,224.36

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

Financing (Capital Acquisition) Leases:

CapFirst Equipment Finance, Inc:

Lease Payable for 2020 CAT Motor Grader Interest Rate 3.39%, Maturity September 1, 2027 Payable from General, Water and Sewer Funds	221,014.18
Lease Payable for 2020 CAT Telehandler Interest Rate 3.99%, Maturity March 1, 2027 Payable from General, Water and Sewer Funds	106,061.89
Lease Payable for 2020 Elgin Sweeper Interest Rate 5.22%, Maturity March 1, 2026 Payable from General Fund	170,968.00
Lease Payable for 2019 Vactor Jetter with 2021 Peterbilt Chasis Interest Rate 5.22%, Maturity August 15, 2026 Payable from Sewer Fund	325,974.00

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

	<u>2020 CAT Motor Grader</u>	<u>2019 Vactor Jetter with Peterbilt Chasis</u>	<u>2020 CAT Telehandler</u>	<u>2020 Elgin Sweeper</u>
Principal	\$ 257,011.58	\$ 390,650.00	\$ 123,726.29	\$ 204,890.00
Interest	30,967.70	62,082.00	17,588.91	32,564.00
TOTAL	<u>\$ 287,979.28</u>	<u>\$ 452,732.00</u>	<u>\$ 141,315.20</u>	<u>\$ 237,454.00</u>

The principal amount, above, was included in the appropriate classification of capital assets, and is being depreciated over the shorter of the estimated useful life of the asset, or the lease term (where title never transfers), as appropriate.

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

The annual requirements to amortize all debt outstanding as of December 31, 2020, except for compensated absences, are as follows:

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

Year Ending December 31,	Sales Tax Revenue Bonds - Series 2009		Water Improvement Revenue Bond, Series 2007		Water System Revenue Bond, Series 2008	
	Principal	Interest	Principal	Interest	Principal	Interest
2021	67,710.94	65,362.74	68,923.96	19,290.80	86,959.57	32,746.95
2022	69,938.50	63,135.18	71,191.44	17,023.32	89,820.39	29,886.13
2023	72,239.36	60,834.32	73,533.52	14,681.24	92,775.32	26,931.20
2024	74,615.91	58,457.77	75,952.63	12,262.13	95,827.46	23,879.06
2025	77,070.64	56,003.04	78,451.35	9,763.41	98,980.02	20,726.50
2026-2030	425,095.50	240,272.90	251,182.28	13,462.00	545,940.21	52,592.39
2031-2035	499,774.62	165,593.78			29,685.42	241.21
2036-2040	587,573.09	77,795.31				
2041-2045	162,363.21	3,978.89				
2046-2050						
2051-2052						
Totals	<u>2,036,381.77</u>	<u>791,433.93</u>	<u>619,235.18</u>	<u>86,482.90</u>	<u>1,039,988.39</u>	<u>187,003.44</u>

Year Ending December 31,	Capital Acquisition Lease Purchase-Sewer Jetter		Clean Water Revenue Bond, Series 2011		Storm Water Assessment Bond, Series 2011	
	Principal	Interest	Principal	Interest	Principal	Interest
2021	47,658.77	17,017.23	30,275.92	15,216.36	66,767.29	30,602.43
2022	50,146.76	14,529.24	31,194.47	14,297.81	68,792.95	28,576.77
2023	52,764.63	11,911.37	32,140.89	13,351.39	70,880.07	26,489.65
2024	55,519.17	9,156.83	33,116.00	12,376.28	73,030.52	24,339.20
2025	58,417.51	6,258.49	34,120.72	11,371.56	75,246.20	22,123.52
2026-2030	61,467.16	3,208.84	186,774.16	40,687.24	411,891.79	74,956.81
2031-2035			170,871.83	11,097.29	278,353.47	13,755.69
2036-2040						
2041-2045						
2046-2050						
2051-2052						
Totals	<u>325,974.00</u>	<u>62,082.00</u>	<u>518,493.99</u>	<u>118,397.93</u>	<u>1,044,962.29</u>	<u>220,844.07</u>

