

CITY OF HURON, SOUTH DAKOTA
Audited Financial Statements
December 31, 2019

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September 25, 2020

Honorable Mayor and Commissioners
City of Huron, South Dakota

The Annual Audited Financial Report of the City of Huron, for the fiscal year ended December 31, 2019, is submitted herewith. This report was prepared by the City Finance Officer and Staff. Responsibility for both the accuracy of the presented data and completeness of the presentation, including all disclosures, rests with the City. I believe the data as presented is accurate in all material aspects, that it is presented in a manner designed to fairly set forth the financial position and results of operations of the City as measured by the financial activity of its various funds, and that all disclosures necessary to enable the reader to gain the maximum understanding of the City's financial affairs have been included.

In developing and evaluating the City's accounting system, consideration is given to the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable assurance regarding the safeguarding of assets against loss from unauthorized use or disposition and the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived, and the evaluation of costs and benefits requires judgments by management.

The Management Discussion and Analysis and the Notes to the financial statements provide the users of this report a detailed explanation of the accounting system and information on significant financial activities. The City Commission requires an annual audit of the fiscal affairs and financial records of all city departments by qualified public accountants, and the auditor's opinion shall be included in this report at a later date.

The preparation of this report on a timely basis could not be accomplished without the efficient services of the entire staff of the Finance Department, nor would it be possible without the cooperation of Janet Bockorny, Ardelia Reno, Shanna Sterrett and Kristin Cronin, Linda Skorhiem and Stephanie Bennett. I also would like to thank the Mayor and City Commissioners for their interest and support in planning and conducting the financial operations of the City in a responsible and progressive manner.

Respectfully submitted,

A handwritten signature in cursive script that reads "Paullyn Carey".

Paullyn Carey
Finance Director

CITY OF HURON, SOUTH DAKOTA
SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2019

Summary of Independent Auditors' Results:

An unmodified opinion was issued on the governmental activities, business type activities, the aggregate discretely presented component unit, each major fund and the aggregate remaining fund information.

Our audit of the financial statements did not identify any material weaknesses that are required to be disclosed.

Our audit did not disclose any instances of noncompliance which were material to the financial statements.

An unmodified opinion was issued on compliance with the requirements applicable to major programs.

Our audit did not disclose any audit findings that need to be disclosed in accordance with 2 CFR 200.516(a).

The federal award tested as a major program was –

1. Airport Improvement Program – U.S. Department of Transportation CFDA 20.106.

The dollar threshold used to distinguish between Type A and Type B federal award programs was \$750,000.

The City of Huron, South Dakota did not qualify as a low risk auditee.

Current Audit Findings:

There are no written current federal compliance audit findings to disclose.

Current Other Audit Findings:

There are no written current other audit findings to disclose.

CITY OF HURON, SOUTH DAKOTA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS

For the Year Ended December 31, 2019

Prior Audit Findings:

There were no written federal compliance audit findings for the year ended December 31, 2018.

Prior Other Audit Findings:

There were no other written audit findings for the year ended December 31, 2018.

SNOW, HUETHER & COYLE

CERTIFIED PUBLIC ACCOUNTANTS
1620 DAKOTA SOUTH
POST OFFICE BOX 837
HURON, SOUTH DAKOTA 57350

TELEPHONE 605/352-8719
FAX 605/352-8393

JASON F. RUBISH, C.P.A.
MICHAEL D. TORDOFF, C.P.A.

ARNOLD A. HUETHER 1944-2002
DALE G. COYLE, C.P.A. – OF COUNSEL

MEMBERS AMERICAN INSTITUTE OF
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PRIVATE COMPANIES PRACTICE SECTION

September 25, 2020

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

To the City Commission
City of Huron
Huron, South Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Huron, South Dakota, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise City of Huron, South Dakota's basic financial statements, and have issued our report thereon dated September 25, 2020.

Our report includes a reference to other auditors who audited the financial statements of Huron Housing and Redevelopment Commission, City of Huron's only discretely presented component unit, as described in our report on City of Huron, South Dakota's financial statements. This report includes our consideration of the results of the other auditor's testing of internal control over financial reporting and compliance and other matters that are reported on separately by those other auditors. However, this report, insofar as it relates to the results of the other auditors, is based solely on the reports of the other auditors.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Huron, South Dakota'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 City of Huron, South Dakota's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Huron, South Dakota'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 entity'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 the 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

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 entity'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. However, as required by South Dakota Codified Law 4-11-11, this report is a matter of public record and its distribution is not limited.



Snow, Huether & Coyle
Huron, South Dakota

SNOW, HUETHER & COYLE

CERTIFIED PUBLIC ACCOUNTANTS
1620 DAKOTA SOUTH
POST OFFICE BOX 837
HURON, SOUTH DAKOTA 57350

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September 25, 2020

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

To the City Commission
City of Huron
Huron, South Dakota

Report on Compliance for Each Major Federal Program

We have audited City of Huron, South Dakota's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of City of Huron, South Dakota's major federal programs for the year ended December 31, 2019. City of Huron, South Dakota's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

City of Huron, South Dakota's basic financial statements include the operations of the Huron Housing and Redevelopment Commission, a component unit of the City of Huron, which received \$1,309,709 in federal awards which is not included in the schedule during the year ended December 31, 2019. Our audit, described below, did not include the operations of Huron Housing and Redevelopment Commission because the component unit engaged other auditors to perform an audit in accordance with the uniform guidance.

Management's Responsibility

Management is responsible for compliance with the federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of City of Huron, South Dakota'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 City of Huron, South Dakota'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 of City of Huron, South Dakota's compliance.

Opinion on Each Major Federal Program

In our opinion, City of Huron, South Dakota, 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, 2019.

Report on Internal Control Over Compliance

Management of City of Huron, South Dakota, 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 City of Huron, South Dakota'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 City of Huron, South Dakota's internal control over compliance.

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 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 purpose. However, as required by South Dakota Codified Law 4-11-11, this report is a matter of public record and its distribution is not limited.



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PRIVATE COMPANIES PRACTICE SECTION

September 25, 2020

INDEPENDENT AUDITORS' REPORT

To the City Commission
City of Huron
Huron, South Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Huron, South Dakota, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the City of Huron, South Dakota's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America: this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Huron Housing and Redevelopment Commission, which represents 100 percent of the assets and revenues of the discretely presented component unit. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Huron Housing and Redevelopment Commission, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the Auditors' 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 entity'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 entity'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, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Huron, South Dakota, as of December 31, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance 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, pension information and budgetary comparison information listed in the table of contents 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.

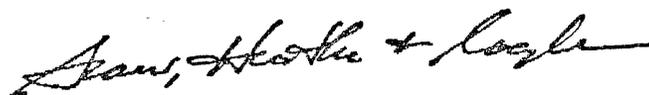
Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Huron, South Dakota's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations*, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion the schedule of expenditures of federal awards 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 September 25, 2020, on our consideration of the City of Huron, South Dakota's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 City of Huron, South Dakota's internal control over financial reporting and compliance.



Snow, Huether & Coyle
Huron, South Dakota

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the City of Huron's annual financial report presents our discussion and analysis of the City's financial performance during the fiscal year ended on December 31, 2019. Please read it in conjunction with the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- During the year, the City's revenues generated from charges for services, taxes and other revenues of the governmental and business-type programs were \$192,118 more than the \$25,883,131 governmental and business-type program expenditures. This is a decrease over the prior year when revenues exceeded expenses by \$3,205,757.
- In the City's business-type activities, revenue decreased by 12% to \$11,089,256 while expenditures increased 2% to \$9,744,332.
- The total cost of the City's programs changed, increasing approximately \$589,860 or approximately 2%.

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 five proprietary funds – the Water Fund, Sewer Fund, Airport Fund, Golf Fund and Solidwaste 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 Municipality of _____'s Government-wide and Fund Financial Statements			
	Government-wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire municipal government (except fiduciary funds and the fiduciary component units)	The activities of the municipality that are not proprietary or fiduciary, such as finance office, police, fire and parks	Activities the Municipality operates similar 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
Accounting Basis and Measurement Focus	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 and liabilities – 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 non-financial 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 three 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, sewer, airport, golf and solidwaste systems are included here.
- **Component Units** -- The City includes one other entity in its report – the Housing and Redevelopment Commission. Although legally separate, this "component unit" is important because the City is financially accountable for them. Separately issued financial statements of the Housing and Redevelopment Commission may be obtained from: Board of Commissioners, Huron Housing and Redevelopment Authority, Huron, SD 57350.

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 be readily 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 funds 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 .1% between fiscal year 2018 and 2019 – by \$192,118. (See Table A-1).

	Governmental Activities		Business-Type Activities		Total	
	2018	2019	2018	2019	2018	2019
Current and Other Assets	9,507,578	9,017,257	7,937,124	7,638,688	17,444,702	16,655,945
Capital Assets	50,448,181	50,151,114	59,955,168	61,591,869	110,403,349	111,742,983
Total Assets	<u>59,955,759</u>	<u>59,168,371</u>	<u>67,892,292</u>	<u>69,230,557</u>	<u>127,848,051</u>	<u>128,398,928</u>
Deferred Outflows Of Resources	<u>2,148,632</u>	<u>1,435,501</u>	<u>646,703</u>	<u>432,002</u>	<u>2,795,335</u>	<u>1,867,503</u>
Long-Term Debt Outstanding	4,202,544	3,630,589	2,250,440	1,960,384	6,452,984	5,590,973
Other Liabilities	701,475	729,427	575,385	584,982	1,276,860	1,314,409
Total Liabilities	<u>4,904,019</u>	<u>4,360,016</u>	<u>2,828,825</u>	<u>2,545,366</u>	<u>7,729,844</u>	<u>6,905,382</u>
Deferred Inflows Of Resources	<u>486,056</u>	<u>682,343</u>	<u>146,185</u>	<u>205,282</u>	<u>632,241</u>	<u>887,625</u>
Net Position:						
Net Invested in Capital Assets	46,245,637	46,520,525	57,704,729	59,631,488	103,950,366	106,152,013
Reserved/Restricted Unrestricted	3,257,690	2,487,380	502,441	235,928	3,760,131	2,723,308
Ending Net Position	<u>7,210,991</u>	<u>6,553,608</u>	<u>7,359,815</u>	<u>7,044,492</u>	<u>14,570,806</u>	<u>13,598,100</u>
Ending Net Position	<u>56,714,318</u>	<u>55,561,513</u>	<u>65,566,985</u>	<u>66,911,908</u>	<u>122,281,303</u>	<u>122,473,421</u>
Beginning Net Position	56,510,166	56,714,318	62,565,382	65,566,985	119,075,548	122,281,303
Prior Year Adjustment						
Adjusted Beginning Net Position	56,510,166	56,714,318	62,565,382	66,566,985	119,075,548	122,281,303
Increase (Decrease) in Net Position	<u>204,154</u>	<u>-1,152,805</u>	<u>3,001,603</u>	<u>1,344,923</u>	<u>3,205,757</u>	<u>192,118</u>
Percentage of Increase (Decrease) in Net Position	1%	-2%	5%	2%	3%	.1%

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 special assessment bonds payable, revenue bonds payable and compensated absences have been reported in this manner on the Statement of Net Position. The difference between the city's assets and deferred outflows of resources, and liabilities and deferred inflows of resources is its net position.

Changes in Net Position

The City's revenues totaled \$26,075,249 for a decrease of 9% from the prior year. (See Table A-2.) The City's expenses totaled \$25,883,131 for an increase of 2% from the prior year, and cover a range of services.

