

CITY OF MITCHELL
INDEPENDENT AUDITOR'S REPORT
AND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 2019

TABLE OF CONTENTS

	PAGE
<i>INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS</i>	1-2
<i>INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDAN</i>	3-4
<i>SCHEDULE OF PRIOR AND CURRENT AUDIT FINDINGS AND QUESTIONED COSTS</i>	5-6
<i>INDEPENDENT AUDITOR’S REPORT</i>	7-9
<i>FINANCIAL STATEMENTS</i>	
Statement of Net Position.....	10
Statement of Activities	11
Balance Sheet – Governmental Funds.....	12
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	13
Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds	14-15
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	16
Statement of Net Position – Proprietary Funds	17-18
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds	19
Statement of Cash Flows – Proprietary Funds	20
Statement of Net Position – Fiduciary Funds.....	21
<i>NOTES TO FINANCIAL STATEMENTS</i>	22-57
<i>REQUIRED SUPPLEMENTAL INFORMATION</i>	58
Budgetary Comparison Schedule –General Fund	59-60
Budgetary Comparison Schedule – Park Fund	61
Notes to the Required Supplemental Information.....	62
Schedule of Changes in Total OPEB Liability	63
Schedule of the Municipality’s Proportionate Share of the Net Pension Liability (Asset) (SDRS).....	64
Schedule of the Municipality’s Contributions (SDRS).....	65
Notes to the Required Supplemental Information.....	66
<i>SUPPLEMENTAL INFORMATION</i>	67
Schedule of Expenditures of Federal Awards	68-69



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

To the City Council
City of Mitchell, 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, each major fund and the aggregate remaining fund information of the City of Mitchell as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the City of Mitchell's basic financial statements and have issued our report thereon dated January 15, 2021. We were not engaged to audit the financial statements of the aggregate discretely presented component units.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Mitchell's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Mitchell's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Mitchell'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 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 Mitchell'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 financial statement. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

A handwritten signature in black ink, appearing to read "CIO of LLC". The signature is written in a cursive, somewhat stylized font.

Mitchell, South Dakota
January 15, 2021



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

**To the City Council
City of Mitchell, South Dakota**

Report on Compliance for Each Major Federal Program

We have audited City of Mitchell's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of City of Mitchell's major federal programs for the year ended December 31, 2019. City of Mitchell's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the federal statues, 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 the City of Mitchell'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 of 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 Mitchell'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 for each major federal program. However, our audit does not provide a legal determination of the City of Mitchell's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Mitchell 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 the City of Mitchell is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Mitchell'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 our auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Mitchell'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 purposes. As required by South Dakota Codified Law 4-11-11, this report and our report on compliance for each major federal program are matters of public record and their distribution is not limited.



Mitchell, South Dakota
January 15, 2021

CITY OF MITCHELL
SCHEDULE OF PRIOR AND CURRENT AUDIT FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(CONTINUED)

SCHEDULE OF CURRENT AUDIT FINDINGS (CONTINUED)

Identification of Major Programs:

CFDA Number(s)

66.458

Name of Federal Program or Cluster

Capitalization Grants for Clean
Water - State Revolving Funds

Dollar threshold used to distinguish
between type A and type B programs:

\$ 750,000

Auditee qualified as low-risk auditee?

 Yes X No

Section II - Financial Statement Findings

There are no findings which are required to be reported in accordance with Government Auditing Standards.

Section III - Financial Statement Findings

There are no findings or questioned costs relating to federal award programs which are required to be reported in accordance with 2 CFR 200.516(a).



INDEPENDENT AUDITOR'S REPORT

**To the City Council
City of Mitchell, South Dakota**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Mitchell as of and for the year ended December 31, 2019 and the related notes to the financial statements. We were not engaged to audit the financial statements of the aggregate discretely presented component units. These financial statements collectively comprise the Municipality's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. Because of the matter described in the "Basis for Disclaimer of Opinion" paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the aggregate discretely presented component units.

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

Except for the matter described in the "Basis for Disclaimer of Opinion on the Aggregate Discretely Presented Component Units" paragraph, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Summary of Opinions

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Governmental Activities	Unmodified
Business-Type Activities	Unmodified
Aggregate Discretely Presented Component Units	Disclaimer
Governmental -General Fund	Unmodified
Governmental - Park Fund	Unmodified
Enterprise – Water fund	Unmodified
Enterprise – Sewer Fund	Unmodified
Enterprise – Airport Fund	Unmodified
Enterprise – Sanitation Fund	Unmodified
Enterprise – Corn Palace Fund	Unmodified
Enterprise – Golf Fund	Unmodified
Enterprise – Campground Fund	Unmodified
Aggregate Remaining Fund Information	Unmodified

Basis for Disclaimer of Opinion on the Aggregate Discretely Presented Component Units

The financial statements of the Housing and Redevelopment Commission Component Unit (HRC) have not been audited, and we were not engaged to audit the HRC financial statements as part of our audit of the City’s basic financial statements. HRC’s financial activities are included in the City’s basic financial statements as a discretely presented component unit and represent 100% of the assets, net position, and revenues, respectively, of the Municipality’s aggregate discretely presented component unit.

Disclaimer of Opinion

Because of the significance of the matter described in the “Basis for Disclaimer of Opinion on the Aggregate Discretely Presented Component Units” paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements of the aggregate discretely presented component units of the City of Mitchell, South Dakota. Accordingly, we do not express an opinion on these financial statements.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Mitchell 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 Budgetary Comparison Schedules, the Schedule of Changes in Total OPEB Liability, Schedule of the Municipality's Proportionate Share of the Net Pension Liability (Asset) (SDRS), and Schedule of Municipality's Contributions (SDRS) on pages 59-65, 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 supplemental 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.

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

Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 15, 2021-on our consideration of the Municipality'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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Mitchell's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Municipality's internal control over financial reporting and compliance.



Mitchell, South Dakota
January 15, 2021

CITY OF MITCHELL
STATEMENT OF NET POSITION
DECEMBER 31, 2019

	<i>Primary Government</i>		<i>Total</i>	<i>Component Unit (Unaudited)</i>
	<i>Governmental Activities</i>	<i>Business-Type Activities</i>		
ASSETS:				
Cash and cash equivalents	\$ 11,379,746	\$ 6,339,953	\$ 17,719,699	\$ 919,405
Investments	1,802,299	-	1,802,299	-
Accounts receivable	561,109	1,230,213	1,791,322	6,526
Internal balances	150,000	(150,000)	-	-
Inventories	308,384	381,406	689,790	-
Other assets	1,808,075	-	1,808,075	1,316,645
Restricted assets:				
Cash and cash equivalents	2,532,547	107,940	2,640,487	-
Investments	-	1,200,443	1,200,443	-
Deposits	672,393	-	672,393	-
Net pension asset	44,922	8,899	53,821	-
Capital assets:				
Land and construction in progress	12,463,555	7,504,822	19,968,377	20,239
Other capital assets, net of depreciation	51,315,539	57,010,642	108,326,181	5,238,346
TOTAL ASSETS	83,038,569	73,634,318	156,672,887	7,501,161
DEFERRED OUTFLOWS OF RESOURCES:				
Pension & OPEB related deferred outflows	1,862,090	556,983	2,419,073	-
LIABILITIES:				
Accounts payable	1,232,248	708,298	1,940,546	25,230
Other current liabilities	-	1,139,019	1,139,019	171,717
Noncurrent liabilities:				
Net OPEB Obligation	939,115	90,122	1,029,237	-
Due within one year	1,369,108	513,676	1,882,784	-
Due in more than one year	14,897,009	15,091,456	29,988,465	1,000,000
TOTAL LIABILITIES	18,437,480	17,542,571	35,980,051	1,196,947
DEFERRED INFLOWS OF RESOURCES:				
Pension & OPEB related deferred inflows of resources	960,027	197,189	1,157,216	-
TOTAL DEFERRED INFLOWS OF RESOURCES	960,027	197,189	1,157,216	-
NET POSITION:				
Net Investment in capital assets	47,512,977	49,755,623	97,268,600	4,258,585
Restricted for:				
Other-component unit	-	-	-	2,045,629
Debt service purposes	3,285,408	96,605	3,382,013	-
SDPAA	672,393	-	672,393	-
Parks and recreation	59,760	-	59,760	-
Equipment repair and/or replacement	-	80,000	80,000	-
Economic development	691,533	-	691,533	-
Public safety	223,416	-	223,416	-
Other purposes	92,149	-	92,149	-
Landfill closure and post-closure costs	-	1,200,443	1,200,443	-
SDRS pension purposes & OPEB liability	946,985	368,693	1,315,678	-
Unrestricted	12,018,531	4,950,177	16,968,708	-
TOTAL NET POSITION	\$ 65,503,152	\$ 56,451,541	\$ 121,954,693	\$ 6,304,214