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

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

Year Ending December 31,	Capital Acquisition Lease Purchase-Motor Grader		Clean Water Revenue Bond, Series 2019		Capital Acquisition Lease Purchase-Telehandler	
	Principal	Interest	Principal	Interest	Principal	Interest
2021	28,505.04	7,492.37	0.00	0.00	13,432.53	4,231.87
2022	29,471.36	6,526.05	174,975.51	192,283.92	13,968.49	3,695.91
2023	30,470.43	5,526.98	238,446.83	251,232.41	14,525.83	3,138.57
2024	31,503.38	4,494.03	244,464.12	245,215.12	15,105.41	2,558.99
2025	32,571.34	3,426.07	250,633.26	239,045.98	15,708.12	1,956.28
2026-2030	68,492.63	3,502.20	1,351,291.80	1,097,104.40	33,321.51	2,007.29
2031-2035			1,530,618.71	917,777.49		
2036-2040			1,733,743.64	714,652.56		
2041-2045			1,963,824.84	484,571.36		
2046-2050			2,224,439.58	223,956.62		
2051-2052			600,786.71	11,312.34		
Totals	<u>221,014.18</u>	<u>30,967.70</u>	<u>10,313,225.00</u>	<u>4,377,152.20</u>	<u>106,061.89</u>	<u>17,588.91</u>

Year Ending December 31,	Capital Acquisition Lease Purchase-Street Sweeper		Sewer Loan Payable Harrisburg School District		Wastewater Surcharge Revenue Bonds, Series 2018	
	Principal	Interest	Principal	Interest	Principal	Interest
2021	24,995.95	8,926.05	3,305.51	11,087.83	95,000.00	85,836.00
2022	26,300.96	7,621.04		7,829.03	100,000.00	82,248.00
2023	27,674.10	6,247.90		9,419.58	100,000.00	78,568.00
2024	29,118.94	4,803.06		9,419.58	105,000.00	74,888.00
2025	30,639.21	3,282.79	623,666.49	9,419.58	110,000.00	70,932.00
2026-2030	32,238.84	1,683.16			610,000.00	290,812.00
2031-2035					730,000.00	169,096.00
2036-2040					505,000.00	33,120.00
2041-2045						
2046-2050						
2051-2052						
Totals	<u>170,968.00</u>	<u>32,564.00</u>	<u>626,972.00</u>	<u>47,175.60</u>	<u>2,355,000.00</u>	<u>885,500.00</u>

Year Ending December 31,	Water System Surcharge Revenue Bonds, Series 2019		Totals	
	Principal	Interest	Principal	Interest
2021	50,000.00	44,632.50	583,535.48	342,443.13
2022	50,000.00	42,982.50	775,800.83	510,634.90
2023	60,000.00	41,250.00	865,450.98	549,582.61
2024	60,000.00	39,270.00	893,253.54	521,120.05
2025	60,000.00	37,290.00	1,545,504.86	491,599.22
2026-2030	330,000.00	155,512.50	4,307,695.88	1,975,801.73
2031-2035	390,000.00	96,277.50	3,629,304.05	1,373,838.96
2036-2040	365,000.00	27,390.00	3,191,316.73	852,957.87
2041-2045			2,126,188.05	488,550.25
2046-2050			2,224,439.58	223,956.62
2051-2052			600,786.71	11,312.34
Totals	<u>1,365,000.00</u>	<u>484,605.00</u>	<u>20,743,276.69</u>	<u>7,341,797.68</u>

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

11. OPERATING LEASES

The Municipality leases two copy, print, scan, fax machines for office use. Monthly lease payments of \$522.22 are made from the General Fund.

The following are the minimum payments required for existing leases:

<u>Year:</u>	
2021	6,266.64
2022	5,520.96
2023	1,643.18

12. INDIVIDUAL FUND INTERFUND BALANCES AND TRANSACTIONS

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

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ 88,620.10	
TIF #3 Debt Service Fund		\$ 14,120.10
TIF #4 Debt Service Fund		\$ 34,500.00
TIF #8 Debt Service Fund		\$ 40,000.00
<b>TOTALS</b>	<u>\$ 88,620.10</u>	<u>\$ 88,620.10</u>

The interfund balances above were created when the TIF Debt Service Funds incurred expenses before the revenue source created by the TIF was available. The Municipality expects these balances to be resolved within a year.