Figure A-3, City of Huron Sources of Revenues for Fiscal Year 2019

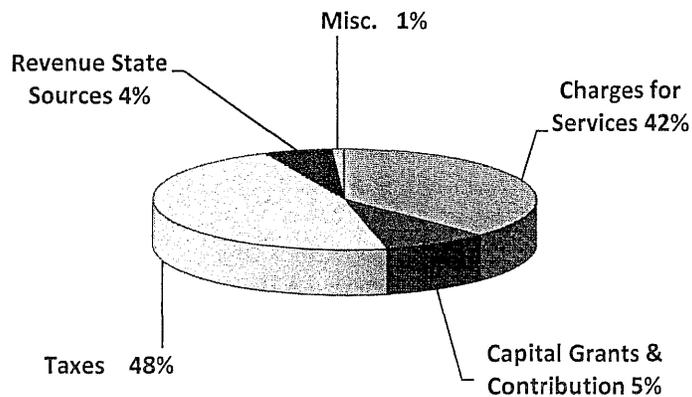


Figure A-4, City of Huron Functional Expenses for Fiscal Year 2019

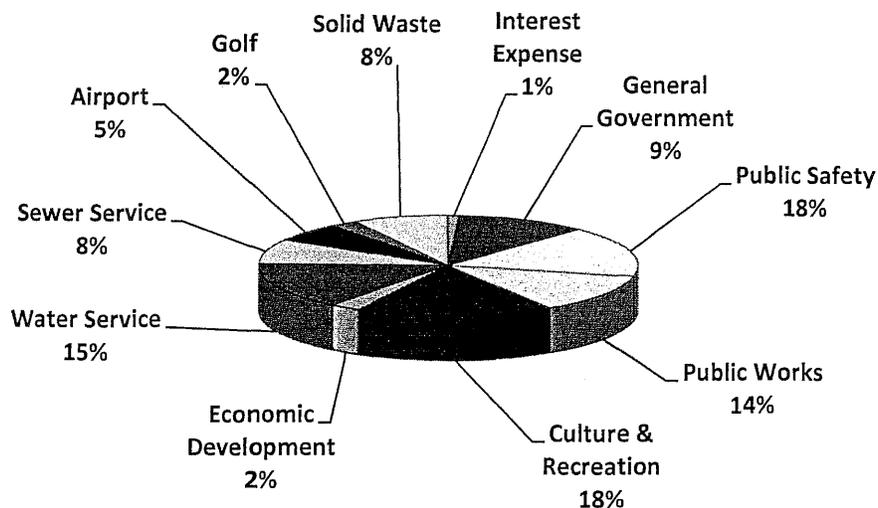


Table A-2

	Governmental Activities	Governmental Activities	Business- Type Activities	Business- Type Activities	Total	Total	Total % Chg
	2018	2019	2018	2019	2018	2019	
Revenues							
Program Revenues							
Charges for Services	\$1,541,829	\$1,465,015	\$9,588,031	\$9,552,044	\$11,129,980	\$11,017,059	-1%
Capital Grants and Contributions	467,936	334,517	2,847,803	881,372	3,315,739	1,215,889	-63%
Operating Grants	2,235	2,156			2,235	2,156	-4%
General Revenues							
Taxes	12,436,387	12,569,295			12,436,387	12,569,295	1%
Revenue State Sources	1,112,851	1,205,658	7,340	835	1,120,191	1,206,493	8%
Miscellaneous	416,630	126,278	77,986	-61,921	494,616	64,357	-87%
Total Revenues	\$15,977,868	\$15,702,919	\$12,521,160	\$10,372,330	\$28,499,028	\$26,075,249	-9%
Expenses							
Interest							
Expense Unallocated	\$148,992	\$123,269			\$148,992	\$123,269	-17%
General Government	3,330,976	2,396,144			3,330,976	2,396,144	-28%
Public Safety	4,199,544	4,634,084			4,199,544	4,634,084	10%
Public Works	3,195,555	3,558,674			3,195,555	3,558,674	11%
Culture and Recreation	4,221,541	4,817,675			4,221,541	4,817,675	14%
Economic Development	628,194	608,953			628,194	608,953	-3%
Water Services			3,753,017	3,818,268	3,753,017	3,818,268	2%
Sewer Service			1,957,250	2,016,092	1,957,250	2,016,092	3%
Airport			1,300,706	1,310,473	1,300,706	1,310,473	1%
Golf			548,203	542,270	548,203	542,270	-1%
Solid Waste			2,009,293	2,057,229	2,009,293	2,057,229	2%
Total Expenses	\$15,724,802	\$16,138,799	\$9,568,469	\$9,744,332	\$25,293,271	\$25,883,131	2%
Excess (Deficiency)							
Before Special Items and Transfers	\$253,066	-\$435,880	\$2,952,691	\$627,998	\$3,205,757	\$192,118	-94%
Special Items Transfers	-\$48,912	-\$716,926	\$48,912	\$716,926			
Increase (Decrease) in Net Position	\$204,154	-\$1,152,806	\$3,001,603	\$1,344,924	\$3,205,757	\$192,118	
Beginning Net Position	\$56,510,166	\$56,714,318	\$62,565,382	\$65,566,986	\$119,075,548	\$122,281,304	
Prior Period Adjustment Adjusted Beginning Net Position	\$56,510,166	\$56,714,318	\$62,565,382	\$65,566,986	\$119,075,548	\$122,281,304	
Ending Net Position	\$56,714,320	\$55,561,512	\$65,566,985	\$66,911,910	\$122,281,305	\$122,473,422	.1%

Governmental Activities: Revenues of the City's Governmental-type activities decreased by 2% to \$15,702,919 and expenses increased by 3%. There are two major governmental type funds they are: General Fund, and Additional Sales Tax.

Business-type Activities: Revenues of the City's business-type activities decreased by 17% to \$10,372,330 and expenses increased by 2%. There are four major business type funds they are: Water, Sewer, Airport, and Solid Waste. The Golf Fund is also part of the business type activities but is not considered a major fund.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The City maintains two major governmental funds – General Fund balance decreased to \$4,128,358 this is a 3% decrease in fund balance. Additional Sales Tax fund balance decreased 7% to \$2,465,908. Business type funds are water, sewer, airport, golf and solidwaste. The financial analysis mirror those highlighted in the analysis of the business type funds above.

General Fund Budgetary Highlights

Over the course of the year, the City Commission revised the City budget. This amendment falls into a Supplemental Appropriation. As of December 31, 2019 there was a supplemental appropriation of \$243,616 needed for the General Fund for expenditures for Capital Projects and general operations.

CAPITAL ASSET ADMINISTRATION: By the end of 2019, the City had invested \$111,742,985 (net of depreciation) in a broad range of capital assets, including, land, buildings, various machinery and equipment. (See Table A-3.) This amount represents a net increase (including additions and deductions) of \$1,339,636 or 1%, over the last year.

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

	Governmental		Business-type		Total	Total
	Activities		Activities		Dollar	Percentage
	2018	2019	2018	2019	Change	Change
Land	\$2,618,788	\$3,198,899	\$2,969,349	\$2,969,349	580,111	10.38%
Buildings	8,553,076	16,396,940	9,865,863	9,550,439	7,528,440	40.87%
Improvements other than Bldgs	18,949,912	18,740,925	40,928,130	44,300,356	3,163,239	5.28%
Furniture and Equipment	718,555	8,783,781	262,658	246,351	8,048,919	820.30%
Machinery and Equipment	2,157,231	2,234,936	1,629,103	1,745,922	194,524	5.14%
Construction in Progress	5,216,779	795,634	4,300,066	2,779,453	-5,941,758	-62.43%
Lease Hold Improvements	12,233,840	0			-12,233,840	-100.00%
Total Capital Assets (Net)	50,448,181	50,151,115	59,955,169	61,591,870	1,339,635	1.21%

This year's major capital asset additions included:

- **2018 3rd Street Dam Improvements \$565,801**
- **2019 Street Resurfacing \$710,692**
- **2019 Water Main Replacement \$741,457**
- **2019 2 Anaerobic Lagoon Cover \$890,661**
- **2018 Sludge Drying Bed Improvements \$788,067**

LONG-TERM DEBT

At the year-end the City had \$6,350,062 in Revenue Bonds and other long-term obligations. This is a decrease of 12% as shown on Table A-4 below.

Table A-4
City of Huron – Outstanding Debt and Obligations

	Governmental Activities		Business-type Activities		Total Dollar Change	Total Percentage Change
	2018	2019	2018	2019	2018-2019	2018-2019
Compensated Absences	\$531,346	\$563,121	\$201,020	195,967	26,722	3.65%
Capital Acquisition Leases			40,928	20,966	-19,962	-48.77%
Revenue Bonds	4,202,544	3,630,589	2,209,512	1,939,419	-842,048	-13.13%
Total Outstanding Debt and Obligations	4,733,890	4,193,710	2,451,460	2,156,352	-835,288	-11.62%

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 City has outstanding \$5,570,008 in Revenue Bonds. The bonds are secured and paid for from the Governmental and Business Type Funds. These bonds were used to build utility infrastructure like water and sewer mains and will be fully paid off on December 2046.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's total property valuation is \$610,760,246 increased for 2019 taxes payable in 2020. Under the state mandated property tax limitation, property taxes from one year to the next may increase 3% or an amount based on the Consumer Price Index (CPI) whichever is lower. The tax levy assessment for the City per thousand dollars in real property value is \$8.519, a decrease of .202 per \$1000 of valuation from the prior year.

One of the primary sources of revenue to the City is based on taxable retail sales in the community (sales tax). The city has experienced a decrease in revenue for taxable sales over the prior year, for 2020 sales tax was budgeted with a 0% increase.

The City's adopted General Fund budget for 2020 will decrease 2% to \$13,324,052. The budget has decreased due to less revenues projected and smaller capital projects.

The City's business-type activities budget for 2020 will increase 28% to \$11,652,828. The water fund is doing large projects for water main, sewer is working on putting a new treatment system together and doing projects to prepare for the future treatment facility, there are airport projects, Solidwaste is purchasing a new truck.

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 Huron's Finance Director, 239 Wisconsin SW, P.O. Box 1369, Huron, SD 57350-1369.

MUNICIPALITY OF HURON
STATEMENT OF NET POSITION
December 31, 2019

	Primary Government		Total	Component Units
	Governmental Activities	Business-Type Activities		
ASSETS:				
Cash and Cash Equivalents	7,350,297.00	5,810,055.00	13,160,352.00	347,618.00
Accounts Receivable, Net	202,641.00	786,073.00	988,714.00	2,767.00
Taxes Receivable	78,973.00		78,973.00	
Special Assessment Receivable	117,220.00		117,220.00	
Accrued Interest	54,183.00	20,459.00	74,642.00	
Due From Other Governments	274,431.00	28,466.00	302,897.00	
Prepaid Expenses				5,594.00
Internal Balances	30,547.00	(30,547.00)	0.00	
Inventories	402,528.00	674,587.00	1,077,115.00	
Net Pension Asset	30,585.00	9,208.00	39,793.00	
Restricted Assets:				
Cash and cash equivalents		340,387.00	340,387.00	524,384.00
Deposits	475,852.00		475,852.00	
Investments			0.00	
Capital Assets:				
Land, Improvements and Construction in Progress	3,994,533.00	5,748,802.00	9,743,335.00	594,578.00
Other Capital Assets, Net of Depreciation	46,156,581.00	55,843,067.00	101,999,648.00	5,783,768.00
TOTAL ASSETS	59,168,371.00	69,230,557.00	128,398,928.00	7,258,709.00
DEFERRED OUTFLOWS OF RESOURCES:				
Pension Related Deferred Outflows	1,435,501.00	432,002.00	1,867,503.00	
TOTAL DEFERRED OUTFLOWS OF RESOURCES	1,435,501.00	432,002.00	1,867,503.00	0.00
LIABILITIES :				
Accounts Payable	1,834.00		1,834.00	17,070.00
Accrued Interest Payable	54,346.00	13,138.00	67,484.00	27,362.00
Amounts Held for Others	3,370.00		3,370.00	
Garnishments Payable			0.00	
Payable to Employees	106,756.00	35,490.00	142,246.00	
Payable from Restricted Assets		340,387.00	340,387.00	99,980.00
Other Current Liabilities			0.00	
Noncurrent Liabilities:				
Due within one Year	540,000.00	300,472.00	840,472.00	262,735.00
Due in More than One Year	3,090,589.00	1,659,912.00	4,750,501.00	5,343,032.00
Net Pension Liability			0.00	
Accrued Leave Payable	563,121.00	195,967.00	759,088.00	
TOTAL LIABILITIES	4,360,016.00	2,545,366.00	6,905,382.00	5,750,179.00
DEFERRED INFLOWS OF RESOURCES:				
Pension Related Deferred Inflows	682,343.00	205,282.00	887,625.00	
Other deferred Inflows of Resources				
TOTAL DEFERRED INFLOWS OF RESOURCES	682,343.00	205,282.00	887,625.00	
NET POSITION:				
Net Investment in Capital Assets	46,520,525.00	59,631,488.00	106,152,013.00	772,579.00
Restricted for:				
Capital Projects Purposes			0.00	
Debt Service Purposes	660,000.00		660,000.00	524,384.00
E911	21,507.00		21,507.00	
2nd Penny Sales Tax			0.00	
3rd Penny Sales Tax	334,041.00		334,041.00	
Cafeteria fund	943.00		943.00	
Dakota Learners	11,225.00		11,225.00	
Business Improvement District	203,661.00		203,661.00	
SDRS Pension Purposes	783,743.00	235,928.00	1,019,671.00	
Permanently Restricted Purposes				
Cumulative Reserve Fund	475,852.00		475,852.00	
Unrestricted	6,550,016.00	7,044,492.00	13,594,508.00	211,567.00
TOTAL NET POSITION	55,561,513.00	66,911,908.00	122,473,421.00	1,508,530.00