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

CITY OF MITCHELL
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Unit (Unaudited)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total	
					Governmental Activities	Business-Type Activities		
Primary Government:								
<i>Governmental Activities:</i>								
General government	\$ 1,733,972	\$ 54,172	\$ 1,716,775	\$ --	\$ 36,975	\$ --	\$ 36,975	\$ --
Public safety	7,603,079	635,099	260,044	--	(6,707,936)	--	(6,707,936)	--
Public works	5,309,874	146,907	303,489	--	(4,859,478)	--	(4,859,478)	--
Health and welfare	3,064,982	1,107,632	--	--	(1,957,350)	--	(1,957,350)	--
Culture and recreation	4,472,749	940,274	--	--	(3,532,475)	--	(3,532,475)	--
Conservation and development	600,559	--	--	--	(600,559)	--	(600,559)	--
Interest on long-term debt	443,496	--	--	--	(443,496)	--	(443,496)	--
Total Governmental Activities	23,228,711	2,884,084	2,280,308	--	(18,064,319)	--	(18,064,319)	--
<i>Business-type Activities:</i>								
Water	2,515,343	3,344,971	--	--	--	829,628	829,628	--
Sewer	2,070,956	2,358,478	--	--	--	287,522	287,522	--
Airport	739,042	153,985	--	--	--	(585,057)	(585,057)	--
Sanitation	2,543,902	2,316,057	53,514	--	--	(174,331)	(174,331)	--
Corn Palace	2,214,201	1,170,762	15,642	--	--	(1,027,797)	(1,027,797)	--
Golf	495,742	423,843	--	--	--	(71,899)	(71,899)	--
Campground	47,949	61,234	--	--	--	13,285	13,285	--
Total Business-type Activities	10,627,135	9,829,330	69,156	--	--	(728,649)	(728,649)	--
Total Primary Government	\$ 33,855,846	\$ 12,713,414	\$ 2,349,464	\$ --	(18,064,319)	(728,649)	(18,792,968)	--
<i>Component Unit:</i>								
Housing and Redevelopment Commission	\$ 1,152,497	\$ 10,155	\$ --	\$ 1,347,979	--	--	--	205,637
<i>General Revenues:</i>								
<i>Taxes:</i>								
Property taxes					6,754,662	--	6,754,662	--
Sales taxes					12,448,384	--	12,448,384	--
<i>Revenue from State Sources:</i>								
State shared revenues					466,973	--	466,973	--
Unrestricted investment earnings					281,500	119,344	400,844	1,328
Miscellaneous revenues					190,669	26,535	217,204	--
Transfers					6,287,279	(6,287,279)	--	--
Total General Revenues and Transfers					26,429,467	(6,141,400)	20,288,067	1,328
Change in Net Position					8,365,148	(6,870,049)	1,495,099	206,965
<i>NET POSITION, Beginning</i>					57,138,004	63,321,590	120,459,594	6,097,249
<i>NET POSITION, End of Year</i>					\$ 65,503,152	\$ 56,451,541	\$ 121,954,693	\$ 6,304,214

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

CITY OF MITCHELL
BALANCE SHEET – GOVERNMENTAL FUNDS
DECEMBER 31, 2019

	<u>General Fund</u>	<u>Park Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS:				
Cash and cash equivalents	\$ 5,885,126	\$ 62,419	\$ 2,665,540	\$ 8,613,085
Investments	1,802,299	--	--	1,802,299
Taxes receivable-delinquent	71,578	--	--	71,578
Accounts Receivable	481,469	76,747	2,893	561,109
Special assessments receivable				
Current	5,975	--	2,441	8,416
Delinquent	5,075	--	486	5,561
Deferred	19,422	--	--	19,422
Due from other funds	271,957	--	--	271,957
Due from other governments	1,455,194	--	247,904	1,703,098
Supply inventory	261,242	40,658	6,484	308,384
Restricted Deposits	672,393	--	--	672,393
Restricted cash	2,532,547	--	--	2,532,547
<i>Total Assets</i>	<u>\$ 13,464,277</u>	<u>\$ 179,824</u>	<u>\$ 2,925,748</u>	<u>\$ 16,569,849</u>
LIABILITIES AND FUND BALANCES:				
<i>Liabilities:</i>				
Accounts payable	\$ 719,401	\$ 68,287	\$ 71,556	\$ 859,244
Due to other funds	--	--	121,957	121,957
<i>Total Liabilities</i>	<u>719,401</u>	<u>68,287</u>	<u>193,513</u>	<u>981,201</u>
<i>Deferred inflows of resources:</i>				
Unavailable revenue	1,174,875	--	69,841	1,244,716
<i>Total Deferred Inflows of Resources</i>	<u>1,174,875</u>	<u>--</u>	<u>69,841</u>	<u>1,244,716</u>
<i>Fund Balances:</i>				
Nonspendable	933,635	40,658	6,484	980,777
Restricted	2,532,547	59,760	1,759,959	4,352,266
Assigned	2,345,717	11,119	895,951	3,252,787
Unassigned	5,758,102	--	--	5,758,102
<i>Total Fund Balances</i>	<u>11,570,001</u>	<u>111,537</u>	<u>2,662,394</u>	<u>14,343,932</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 13,464,277</u>	<u>\$ 179,824</u>	<u>\$ 2,925,748</u>	<u>\$ 16,569,849</u>

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

**CITY OF MITCHELL
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2019**

Total Fund Balances Government Funds	\$ 14,343,932
 Amounts reported for governmental activities in the statement of net position are different because:	
 Net pension asset reported in governmental activities is not available financial resource and therefore is not reported in the funds.	 44,922
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	63,779,094
Pension and OPEB related deferred outflows are components of pension liability (asset)/OPEB liability and therefore are not reported in the funds.	1,862,090
Long-term liabilities, including bonds payable, net pension liability, capital leases payable, accrued leave payable and accrued other post-employment benefits payable are not due and payable in the current period and therefore are not reported in the funds.	(16,266,117)
Assets such as taxes receivable (delinquent) and special assessment receivables (current, delinquent and deferred) are not available to pay for current period expenditures and therefore are not deferred in the funds.	104,978
Sales tax and revenue from sale of goods and services received after the "availability" period is deferred in the funds' statements.	1,139,738
Pension and OPEB related deferred inflows are components of pension liability (asset)/OPEB liability and therefore are not reported in the funds.	(1,899,142)
Internal service funds are used by management to charge the costs of activities, such as insurance, to individual funds. The assets and liabilities of internal service funds are included in governmental activities in the statement of net position.	<u>2,393,657</u>
 <i>Net Position Governmental Activities</i>	 <u><u>\$ 65,503,152</u></u>

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

CITY OF MITCHELL
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019

<u>REVENUES</u>	<u>General Fund</u>	<u>Park Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<i>Revenue from Local Sources:</i>				
Taxes:				
General property taxes	\$ 5,186,666	\$ —	\$ 1,351,992	\$ 6,538,658
Airflight property tax	788	—	—	788
General sales taxes	11,370,197	—	1,088,886	12,459,083
Gross receipts taxes	191,655	—	—	191,655
Amusement taxes	1,320	—	—	1,320
Penalties and interest on taxes	8,678	—	—	8,678
Licenses and permits	163,707	—	—	163,707
Intergovernmental Revenue:				
Federal grants	21,819	—	627,553	649,372
State grants	587,883	13,888	156,988	758,759
State shared revenues	770,462	—	260,044	1,030,506
Charges for Goods or Services:				
General government	3,275	—	—	3,275
Public safety	133,676	—	283,788	417,464
Highways and streets	7,324	—	—	7,324
Health	—	—	415,940	415,940
Culture and recreation	—	940,274	—	940,274
Ambulance	691,692	—	—	691,692
Cemetery	139,583	—	—	139,583
Fines and Forfeits:				
Court fines	1,623	—	—	1,623
Other fines	33,382	—	18,923	52,305
Miscellaneous Revenue:				
Interest earned	281,500	—	—	281,500
Rentals	823	—	—	823
Special assessments	7,182	—	42,892	50,074
Contributions from private sources	3,056	54,954	250,634	308,644
Other	102,742	1,876	86,051	190,669
TOTAL REVENUES	19,709,033	1,010,992	4,583,691	25,303,716

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

CITY OF MITCHELL
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019
(CONTINUED)

	<u>General Fund</u>	<u>Park Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>EXPENDITURES</u>				
General Government:				
Legislative	\$ 264,018	\$ --	\$ --	\$ 264,018
Executive	218,703	--	--	218,703
Financial administration	1,165,352	--	--	1,165,352
Other	805,703	--	--	805,703
Public Safety:				
Police	3,345,677	--	--	3,345,677
Fire	1,244,574	--	--	1,244,574
Other protection	--	--	933,799	933,799
Public Works:				
Highways and streets	4,554,041	--	--	4,554,041
Cemeteries	292,102	--	--	292,102
Health and Welfare:				
Health	53,500	--	1,542,365	1,595,865
Humane society	61,490	--	--	61,490
Ambulance	1,291,694	--	--	1,291,694
Culture and Recreation:				
Recreation	151,549	2,032,534	--	2,184,083
Parks	--	999,964	--	999,964
Libraries	623,210	--	8,539	631,749
Conservation and Development:				
Urban Redevelopment and Housing			1,067	1,067
Economic opportunity	277,959	--	321,533	599,492
Debt Service	1,577,549	--	1,686,526	3,264,075
Capital Outlay	6,186,083	351,474	191,372	6,728,929
TOTAL EXPENDITURES	22,113,204	3,383,972	4,685,201	30,182,377
<i>Excess of Revenues Over (Under)</i>				
<i>Expenditures</i>	<u>(2,404,171)</u>	<u>(2,372,980)</u>	<u>(101,510)</u>	<u>(4,878,661)</u>
OTHER FINANCING SOURCES (USES):				
Transfers-in	7,147,646	2,406,327	421,762	9,975,735
Sale of city property	3,324	3,917	--	7,241
Compensation for loss or damage to capital assets	--	2,943	6,618	9,561
Long-term debt issued	8,805,000	--	--	8,805,000
Transfers out	(3,328,456)	--	(360,000)	(3,688,456)
Discounts on bonds issued	295,887	--	--	295,887
Cost of bond issuance	(15,025)	--	--	(15,025)
Payments to refunded debt escrow agent	(10,122,969)	--	--	(10,122,969)
TOTAL OTHER FINANCING SOURCES (USES)	2,785,407	2,413,187	68,380	5,266,974
<i>Net Change in Fund Balances</i>	381,236	40,207	(33,130)	388,313
<i>FUND BALANCE, Beginning of Year</i>	11,188,765	71,330	2,695,524	13,955,619
<i>FUND BALANCE, End of Year</i>	<u>\$ 11,570,001</u>	<u>\$ 111,537</u>	<u>\$ 2,662,394</u>	<u>\$ 14,343,932</u>