13. RESTRICTED NET POSITION

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

	<u>Restricted By</u>	<u>12/31/2020</u>
City Promotion/Parks	Law	\$ 148,176.82
Storm Sewer Maintenance	Law	1,256,804.69
Streets	Development Agreement	5,869.51
Cumulative Insurance Reserve	Insurance Agreement	61,176.00
SDRS Pension Purposes	Governmental Accounting Standards	11,565.23
Debt Service	Loan Agreement	1,600,290.73
Equipment Repair/Replacement	Loan Agreement	182,975.43
<b>Total Restricted Net Position</b>		<u>\$ 3,266,858.41</u>

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

#### 14. PENSION PLAN

Plan Information:

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

Benefits Provided:

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

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

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

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.

See Independent Auditor's Report.



NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

Contributions:

Per SDCL 3-12, contribution requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A Members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. The Municipality's share of contributions to the SDRS for the fiscal years ended December 31, 2020, 2019, and 2018, were \$43,366.56, \$36,401.75, and \$36,225.48, 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, 2020, SDRS is 100.04% funded and accordingly has a net pension asset. The proportionate shares of the components of the net pension asset of South Dakota Retirement System, for the Municipality as of the measurement period ending June 30, 2020 and reported by the Municipality as of December 31, 2020 are as follows:

Proportionate share of pension liability	\$ 3,609,932.10
Less proportionate share of net position restricted for pension benefits	<u>\$ 3,611,207.45</u>
Proportionate share of net pension liability (asset)	<u>\$ (1,275.35)</u>

At December 31, 2020, the Municipality reported a liability (asset) of \$(1,275.35) 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 0.02936580%, which is an increase of 0.0010268% from its proportion measured as of June 30, 2019.

For the year ended December 31, 2020, the Municipality recognized pension expense (reduction of pension expense) of \$49,297.76. 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.	\$ 4,878.91	\$ 999.08
Changes in assumption.	\$ 41,080.17	\$ 165,678.08
Net difference between projected and actual earnings on pension plan investments.	\$ 118,537.48	
Changes in proportion and difference between Municipality contributions and proportionate share of contributions.	\$ 3,243.83	\$ 13,795.40
Municipality contributions subsequent to the measurement date.	<u>\$ 23,022.06</u>	
TOTAL	<u>\$ 190,762.45</u>	<u>\$ 180,472.56</u>

\$23,022.06 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	\$ (20,882.30)
2022	(14,521.07)
2023	735.27
2024	<u>21,935.93</u>
TOTAL	<u>\$ (12,732.17)</u>

Actuarial Assumptions:

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

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

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

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

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

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

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

Discount Rate:

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

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

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

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Municipality's proportionate share of the net pension liability (asset)	\$494,751.04	\$ (1,275.35)	\$(407,015.27)

Pension Plan Fiduciary Net Position:

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

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

15. SIGNIFICANT CONTINGENCIES – LITIGATION

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

16. RISK MANAGEMENT

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

Employee Health Insurance:

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

Liability Insurance:

The Municipality joined the South Dakota Public Assurance Alliance (SDPAA), a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The objective of the SDPAA is to administer and provide risk management services and risk sharing facilities to the members on loss control guidelines and procedures, and provide them with risk management services, loss control and risk reduction information and to obtain lower costs for that coverage. The Municipality's responsibility is to promptly report to and cooperate with the SDPAA to resolve any incident which could result in a claim being made by or against the Municipality. The Municipality pays an annual premium, to provide liability coverage detailed below, under a claims-made policy and the member based on their exposure or type of coverage. The Municipality pays an annual premium to the pool to provide coverage for: General Liability, Vehicle Coverage, Property and Building Coverage, Errors and Omissions of Officials and Employees Coverage.

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

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

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

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

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

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NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

As of December 31, 2020, the Municipality's balance available to be refunded per the SDPAA was \$61,176.00, which was an increase of \$5,032.00 from the previous year. The change in the amount available for refund is accounted for as an increase or decrease in the insurance expenditures/expenses.

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

Worker's Compensation:

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

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

Unemployment Benefits:

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

17. ASSOCIATION WITH RELATED PARTIES

The Office Assistant for the Municipality is also an employee of the Harrisburg Economic Development Corporation.

The Municipality may make decisions that affect the dealings with this organization although the Municipality has no direct influence on the organization's operations.