Notes are integral part of these financial statements.

ILLUSTRATION 2
MUNICIPALITY OF HURON
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2019

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Units
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-Type Activities	Total	
Primary Government:								
Governmental Activities:								
General Government	2,396,144.00	499,205.00	2,156.00	156,967.00	(1,737,816.00)		(1,737,816.00)	
Public Safety	4,634,084.00	351,362.00		58,888.00	(4,223,834.00)		(4,223,834.00)	
Public Works	3,558,674.00	7,653.00		8,879.00	(3,542,142.00)		(3,542,142.00)	
Culture and Recreation	4,817,675.00	513,955.00		109,783.00	(4,193,937.00)		(4,193,937.00)	
Economic Development	608,953.00	92,840.00			(516,113.00)		(516,113.00)	
Interest On Long Term Debt	123,269.00				(123,269.00)		(123,269.00)	
Total Governmental Activities	16,138,799.00	1,465,015.00	2,156.00	334,517.00	(14,337,111.00)		(14,337,111.00)	
Business-type Activities:								
Water	3,818,268.00	4,082,193.00				263,925.00	263,925.00	
Sewer	2,016,092.00	2,943,428.00		239,339.00		1,166,675.00	1,166,675.00	
Airport	1,310,473.00	219,536.00		642,033.00		(448,904.00)	(448,904.00)	
Golf	542,270.00	216,102.00				(326,168.00)	(326,168.00)	
Solidwaste	2,057,229.00	2,090,785.00				33,556.00	33,556.00	
Total Business-type Activities	9,744,332.00	9,552,044.00	0.00	881,372.00		689,084.00	689,084.00	
Total Primary Government	25,883,131.00	11,017,059.00	2,156.00	1,215,889.00	(14,337,111.00)	689,084.00	(13,648,027.00)	
Component Units:								
Housing and Redevelopment Commission	1,977,501.00	1,111,113.00	922,267.00					55,879.00
General Revenues:								
Taxes:								
Property Taxes					5,121,683.00		5,121,683.00	
Sales Taxes					6,985,464.00		6,985,464.00	
Gross Receipts Business Tax					462,148.00		462,148.00	
Intergovernmental Contributions					1,205,658.00	835.00	1,206,493.00	
Interest					194,282.00		194,282.00	
Miscellaneous Income					98,864.00	77,227.00	176,091.00	11,949.00
Gain/Loss Sale of Fixed Assets					44,251.00		44,251.00	
Transfers					(211,119.00)	(139,148.00)	(350,267.00)	
					(716,926.00)	716,926.00	0.00	
Total General Revenues, Special Items, Extraordinary Items and Transfers					13,184,305.00	655,840.00	13,840,145.00	11,949.00
Change in Net Position					(1,152,806.00)	1,344,924.00	192,118.00	67,828.00
Net Position-Beginning					56,714,318.00	65,566,986.00	122,281,304.00	1,440,702.00
NET POSITION - ENDING					55,561,512.00	66,911,910.00	122,473,422.00	1,508,530.00

**MUNICIPALITY OF HURON
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2019**

	General Fund	Additional Sales Fund		Other Governmental Funds	Total Governmental Funds
ASSETS & DEFERRED OUTFLOWS OF RESOURCES:					
ASSETS:					
Cash and Cash Equivalents	3,042,542.00	2,391,747.00		1,916,008.00	7,350,297.00
110 Taxes Receivable--Delinquent	78,973.00				78,973.00
115 Accounts Receivable, Net	148,330.00			54,311.00	202,641.00
121 Special Assessments Receivable--Current				13,256.00	13,256.00
122 Special Assessments Receivable--Delinquent				66,471.00	66,471.00
123 Special Assessments Receivable--Deferred				37,492.00	37,492.00
125 Interest Receivable--Special Assessments				43,133.00	43,133.00
131 Due From Other Funds	30,547.00				30,547.00
132 Due from Other Governments	201,528.00	63,575.00		9,329.00	274,432.00
136 Accrued Interest on Investments Purchased	463.00	10,586.00			11,049.00
141 Inventory of Supplies	237,148.00			165,380.00	402,528.00
107.1 Restricted Cash and Cash Equivalents					0.00
107.2 Restricted Asset Deposits	475,852.00				475,852.00
TOTAL ASSETS	4,215,383.00	2,465,908.00	0.00	2,305,380.00	8,986,671.00
Deferred Outflows of Resources:					
Other Deferred Outflows of Resources					0.00
Total Deferred Outflows of Resources	0.00	0.00	0.00	0.00	0.00
TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES	4,215,383.00	2,465,908.00	0.00	2,305,380.00	8,986,671.00
LIABILITIES, DEFERRED INFLOWS OF RESOURCES & FUND BALANCES:					
LIABILITIES:					
202 Accounts Payable	1,695.00			137.00	1,832.00
203 Garnishments Payable					0.00
208 Due to Other Funds					0.00
215 Accrued Interest Payable				54,346.00	54,346.00
216 Accrued Wages Payable	85,330.00			21,426.00	106,756.00
219 Amounts Held for Others				3,370.00	3,370.00
TOTAL LIABILITIES	87,025.00	0.00	0.00	79,279.00	166,304.00

Deferred Inflows of Resources:

**MUNICIPALITY OF HURON
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2019**

	General Fund	Additional Sales Fund		Other Governmental Funds	Total Governmental Funds
Unavailable Revenue-Special Assessments				37,492.00	37,492.00
Other Deferred Inflows of Resources					0.00
Total Deferred Inflows of Resources	0.00	0.00	0.00	37,492.00	37,492.00
Fund Balances:					
263 Nonspendable					
Inventory	237,148.00			165,380.00	402,528.00
Deposits	475,852.00				475,852.00
Due from Other Funds					0.00
264 Restricted					
Debt Service		660,000.00			660,000.00
E911				21,507.00	21,507.00
Employee Cafeteria				943.00	943.00
2nd Penny					0.00
3rd Penny				334,041.00	334,041.00
Dakota Learners				11,225.00	11,225.00
BID Assessment				203,661.00	203,661.00
265 Committed					
2nd Penny		1,805,908.00			1,805,908.00
266 Assigned					
General				28,924.00	28,924.00
Public Safety				4,510.00	4,510.00
Culture & Recreation				466,763.00	466,763.00
Capital Projects				1,006,000.00	1,006,000.00
267 Unassigned	3,415,358.00			-54,346.00	3,361,012.00
Total Fund Balances	4,128,358.00	2,465,908.00	0.00	2,188,608.00	8,782,874.00
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES & FUND BALANCES	4,215,383.00	2,465,908.00	0.00	2,305,379.00	8,986,670.00

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

MUNICIPALITY OF HURON
Reconciliation of the Governmental funds Balance Sheet to the Statement of Net Position
December 31, 2019

Total Fund Balances - Governmental Funds	<u>8,782,875.00</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 resource and therefore is not reported in the funds.	<u>30,585.00</u>
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	<u>50,151,114.00</u>
Pension related deferred outflows are components of net pension asset and therefore are not reported in the funds.	<u>1,435,501.00</u>
Long-term liabilities, including bonds payable is not due and payable in the current period and therefore are not reported in the funds.	<u>(3,630,589.00)</u>
Assets such as taxes receivable and special assessment receivables are not available to pay for current period expenditures and therefore are deferred in the funds.	<u>37,492.00</u>
Accrued leave payable is not due and payable in the current period and therefore is not reported in the funds.	<u>(563,121.00)</u>
Pension related deferred inflows are components of net pension asset and therefore are not reported in the funds.	<u>(682,343.00)</u>
Net Position- Governmental Activities	<u><u>55,561,514.00</u></u>

Notes are an integral part of these financial statements.

MUNICIPALITY OF HURON
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2019

	General Fund	Additional Sales Fund	Other Governmental Funds	Total Governmental Funds
Revenues:				
310 Taxes:				
311 General Property Taxes	5,047,785.00		60,563.00	5,108,348.00
313 General Sales and Use Taxes	3,492,732.00	3,492,732.00		6,985,464.00
314 Gross Receipts Business Taxes	79,840.00		382,308.00	462,148.00
315 Amusement Taxes	744.00			744.00
316 911 Telephone Surcharge			309,583.00	309,583.00
319 Penalties and Interest on Delinquent Taxes	13,360.00			13,360.00
320 Licenses and Permits	258,209.00			258,209.00
330 Intergovernmental Revenue:				
331 Federal Grants	74,757.00			74,757.00
334 State Grants	7,050.00		13,906.00	20,956.00
334.02 Surface Transprt Program	426,666.00			426,666.00
335 State Shared Revenue:				
335.01 Bank Franchise Tax	43,407.00			43,407.00
335.02 Motor Vehicle Commercial Prorate				0.00
335.03 Liquor Tax Reversion (25%)	82,615.00			82,615.00
335.04 Motor Vehicle Licenses	109,263.00			109,263.00
335.06 Fire Insurance Premiums Reversion	41,960.00			41,960.00
335.08 Local Government Highway and Bridge Fund	371,185.00			371,185.00
335.20 Other				0.00
338 County Shared Revenue:				
338.01 County Road Tax (25%)	29,631.00			29,631.00
338.99 Other				0.00
339 County Payments in Lieu of Taxes	7,904.00		10,477.00	18,381.00
340 Charges for Goods and Services:				
341 General Government	7,637.00		266,711.00	274,348.00
342 Public Safety	96,364.00			96,364.00
343 Highways and Streets	5,943.00			5,943.00
345 Health	6,013.00			6,013.00
346 Culture and Recreation	12,433.00		501,523.00	513,956.00