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

CITY OF MITCHELL
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019

Net Change in Fund Balances Total Government Funds \$ 388,313

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

This amount represents capital asset purchases which are reported as expenditures on the fund financial statements but increase assets on the government wide statements.	6,728,929
This amount represents the current year depreciation expense reported in the statement of activities which is not reported on the fund financial statements because it does not require the use of current financial resources.	(1,932,214)
In the statement of activities, gains of \$1,213 of disposal of capital assets are reported, whereas , in the governmental funds, the proceeds \$16,802 from the disposal of capital assets are reflected, regardless of whether a gain or loss is realized.	(15,589)
Payment of principal on long-term debt is an expenditure in the governmental funds but the payment reduces long-term liabilities in the statement of net assets.	12,662,686
The issuance of long-term debt is an other financing source in the fund statements but an increase in long-term liabilities on the government wide statements.	(8,805,000)
The fund financial statement governmental fund property tax accruals differ from the government wide statement property tax accruals in the the fund financial statements require the amounts to be "available".	17,827
The fund financial statement governmental fund sales and use tax tax accruals differ from the government wide statement sales and use tax accruals in that the fund financial statements require the amounts to be "available".	(10,699)
Governmental funds report special assessments as revenue when "available", but the statement of activities includes the full amount of special assessments as revenue upon completion of the project at the point when an enforceable legal claim arises.	(4,264)
Governmental funds recognize expenditures for amounts of compensated absences actually paid to employees with current financial resources during the year. Amounts of compensated absences earned by employees are not recognized in the funds. In the statement of activities, expenses for these benefits are recognized when the employees earn leave credits.	(44,981)
Changes in the Net OPEB obligation and pension related deferred outflows/inflows are direct components of pension liability (asset)/OPEB liability and are not reflected in the governmental funds.	(1,827,841)
Internal services funds are used by management to charge the costs of certain activities, such as insurance to individual funds. The net revenue (expense) of the internal service fund is reported with governmental activities.	1,207,981

Change in Net Position of Governmental Activities \$ 8,365,148

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

CITY OF MITCHELL
STATEMENT OF NET POSITION – PROPRIETARY FUNDS
DECEMBER 31, 2019

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Airport Fund</u>	<u>Sanitation Fund</u>	<u>Corn Palace Fund</u>	<u>Golf Fund</u>	<u>Campground Fund</u>	<u>Total</u>	<u>Internal Service Fund</u>
ASSETS:									
<i>Current Assets:</i>									
Cash and cash equivalents	\$ 1,403,831	\$ 1,073,543	\$ 128,685	\$ 3,493,909	\$ 174,078	\$ 32,766	\$ 33,141	\$ 6,339,953	\$ 2,766,661
Accounts receivable	443,306	423,486	–	359,136	4,285	–	–	1,230,213	–
Supply inventory	296,865	31,807	5,495	7,773	19,689	19,777	–	381,406	–
Total Current Assets	2,144,002	1,528,836	134,180	3,860,818	198,052	52,543	33,141	7,951,572	2,766,661
<i>Noncurrent Assets:</i>									
Restricted cash and cash equivalents	–	80,000	–	27,940	–	–	–	107,940	–
Restricted investments	–	–	–	1,200,443	–	–	–	1,200,443	–
Net pension asset	1,813	1,667	356	2,732	1,708	623	–	8,899	–
<i>Capital Assets:</i>									
Land	4,256,056	148,092	39,743	550,373	50,650	169,843	–	5,214,757	–
Buildings	13,231,648	291,263	571,487	1,882,673	8,445,556	314,500	–	24,737,127	–
Improvements other than buildings	26,612,293	14,321,424	17,237,290	2,680,945	894,970	1,171,581	–	62,918,503	–
Machinery and equipment	3,820,021	6,718,279	729,039	2,794,688	637,761	631,298	–	15,331,086	–
Construction in progress	942,570	1,051,166	–	296,329	–	–	–	2,290,065	–
Intangible assets	–	2,500	–	–	–	–	–	2,500	–
Accumulated depreciation	(16,625,123)	(8,430,147)	(12,972,640)	(3,920,974)	(2,343,513)	(1,686,177)	–	(45,978,574)	–
Total Capital Assets	32,237,465	14,102,577	5,604,919	4,284,034	7,685,424	601,045	–	64,515,464	–
Total Noncurrent Assets	32,239,278	14,184,244	5,605,275	5,515,149	7,687,132	601,668	–	65,832,746	–
TOTAL ASSETS	34,383,280	15,713,080	5,739,455	9,375,967	7,885,184	654,211	33,141	73,784,318	2,766,661
DEFERRED OUTFLOWS OF RESOURCES:									
Pension and OPEB related deferred outflows	109,742	103,877	17,087	150,915	127,988	47,374	–	556,983	–

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

CITY OF MITCHELL
STATEMENT OF NET POSITION – PROPRIETARY FUNDS
DECEMBER 31, 2019
(CONTINUED)

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Airport Fund</u>	<u>Sanitation Fund</u>	<u>Corn Palce Funds</u>	<u>Golf Funds</u>	<u>Campground Fund</u>	<u>Total</u>	<u>Internal Service Fund</u>
LIABILITIES:									
<i>Current Liabilities:</i>									
Accounts payable	\$ 149,304	127,708	\$ 16,363	\$ 377,471	\$ 27,522	\$ 9,512	\$ 418	\$ 708,298	\$ 130,004
Due to other funds	--	75,000	--	--	--	75,000	--	150,000	--
Incurred but not reported claims payable	--	--	--	--	--	--	--	--	243,000
Compensated absences payable current	6,697	8,629	947	6,058	4,830	3,867	--	31,028	--
Bonds payable - current:									
Revenue	261,409	98,653	--	122,586	--	--	--	482,648	--
Total Current Liabilities	417,410	309,990	17,310	506,115	32,352	88,379	418	1,371,974	373,004
<i>Noncurrent Liabilities:</i>									
Bonds payable:									
Revenue	6,444,324	7,955,455	--	691,677	--	--	--	15,091,456	--
Accrued leave payable	20,090	25,886	2,842	18,173	14,491	11,600	--	93,082	--
Accrued landfill closure and postclosure costs	--	--	--	1,045,937	--	--	--	1,045,937	--
Net OPEB Obligation	19,292	15,841	2,601	26,686	21,219	4,483	--	90,122	--
Net pension liability	--	--	--	--	--	--	--	--	--
Total Noncurrent Liabilities	6,483,706	7,997,182	5,443	1,782,473	35,710	16,083	--	16,320,597	--
TOTAL LIABILITIES	6,901,116	8,307,172	22,753	2,288,588	68,062	104,462	418	17,692,571	373,004
DEFERRED INFLOWS OF RESOURCES:									
Pension related deferred inflows	39,159	37,195	8,041	58,137	40,114	14,543	--	197,189	--
NET POSITION									
Net investment in capital assets	25,531,732	6,048,469	5,604,919	4,284,034	7,685,424	601,045	--	49,755,623	--
Restricted for									
Revenue bond debt service	68,665	--	--	27,940	--	--	--	96,605	--
Equipment repair and/or replacement	--	80,000	--	--	--	--	--	80,000	--
Landfill closure and post-closure costs	--	--	--	1,200,443	--	--	--	1,200,443	--
SDRS pension purposes & OPEB liability	72,396	68,349	9,402	95,510	89,582	33,454	--	368,693	--
Unrestricted net position	1,879,954	1,275,772	111,427	1,572,230	129,990	(51,919)	32,723	4,950,177	2,393,657
Total Net Position	\$ 27,552,747	\$ 7,472,590	\$ 5,725,748	\$ 7,180,157	\$ 7,904,996	\$ 582,580	\$ 32,723	\$ 56,451,541	\$ 2,393,657