18. SIGNIFICANT EVENTS

On July 22, 2019, the Municipality of Harrisburg issued an SRF Loan in the amount of \$24,487,000.00 for financing of the Wastewater Treatment Facility. This project is still in progress at December 31, 2020, with \$10,313,225.00 being drawn down by year end.

19. SUBSEQUENT EVENTS

Management has evaluated whether any subsequent events have occurred through October 1, 2021, the date on which the financial statements were available to be issued.

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

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
<b>Taxes:</b>				
General Property Taxes	1,244,615.00	1,244,615.00	1,236,922.44	(7,692.56)
General Sales and Use Taxes	1,250,000.00	1,250,000.00	1,876,108.06	626,108.06
Amusement Taxes	850.00	850.00	336.00	(514.00)
Penalties and Interest on Delinquent Taxes	1,000.00	1,000.00	1,149.48	149.48
Licenses and Permits	99,950.00	99,950.00	247,755.22	147,805.22
<b>Intergovernmental Revenue:</b>				
Federal Grants	0.00	0.00	364,810.08	364,810.08
State Grants	273,000.00	340,200.00	220,731.65	(119,468.35)
State Shared Revenue:				
Bank Franchise Tax	20,000.00	20,000.00	13,454.65	(6,545.35)
Prorate License Fees	2,000.00	2,000.00	2,485.64	485.64
Liquor Tax Reversion	20,000.00	20,000.00	28,303.02	8,303.02
Motor Vehicle Licenses	20,000.00	20,000.00	29,906.50	9,906.50
Local Government Highway and Bridge Fund	8,000.00	8,000.00	7,925.45	(74.55)
County Shared Revenue:				
County Road and Bridge Tax	1,000.00	1,000.00	1,037.13	37.13
County Wheel Tax	5,000.00	5,000.00	6,732.22	1,732.22
<b>Charges for Goods and Services:</b>				
General Government	13,650.00	13,650.00	57,227.17	43,577.17
Highways and Streets	0.00	0.00	19,823.10	19,823.10
Sanitation	0.00	0.00	722.50	722.50
Culture and Recreation	32,500.00	32,500.00	27,750.00	(4,750.00)
<b>Fines and Forfeits:</b>				
Animal Control Fines	0.00	0.00	325.00	325.00
Parking Meter Fines	0.00	0.00	125.00	125.00
Library	0.00	0.00	356.00	356.00
Other	0.00	0.00	266.25	266.25
<b>Miscellaneous Revenue:</b>				
Investment Earnings	15,000.00	15,000.00	6,930.31	(8,069.69)
Rentals	5,000.00	5,000.00	5,807.48	807.48
Maintenance Assessments	367,245.00	367,245.00	366,998.64	(246.36)
Contributions and Donations from Private Sources	17,000.00	17,000.00	5,920.00	(11,080.00)
Other	38,000.00	38,000.00	37,640.78	(359.22)
<b>Total Revenue</b>	<b>3,433,810.00</b>	<b>3,501,010.00</b>	<b>4,567,549.77</b>	<b>1,066,539.77</b>

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

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>Expenditures:</b>				
General Government:				
Legislative	33,586.00	36,986.00	35,087.23	1,898.77
Contingency	66,851.00	66,851.00		
Amount Transferred		(24,000.00)		42,851.00
Executive	172,652.00	180,152.00	155,989.72	24,162.28
Elections	1,250.00	1,250.00	1,505.07	(255.07)
Financial Administration	264,558.00	270,558.00	226,705.15	43,852.85
Other	762,759.00	813,849.00	606,444.36	207,404.64
Total General Government	1,301,656.00	1,345,646.00	1,025,731.53	319,914.47
Public Safety:				
Police	371,515.00	371,515.00	361,116.75	10,398.25
Fire	65,716.00	130,716.00	125,786.92	4,929.08
Protective Inspection	43,714.00	60,024.00	56,092.89	3,931.11
Other Protection	40,050.00	48,350.00	38,097.53	10,252.47
Total Public Safety	520,995.00	610,605.00	581,094.09	29,510.91
Public Works:				
Highways and Streets	1,571,672.00	1,799,925.00	1,557,904.67	242,020.33
Sanitation	277,200.00	277,700.00	224,237.87	53,462.13
Total Public Works	1,848,872.00	2,077,625.00	1,782,142.54	295,482.46
Health and Welfare:				
Health	51,312.00	52,312.00	33,477.56	18,834.44
Total Health and Welfare	51,312.00	52,312.00	33,477.56	18,834.44
Culture and Recreation:				
Parks	411,168.00	475,921.00	449,596.10	26,324.90
Libraries	91,972.00	91,972.00	89,062.68	2,909.32
Total Culture and Recreation	503,140.00	567,893.00	538,658.78	29,234.22
Conservation and Development:				
Economic Development and Assistance	71,700.00	71,700.00	27,570.01	44,129.99
Total Conservation and Development	71,700.00	71,700.00	27,570.01	44,129.99
Debt Service	89,838.00	168,592.00	150,922.77	17,669.23
<b>Total Expenditures</b>	<b>4,387,513.00</b>	<b>4,894,373.00</b>	<b>4,139,597.28</b>	<b>754,775.72</b>
<b>Excess of Revenue Over (Under)</b>				
<b>Expenditures</b>	<b>(953,703.00)</b>	<b>(1,393,363.00)</b>	<b>427,952.49</b>	<b>1,821,315.49</b>