349 Other	58,860.00			58,860.00
350 Fines and Forfeits:				
351 Court Fines and Costs	625.00			625.00
354 Library				0.00
360 Miscellaneous Revenue:				
361 Investment Earnings	39,793.00	40,687.00	18,359.00	98,839.00
362 Rentals	33,905.00			33,905.00
363 Special Assessments			28,334.00	28,334.00
367 Contributions and Donations from Private Sources	156,967.00		292,315.00	449,282.00
369 Other	8,068.00		2,278.00	10,346.00
Total Revenue	10,513,716.00	3,533,419.00	1,886,357.00	15,933,492.00
Expenditures:				
410 General Government:				
411 Legislative	612,186.00			612,186.00
414 Financial Administration	758,988.00			758,988.00
419 Other	724,746.00		519,038.00	1,243,784.00
Total General Government	2,095,920.00	0.00	519,038.00	2,614,958.00
420 Public Safety:				
421 Police	2,380,016.00			2,380,016.00
422 Fire	802,519.00			802,519.00
423 Protective Inspection	110,203.00			110,203.00
429 Other Protection			594,832.00	594,832.00
Total Public Safety	3,292,738.00	0.00	594,832.00	3,887,570.00
430 Public Works:				
431 Highways and Streets	1,625,261.00			1,625,261.00
Total Public Works	1,625,261.00	0.00	0.00	1,625,261.00
440 Health and Welfare:				
441 Health				0.00
Total Health and Welfare	0.00	0.00	0.00	0.00
450 Culture and Recreation:				
451 Recreation			1,308,898.00	1,308,898.00
452 Parks			991,879.00	991,879.00
455 Libraries	777,670.00			777,670.00
456 Event Center				0.00

Total Culture and Recreation	777,670.00	0.00	2,300,777.00	3,078,447.00
460 Conservation and Development:				
465 Economic Development and Assistance (Industrial Development)	231,000.00		377,953.00	608,953.00
Total Conservation and Development	231,000.00	0.00	377,953.00	608,953.00
470 Debt Service			695,224.00	695,224.00
480 Intergovernmental Expenditures				0.00
485 Capital Outlay	2,471,521.00		759,512.00	3,231,033.00
490 Miscellaneous:				
492 Other Expenditures				0.00
Total Miscellaneous	0.00	0.00	0.00	0.00
Total Expenditures	10,494,110.00	0.00	5,247,336.00	15,741,446.00
Excess of Revenue Over (Under) Expenditures	19,606.00	3,533,419.00	(3,360,979.00)	192,046.00
Other Financing Sources (Uses):				
391.01 Transfers In	2,432,083.00		3,513,340.00	5,945,423.00
391.02 Long-Term Debt Issued				0.00
391.03 Sale of Municipal Property	30,232.00		3,407.00	33,639.00
511 Transfers Out (Enter as Negative)	(2,614,425.00)	(3,700,952.00)	(346,971.00)	(6,662,348.00)
512 Discount on Bonds Issued (Enter as Negative)				0.00
Total Other Financing Sources (Uses)	(152,110.00)	(3,700,952.00)	3,169,776.00	(683,286.00)
391.06/(514) Special Items				0.00
391.05/(515) Extraordinary Items				0.00
Net Change in Fund Balances	(132,504.00)	(167,533.00)	(191,203.00)	(491,240.00)
Fund Balance - Beginning	4,260,863.00	2,633,442.00	2,379,811.00	9,274,116.00
FUND BALANCE- ENDING	4,128,359.00	2,465,909.00	2,188,608.00	8,782,876.00

Notes are an integral part of these financial statements.

MUNICIPALITY OF HURON
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, 2019

Net Change in Fund Balances - Total Governmental Funds (491,240.00)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures (52,309.00)

However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeded capital outlays in the current period.

In the statement of activities, the loss or gain on the sale or disposal on capital assets is reported, whereas in the governmental funds, only the proceeds from these sales are reported (244,758.00)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 571,955.00

Governmental funds do not reflect the change in accrued leave, but the statement of activities reflects the change in accrued leave through expenditures. (31,775.00)

Governmental funds report special assessment as revenue when levied and available, but the statement of activities includes special assessments as revenue when levied (19,455.00)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds (e.g. pension expense) 24,197.00

Changes in the pension related deferred outflows/inflows are direct components of net pension asset and are not reflected in the governmental funds. (909,418.00)

Change in Net Position of Governmental Activities (1,152,803.00)

Notes are an integral part of the financial statements.

MUNICIPALITY OF HURON
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2019

	Enterprise Funds					
	Water Fund	Sewer Fund	Airport Fund	Solidwaste Fund	Other Proprietary Funds	Totals
ASSETS:						
Current Assets:						
Cash and Cash Equivalents	1,307,389.00	3,596,536.00		906,130.00		5,810,055.00
115 Accounts Receivable, Net	328,051.00	242,250.00		215,773.00		786,074.00
131 Due from Other Fund						0.00
132 Due from Other Government			28,466.00			28,466.00
136 Accrued Interest on Investments Purchased	7,058.00	13,402.00				20,460.00
141 Inventory of Supplies	32,830.00	12,951.00	42,231.00	565,090.00	21,485.00	674,587.00
Total Current Assets	1,675,328.00	3,865,139.00	70,697.00	1,686,993.00	21,485.00	7,319,642.00
Noncurrent Assets:						
107.1 Restricted Cash and Cash Equivalents	340,387.00					340,387.00
189 Net Pension Asset	3,919.00	1,047.00	883.00	2,738.00	621.00	9,208.00
Capital Assets:						
160 Land	81,165.00	804,750.00	1,837,223.00	110,000.00	136,210.00	2,969,348.00
162 Buildings	10,222,322.00	3,236,238.00	2,804,962.00	923,152.00	185,659.00	17,372,333.00
164 Improvements Other Than Buildings	20,787,487.00	25,649,424.00	26,091,850.00	324,916.00	2,286,692.00	75,140,369.00
166 Machinery and Equipment	587,222.00	1,365,075.00	2,438,543.00	3,179,197.00	428,413.00	7,998,450.00
168 Construction Work in Progress		2,318,958.00	460,495.00			2,779,453.00
Less: Accumulated Depreciation (Credit)	(11,520,444.00)	(16,129,648.00)	(12,416,638.00)	(2,916,110.00)	(1,685,241.00)	(44,668,081.00)
Total Noncurrent Assets	20,502,058.00	17,245,844.00	21,217,318.00	1,623,893.00	1,352,354.00	61,941,467.00
TOTAL ASSETS	22,177,386.00	21,110,983.00	21,288,015.00	3,310,886.00	1,373,839.00	69,261,109.00
DEFERRED OUTFLOWS OF RESOURCES:						
Deferred Charge on Refunding						0.00
Pension Related Deferred Outflows of Resources	184,001.00	49,158.00	41,474.00	128,353.00	29,016.00	432,002.00
TOTAL DEFERRED OUTFLOWS OF RESOURCES	184,001.00	49,158.00	41,474.00	128,353.00	29,016.00	432,002.00
LIABILITIES:						
Current Liabilities:						
202 Accounts Payable						0.00
206 Garnishments Payable						0.00
208 Due to Other Fund			30,547.00			30,547.00
215 Accrued Interest Payable	12,786.00		352.00			13,138.00
216 Accrued Leave Payable	45,107.00	45,107.00	26,080.00	79,673.00		195,967.00
216.02 Payable to Employees	9,532.00	9,720.00	2,272.00	13,967.00		35,491.00
226 Bonds Payable Current:						
226.02 Revenue	279,506.00					279,506.00
226.03 Capital Lease			20,966.00			20,966.00

228 Payable from Restricted Assets	340,387.00					340,387.00
Total Current Liabilities	687,318.00	54,827.00	80,217.00	93,640.00	0.00	916,002.00
Noncurrent Liabilities:						
231 Bonds Payable:						
231.02 Revenue	1,659,912.00					1,659,912.00
231.03 Capital Lease						0.00
Net Pension Liability						0.00
Total Noncurrent Liabilities	1,659,912.00	0.00	0.00	0.00	0.00	1,659,912.00
DEFERRED INFLOWS OF RESOURCES:						
Pension Related Deferred Inflows of Resources	87,476.00	23,380.00	19,719.00	60,958.00	13,749.00	205,282.00
TOTAL DEFERRED INFLOWS OF RESOURCES	87,476.00	23,380.00	19,719.00	60,958.00	13,749.00	205,282.00
NET POSITION:						
253.10 Net Invested in Capital Assets	18,218,334.00	17,244,797.00	21,195,469.00	1,621,155.00	1,351,733.00	59,631,488.00
253.20 Restricted Net Position, Restricted for:						0.00
253.21 Revenue Bond Debt Service						0.00
253.29 SDRS Pension Purposes	100,444.00	26,825.00	22,638.00	70,133.00	15,888.00	235,928.00
253.90 Unrestricted Net Position	1,607,901.00	3,810,313.00	11,445.00	1,593,350.00	21,483.00	7,044,492.00
Total Net Position	19,926,679.00	21,081,935.00	21,229,552.00	3,284,638.00	1,389,104.00	66,911,908.00

Notes are an integral part of these financial statements.

MUNICIPALITY OF HURON
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For the Year Ended December 31, 2019

	Enterprise Funds					Totals
	Water Fund	Sewer Fund	Airport Fund	Solidwaste Fund	Other Proprietary Funds	
Operating Revenue:						
380 Charges for Goods and Services	4,082,193.00	2,943,428.00	219,536.00	2,090,785.00	216,102.00	9,552,044.00
Total Operating Revenue	4,082,193.00	2,943,428.00	219,536.00	2,090,785.00	216,102.00	9,552,044.00
Operating Expenses:						
410 Personal Services	566,970.00	589,608.00	219,370.00	862,631.00	216,760.00	2,455,339.00
420 Other Current Expense	2,283,801.00	567,138.00	395,644.00	970,252.00	204,066.00	4,420,901.00
457 Depreciation	897,585.00	859,344.00	693,670.00	224,345.00	121,445.00	2,796,389.00
Total Operating Expenses	3,748,356.00	2,016,090.00	1,308,684.00	2,057,228.00	542,271.00	9,672,629.00
Operating Income (Loss)	333,837.00	927,338.00	(1,089,148.00)	33,557.00	(326,169.00)	(120,585.00)
Nonoperating Revenue (Expense):						
330 State Grants						0.00
330 Federal Grants						0.00
335 Intergovernmental			835.00			835.00
361 Investment Earnings	14,392.00	54,387.00		8,417.00	31.00	77,227.00
470 Interest Expense and Fiscal Charges	(69,912.00)		(1,789.00)			(71,701.00)
(492)366 Gain (Loss) on Disposition of Assets	(104,990.00)	(54,205.00)	4,386.00	12,439.00	3,221.00	(139,149.00)
(429)369.01 Other						0.00
Total Nonoperating Revenue (Expense)	(160,510.00)	182.00	3,432.00	20,856.00	3,252.00	(132,788.00)
Income (Loss) Before Contributions, Special Items, Extraordinary Items and Transfers	173,327.00	927,520.00	(1,085,716.00)	54,413.00	(322,917.00)	(253,373.00)
391.07 Capital Contributions		239,339.00	642,033.00			881,372.00
391.1 Transfers In			447,848.00		269,078.00	716,926.00
511 Transfers Out				0.00		0.00
Change in Net Position	173,327.00	1,166,859.00	4,165.00	54,413.00	(53,839.00)	1,344,925.00
Net Position - Beginning	19,753,352.00	19,915,076.00	21,225,388.00	3,230,227.00	1,442,943.00	65,566,986.00
NET POSITION - ENDING	19,926,679.00	21,081,935.00	21,229,553.00	3,284,640.00	1,389,104.00	66,911,911.00

Notes are an integral part of these financial statements.