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

CITY OF MITCHELL
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION –
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Airport Fund</u>	<u>Sanitation Fund</u>	<u>Corn Palace Fund</u>	<u>Golf Fund</u>	<u>Campground Fund</u>	<u>Total</u>	<u>Internal Service Fund</u>
OPERATING REVENUES:									
Charges for goods and services	\$ 3,344,971	\$ 2,358,478	\$ 153,985	\$ 2,316,057	\$ 1,111,744	\$ 423,843	\$ 61,234	\$ 9,770,312	\$ --
Contributions and donations	--	--	--	--	59,018	--	--	59,018	--
Miscellaneous	--	--	--	--	--	--	--	--	4,232,361
Total Operating Revenue	3,344,971	2,358,478	153,985	2,316,057	1,170,762	423,843	61,234	9,829,330	4,232,361
OPERATING EXPENSES:									
Personal services	575,179	544,023	124,268	900,908	769,981	216,135	24,609	3,155,103	--
Cost of sales	640,538	--	--	--	189,622	--	--	830,160	--
Other current expense	590,358	1,076,675	131,354	1,321,851	1,036,723	208,007	23,340	4,388,308	3,024,380
Depreciation	692,198	415,624	483,420	291,593	217,875	71,600	--	2,172,310	--
Total Operating Expenses	2,498,273	2,036,322	739,042	2,514,352	2,214,201	495,742	47,949	10,545,881	3,024,380
Operating Income (Loss)	846,698	322,156	(585,057)	(198,295)	(1,043,439)	(71,899)	13,285	(716,551)	1,207,981
NONOPERATING REVENUE (EXPENSE):									
Operating grants	--	--	--	53,514	15,642	--	--	69,156	--
Interest earned	24,042	14,210	--	81,092	--	--	--	119,344	--
Interest expense	(17,070)	(34,634)	--	(29,550)	--	--	--	(81,254)	--
Gain on disposition of assets	(24)	1,032	18,285	6,785	106	351	--	26,535	--
Total Nonoperating Revenue (Expense)	6,948	(19,392)	18,285	111,841	15,748	351	--	133,781	--
Net Income (Loss) before Capital Contributions and Transfers	853,646	302,764	(566,772)	(86,454)	(1,027,691)	(71,548)	13,285	(582,770)	1,207,981
Transfers in	--	--	--	--	860,367	--	--	860,367	--
Transfers (out)	(735,000)	(6,247,646)	--	(165,000)	--	--	--	(7,147,646)	--
Change in Net Position	118,646	(5,944,882)	(566,772)	(251,454)	(167,324)	(71,548)	13,285	(6,870,049)	1,207,981
NET POSITION, Beginning of Year	27,434,101	13,417,472	6,292,520	7,431,611	8,072,320	654,128	19,438	63,321,590	1,185,676
NET POSITION, End of Year	\$ 27,552,747	\$ 7,472,590	\$ 5,725,748	\$ 7,180,157	\$ 7,904,996	\$ 582,580	\$ 32,723	\$ 56,451,541	\$ 2,393,657

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

CITY OF MITCHELL
STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019

	<i>Water Fund</i>	<i>Sewer Fund</i>	<i>Airport Fund</i>	<i>Sanitation Fund</i>	<i>Corn Palace Fund</i>	<i>Golf Fund</i>	<i>Campground Fund</i>	<i>Total</i>	<i>Internal Service Fund</i>
CASH FLOWS FROM OPERATING ACTIVITIES:									
Receipts from customers	\$ 3,276,519	\$ 2,235,926	\$ 154,145	\$ 2,280,605	\$ 1,166,768	\$ 423,843	\$ 61,234	\$ 9,599,040	\$ 4,232,361
Cash receipts for interfund services	--	--	--	--	--	--	--	--	--
Payments to employees for services	(521,060)	(493,078)	(113,297)	(817,973)	(714,001)	(201,453)	(24,609)	(2,885,471)	--
Payments to suppliers	(1,232,366)	(1,009,000)	(121,115)	(1,056,152)	(1,226,017)	(208,680)	(24,880)	(4,878,210)	(2,961,090)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	1,523,093	733,848	(80,267)	406,480	(773,250)	13,710	11,745	1,835,359	1,271,271
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:									
Transfers in from other funds	--	--	--	--	860,367	--	--	860,367	--
Transfers (to) other funds	(735,000)	--	--	(165,000)	--	--	--	(900,000)	--
NET CASH PROVIDED (USED) BY NON-CAPITAL FINANCING ACTIVITIES	(735,000)	--	--	(165,000)	860,367	--	--	(39,633)	--
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:									
Capital contributions	--	(6,247,646)	--	--	--	--	--	(6,247,646)	--
Proceeds from sale of capital assets	--	1,050	18,285	6,785	113	351	--	26,584	--
Purchase of capital assets	(5,406,205)	(1,182,733)	--	--	--	--	--	(6,588,938)	--
Accrued landfill closure and postclosure costs	--	--	--	49,698	--	--	--	49,698	--
Debt principal paid	4,372,334	6,526,994	--	(118,614)	--	--	--	10,780,714	--
Debt interest paid	(17,070)	(34,634)	--	(29,550)	--	--	--	(81,254)	--
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(1,050,941)	(936,969)	18,285	(91,681)	113	351	--	(2,060,842)	--
CASH FLOWS FROM INVESTING ACTIVITIES:									
Operating grant received	--	--	--	53,514	15,642	--	--	69,156	--
Transfer (to) restricted cash	--	--	--	(130,448)	--	--	--	(130,448)	--
Cash received for interest	24,042	14,210	--	81,092	--	--	--	119,344	--
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	24,042	14,210	--	4,158	15,642	--	--	58,052	--
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(238,806)	(188,911)	(61,982)	153,957	102,872	14,061	11,745	(207,064)	1,271,271
CASH AND CASH EQUIVALENTS, Beginning of Year	1,642,637	1,262,454	190,667	3,339,952	71,206	18,705	21,396	6,547,017	1,495,390
CASH AND CASH EQUIVALENTS, End of Year	\$ 1,403,831	\$ 1,073,543	\$ 128,685	\$ 3,493,909	\$ 174,078	\$ 32,766	\$ 33,141	\$ 6,339,953	\$ 2,766,661
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS (USED) BY OPERATING ACTIVITIES:									
Operating Income (Loss)	\$ 846,698	\$ 322,156	\$ (585,057)	\$ (198,295)	\$ (1,043,439)	\$ (71,899)	\$ 13,285	\$ (716,551)	\$ 1,207,981
Adjustments to reconcile operating (loss) to net cash provided (used) by operating activities:									
Depreciation	692,198	415,624	483,420	291,593	217,875	71,600	--	2,172,310	--
Changes in Assets and Liabilities:									
Receivables	(68,452)	(122,552)	160	(35,452)	(3,994)	--	--	(230,290)	--
Inventories	8,866	1,972	(571)	1,474	8,886	(2,122)	--	18,505	--
Net pension asset/liability	46,496	44,137	11,378	75,910	48,413	13,245	--	239,579	--
Accounts and other payables	(10,336)	65,703	10,810	264,225	(8,558)	1,449	(1,540)	321,753	63,290
Accrued leave, Accrued landfill closure and postclosure costs, and OPEB payable	7,623	6,808	(407)	7,025	7,567	1,437	--	30,053	--
CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 1,523,093	\$ 733,848	\$ (80,267)	\$ 406,480	\$ (773,250)	\$ 13,710	\$ 11,745	\$ 1,835,359	\$ 1,271,271

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

CITY OF MITCHELL
STATEMENT OF NET POSITION – FIDUCIARY FUNDS
DECEMBER 31, 2019

	<i>Agency Funds</i>
ASSETS:	
Cash and Cash Equivalents	\$ 941,098
Other Assets	99,872
TOTAL ASSETS	1,040,970
 LIABILITIES:	
Accounts Payable	3,608
Amounts held for others	1,037,362
Total Liabilities	1,040,970
NET POSITION	\$ —

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

*CITY OF MITCHELL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019*

1. *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:*

a. *Financial Reporting Entity:*

The reporting entity of the City of Mitchell (City) 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); 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 Governing Board appoints a voting majority of another organization's governing body and it has the ability to impose its will on that organization, or there is a potential for that organization to provide specific financial benefits to, or impose specific financial burdens on, the 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 City of Mitchell, 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 Governing Board for five-year staggered terms. The Commission elects its own chairperson and recruits and employs its own management personnel and other workers. The Governing Board, though, retains the statutory authority to approve or deny or otherwise modify the Commission's plans to construct a low-income housing unit, or to issue debt, which gives the Governing Board the ability to impose its will on the Commission. Separately issued financial statements of the Housing and Redevelopment Commission may be obtained from: The Housing and Redevelopment Commission of the City of Mitchell, Tammy Frost, Executive Director, 200 East 15th Mitchell, SD 57301. The June 30, 2019 year-end statements are presented in these financial statements. Included in the reported totals are the commissions component unit (Meadowlawn Plaza, LLC), as of December 31, 2018.

b. *Basis of Presentation:*

Government-Wide Financial Statements:

The Statement of Net Position and Statement of Activities display information about the reporting entity as a whole. They include all funds of the reporting entity, except for fiduciary funds. The statements distinguish between governmental and business-type activities 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 1.a., above, and may be classified as either governmental or business-type activities. See the discussion of individual component units in Note 1.a. above.

*CITY OF MITCHELL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019*

1. *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)*

b. *Basis of Presentation: (continued)*

Government-Wide Financial Statements: (continued)

The Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the City and for each function of the City'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% 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% of the corresponding total for all governmental and enterprise funds combined, or
3. Management has elected to classify one or more governmental or enterprises 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.

*CITY OF MITCHELL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019*

1. *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)*

b. *Basis of Presentation: (continued)*

Fund Financial Statements: (continued)

Governmental Funds: (continued)

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.

Park Fund – To account for charges for goods and services of the recreation center, ice skating rinks and other recreational facilities maintained by the city and the related costs of these facilities. This is a major fund.

The remaining Special Revenue funds are not considered major funds: Liquor, Lodging and Dining Gross Receipts Tax Fund, BID #3 Fund, Special Assessment Revolving Fund, 911 Emergency Fund, RSVP Fund, Nutrition Fund, and Library Fines Fund. These funds are reported on the fund financial statements as “Other Governmental Funds”.

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.

Tax Increment Financing (TIF) Funds – to account for the property taxes which may be used only for the payment of the applicable TIF bonds. The City has thirteen (13) of these debt service funds. None of the TIF funds are major funds.

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

Indoor Swimming Pool Fund – To account for financial resources to be used for construction of an indoor swimming pool. This is a not major fund.