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

	<b>Budgeted Amounts</b>		<b>Actual Amounts (Budgetary Basis)</b>	<b>Variance with Final Budget - Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Other Financing Sources (Uses):</b>				
Sale of Municipal Property	0.00	0.00	10,650.00	10,650.00
Compensation for Loss or Damage to Capital Assets	0.00	0.00	352.61	352.61
Long-Term Debt Issued	259,703.00	388,209.00	395,258.94	7,049.94
Total Other Financing Sources (Uses)	259,703.00	388,209.00	406,261.55	18,052.55
Net Change in Fund Balances	(694,000.00)	(1,005,154.00)	834,214.04	1,839,368.04
Fund Balance - Beginning	5,998,972.15	5,998,972.15	5,998,972.15	0.00
<b>FUND BALANCE - ENDING</b>	<b>5,304,972.15</b>	<b>4,993,818.15</b>	<b>6,833,186.19</b>	<b>1,839,368.04</b>



**REQUIRED SUPPLEMENTARY INFORMATION**  
**MUNICIPALITY OF HARRISBURG**  
**BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS**  
**STORM SEWER MAINTENANCE SPECIAL REVENUE FUND**  
**For the Year Ended December 31, 2020**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u> <u>(Budgetary Basis)</u>	<u>Variance with</u> <u>Final Budget -</u> <u>Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Taxes:				
Penalties and Interest on Delinquent Taxes	100.00	100.00	0.00	(100.00)
Miscellaneous Revenue:				
Investment Earnings	1,000.00	1,000.00	191.67	(808.33)
Special Assessments	0.00	0.00	117,487.06	117,487.06
Maintenance Assessments	404,631.00	404,631.00	398,362.50	(6,268.50)
Total Revenue	<u>405,731.00</u>	<u>405,731.00</u>	<u>516,041.23</u>	<u>110,310.23</u>
<b>Expenditures:</b>				
General Government:				
Financial Administration	0.00	2,500.00	335.00	2,165.00
Other	116,000.00	146,000.00	93,822.05	52,177.95
Total General Government	<u>116,000.00</u>	<u>148,500.00</u>	<u>94,157.05</u>	<u>54,342.95</u>
Public Works:				
Highways and Streets	181,000.00	382,085.00	355,767.67	26,317.33
Total Public Works	<u>181,000.00</u>	<u>382,085.00</u>	<u>355,767.67</u>	<u>26,317.33</u>
Debt Service	<u>97,371.00</u>	<u>97,371.00</u>	<u>97,369.72</u>	<u>1.28</u>
Total Expenditures	<u>394,371.00</u>	<u>627,956.00</u>	<u>547,294.44</u>	<u>80,661.56</u>
Net Change in Fund Balances	<u>11,360.00</u>	<u>(222,225.00)</u>	<u>(31,253.21)</u>	<u>190,971.79</u>
Fund Balance - Beginning	<u>773,216.58</u>	<u>773,216.58</u>	<u>773,216.58</u>	<u>0.00</u>
FUND BALANCE - ENDING	<u><u>784,576.58</u></u>	<u><u>550,991.58</u></u>	<u><u>741,963.37</u></u>	<u><u>190,971.79</u></u>

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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 follows these procedures in establishing the budgetary data reflected in the financial statements:

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

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

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

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 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 Revenues, 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 6 Years\*

	2020	2019	2018	2017	2016	2015
Municipality's proportion of the net pension liability/asset	0.0293658%	0.0283390%	0.0271850%	0.0243922%	0.0245819%	0.0240234%
Municipality's proportionate share of net pension liability (asset)	\$ (1,275)	\$ (3,003)	\$ (634)	\$ (2,214)	\$ 830,365	\$ (101,890)
Municipality's covered-employee payroll	\$ 645,690	\$ 608,307	\$ 565,151	\$ 495,715	\$ 469,426	\$ 438,304
Municipality's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	0.20%	0.49%	0.11%	0.45%	176.89%	23.25%
Plan fiduciary net position as a percentage of the total pension liability (asset)	100.04%	100.09%	100.02%	100.10%	96.89%	104.10%

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

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE MUNICIPALITY CONTRIBUTIONS

South Dakota Retirement System

Last 6 Years

	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 43,367	\$ 36,402	\$ 36,226	\$ 31,491	\$ 28,838	\$ 27,226
Contributions in relation to the contractually required contribution	\$ 43,367	\$ 36,402	\$ 36,226	\$ 31,491	\$ 28,838	\$ 27,226
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Municipality's covered-employee payroll	\$ 723,974	\$ 606,696	\$ 603,758	\$ 524,839	\$ 481,408	\$ 453,464
Contributions as a percentage of covered-employee payroll	5.99%	6.00%	6.00%	6.00%	5.99%	6.00%

**Notes to Required Supplementary Information  
for the Year Ended December 31, 2020**  
Schedule of the Proportionate Share of the Net Pension Liability (Asset) and  
Schedule of Pension Contributions.

**Changes from Prior Valuation**

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

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

**Benefit Provision Changes**

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

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

**Actuarial Assumption Changes**

The SDRS COLA equals the percentage increase in the most recent third calendar quarter CPI-W over the prior year, no less than 0.5% and no greater than 3.5%. However, if the FVFR assuming the long-term COLA is equal to the baseline COLA assumption (currently 2.25%) is less than 100%, the maximum COLA payable will be limited to the increase that if assumed on a long-term basis, results in a FVFR equal to or exceeding 100%. That condition existed as of June 30, 2019 and exists again this year as of June 30, 2020. Future COLAs are assumed to equal the current restricted maximum COLA which was 2.03% as of June 30, 2018, 1.88% as of June 30, 2019, and is 1.41% as of June 30, 2020.

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

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

**Actuarial Method Changes**

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

**MUNICIPALITY OF HARRISBURG  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
December 31, 2020**

	Liquor, Lodging & Dining Sales Tax Special Rev. Fund	Street Lighting Service Fee Special Rev. Fund	Stormwater Basin Develop't Special Rev. Fund	Arterial Street Fee Special Rev. Fund	TIF #2 Debt Service Fund	TIF #3 Debt Service Fund	TIF #4 Debt Service Fund	TIF #8 Debt Service Fund	Total Nonmajor Governmental Funds
<b>ASSETS:</b>									
Cash and Cash Equivalents	139,361.73	6,285.10	10,400.00	5,869.51	20,383.37			24,639.67	206,939.38
Due from Other Government	8,815.09								8,815.09
<b>TOTAL ASSETS</b>	<b>148,176.82</b>	<b>6,285.10</b>	<b>10,400.00</b>	<b>5,869.51</b>	<b>20,383.37</b>	<b>0.00</b>	<b>0.00</b>	<b>24,639.67</b>	<b>215,754.47</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:</b>									
Liabilities:									
Accounts Payable		14,216.46							14,216.46
Due to General Fund						14,120.10		40,000.00	88,620.10
<b>Total Liabilities</b>	<b>0.00</b>	<b>14,216.46</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>14,120.10</b>	<b>0.00</b>	<b>40,000.00</b>	<b>102,836.56</b>
Deferred Inflows of Resources:									
Unavailable Revenue--Sales and Use Taxes	1,020.48								1,020.48
<b>Total Deferred Inflows of Resources</b>	<b>1,020.48</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>1,020.48</b>
Fund Balances:									
Restricted for City Promotion/Parks	147,156.34								147,156.34
Restricted for Storm Sewer Maintenance			10,400.00						10,400.00
Restricted for Streets				5,869.51					5,869.51
Restricted for Debt Service		(7,931.36)			20,383.37	(14,120.10)	(15,360.33)		20,383.37
Unassigned									(71,911.79)
<b>Total Fund Balances</b>	<b>147,156.34</b>	<b>(7,931.36)</b>	<b>10,400.00</b>	<b>5,869.51</b>	<b>20,383.37</b>	<b>(14,120.10)</b>	<b>(15,360.33)</b>	<b>(15,360.33)</b>	<b>111,897.43</b>
<b>TOTAL DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>148,176.82</b>	<b>6,285.10</b>	<b>10,400.00</b>	<b>5,869.51</b>	<b>20,383.37</b>	<b>0.00</b>	<b>0.00</b>	<b>24,639.67</b>	<b>215,754.47</b>