MUNICIPALITY OF HURON
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For The Year Ended December 31, 2019

	Enterprise Funds					Totals
	Water Fund	Sewer Fund	Airport Fund	Solidwaste Fund	Other Proprietary Funds	
CASH FLOWS FROM OPERATING ACTIVITIES:						
Cash Receipts from Customers	4,059,978.00	2,909,637.00	213,376.00	2,062,848.00	185,353.00	9,431,192.00
Cash Receipts for Interfund Services Provided	36,157.00	8,620.00		35,289.00		80,066.00
Other Operating Cash Receipts	15,158.00	4,905.00	8,204.00	7,064.00	22,774.00	58,105.00
Cash Payments to Employees for Services	(567,118.00)	(589,755.00)	(215,310.00)	(852,688.00)	(234,102.00)	(2,458,973.00)
Cash Payments to Suppliers of Goods and Services	(2,160,919.00)	(504,752.00)	(373,049.00)	(959,451.00)	(164,652.00)	(4,162,823.00)
Cash Payments for Interfund Services Used	4,131.00	3,078.00	5,469.00	35,434.00	1,804.00	49,916.00
Other Operating Cash Payments	(31,212.00)	(26,966.00)	(23,171.00)	(8,589.00)	(16,697.00)	(106,635.00)
Net Cash Provided (Used) by Operating Activities	1,356,175.00	1,804,767.00	(384,481.00)	319,907.00	(205,520.00)	2,890,848.00
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:						
Intergovernmental			835.00			835.00
Transfers In			447,848.00		269,078.00	716,926.00
Transfers Out						0.00
Principal Receipts (Payments) on interfund loans			(332,926.00)			(332,926.00)
Net Cash Provided (Used) by Noncapital Financing Activities	0.00	0.00	115,757.00	0.00	269,078.00	384,835.00
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:						
Proceeds from Capital Debt						0.00
Proceeds from Capital Leases						0.00
Capital Contributions		239,339.00	642,033.00			881,372.00
Purchase of Capital Assets (Enter as Negative)	(1,221,528.00)	(2,200,164.00)	(631,683.00)	(480,500.00)	(66,811.00)	(4,600,686.00)
Proceeds from Sale of Capital Assets	4,200.00	4,200.00	4,386.00	12,439.00	3,221.00	28,446.00
Principal Paid on Capital Debt (Enter as Negative)	(270,094.00)		(19,962.00)			(290,056.00)
Interest Paid on Capital Debt (Enter as Negative)	(69,912.00)		(1,789.00)			(71,701.00)
Debt Proceeds						0.00
Due from other Governments			275,739.00			275,739.00
Other Receipts (Payments)						0.00
Net Cash Provided (Used) by capital and related financing Activities	(1,557,334.00)	(1,956,625.00)	268,724.00	(468,061.00)	(63,590.00)	(3,776,886.00)
CASH FLOWS FROM INVESTING ACTIVITIES:						
Purchase of Investment Securities (Enter as a Negative)						0.00
Proceeds from Sales and Maturities of Investments						0.00
Cash Received for Interest	13,866.00	41,503.00		8,418.00	32.00	63,819.00
Net Cash Provided (Used) by Investing Activities	13,866.00	41,503.00	0.00	8,418.00	32.00	63,819.00
Net Increase (Decrease) in Cash and Cash Equivalents	(187,293.00)	(110,355.00)	0.00	(139,736.00)	0.00	(437,384.00)
Balances - Beginning	1,835,069.00	3,706,896.00	0.00	1,045,866.00	0.00	6,587,831.00
Balances- Ending	1,647,776.00	3,596,541.00	0.00	906,130.00	0.00	6,150,447.00
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:						
Operating Income (Loss)	333,837.00	927,338.00	(1,089,148.00)	33,557.00	(326,169.00)	(120,585.00)

Adjustments to Reconcile Operating Income to						
Net Cash Provided (Used) by Operating Activities:						
Depreciation Expense	897,585.00	859,344.00	693,670.00	224,345.00	121,445.00	2,796,389.00
Amortization Expense						0.00
Change in Assets and Liabilities:						
(Increase) Decrease Customer Receivables	(4,356.00)	(13,874.00)	2,082.00	(18,769.00)		(34,917.00)
(Increase) Decrease Inventories	5,866.00		(20,689.00)	(11,331.00)		(26,154.00)
(Increase) Decrease Net Pension Assets	(3,101.00)	(828.00)	(699.00)	(2,166.00)	(491.00)	(7,285.00)
(Increase) Decrease Pension Related Deferred Outflow of Resources	91,391.00	24,402.00	20,598.00	63,835.00	14,474.00	214,700.00
Increase (Decrease) Accounts and Other Payables	8,323.00		(339.00)			7,984.00
Increase (Decrease) Accrued Leave Payable	(147.00)	(147.00)	4,059.00	9,944.00	(18,763.00)	(5,054.00)
Increase (Decrease) Payable to Employees	1,622.00	1,810.00	315.00	2,921.00		6,668.00
Increase (Decrease) Net Pension Liabilities						0.00
Increase (Decrease) Pension Related Deferred Inflow of Resources	25,155.00	6,717.00	5,670.00	17,571.00	3,984.00	59,097.00
	<u>1,356,175.00</u>	<u>1,804,762.00</u>	<u>(384,481.00)</u>	<u>319,907.00</u>	<u>(205,520.00)</u>	<u>2,890,843.00</u>
Net Cash Provided (Used) by Operating Activities						
Noncash Investing, Capital and Financing Activities:						
Gain/(Loss) on Disposal of Capital Assets Not Affecting	(109,190.00)	(58,405.00)				(167,595.00)
Operating Income						
Contributions of Capital Assets						0.00
Transfer of Capital Assets to Other Funds						0.00
Less Accumulated Depreciation						0.00
Transfer of Capital Assets from Other Funds						0.00
Less Accumulated Depreciation						0.00

Notes are an integral part of these financial statements.

MUNICIPALITY OF HURON
NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Financial Reporting Entity:

The Municipality of Huron, South Dakota, was incorporated under the laws of the State of South Dakota on February 1, 1881. The municipality operates under a commission form of government and provides the following services as authorized by its charter: public safety (police and fire), public works (water, sewer, airport and solid waste), highways and streets, health, culture and recreation, public improvements, planning and zoning and general administrative services.

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

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

The Housing and Redevelopment Commission of the Municipality of Huron, South Dakota (Commission) is a proprietary fund-type, discretely-presented component unit. The five members of the Commission are appointed by the Mayor, with the approval of the City Commission, for five-year, staggered terms. The Commission elects its own chairperson and recruits and employs its own management personnel and other workers. The City Commission, though, retains the statutory authority to approve or deny or otherwise modify the Commission's plans to construct low-income housing units, or to issue debt, which gives the City Commission the ability to impose its will on the Commission. Separately issued financial statements of the Housing and Redevelopment Commission may be obtained from: Board of Commissioners, Huron Housing and Redevelopment Authority, Huron, SD 57350.

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 activities and business-type activities and discretely presented component units. 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. Discretely presented component units are legally separate organizations that meet certain criteria, as described in note 1a., above, and may be classified as either governmental or business-type activities. See the discussion of individual component units in Note 1a, above.

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 City or it meets the following criteria:

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

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

Governmental Funds:

- General Fund – the General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund. The General Fund is always considered to be a major fund.
- Special Revenue Funds – special revenue funds are used to account for the proceeds of specific revenue sources (other than trusts for individuals, private organizations, or other governments or for major capital projects) that are legally restricted to expenditures for specified purposes.
- 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.
- Capital Projects Funds – Capital Projects funds account for the construction of major capital projects not being financed by proprietary funds.

Proprietary Funds:

- Enterprise Funds – enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Charges for services pledged to make bonded debt payments for the water and sewer fund are shown in the respective funds. See Note 11 for further detail.

Major Governmental Funds:

The municipality reports the following major governmental funds:

- General Fund- See the description above. The General Fund is always considered to be a major fund

Special Revenue Funds:

- Additional Sales Tax Fund: The Special Sales Tax Fund is used to account for an additional one percent sales tax which may be used for debt retirement, capital improvements, land acquisition, vehicles and equipment, and emergency response equipment, passed by ordinance in 2003.

Major Enterprise Funds:

The municipality reports the following major enterprise funds:

- Water Fund - financed primarily by user charges. This fund accounts for the construction and operation of the municipal waterworks system and related facilities.
- Sewer Fund - financed primarily by user charges. This fund accounts for the construction and operation of the municipal sanitary sewer system and related facilities.
- Airport Fund – financed partially by user charges. The Airport Fund accounts for airport operation and related facilities.
- Solid Waste Fund – financed primarily by user charges. This fund accounts for the operation and related facilities of the restricted use site.

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 fund types, while the “economic resources” measurement focus and the accrual basis of accounting are applied to the proprietary fund types.

Basis of Accounting:

- **Government-wide Financial Statements:** In the government-wide Statement of Net Position and Statement of Activities governmental, business-type, and component unit activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues and related assets are recorded when earned (usually when the right to receive cash vests); and, expenses and related liabilities are recorded when an obligation is incurred (usually when the obligation to pay cash in the future vests).
- **Fund Financial Statements:** All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues, including property taxes, are recognized when they become measurable and available. “Available” means resources are collected or to be collected soon enough after the end of the fiscal year that they can be used to pay the bills of the current period. The accrual period does not exceed one bill-paying cycle, and for the Municipality of Huron, the length of that cycle is 30 days.

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:

Government-wide Financial Statements:

In the process of aggregating data for the government-wide financial statements, some amounts reported as 2 5

interfund 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. Capital Assets:

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

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

Government-Wide Statements

Capital assets are recorded at historical cost, or estimated cost, where actual cost could not be determined. Donated capital assets are valued at their estimated fair 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.

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, 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:

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Land and land rights *	\$ - 0 -	----N/A-----	----N/A-----
Improvements other than buildings	\$ 50,000	Straight-line	10 - 50 yrs.
Buildings	\$ 50,000	Straight-line	40 - 99 yrs.
Machinery and Equipment	\$ 10,000 - \$25,000	Straight-line	3 - 25 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

f. 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, special assessment bonds 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.

g. Program Revenues:

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

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

h. 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 the future period or periods. These items will not be recognized as an outflow of resources until the applicable future period. The City's deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the employer after the measurement date but before the end of the employer's reporting 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. The City's deferred inflows of resources consist of unrecognized items having not yet reduced pension expense.

i. Proprietary Funds Revenue and Expense Classifications:

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

j. Cash and Cash Equivalents:

The City pools its 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 funds equity in the cash management pool is considered to be cash and cash equivalents for the purposes of the Statement of Cash Flows.

k. Equity Classifications:

- **Government-wide Statements:** Equity is classified as net position and is displayed in three components:
 1. **Net Invested 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 positions that do not meet the definition of “restricted” or “net invested in capital assets.”
- **Fund Financial Statements:** Governmental fund equity is classified as fund balance, and may distinguish between “Non Spendable”, “Restricted”, “Committed”, “Assigned” and “Unassigned” components. Proprietary fund equity is classified the same as in the government-wide financial statements.

I. Application of Net Position:

It is the City’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.

m. 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 City Commission.
- 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 reported in non-spendable form such as inventory.
- Amount legally or contractually required to be maintained intact such as the South Dakota Public Assurance Alliance Cumulative Reserve Fund.

The Municipal Governing Board committed the following fund balance types by taking the following action:

Fund Balance Type	Amount	Action
2 nd Penny Fund	\$1,805,908	City Ordinance

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 Government 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.

n. Pensions:

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

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

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

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

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

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.

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 General Fund. USGAAP, on the other hand, requires income from deposits and investments to be reported in the fund whose assets generated that income. Where the governing board has discretion to credit investment income to a fund other than the fund that provided the resources for investment, a transfer to the designated fund is reported. Accordingly, in the fund financial statements, inter-fund transfers of investment earnings are reported, while in the government-wide financial statements, they have been eliminated, except for the net amounts transferred between governmental activities and business-type activities.

As of December 31, 2019, the City did not carry any investments.

Interest Rate Risk – the risk that changes in interest rates will adversely affect the fair value of an investment. The City 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.