*CITY OF MITCHELL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019*

1. *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)*

b. *Basis of Presentation: (continued)*

Fund Financial Statements: (continued)

Proprietary Funds:

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

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

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

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

Sanitation Fund – Financed primarily by user charges, this fund accounts for the operation of the City sanitation system. This is a major fund.

Corn Palace Fund – Financed by user charges and transfers in from the General and Liquor, Lodging and Dining Gross Receipts Tax Funds, this fund accounts for the operation of the Corn Palace. This is a major fund.

Golf Fund – Financed by user charges, this fund accounts for operation of the City golf course. This is a major fund.

Airport Fund – Financed by federal grants, state grants, transfers-in from General Fund and user fees, this fund accounts for operation of the City airport. This is a major fund.

Campground Fund – Financed by charges for services this fund accounts for operation of the campground. This is a major fund.

*CITY OF MITCHELL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019*

1. *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)*

b. *Basis of Presentation: (continued)*

Fund Financial Statements: (continued)

Proprietary Funds: (continued)

Internal Services Funds – Internal services funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the primary government and its component units or to other governments, on a cost-reimbursement basis. The particular types of services provided to other funds is coverage of employee medical expenses. Internal Service Funds are never considered to be major funds. The Health Insurance Fund is the only internal service fund maintained by the City.

Fiduciary Funds:

Agency Funds – Agency funds are used to report fiduciary activities that are not required to be reported in pension (and other employee benefit) trust funds, investment trust funds, or private-purpose trust funds. Agency funds consist of special assessment projects and payroll-related withholdings.

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, business-type activities and component units 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 and fiduciary fund types.

CITY OF MITCHELL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

1. ***SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)***

c. **Measurement Focus and Basis of Accounting: (continued)**

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 fund types 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 for the City of Mitchell is 30 days. The revenues which are accrued at December 31, 2019 are sales tax, real estate taxes, state shared revenues, and miscellaneous other revenues.

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

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 and fiduciary fund types 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.

*CITY OF MITCHELL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019*

1. *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)*

d. *Interfund Eliminations and Reclassifications:*

Government-Wide Financial Statements:

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

1. In order to minimize the grossing-up effect on assets and liabilities within the governmental and business-type activities columns of the primary government, amounts reported as interfund receivables and payables have been eliminated in the governmental and business-type activities columns, except for the net, residual amounts due between governmental and business-type activities, which are presented as Internal Balances.
2. In order to minimize the doubling-up effect of internal service fund activity, certain “centralized expenses” including employee health insurance, are charged as direct expenses to funds or programs in order to show all expenses that are associated with a service, program, department, or fund. When expenses are charged, in this manner, expense reductions occur in the Internal Service Fund so that expenses are reported only in the function to which they relate.

e. *Deposits and Investments:*

For the purpose of financial reporting, “cash and cash equivalents” includes all demand and savings accounts and certificates of deposit or short-term investments with a term to maturity at date of acquisition of three months or less.

Investments classified in the financial statements consist primarily of certificates of deposit whose term to maturity at date of acquisition exceeds three months, and/or those types of investments authorized by South Dakota Codified Laws (SDCL) 4-5-6.

f. *Capital Assets:*

Capital Assets include land, buildings, machinery and equipment, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period. Infrastructure assets are long-lived capital assets that normally are stationary in nature and normally can be preserved for a 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 government-wide or fund financial statements.

**CITY OF MITCHELL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:** *(continued)*

f. **Capital Assets:** *(continued)*

Government-Wide Statements:

Capital assets are recorded at historical cost or estimated cost where actual historical 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.

The total December 31, 2019 balance of governmental activities capital assets includes approximately 50% for which the costs were determined by estimates of the original costs. The total December 31, 2019 balance of business-type capital assets includes approximately 60% for which costs were determined by estimates of the original costs. These estimated original costs were established by appraisals or deflated current replacement cost.

Infrastructure Assets used in general government operations, consisting of certain improvements other than buildings, including roads, bridges, sidewalks, drainage systems, and lighting systems, acquired prior to January 1, 1980 were not required to be capitalized by the City. Infrastructure assets acquired since January 1, 1980 are recorded at cost and classified as “Improvements Other than Buildings”.

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

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the government-wide Statement of Activities, 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 the 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 financial statements and proprietary funds are as follows:

	<i>Capitalization Threshold</i>	<i>Depreciation Method</i>	<i>Estimated Useful Life</i>
Land	All	-- *	--
Buildings	\$50,000	straight-line	20-100 years
Improvements	\$25,000	straight-line	15-50 years
Machinery and equipment	\$5,000	straight-line	4-20 years

*Land is an inexhaustible capital asset and is not depreciated.

*CITY OF MITCHELL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019*

1. *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)*

f. *Capital Assets: (continued)*

Fund Financial Statements:

In the fund financial statements, capital assets used in governmental fund operations are accounted for as 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 financial statements.

g. *Long-term Liabilities:*

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

All long-term liabilities to be repaid from governmental and business-type resources are reported as liabilities in the government-wide financial statements. The long-term liabilities primarily consist of compensated absences, other post-employment benefits, revenue bonds and capital leases.

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

h. *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.

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, noncapital financing activities, or investing activities are not reported as components of operating revenues or expenses.

*CITY OF MITCHELL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019*

1. *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)*

j. *Deferred Inflows and Deferred Outflows of Resources:*

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

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

k. *Cash and Cash Equivalents:*

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

l. *Equity Classifications:*

Government-Wide Financial Statements:

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

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

Fund Financial Statements:

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

**CITY OF MITCHELL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

m. 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 positions are available.

n. Fund Balance Classification Policies and Procedures:

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

1. **Nonspendable – Includes fund balance amounts that cannot be spent either because they are not in spendable form or because of legal or contractual constraints.**
2. **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.**
3. **Assigned – Includes fund balance amounts that are intended to be used for specific purposes that are not considered restricted. Fund Balance may be assigned by the Finance Officer.**
4. **Unassigned – Includes positive fund balances 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 vested balance of liability insurance premiums with South Dakota Public Assurance Alliance.

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

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

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

Park Fund – Charges for goods and services.

CITY OF MITCHELL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:** (continued)

n. **Fund Balance Classification Policies and Procedures:** (continued)

A schedule of fund balances is provided as follows:

	<u>General Fund</u>	<u>Park Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
<i>Non-spendable:</i>				
Inventory	\$ 261,242	\$ 40,658	\$ 6,484	\$ 308,384
Deposits	672,393	-	-	672,393
	<u>933,635</u>	<u>40,658</u>	<u>6,484</u>	<u>980,777</u>
<i>Restricted for:</i>				
Debt service	2,532,547	-	752,861	3,285,408
Parks and recreation	-	59,760	-	59,760
Economic development	-	-	691,533	691,533
Public safety	-	-	223,416	223,416
Library	-	-	92,149	92,149
	<u>2,532,547</u>	<u>59,760</u>	<u>1,759,959</u>	<u>4,352,266</u>
<i>Assigned to:</i>				
Applied to Next Year's Budget	1,387,987	-	628,425	2,016,412
Fire and EMS equipment	320,134	-	49,145	369,279
Cash flow reserves	480,000	-	-	480,000
Community projects	157,596	11,119	218,381	387,096
	<u>2,345,717</u>	<u>11,119</u>	<u>895,951</u>	<u>3,252,787</u>
<i>Unassigned:</i>	<u>5,758,102</u>	<u>-</u>	<u>-</u>	<u>5,758,102</u>
Total Fund Balance	<u><u>\$ 11,570,001</u></u>	<u><u>\$ 111,537</u></u>	<u><u>\$ 2,662,394</u></u>	<u><u>\$ 14,343,932</u></u>

o. **Pensions:**

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

*CITY OF MITCHELL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019*

1. *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)*

p. *Emerging Accounting Standards:*

In March 2018, the Governmental Accounting Standards Board (GASB) issued Statement No. 88, Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements, which expand disclosure requirements for certain types of debt. The Municipality has not yet determined the specific impact of this statement on the financial statements. The standard is effective for the Municipality's year ending December 31, 2020.

In June 2017, the GASB issued Statement No. 87, Leases, which requires the recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows of resources or outflows of resources based on the terms of the lease. The statement requires lessee to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The Municipality has not yet determined the specific impact of this statement on the financial statements. The standard is effective for the City's year ending December 31, 2022.

In 2019, the GASB issued Statement No. 84, Fiduciary Activities accounting standard. This statement improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The Municipality has not yet determined the specific impact of this statement on the financial statements. The standard is effective for the Municipality's year ending December 31, 2020.

2. *DEPOSITS AND INVESTMENTS, CREDIT RISK, CONCENTRATIONS OF CREDIT RISK, AND INTEREST RATE RISK:*

The City 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 City'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% 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.

*CITY OF MITCHELL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019*

2. DEPOSITS AND INVESTMENTS, CREDIT RISK, CONCENTRATIONS OF CREDIT RISK, AND INTEREST RATE RISK: (continued)

Investments:

In general, SDLC 4-5-6 permits City 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 City, as discussed above. The City has no investment policy that would further limit its investment choices.

As of December 31, 2019, the City had the following investments:

<u>Investment</u>	<u>Credit Rating</u>	<u>Maturities</u>	<u>Fair Value</u>
<u>Extrernal Investment Pools:</u>			
SDFIT	Not Rated	N/A	\$ 354,704
<i>Total Investments Primary Government</i>			<u>\$ 354,704</u>

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

Other items classified as investments are certificates of deposit having a maturity of over 90 days from the date of acquisition.