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

	Liquor, Lodging, & Dining Sales Tax Special Rev. Fund	Street Lighting Service Fee Special Rev. Fund	Stormwater Basin Develop't Special Rev. Fund	Arterial Street Fee Special Rev. Fund	TIF #2 Debt Service Fund	TIF #3 Debt Service Fund	TIF #4 Debt Service Fund	TIF #8 Debt Service Fund	Total Nonmajor Total Nonmajor Governmental Funds
<b>Revenues:</b>									
Taxes:									
General Property Taxes					60,934.00	20,262.62		189,305.72	270,502.34
General Sales and Use Taxes	68,843.72								68,843.72
Charges for Goods and Services:									
General Government		41,030.24	10,400.00	5,869.51					16,269.51
Highways and Streets									41,030.24
Miscellaneous Revenue:									
Investment Earnings	215.42								215.42
<b>Total Revenue</b>	<u>69,059.14</u>	<u>41,030.24</u>	<u>10,400.00</u>	<u>5,869.51</u>	<u>60,934.00</u>	<u>20,262.62</u>	<u>0.00</u>	<u>189,305.72</u>	<u>396,861.23</u>
<b>Expenditures:</b>									
Public Works:									
Highways and Streets	48,961.60								48,961.60
Total Public Works	<u>0.00</u>	<u>48,961.60</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>48,961.60</u>
Conservation and Development:									
Economic Development and Assistance	50,700.00				54,840.60			170,375.15	275,915.75
Total Conservation and Development	<u>50,700.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>54,840.60</u>	<u>0.00</u>	<u>0.00</u>	<u>170,375.15</u>	<u>275,915.75</u>
Debt Service									
Total Expenditures	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Net Change in Fund Balances	18,359.14	(7,931.36)	10,400.00	5,869.51	6,093.40	20,262.62	0.00	18,930.57	71,983.88
Fund Balance - Beginning	128,797.20	0.00	0.00	0.00	14,289.97	(34,382.72)	(34,500.00)	(34,290.90)	39,913.55
<b>FUND BALANCE - ENDING</b>	<u>147,156.34</u>	<u>(7,931.36)</u>	<u>10,400.00</u>	<u>5,869.51</u>	<u>20,383.37</u>	<u>(14,120.10)</u>	<u>(34,500.00)</u>	<u>(15,360.33)</u>	<u>111,897.43</u>

**MUNICIPALITY OF HARRISBURG**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended December 31, 2020**

<b>Federal Grantor/Pass-Through Grantor Program or Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Entity Identifying Number</b>	<b>Total Federal Expenditures 2020</b>
US Department of Treasury - Pass Through Programs: SD Bureau of Finance and Management, Coronavirus Relief Fund	21.019		<u>364,810.08</u>
<b>Total US Department of Treasury</b>			<b><u>364,810.08</u></b>
US Environmental Protection Agency - Pass-Through Programs: SD Department of Agriculture and Natural Resources, Capitalization Grants for Clean Water State Revolving Funds (Note 3)	66.458		<u>3,305,000.00</u>
<b>Total US Environmental Protection Agency</b>			<b><u>3,305,000.00</u></b>
<b>GRAND TOTAL</b>			<b><u><u>3,669,810.08</u></u></b>

**Note 1: Basis of Presentation**

This accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Municipality under programs of the federal government for the year ended December 31, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Municipality, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Municipality.

**Note 2: Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The Municipality has not elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**Note 3: Major Federal Financial Assistance Program**

This represents a Major Federal Financial Assistance Program.