3. Receivables and Payables:

Receivables are not aggregated in these financial statements. The City expects all receivables to be collected within one year. Receivables with allowances for uncollectible accounts at 3% as of December 31, 2019 are a presented below

December 31, 2019	Water	Sewer	Solidwaste
Gross Receivables	\$337,840	\$249,664	\$220,316
Less Allowance for Uncollectible	9,789	7,414	4,543
Net Receivables	\$328,051	\$242,250	\$215,773

4. Inventory:

Inventory in the General Fund and special revenue funds consists of expendable supplies held for consumption. Supply inventories are recorded at cost.

Inventory acquired for resale in the proprietary funds is recorded as an asset when acquired. The consumption of inventories held for resale is charged to expense as it is consumed. Inventories held for resale are recorded at the lower of cost or market, on the first-in, first-out cost flow assumption.

- **Government-wide Financial Statements:** In the government-wide financial statements, inventory is recorded as an asset at the time of purchase, and charged to expense as it is consumed.
- **Fund Financial Statements:** In the governmental fund financial statements, inventory is recorded as an asset at the time of purchase, and charged to expense as it is consumed. Material supply inventories are off-set by a non-spendable fund balance which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets.

5. 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 statues to levy varying amounts of taxes per \$1,000 of taxable valuation on taxable real property in the Municipality.

6. Changes In Capital Assets:

A summary of changes in capital assets for the year ended December 31, 2019 is as follows:
Governmental Activities:

	Balance 01/01/2019	Increases	Decreases	Balance 12/31/2019
Capital Assets, not being Depreciated:				
Land	\$2,618,788	580,111		\$3,198,899
Construction Work in Progress	5,216,779	999,975	5,421,120	795,634
Total Capital Assets, not being Depreciated	\$7,835,567	\$1,580,086	\$5,421,120	\$3,994,533
Capital assets, being Depreciated:				
Buildings	\$17,347,881	\$8,533,685	\$50,000	\$25,831,566
Improvements other than Buildings	61,591,453	1,402,473	271,735	62,722,191
Leasehold Improvements	14,135,403		14,135,403	0.00
Machinery and Equipment	7,797,363	10,826,371	215,445	18,408,289
Total	\$100,872,100	\$20,762,529	\$14,672,583	\$106,962,046

Less Accumulated Depreciation for:				
Buildings	\$8,794,805	\$653,822	\$14,000	\$9,434,627
Improvements other than Buildings	42,641,541	1,485,181	145,456	43,981,266
Machinery and Equipment	4,921,576	2,645,962	177,967	7,389,571
Leasehold Improvements	1,901,563	475,390	2,376,953	0.00
Total Accumulated Depreciation	\$58,259,485	\$5,260,355	\$2,714,376	\$60,805,464
Governmental Activity Capital Assets, Net	\$50,448,182	\$17,082,260	\$17,379,327	\$50,151,115

Depreciation expense charged to functions as follows:

General Government	\$380,040
Public Safety	\$177,661
Public Works	\$1,446,822
Culture and Recreation	\$883,877
Total Depreciation for Governmental Type Activity	\$2,888,402

Business-Type Activities:

	Balance 01/01/2019	Increases	Decreases	Balance 12/31/2019
Capital Assets, not being Depreciated:				
Land	\$2,969,349			\$2,969,349
Construction Work in Progress	4,300,066	1,887,415	3,408,028	2,779,453
Total Capital Assets, not being Depreciated	\$7,269,415	1,887,415	3,408,028	\$5,748,802
Capital assets, being Depreciated:				
Buildings	\$17,372,332			\$17,372,332
Improvements other than Buildings	70,044,440	5,520,217	424,288	75,140,369
Machinery and Equipment	7,412,066	601,082	14,700	7,998,448
Total	\$94,828,838	\$6,121,299	\$438,988	\$100,511,149
Less Accumulated Depreciation for:				
Buildings	\$7,506,469	315,424		\$7,821,893
Improvements other than Buildings	29,116,310	1,980,396	256,693	30,840,013
Machinery and Equipment	5,520,306	500,570	14,700	6,006,176
Total Accumulated Depreciation	\$42,143,085	\$2,796,390	\$271,393	\$44,668,082
Business-Type Activity Capital Assets, Net	\$59,955,168	\$5,212,324	\$3,575,623	\$61,591,870

Depreciation expense charged to functions as follows:

Water	\$897,585
Sewer	\$859,344
Airport	\$693,670
Golf	\$121,445
Solidwaste	\$224,345
Total Depreciation Expense Business Type Activity	\$2,796,389

7. **Changes In Component Unit Capital Assets:**

A summary of changes in component unit capital assets for the year ended December 31, 2019 is as follows:

	Balance 1/1/2019	Additions	Deletions	Balance 12/31/2019
Capital Assets not being Depreciated				
Land	\$594,578			\$594,578
Capital Assets being Depreciated				
Buildings & Improvements	9,830,128	42,926		9,873,054
Furniture and Equipment	563,780			563,780
TOTAL	\$10,988,486	\$42,926		\$11,031,412
Less Accumulated Depreciation for:				
Accumulated Depreciation	(4,364,734)	(288,332)		(4,653,066)
Capital Assets, Net	\$6,623,752	(\$245,406)		6,378,346

8. **Long-Term Liabilities:**

A summary of changes in Governmental long-term Liabilities for 2019 is as follows:

	Revenue	Special	Compensated Absences		Component Unit Long- Term Debt
	Bonds	Assessments		Total	
Debt Payable January 1, 2019	\$4,202,544		\$531,346	\$4,733,890	\$5,881,614
New Issues: Compensated Absences			379,484	\$379,484	
Compensated Absences Deletions			(347,709)	(347,709)	
Retired	(571,955)			(571,955)	(275,847)
Debt Payable December 31, 2019	<u>\$3,630,589</u>		<u>\$563,121</u>	<u>\$4,193,710</u>	<u>\$5,605,767</u>
Due within one year	<u>\$540,000</u>			<u>\$540,000</u>	<u>\$262,735</u>

A summary of changes in Business long-term Liabilities for 2019 is as follows:

	Revenue	Financing (Capital Acquisition) Lease	Compensated Absences	Total
	Bonds			
Debt Payable January 1, 2019	<u>\$2,209,512</u>	<u>\$40,928</u>	<u>\$201,020</u>	<u>\$2,451,460</u>
New Issues:				
Compensated Absences			119,101	119,101
Compensated Absences Deletions Retired	(270,094)	(19,961)	(124,154)	(290,056)
Debt Payable December 31, 2019	<u>\$1,939,418</u>	<u>\$20,966</u>	<u>\$195,967</u>	<u>\$2,156,351</u>
Due within one year	<u>\$279,506</u>	<u>\$20,966</u>		<u>\$300,472</u>

Revenue Bonds Payable at December 31, 2019 are comprised of the following issues:

	Debt Principal	
	12/31/19	12/31/18
\$4,000,000.00 2004 SRF Drinking Water Loan with annual quarterly payments amortized over a 20 year period from July, 2004 thru April, 2024; interest at 3.50%	\$1,179,446	\$1,417,362
\$383,683 2010 SRF Drinking Water Loan with annual quarterly payments amortized over a 20 year period from July, 2011 thru April, 2031; interest at 3.00%	\$248,025	\$265,830
\$592,073 SRF Drinking Water Loan with quarterly payment Amortized over 30 year period from January 2014 thru October 2043; interest at 3.250%.	\$511,947	\$526,319
\$7,060,000 Sales Tax Revenue Bonds due in semiannual installments, amortized over and 18 year period from July 2014 through July 2031; interest at 3.100%	\$3,630,589	\$4,202,544
Total Revenue Bonds	\$5,570,007	\$6,412,055

Revenue Bonds:

- In September 2002, the municipality obtained funding in the amount of \$4,000,000.00 through the South Dakota Revolving Loan Fund for the upgrade of the water treatment system. This loan carries a fixed interest rate of 3.5 percent. The repayment period of 20 years began July 1, 2004 with quarterly payments due every January, April, July and October 1. The outstanding principal as of December 31, 2019 is \$1,179,446.
- In February 2010, the municipality obtained funding in the amount of \$383,683 through the South Dakota Revolving Loan Fund for the upgrade of the water treatment system. This loan carries a fixed interest rate of 3 percent. The repayment period of 20 years began July 1, 2011 with quarterly payments due every January, April, July and October 1. The outstanding principal as of December 31, 2019 is \$248,025.

- In December 2012, the municipality obtained funding in the amount of \$592,073 thru the South Dakota Revolving Loan Fund for construction of a water tower. This loan carries a fixed interest rate of 3.250%. The repayment period of 30 years begins January 15, 2015 with quarterly payments due every January, April, July and October 15. The outstanding balance as of December 31, 2019 is \$511,947.
- In June 2014, the municipality authorized the issuance of refunded bonds in the amount of \$7,060,000 sales tax revenue bonds for the Huron Event Center and Splash Central/Central Park. These bonds carry an interest rate of 3.1% the repayment period begins in June 2014 for 17 years ending in 2031. The outstanding balance as of December 31, 2019 is \$3,630,589.

Financing (Capital Acquisition) Leases

	Debt Principal	
	12/31/19	12/31/18
\$228,080 ECMS Airport HVAC Lease Payment due in semi-annual payments amortized over a 15 year period from February 2006 thru August 2020; interest at 4.97%	\$20,966	\$40,928
Total Capital Acquisition Leases	\$20,966	\$40,928

- In August 2005 the municipality authorized the lease purchase of \$228,080 through a Wells Fargo lease purchase for the HVAC system at the airport. Payments are due in semi-annual payments of \$5,207.55 to \$10,611.64 thru 2020. The interest rate is 4.97% for life of lease. The principal outstanding as of December 31, 2019 is \$20,966.

The purchase price at the commencement of the financing (capital acquisition) lease was:

Principal	\$228,080.00
Interest	\$ 98,180.20

The annual requirements to amortize all debt outstanding as of December 31, 2019, except for compensated absences is as follows:

**Annual Requirements to Amortize Long-Term Debt
December 31, 2019**

Year Ending Dec. 31	Revenue Bonds		Total	
	Principal	Interest	Principal	Interest
2020	819,506	174,698	819,506	174,698
2021	854,248	147,163	854,248	147,163
2022	739,331	121,217	739,331	121,217
2023	764,765	96,626	764,765	96,626
2024	642,731	73,317	642,731	73,317
2025-2029	1,244,524	228,866	1,244,524	228,866
2030-2034	269,047	58,638	269,047	58,638
2035-2039	123,171	26,049	123,171	26,049
2040-2046	112,685	6,601	112,685	6,601
TOTAL	\$5,570,008	\$933,175	\$5,570,008	\$933,175

**Financing (Capital Acquisition) Leases
December 31, 2019**

Year Ending Dec. 31,	Capital Acquisition	
	Principal	Interest
2020	20,966	433
TOTAL	\$20,966	\$433

9. Pension Plan:

Plan Description

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 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's benefits. The right to receive retirement benefits vests after three years of credited service. Authority for establishing, administering, and amending plan provisions are found in South Dakota Codified Law 3-12. The SDRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained at <http://www.sdrs.sd.gov/publications.aspx> or by writing to SDRS, P.O. Box 1098, Pierre, SD 57501-1098 or by calling (605) 773-3731.

Benefits Provided

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

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

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

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

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

Contributions

Per SDCL 3-12, contribution requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A Members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. The Municipality's share of contributions to the SDRS for the fiscal years ended December 31, 2019, 2018, and 2017 were \$487,163, \$460,561 and \$444,772 respectively, equal to the required contributions each year.

Net Pension Liability (Asset), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

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

Proportionate share of Pension Liability	\$ 46,797,090.39
Less proportionate share of net position restricted for pension benefits	<u>46,836,884.39</u>
Proportionate share of net pension liability (asset)	<u>\$ (39,794.01)</u>

At December 31, 2019, the Municipality reported a liability (asset) of (\$39,794.01) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2019, and the total pension liability (asset) used to calculate the net pension liability (asset) was based on a projection of the Municipality's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2019, the Municipality's proportion was 0.37551220%, which is an increase (decrease) of 0.0191402% from its proportion measured as of June 30, 2018.