Custodial Credit Risk – Deposits:

The risk that, in the event of a depository failure, the City’s deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. As of December 31, 2019, the City’s deposits in financial institutions were not exposed to custodial credit risk.

**CITY OF MITCHELL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

2. DEPOSITS AND INVESTMENTS, CREDIT RISK, CONCENTRATIONS OF CREDIT RISK, AND INTEREST RATE RISK: (continued)

Interest-rate Risk:

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.

Concentration of Credit Risk:

The City places no limit on the amount that may be invested in any one issuer.

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 City's policy is to credit all income from investments to the fund making the investment.

3. RESTRICTED CASH AND INVESTMENTS:

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

<i>Amount</i>	<i>Purpose</i>
\$ 622,595	For debt service, by debt covenants
\$ 2,017,892	For capital asset construction
\$ 1,200,443	For landfill closure and post-closure care costs
\$ 672,393	For risk pool capitalization contribution

4. RECEIVABLES AND PAYABLES:

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

*CITY OF MITCHELL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019*

5. **RESTRICTED NET POSITION:**

Restricted Net Position for the year ended December 31, 2019 was as follows:

Restricted for:	
Other-component unit	\$ 2,045,629
Debt service purposes	3,382,013
SDPAA	672,393
Parks and recreation	59,760
Equipment repair and/or replacement	80,000
Economic development	691,533
Public safety	223,416
Library	92,149
Landfill closure and post-closure costs	1,200,443
SDRS pension purposes & OPEB liability	1,315,678
Total Restricted Net Position	<u>\$ 9,763,014</u>

These balances are restricted due to federal grant and statutory requirements.

6. **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 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 nonspendable fund balance which indicates that they do not constitute “available spendable resources” even though they are a component of net current assets.

**CITY OF MITCHELL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

7. DEFERRED INFLOWS OF RESOURCES:

Deferred inflows of resources represent unavailable revenue as follows:

	<i>General Fund</i>	<i>Other Governmental Funds</i>
Sales tax	\$ 1,072,825	\$ 66,913
Property tax	71,578	--
Special assessments	30,472	2,928
	\$ 1,174,875	\$ 69,841

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

CITY OF MITCHELL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

9. CHANGES IN CAPITAL ASSETS:

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

	<u>Balance</u> <u>1/01/19</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>12/31/19</u>
<i>Governmental Activities:</i>				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 4,802,560	\$ --	\$ --	\$ 4,802,560
Construction in progress	<u>10,001,732</u>	<u>5,907,690</u>	<u>(8,248,427)</u>	<u>7,660,995</u>
<i>Total, not being depreciated</i>	<u>14,804,292</u>	<u>5,907,690</u>	<u>(8,248,427)</u>	<u>12,463,555</u>
<i>Capital assets, being depreciated:</i>				
Buildings	20,840,646	8,857,023	(80,000)	29,617,669
Improvements	31,484,672	--	(3,450)	31,481,222
Machinery and equipment	<u>15,874,741</u>	<u>212,643</u>	<u>(119,422)</u>	<u>15,967,962</u>
<i>Total, being depreciated</i>	<u>68,200,059</u>	<u>9,069,666</u>	<u>(202,872)</u>	<u>77,066,853</u>
<i>Less accumulated depreciation for:</i>				
Buildings	5,559,500	415,439	--	5,974,939
Improvements	7,554,421	642,047	(83,450)	8,113,018
Machinery and equipment	<u>10,892,462</u>	<u>874,728</u>	<u>(103,833)</u>	<u>11,663,357</u>
<i>Total accumulated depreciation</i>	<u>24,006,383</u>	<u>1,932,214</u>	<u>(187,283)</u>	<u>25,751,314</u>
<i>Governmental Activity</i>				
<i>Capital Assets, Net</i>	<u>\$ 58,997,968</u>	<u>\$ 13,045,142</u>	<u>\$ (8,264,016)</u>	<u>\$ 63,779,094</u>

Depreciation expense was charged to functions as follows:

Depreciation expense was charged to functions as follows:	
General government	\$ 444,409
Public safety	251,188
Public works	463,731
Health and welfare	115,933
Culture and recreation	<u>656,953</u>
<i>Total Depreciation Expense</i>	
<i>Governmental Activities</i>	<u>\$ 1,932,214</u>

CITY OF MITCHELL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

9. CHANGES IN CAPITAL ASSETS: (continued)

A summary of changes in capital assets for the year ended December 31, 2019 is as follows: (continued)

	<i>Balance</i> <u>1/01/19</u>	<i>Increases</i>	<i>Decreases</i>	<i>Balance</i> <u>12/31/2019</u>
<i>Business-Type Activities:</i>				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 1,112,728	\$ 4,102,029	\$ —	\$ 5,214,757
Construction in progress	<u>1,211,070</u>	<u>1,915,271</u>	<u>(836,276)</u>	<u>2,290,065</u>
<i>Total, not being depreciated</i>	<u>2,323,798</u>	<u>6,017,300</u>	<u>(836,276)</u>	<u>7,504,822</u>
<i>Capital assets, being depreciated:</i>				
Buildings	24,737,127	—	—	24,737,127
Improvements	61,918,658	999,845	—	62,918,503
Intangible assets	2,500	—	—	2,500
Machinery and equipment	<u>14,970,586</u>	<u>408,069</u>	<u>(47,569)</u>	<u>15,331,086</u>
<i>Total, being depreciated</i>	<u>101,628,871</u>	<u>1,407,914</u>	<u>(47,569)</u>	<u>102,989,216</u>
<i>Less accumulated depreciation for:</i>				
Buildings	8,335,305	477,047	—	8,812,352
Improvements	25,444,339	1,211,250	—	26,655,589
Machinery and equipment	<u>10,074,140</u>	<u>484,013</u>	<u>(47,520)</u>	<u>10,510,633</u>
<i>Total accumulated depreciation</i>	<u>43,853,784</u>	<u>2,172,310</u>	<u>(47,520)</u>	<u>45,978,574</u>
<i>Business-Type Activities</i>				
<i>Capital Assets, Net</i>	<u>\$ 60,098,885</u>	<u>\$ 5,252,904</u>	<u>\$ (836,325)</u>	<u>\$ 64,515,464</u>

Depreciation expense was charged to functions as follows:

Water	\$ 692,198
Sewer	415,624
Airport	483,420
Sanitation	291,593
Corn Palace	217,875
Golf	<u>71,600</u>
<i>Total Depreciation Expense</i>	
<i>Business-Type Activities</i>	<u>\$ 2,172,310</u>

CITY OF MITCHELL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

9. CHANGES IN CAPITAL ASSETS: (continued)

Construction work in progress at December 31, 2019 is composed of the following:

<u>Project Name</u>	<u>Expended thru</u> <u>12/31/2019</u>
2020 Freightliner-101	\$ 124,921
Sanborn - Havens to 1st - Phase-101	1,753,305
Sanborn-Phase I Water-602	296,329
Sanborn Design Contract-604	78,461
East Central Drainage Storm Sewer-101	1,411,407
East Central Drainage Steet-101	994,195
East Central Drainage Sewer-604	508,550
East Central Drainage Water-602	341,429
Sanborn Phase II Street-101	2,173,312
Sanborn Phase II Water-602	411,411
Sanborn Phase II Sewer-604	464,155
Sanborn Phase II Storm Sewer-101	1,203,855
D&D Long Utility	189,730
	<u>\$ 9,951,060</u>

10. LONG-TERM DEBT:

A summary of changes in long-term debt follows:

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending</u> <u>Balance</u>	<u>Due Within</u> <u>One Year</u>
<i>Primary Government</i>					
<i>Governmental Activities:</i>					
Bonds Payable:					
Revenue	\$ 19,231,677	\$ 8,805,000	\$ (12,330,969)	\$ 15,705,708	\$ 1,284,108
Leases	331,717	—	(331,717)	—	—
<i>Total Debt</i>	<u>19,563,394</u>	<u>8,805,000</u>	<u>(12,662,686)</u>	<u>15,705,708</u>	<u>1,284,108</u>
Accrued Compensated Absences	515,428	44,981	—	560,409	85,000
<i>Total Governmental Activities</i>	<u>\$ 20,078,822</u>	<u>\$ 8,849,981</u>	<u>\$ (12,662,686)</u>	<u>\$ 16,266,117</u>	<u>\$ 1,369,108</u>
<i>Business-type Activities:</i>					
Bonds Payable:					
Revenue	\$ 4,730,792	\$ 11,310,499	\$ (467,187)	\$ 15,574,104	\$ 482,648
Leases	62,598	—	(62,598)	—	—
<i>Total Debt</i>	<u>4,793,390</u>	<u>11,310,499</u>	<u>(529,785)</u>	<u>15,574,104</u>	<u>482,648</u>
Accrued Compensated Absences	118,435	5,675	—	124,110	31,028
<i>Total Business Type Activities</i>	<u>\$ 4,911,825</u>	<u>\$ 11,316,174</u>	<u>\$ (529,785)</u>	<u>\$ 15,698,214</u>	<u>\$ 513,676</u>
<i>Component Unit (as of June 30):</i>					
Accrued Compensated Absences	<u>\$ 2,534</u>	<u>\$ —</u>	<u>\$ (2,534)</u>	<u>\$ —</u>	<u>\$ —</u>

CITY OF MITCHELL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

10. LONG-TERM DEBT: (continued)

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

Revenue Bonds:

Series 2019 Sales Tax Revenue Refunding Bonds	2.15%-3% depending on length to maturity of individual bonds; bond matures and final principal payment due December 1, 2032. This debt is serviced by the General Fund.	\$ 8,805,000
Series 2017 Sales Tax Revenue Bonds	1.75%, debt payable annually, interest payments biannually, final payment due December 1, 2020. This debt is serviced by General Fund.	95,000
Indoor swimming pool	"COP" 2.95% debt payable biannually with payments of \$130,973; bond matures and final payment due December 2028. This debt is serviced by the General Fund.	1,854,571
Series 2016 TIF No. 8 Bonds	2.50%; bond matures and final principal payment due June 1, 2026. This debt is serviced by the applicable TIF debt service fund.	990,676
Note Payable TIF No. 8; Subordinated to Series 2007 TIF No. 8 Bonds above	7.25%; due in 2014, but no later than December 31, 2027. This debt is serviced by the applicable TIF debt service fund.	100,000
Series 2010 TIF No. 14	5.5%; Terms are for semi-annual payments of \$23,572, matures December 1, 2029. This debt is serviced by the applicable TIF debt service fund.	351,681
Series 2006 TIF No. 7 Bonds	6.75%; Terms are for semi-annual payments of \$94,716, matures December 1, 2031. This debt is serviced by the applicable TIF debt service fund.	990,802
Note Payable TIF No. 16, Subordinated to Series 2006 TIF No. 7	After the TIF No. 7 bonds are paid in full, the tax incremental funds will be applied until paid in full or until the expiration at the end of calendar year 2031.	261,829
Series 2011 TIF No. 15 Bonds	5.5%; Terms are for semi-annual payments of \$15,237, matures December 1, 2030. This debt is serviced by the applicable TIF debt service fund.	188,230
Series 2017 TIF No. 9 Bonds	3.5%; Terms are for annual payments of \$57,266, matures December 1, 2027. This debt is serviced by the applicable TIF debt service fund.	357,485
Series 2012 TIF No. 17 Bonds	4.56%; Terms are interest only semi-annual until maturity, matures March 7, 2032. Amounts above interest will be applied to principal. This debt is serviced by the applicable TIF debt service fund.	388,614
Series 2012 TIF No. 18 Bonds	5.00%; Terms are semi-annual payments of \$36,516, matures July 1, 2025. This debt is serviced by the applicable TIF debt service fund.	585,645
Series 2012 TIF No. 19 Bonds	6.00%; Terms are semi-annual payments of \$9,500, matures July 1, 2036. This debt is serviced by the applicable TIF debt service fund.	185,566
Series 2012 TIF No. 20 Bonds	5.00%; Terms are interest only semi-annual until maturity, matures November 1, 2033. Amounts above interest will be applied to principal. This debt is serviced by the applicable TIF debt service fund.	148,469
Series 2018 TIF No. 21 Bonds	4.75%; Terms are annual payments of \$10,250, matures June 30, 2035. This debt is serviced by the applicable TIF debt service fund.	305,184
TIF No. 22	The exact terms of repayment have not been determined yet, but the estimate maturity will be 2033. The loan will be repaid by the applicable TIF debt service funds.	96,956
Subtotal Governmental Revenue Bonds		15,705,708

CITY OF MITCHELL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

10. LONG-TERM DEBT: (continued)

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

2009 State Revolving Fund Loan Revenue Bonds: (continued)	2%; Payable in quartely installments of \$23,316; matures July 15,	937,457
2002 State Revolving Fund Loan	4.0%; payable in quarterly installments of \$50,909; matures April 1,	851,639
2005 Regional Landfill Fund Loan Revenue Bonds: (continued)	3.0%; payable in semi-annual installment of \$14,317; matures	179,590
2004 Regional Landfill Fund Loan	3.0%; payable in semi-annual payments of \$13,622; matures June 1,	137,188
2010 State Revolving Fund Loan	3.0%; payable in quarterly installments of \$27,734; matures January	1,133,698
2010 "Borrower Bond"	2.0%; payable in quarterly installments of \$2,296; matures July 15,	95,966
2004 State Revolving Fund Loan	3.50%; payable in quarterly installments of \$23,071; matures October	497,485
2013 State Revolving Fund Loan	3.0%; payable in quarterly installments of \$9,058; matures August 15, 2034. This debt is being repaid by the Sewer Fund.	430,582
2019 Sales Tax Revenue Bonds (Near Lake Property)	Interest varies 1.8% to 4%; payable in variable annual installments of \$292,074; matures December 1, 2038	4,065,000
2019 Series Drinking Water Bond (Sandborn Ph II & III)	1.25%; payable in quarterly installments of \$14,543; matures August 15, 2041	559,430
2019 Series Drinking Water Bond (E Central Drain)	2.25%; payable in quarterly installments of \$10,734; matures August 15, 2041	438,423
2019 Series Clean Water Bond (Sanborn II & III)	2.25%; payable in quarterly installments of \$12,146; matures August 15, 2041	3,560,429
2019 Series Clean Water Bond (E Central Drain)	1.25%; payable in quarterly installments of \$50,575; matures August 15, 2041	2,687,217
	Subtotal Business-type Revenue Bonds	15,574,104
<i>Compensated Absences:</i>	The liability for compensated absences represents leave benefits earned as of December 31, 2018. The compensated absences in the Governmental Activities are currently paid from the General Fund and Park Fund.	\$ 684,519
<i>Grand Total</i>		\$ 31,964,331

CITY OF MITCHELL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

10. LONG-TERM DEBT: (continued)

In 2019, the City issued \$8,805,000 in Sales Tax Revenue Refunding bonds with an average interest rate of 2.48% to refund the following:

Date Issued	Project	Average Interest Rate	Unpaid Principal at time of Refunding
2012	Sales tax Refunding bonds. Series 2012	3.90%	10,000,000

The entire proceeds of the refunding issue in the amount of \$8,805,000 were deposited in an irrevocable trust with an escrow agent to provide for all future debt service requirements on the refunded bonds. As a result, the refunded bonds are considered to be defeased and the liability for those bonds has been removed from the City's Governmental Activities.

The City refunded the debt to reduce its total debt service payments over the next 12 years by \$1,379,432 and to obtain an economic gain of \$456,118.

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

<i>Year Ending December 31,</i>	<i>Revenue</i>		<i>Capital Lease</i>		<i>Total</i>	
	<i>Principal</i>	<i>Interest</i>	<i>Principal</i>	<i>Interest</i>	<i>Principal</i>	<i>Interest</i>
2020	\$ 1,856,756	\$ 881,491	--	--	\$ 1,856,756	\$ 881,491
2021	2,492,808	1,309,157	--	--	2,492,808	1,309,157
2022	2,612,308	889,695	--	--	2,612,308	889,695
2023	2,693,999	806,703	--	--	2,693,999	806,703
2024	2,673,409	725,277	--	--	2,673,409	725,277
2025-2029	11,412,690	2,470,511	--	--	11,412,690	2,470,511
2030-2034	6,237,241	1,329,670	--	--	6,237,241	1,329,670
2035-2039	1,300,601	161,855	--	--	1,300,601	161,855
TOTALS	\$ 31,279,812	\$ 8,574,359	\$ --	\$ --	\$ 31,279,812	\$ 8,574,359

11. INDIVIDUAL FUND INTERFUND RECEIVABLE AND PAYABLE BALANCES:

Interfund receivable and payable balances at December 31, 2019 were:

	<i>Interfund Receivables</i>	<i>Interfund Payables</i>
Governmental Funds:		
General Fund	\$ 271,957	\$ --
Highland Fund	--	25,000
Kustom Cycles	--	96,957
Enterprise Funds:		
Sewer Fund	--	75,000
Golf Fund	--	75,000
	\$ 271,957	\$ 271,957

The purpose of the interfund receivable and payable balances is loans made to temporarily fund operations of the funds receiving the loans.

*CITY OF MITCHELL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019*

12. *INTERFUND TRANSFERS:*

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

	<i>In</i>	<i>Out</i>
General Fund	\$ 7,147,646	\$ 3,328,456
Special Revenue Funds:		
Park	2,406,327	--
Entertainment tax	--	340,000
E-911	421,762	--
Other governmental	--	20,000
Enterprise Funds:		
Water	--	735,000
Sewer	--	6,247,646
Sanitation	--	165,000
Corn Palace	860,367	--
<i>Total</i>	\$ 10,836,102	\$ 10,836,102

The City typically budgets transfers to the General Fund, Park Fund, E-911 Fund and Corn Palace Fund to conduct the indispensable functions of the City. The Enterprise funds transferred out a large amount for their portion of the construction projects.

13. *PENSION PLAN:*

Plan Information:

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

**CITY OF MITCHELL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

13. PENSION PLAN: (continued)

Benefits Provided:

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

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

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

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

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

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

CITY OF MITCHELL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

13. PENSION PLAN: (continued)

Contributions:

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

2019	\$	661,363
2018	\$	640,177
2017	\$	627,894

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

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

Proportionate share of pension liability	\$ 63,292,722
Less proportionate share of net pension restricted for pension benefits	<u>63,346,543</u>
Proportionate share of net pension (asset)	<u><u>\$ (53,821)</u></u>

At December 31, 2019, the City reported an asset of (\$53,821) for its proportionate share of the net pension (asset). The net pension (asset) was measured as of June 30, 2019 and the total pension (asset) used to calculate the net pension (asset) was based on a projection of the City's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2019, the City's proportion was 0.50787750%, which is an increase of 0.0129996% from its proportion measured as of June 30, 2018.