For the year ended December 31, 2019, the Municipality recognized pension expense (reduction of pension expense) of \$1,151,735.77. At December 31, 2019, the Municipality reported the deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows Of Resources</u>	<u>Deferred Inflows Of Resources</u>
Difference between expected and actual experience.	\$ 156,096.38	\$ 18,011.48
Changes in assumption.	1,374,381.30	563,429.65
Net difference between projected and actual Earnings on pension plan investments.		229,246.07
Changes in proportion and difference between Municipality contributions and proportionate share of contributions.	94,146.03	76,937.95
Municipality contributions subsequent to the measurement date.	242,878.85	-
Total	<u>\$ 1,867,502.56</u>	<u>\$ 887,625.17</u>

\$242,878.85 reported as deferred outflow of resources related to pensions resulting from Municipality contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability in the year ending December 31, 2020. 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:

2020	\$ 887,540.58
2021	\$ (116,335.24)
2022	\$ (100,936.20)
2023	\$ 66,729.40
Total	<u>\$ 736,998.54</u>

Actuarial Assumptions

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

Inflation	2.25 percent
Salary Increases	Graded by years of service, from 6.5% at entry to 3.00% after 25 service years.
Discount Rate	6.50 net of plan investment expense.
Future COLAs	1.88%

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

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

Investment portfolio management is the statutory responsibility of the South Dakota Investment Council (SDIC), which may utilize the services of external money managers for management of a portion of the portfolio. SDIC is governed by the Prudent Man Rule (i.e., the council should use the same degree of care as a prudent man). Current SDIC investment policies dictate limits on the percentage of assets invested in various types of vehicles (equities, fixed income securities, real estate, cash, private equity, etc.). The long-term expected rate of return on pension plan investments was determined using a method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2019 (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

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

Discount Rate

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

Sensitivity of net pension 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)	\$ 6,605,026.89	(\$39,794.01)	\$ (5,454,122.35)

Pension Plan Fiduciary Net Position

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

10. Risk Management:

The City 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 year ended December 31, 2019, the City managed its risks as follows:

- **Employee Health Insurance:** The City purchases health insurance for its employees from a commercial insurance carrier. Settled claims resulting from these risks have never exceeded the liability coverage. 3 7

- Liability Insurance:** The City is a member of the South Dakota Public Assurance Alliance, a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The objective of the SDPAA is to administer and provide risk management services and risk sharing facilities to the members and to defend and protect the members against liability, to advise members on loss control guidelines and procedures, and provide them 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 a Members' Annual Operating Contribution, to provide liability coverage detailed below, under a claims-made policy and the premiums are accrued based on the ultimate cost of the experience to date of the SDPAA member, based on their exposure or type of coverage. The City pays an annual premium to the pool to provide coverage for: general liability, automobile liability, automobile physical damage, public official's liability, and law enforcement liability.

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

As of December 31, 2019, the City of Huron balance available to be refunded per the SDPAA was \$475,852, which was an increase of \$62,989 from the previous year. The change in the amount available for refund was accounted for as a decrease in the insurance expenditures/expenses. In future periods the change in the amount available for refund will be accounted for as an increase or decrease in the insurance expenditures/expenses.

The City carries a \$2,500 deductible for the official's liability coverage and no deductible for the general and automobile liability coverage. The agreement with the Public Assurance Alliance provides that coverage for automobile physical damage will be provided with a \$500 deductible for collision coverage for specifically designated vehicles.

The City 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 for the past several years.

- Worker's Compensation:** The Municipality joined the South Dakota Municipal League Worker's Compensation Fund (Fund), a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The objective of the Fund is to formulate, develop, and administer, on behalf of the member organizations, a program of worker's compensation coverage, to obtain lower costs for that coverage, and to develop a comprehensive loss control program. The Municipality's responsibility is to initiate and maintain a safety program to give its employees safe and sanitary working conditions and to promptly report to and cooperate with the Fund to resolve any worker's compensation claims. The Municipality pays an annual premium, to provide worker's compensation coverage for its employees, under a retrospectively rated policy and the premiums are accrued based on the ultimate cost of the experience to date of the Fund members. Coverage limits are set by state statute. The pool pays the first \$650,000 of any claim per individual. The pool has reinsurance which covers 3 8

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 City has elected to be self-insured and retain all risk for liabilities resulting from claims for unemployment benefits.

During the year ended December 31, 2019, there was no claims filed for unemployment benefits.

- 11. Revenue Pledged for Debt Service:** Revenues from charges for services on the Water Fund State Revolving Fund (SRF) Revenue Loans are pledged at 100% for debt service. Revenues from charges for services in the Sewer Fund are pledged at 100% for debt service.
- 12. Deficit Fund Balances/Fund Net Position:** – As of December 31, 2019 the Sales Tax Bonds Fund had a deficit fund balance of \$54,346. The City plans to address the deficit fund balance by closely monitoring departmental activity fund balances throughout the year and allocating additional General Fund dollars to those funds with a deficit fund balance if necessary.
- 13. Interfund Transfers:** Interfund transfer for the year ended December 31, 2019 were as follows:

FUND	Transfers IN	Transfers OUT
101 General Fund	2,432,082.53	2,614,424.79
201 Parks and Receptions	1,226,598.82	
206 Central Park/Splash Central	708,006.55	63,347.13
211 Bed, Board & Booze		44,277.67
257 Huron Community Campus	159,146.02	
260 Dispatch	299,988.72	
261 Huron Event Center	190,235.77	
270 2nd Penny Sales Tax		3,700,952.23
275 TIF #3 Interest		1.16
320 02 Sp Assessments	1,022.14	
326 City Assessments		1,022.14
327 Sales Tax Bonds	666,280.34	
329 TIF #5/Southtown		224,985.66
517 Capital Projects Fund	248,723.97	
606 Airport/AIP Match	447,848.34	
610 Golf Course	269,077.58	
723 Hanson Trust		7,289.15
724 P& R Projects		6,048.55
736 Special Projects	13,337.70	
	6,662,348.48	6,662,348.48

The above transfers were made as budgeted spending transfers to subsidized operation of the various funds, for capital purchase, and to credit interest earned from various funds to the general fund.

- 14. Evaluation of Subsequent Events:** The City has evaluated subsequent events through September 25, 2020, the date these financial statements were available to be issued. As a result of the SARS-COV-2 virus, and the incidence of COVID-19, economic uncertainties have arisen which may negatively affect the financial position, results of operations, and cash flows of the city. The City is closely monitoring its operations, liquidity, and capital resources and is working to minimize the current and future impact of this unprecedented situation. The duration of these uncertainties and ultimate financial effects cannot be reasonably estimated at this time.

15. Interfund Receivable and Payable:

Interfund receivable and payable balances as of December 31, 2019 were as follows:

	Interfund Receivable	Interfund Payable
General Fund	\$30,547	\$-0-
Airport Fund	\$-0-	\$30,547
TOTALS	\$30,547	\$30,547

Schedule of Required Supplementary Information
MUNICIPALITY OF HURON
SCHEDULE OF THE MUNICIPALITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)
South Dakota Retirement System

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Municipality's proportion of the net pension liability (asset)	0.3755122%	0.3563720%	0.3820293%	0.3080873%	0.3796793%	0.3830698%
Municipality's proportionate share of net pension liability (asset)	\$ (39,794)	\$ (8,311)	\$ (34,670)	\$ 1,286,552	\$ (1,610,328)	\$ (2,759,861)
Municipality's covered-employee payroll	\$ 7,281,981	\$ 6,754,831	\$ 7,061,709	\$ 6,581,182	\$ 6,301,692	\$ 6,162,569
Municipality's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	0.55%	0.12%	0.49%	19.55%	25.55%	44.78%
Plan fiduciary net position as a percentage of the total pension asset	100.09%	100.02%	100.10%	96.89%	104.10%	107.30%

Notes to the Schedule:

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

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

Schedule of Required Supplementary Information
MUNICIPALITY OF HURON
SCHEDULE OF THE MUNICIPALITY'S PENSION CONTRIBUTIONS
South Dakota Retirement System

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 487,163	\$ 460,561	\$ 444,772	\$ 443,984	\$ 440,746	\$ 408,434
Contributions in relation to the contractually required contribution	<u>\$ 487,163</u>	<u>\$ 460,561</u>	<u>\$ 444,772</u>	<u>\$ 443,984</u>	<u>\$ 440,746</u>	<u>\$ 408,434</u>
Contribution deficiency (excess)	<u>\$ -</u>					
Municipality's covered-employee payroll	\$ 7,411,918	\$ 7,016,671	\$ 6,743,131	\$ 6,727,853	\$ 6,692,423	\$ 6,162,569
Contributions as a percentage of covered-employee payroll	6.57%	6.56%	6.60%	6.60%	6.59%	6.63%

Notes to the Schedule:

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

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

Changes of benefit terms:

No significant changes.

Changes of assumptions:

Legislation enacted in 2017 modified the SDRS COLA. For COLAs first applicable in 2018, the SDRS COLA will equal the percentage increase in the most recent third calendar quarter CPI-W over the prior year, no less than 0.5% and no greater than 3.5%. However, if the FVFR assuming the long-term COLA is equal to the baseline COLA assumption (currently 2.25%) is less than 100%, the maximum COLA payable will be limited to the increase that if assumed on a long-term basis, results in a FVFR equal to or exceeding 100%. That condition existed as of June 30, 2018 and exists again this year as of June 30, 2019. Future COLAs are assumed to equal the current restricted maximum COLA which was 2.03% as of June 30, 2018 and is 1.88% as of June 30, 2019.

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

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

FUND
MUNICIPALITY OF HURON
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
101 FUND
For the Year Ended December 31, 2019

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
310 Taxes:				
311 General Property Taxes	5,049,060.00	5,049,060.00	5,047,785.00	(1,275.00)
313 General Sales and Use Taxes	3,605,000.00	3,605,000.00	3,492,732.00	(112,268.00)
314 Gross Receipts Business Taxes	80,100.00	80,100.00	79,840.00	(260.00)
315 Amusement Taxes	800.00	800.00	744.00	(56.00)
316 911 Telephone Surcharge				0.00
318 Tax Deed Revenue				0.00
319 Penalties and Interest on Delinquent Taxes	113,000.00	113,000.00	13,360.00	(99,640.00)
320 Licenses and Permits	272,500.00	272,500.00	258,209.00	(14,291.00)
330 Intergovernmental Revenue:				
331 Federal Grants	150,000.00	150,000.00	74,757.00	(75,243.00)
334 State Grants			7,050.00	7,050.00
334.02 Surface Transportation Program	410,000.00	410,000.00	426,666.00	16,666.00
335 State Shared Revenue:				
335.01 Bank Franchise Tax	55,000.00	55,000.00	43,407.00	(11,593.00)
335.02 Motor Vehicle Commercial Prorate				0.00
335.03 Liquor Tax Reversion	100,000.00	100,000.00	82,615.00	(17,385.00)
335.04 Motor Vehicle Licenses (5%)	115,000.00	115,000.00	109,263.00	(5,737.00)
335.06 Fire Insurance Premiums Reversion	37,000.00	37,000.00	41,960.00	4,960.00
335.08 Local Government Highway and Bridge Fund	400,000.00	400,000.00	371,184.00	(28,816.00)
338 County Shared Revenue:				
338.01 County Road Tax (25%)	40,000.00	40,000.00	29,631.00	(10,369.00)
338.02 County HBR Tax (25%)				0.00
338.03 County Wheel Tax				0.00
338.99 Other				0.00
339 County Payments in Lieu of Taxes	7,500.00	7,500.00	7,903.00	403.00
340 Charges for Goods and Services:				
341 General Government	7,300.00	7,300.00	7,639.00	339.00
342 Public Safety	67,500.00	67,500.00	96,364.00	28,864.00
343 Highways and Streets	5,500.00	5,500.00	5,943.00	443.00

345 Health	4,400.00	4,400.00	6,013.00	1,613.00
346 Culture and Recreation			12,433.00	12,433.00
349 Other	50,000.00	50,000.00	58,860.00	8,860.00
350 Fines and Forfeits:				
351 Court Fines and Costs	2,630.00	2,630.00	625.00	(2,005.00)
354 Library				0.00
359 Other				0.00
360 Miscellaneous Revenue:				
361 Investment Earnings	40,000.00	40,000.00	39,793.00	(207.00)
362 Rentals	60,000.00	60,000.00	33,905.00	(26,095.00)
363 Special Assessments				0.00
367 Contributions and Donations from Private Sources			156,967.00	156,967.00
369 Other	10,000.00	10,000.00	8,068.00	(1,932.00)
Total Revenue	10,682,290.00	10,682,290.00	10,513,716.00	(168,574.00)
Expenditures:				
410 General Government:				
411 Legislative	488,640.00	488,640.00	619,138.00	(130,498.00)
411.5 Contingency	248,870.00	248,870.00		
Amount Transferred (Enter as Negative)		(195,769.00)		53,101.00
414 Financial Administration	833,043.00	833,043.00	800,297.00	32,746.00
419 Other	1,319,902.00	1,236,936.00	895,797.00	341,139.00
Total General Government	2,890,455.00	2,611,720.00	2,315,232.00	296,488.00
420 Public Safety:				
421 Police	2,408,738.00	2,599,338.00	2,503,977.00	95,361.00
422 Fire	983,947.00	983,947.00	849,000.00	134,947.00
423 Protective Inspection	125,344.00	125,344.00	116,842.00	8,502.00
429 Other Protection				0.00
Total Public Safety	3,518,029.00	3,708,629.00	3,469,819.00	238,810.00
430 Public Works:				
431 Highways and Streets	2,794,327.00	2,995,331.00	2,971,275.00	24,056.00
Total Public Works	2,794,327.00	2,995,331.00	2,971,275.00	24,056.00
440 Health and Welfare:				
441 Health				0.00
Total Health and Welfare				0.00
450 Culture and Recreation:				

451 Recreation				0.00
452 Parks	890,799.00	890,799.00	565,802.00	324,997.00
455 Libraries	887,779.00	943,526.00	940,982.00	2,544.00
456 Event Center				0.00
Total Culture and Recreation	1,778,578.00	1,834,325.00	1,506,784.00	327,541.00
460 Conservation and Development:				
465 Economic Development and Assistance (Industrial Development)	156,000.00	231,000.00	231,000.00	0.00
Total Conservation and Development	156,000.00	231,000.00	231,000.00	0.00
470 Debt Service				0.00
485 Capital Outlay				0.00
490 Miscellaneous:				
492 Other Expenditures				0.00
Total Miscellaneous		0.00	0.00	0.00
Total Expenditures	11,137,389.00	11,381,005.00	10,494,110.00	886,895.00
Excess of Revenue Over (Under) Expenditures	(455,099.00)	(698,715.00)	19,606.00	718,321.00
Other Financing Sources (Uses):				
391.01 Transfers In	2,897,583.00	2,897,583.00	2,432,083.00	(465,500.00)
511 Transfers Out (Enter as negative)	(2,450,484.00)	(2,450,484.00)	(2,614,425.00)	(163,941.00)
391.02 Proceeds of General Long-Term Debt Issued				0.00
391.03 Sale of Municipal Property			30,232.00	30,232.00
Total Other Financing Sources (Uses)	447,099.00	447,099.00	(152,110.00)	(599,209.00)
391.06/(514) Special Items				0.00
391.05/(515) Extraordinary Items				0.00
Net Change in Fund Balances	(8,000.00)	(251,616.00)	(132,504.00)	119,112.00
Fund Balance - Beginning	4,260,862.00	4,260,862.00	4,260,862.00	0.00
Adjustments:				
Prior Year Adjustment				0.00
				0.00

Adjusted Fund Balance - Beginning

4,260,862.00	4,260,862.00	4,260,862.00	0.00
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FUND BALANCE - ENDING

4,252,862.00	4,009,246.00	4,128,358.00	119,112.00
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REQUIRED SUPPLEMENTARY INFORMATION
MUNICIPALITY OF HURON
BUDGETARY COMPARISON SCHEDULE - SPECIAL SALES TAX FUND
270 FUND
For the Year Ended December 31, 2019

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
310 Taxes:				
311 General Property Taxes				0.00
313 General Sales and Use Taxes	3,605,000.00	3,605,000.00	3,492,732.00	(112,268.00)
314 Gross Receipts Business Taxes				0.00
315 Amusement Taxes				0.00
316 911 Telephone Surcharge				0.00
319 Penalties and Interest on Delinquent Taxes				0.00
320 Licenses and Permits				0.00
330 Intergovernmental Revenue:				
331 Federal Grants				0.00
334 State Grants				0.00
335 State Shared Revenue:				
335.01 Bank Franchise Tax				0.00
335.02 Motor Vehicle Commercial Prorate				0.00
335.03 Liquor Tax Reversion				0.00
335.04 Motor Vehicle Licenses (5%)				0.00
335.06 Fire Insurance Premiums Reversion				0.00
335.08 Local Government Highway and Bridge Fund				0.00
335.20 Other				0.00
338 County Shared Revenue:				
338.01 County Road Tax (25%)				0.00
338.99 Other				0.00
339 County Payments in Lieu of Taxes				0.00
340 Charges for Goods and Services:				
341 General Government				0.00
342 Public Safety				0.00
343 Highways and Streets				0.00
345 Health				0.00
346 Culture and Recreation				0.00
349 Other				0.00

350 Fines and Forfeits:				
351 Court Fines and Costs				0.00
354 Library				0.00
360 Miscellaneous Revenue:				
361 Investment Earnings	25,000.00	25,000.00	40,687.00	15,687.00
362 Rentals				0.00
363 Special Assessments				0.00
367 Contributions and Donations from Private Sources				0.00
369 Other				0.00
Total Revenue	3,630,000.00	3,630,000.00	3,533,419.00	(96,581.00)
Expenditures:				
410 General Government:				
411 Legislative				0.00
411.5 Contingency				
Amount Transferred (Enter as Negative)				0.00
414 Financial Administration				0.00
419 Other				0.00
Total General Government	0.00	0.00	0.00	0.00
420 Public Safety:				
421 Police				0.00
422 Fire				0.00
423 Protective Inspection				0.00
429 Other Protection				0.00
Total Public Safety	0.00	0.00	0.00	0.00
430 Public Works:				
431 Highways and Streets				0.00
Total Public Works	0.00	0.00	0.00	0.00
440 Health and Welfare:				
441 Health				0.00
Total Health and Welfare	0.00	0.00	0.00	0.00
450 Culture and Recreation:				
451 Recreation				0.00
452 Parks				0.00
455 Libraries				0.00
456 Event Center				0.00

Total Culture and Recreation	0.00	0.00	0.00	0.00
460 Conservation and Development: 465 Economic Development and Assistance (Industrial Development)				0.00
Total Conservation and Development	0.00	0.00	0.00	0.00
470 Debt Service				0.00
485 Capital Outlay				0.00
490 Miscellaneous: 492 Other Expenditures				0.00
Total Miscellaneous	0.00	0.00	0.00	0.00
Total Expenditures	0.00	0.00	0.00	0.00
Excess of Revenue Over (Under) Expenditures	3,630,000.00	3,630,000.00	3,533,419.00	(96,581.00)
Other Financing Sources (Uses):				
391.01 Transfers In				0.00
511 Transfers Out (Enter as negative)	(4,171,344.00)	(4,171,344.00)	(3,700,952.00)	470,392.00
391.02 Proceeds of General Long- Term Debt Issued				0.00
391.03 Sale of Municipal Property				0.00
Total Other Financing Sources (Uses)	(4,171,344.00)	(4,171,344.00)	(3,700,952.00)	470,392.00
391.06/(514) Special Items				0.00
391.05/(515) Extraordinary Items				0.00
Net Change in Fund Balances	(541,344.00)	(541,344.00)	(167,533.00)	373,811.00
Fund Balance - Beginning	(541,344.00)	(541,344.00)	2,633,442.00	3,174,786.00
Adjustments:				0.00
				0.00
Adjusted Fund Balance - Beginning	(541,344.00)	(541,344.00)	2,633,442.00	3,174,786.00
FUND BALANCE - ENDING	(1,082,688.00)	(1,082,688.00)	2,465,909.00	3,548,597.00

NOTES TO 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/Municipality Commission introduces the annual appropriation ordinance for the ensuing fiscal year.
2. After adoption by the Governing Board/Municipality Commission, 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/Municipality Commission to any other budget category that is deemed insufficient during the year.
4. If it is determined during the year that sufficient amounts have not been budgeted, state statute allows the adoption of supplemental budgets.
5. Unexpended appropriations lapse at year end unless encumbered by resolution of the Governing Board/Municipality Commission.

The Municipality did not encumber any amounts at either December 31, 2018, or December 31, 2019.

6. Formal budgetary integration is employed as a management control device during the year for the General Fund and special revenue funds and capital project funds. Formal budgetary integration is not employed for debt service funds because effective budgetary control is alternatively achieved through general obligation bond indenture provisions.

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.

CITY OF HURON, SOUTH DAKOTA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended December 31, 2019

Federal Grantor/Pass Through Grantor Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Expenditures 2019
United States Department of Transportation			
Direct Federal Funding:			
Airport Improvement Program (Note 4)	20.106	3-46-0022-35	\$120,227.60
	20.106	3-46-0022-36	\$54,316.85
	20.106	3-46-0022-37	<u>\$414,445.10</u>
			<u>\$588,989.55</u>
United States Dept. of Housing & Urban Development			
Indirect Federal Funding			
SD Office of Economic Development			
Community Development Block Grant	14.228	1616-116	<u>\$239,339.11</u>
			<u>\$239,339.11</u>
United States Department of Homeland Security			
Indirect Federal Funding			
SD Dept of Public Safety-Office of Homeland Security			
Homeland Security Grant Program	97.067	2018-223	\$31,543.99
	97.067	2019-49	<u>\$43,212.33</u>
			<u>\$74,756.32</u>
United States Department of Transportation			
Indirect Federal Funding			
SD Dept of Public Safety-Office of Highway Safety			
State and Community Highway Safety	20.600	2019-00-06	\$15,476.71
	20.600	2020-00-29	<u>\$1,997.95</u>
			<u>\$17,474.66</u>
United States Department of Justice			
Direct Federal Funding			
Bulletproof Vest Partnership Program	16.607		<u>\$3,546.01</u>
			<u>\$3,546.01</u>
General Services Administration			
Indirect Federal Funding:			
S.D. Federal Property Agency			
Donation of Federal Surplus Property (Note 5)	39.003		<u>\$19,304.22</u>
			<u>\$19,304.22</u>
GRAND TOTAL			<u><u>\$943,409.87</u></u>

Note 1: Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the schedule) includes the federal award activity of the Municipality under programs of the federal government for the year ended December 31, 2019. 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 of Principles, and Audit Requirements of 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 City.

Note 2: Summary of Significant Accounting Policies

Expenditures reported in 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.

Note 3: Indirect Cost Rate

The City does not draw for indirect administrative expenses and has not elected to use the 10% de minimus cost rate.

Note 4: Major Federal Financial Assistance Program

This represents a Major Financial Assistance Program

Note 5: Federal Surplus Property

The amount reported represents 23.3% of the original acquisition cost of the federal surplus property received by the City.