CITY OF MITCHELL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

13. PENSION PLAN: (continued)

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

For the year ended December 31, 2019, the City recognized reduction of pension expense of \$1,526,793. At December 31, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<i>Deferred Outflows of Resources</i>	<i>Deferred Inflows of Resources</i>
Difference between expected and actual experience	\$ 211,119	\$ 24,360
Changes in assumption	1,858,841	762,034
Net Difference between projected and actual earnings on pension plan investments	--	310,054
Changes in proportion and difference between City contributions and proportionate share of contributions	15,306	60,768
City contributions subsequent to the measurement date	333,807	--
	\$ 2,419,073	\$ 1,157,216

\$333,808 reported as deferred outflow of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of 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 recognized in pension expense (revenue) as follows:

<i>Year Ended</i>	
<i>December 31:</i>	
2020	\$ 1,158,611
2021	(205,735)
2022	(129,272)
2023	104,445
2024	--
	\$ 928,049

*CITY OF MITCHELL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019*

13. *PENSION PLAN: (continued)*

Actuarial Assumptions:

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

Inflation	2.25 percent
Salary increases	Graded by years of service, from 6.50% at entry to 3.00% After 25 years of service
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, adjusted to 2006 and projected generationally with Scale MP-2016, white collar rates for females and total dataset rates for males. Morality rates for disabled members were based on the RP-2014 Disabled Retiree Mortality Table, adjusted to 2006 and projected generationally with Scale MP-2016.

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

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

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

**CITY OF MITCHELL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

13. PENSION PLAN: (continued)

Discount Rate:

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

Sensitivity of Liability (Asset) to Changes in the Discount Rate:

The following presents the City's proportionate share of net pension liability (asset) calculated using the discount rate of 6.50%, as well as what the City'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:

	<i>1% Decrease</i>	<i>Current Discount Rate</i>	<i>1% Increase</i>
City's proportionate share of the net pension liability	\$ 8,933,250	\$ (53,821)	\$ (7,376,661)

Pension Plan Fiduciary Net Position:

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

14. OTHER POSTEMPLOYMENT BENEFITS – HEALTHCARE PLAN:

Plan Administration: The City administers an Other Postemployment Benefits (OPEB) plan providing medical, prescription drug, and dental benefits to retired employees and their dependents under certain conditions. The City does not issue a separate report that includes financial statements and required supplementary information for the OPEB plan.

Benefits Provided: Individuals who are employed by the City and are eligible to participate in the group health plan are eligible to continue healthcare benefits upon retirement from service with the City. Coverage during retirement continues in the group health plans. Employees covered by the plan make contributions toward the plan premiums.

CITY OF MITCHELL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

14. OTHER POSTEMPLOYMENT BENEFITS – HEALTHCARE PLAN: (continued)

Plan Membership: As of January 1, 2019, plan membership consisted of the following:

Inactive members currently receiving benefits	8
Inactive members entitled to but not yet receiving benefits	0
Active members	<u>132</u>
Total	<u><u>140</u></u>

Investment Policy: The City obligation is unfunded at January 1, 2019. There are no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No 75.

Annual OPEB Cost and Net OPEB Obligation: The City’s annual OPEB expense is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liability over a period not to exceed thirty years. The following table shows the financial components of the plan:

	Total OPEB Liability
Total OPEB Liability Beginning of Year, Restated	\$ 494,323
Change for the Year:	
Service Cost	23,474
Interest	43,551
Difference between Expected and Actual Experience	646,721
Change in Assumptions	<u>(25,789)</u>
Benefit Payments	<u>(153,043)</u>
Net Change in Total OPEB Liability	<u>534,914</u>
Total OPEB Liability - End of Year	<u><u>\$ 1,029,237</u></u>

Funded Status: The Plan is on a “pay-as-you-go” basis, therefore it is not funded as of December 31, 2019 and was determined by an actuarial valuation as of December 31, 2019.

Total OPEB Liability: The City’s total OPEB liability of \$1,029,237 was measured as of December 31, 2019 and was determined by an actuarial valuation as of December 31, 2019.

Actuarial Assumptions: The total OPEB liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions and the entry age actuarial cost method, applied to all periods included in the measurement, unless otherwise specified:

Inflation	3.0% Per Year
Discount Rate	4.10% Per Year
Health Care Cost Trend Rate	All Years, 5%
Mortality	RP 2014 annuitant distinct mortality tables - Adjusted to 2006 with MP 2018 generational projection

**CITY OF MITCHELL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

14. OTHER POSTEMPLOYMENT BENEFITS – HEALTHCARE PLAN: (continued)

Discount Rate: As an unfunded plan, the discount rate reflects the index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher as of the measurement date. The index rate used to measure the total liability was 4.10% as of January 1, 2019.

Mortality Rates: The mortality rates used to measure the total OPEB liability were based on RP-2014 annuitant distinct mortality table adjusted to 2006 with MP 2018 generational projection of future mortality improvement.

The actuarial assumptions used in the December 31, 2019 valuation were based on the results of an actuarial experience study using the current healthcare cost trend.

Sensitivity of the Total OPEB Liability to changes in the Healthcare Cost Trend Rate: The following presents the total OPEB liability, calculated using the current healthcare cost trend rate of 5%, as well as the total OPEB liability calculated using a healthcare cost trend rate that is 1 percentage point lower (4%) or 1 percentage point higher (6%) than the current rate:

	1% Decrease 4%	Current Healthcare Cost Trend Rate	1% Increase 6%
Total OPEB liability	\$ 948,235	\$ 1,029,237	\$ 1,122,776

Sensitivity of the Total OPEB Liability to changes in the Discount Rate: The following presents the total OPEB liability, calculated using the current discount rate of 4.10%, as well as the total OPEB liability calculated using a discount trend rate that is 1 percentage point lower (3.10%) or 1 percentage point higher (5.10%) than the current rate:

	1% Decrease 3.10%	Current Discount Rate 4.10%	1% Increase 5.10%
Total OPEB liability	\$ 1,106,710	\$ 1,029,237	\$ 960,330

CITY OF MITCHELL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

14. OTHER POSTEMPLOYMENT BENEFITS – HEALTHCARE PLAN: (continued)

OPEB Expense and Deferred Outflows of Resources Related to OPEB: For the year ended December 31, 2019, the City recognized OPEB expense of \$139,877. At December 31, 2019, the City reported inflows of resources related to OPEB from the following resources:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	–	574,863
Changes of assumptions	(22,924)	28,560
Net difference between projected and actual earnings	–	–
Contributions made subsequent to measurement date	TBD	TBD
Total	(22,924)	603,423

The amount reported as deferred outflows of resources related to OPEB will be recognized as OPEB expense as follows:

	<i>Year Ended December 31,</i>		
	2020	\$	72,852
	2021		72,852
	2022		72,852
	2023		72,852
	2024		72,852
	Thereafter		216,239
Total		\$	580,499

*CITY OF MITCHELL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019*

15. 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 has established a group health self-insurance fund to pay for medical claims of city employees and their covered dependents. Payments to the fund are actuarially determined and are to cover individual claims up to \$60,000 and any administrative costs relative to the processing of the claims. Medical claims exceeding this amount are covered through a private insurance carrier. An estimated liability for claims incurred but not paid is accrued based upon the past experience of the Plan. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

Changes in the aggregate liabilities of the Group Health Insurance Fund during 2019 were as follows:

Benefit claims payable, at the beginning of year	\$	309,714
Employees' health and related benefits incurred attributable to insured events of the current year		2,997,601
Employee health and related benefits paid		<u>(2,934,311)</u>
Benefit claims payable, at the end of year	\$	<u>373,004</u>

Workers' Compensation:

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

The 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 over the past three years.

*CITY OF MITCHELL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019*

15. *RISK MANAGEMENT: (continued)*

Liability Insurance:

The City joined the South Dakota Public Assurance Alliance (SDPAA), a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The objective of the SDPAA is to administer and provide risk management services and risk sharing facilities to the members and to defend and protect the members against liability, to advise members on loss control guidelines and procedures, and provide them with risk management services, loss control and risk reduction information and to obtain lower costs for that coverage. The City'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 City. The City 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, vehicles and equipment

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

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

Years	Percentage
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's balance available to be refunded per the SDPAA was \$672,393, which was an increase of \$89,183 from the previous year. The change in the amount available for refund was accounted for as an increase or decrease in the insurance expenditure/expenses.

The City's deductibles range from \$1,000-\$5,000. Larger equipment \$10,000 deductible.

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

*CITY OF MITCHELL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019*

15. *RISK MANAGEMENT: (continued)*

Unemployment Benefits:

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

16. *LANDFILL CLOSURE AND POST – CLOSURE CARE COST:*

State and federal laws and regulations require the City to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring function at the site for thirty years after closure. Although closure and post-closure care costs will be paid only near or after the date that the landfill stops accepting waste, the City reports a portion of these closure and post-closure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$1,045,937 reported as landfill closure and post-closure care liability at December 31, 2019 represents the cumulative amount reported to date based on the use of 100% of the estimated capacity of the old landfill which was closed in 2005 and 29% of the new landfill opened in 2005. The City will recognize the remaining estimated cost of closure and post-closure care of \$1,817,880 as the remaining estimated capacity is filled. This landfill has an estimated remaining life of 85 years as of December 31, 2019. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

The City is required by state and federal laws and regulations to make annual contributions to a trust to finance closure and post-closure care. The City has contributed \$1,200,443 to this trust as of December 31, 2019.

17. *CONDUIT DEBT:*

In the past, the City has issued revenue bonds to provide financial assistance to certain private-sector entities for the acquisition and/or construction of facilities deemed to be in the public interest. These bonds are secured by the property being financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities is retained by the private-sector entity served by the bond issuance. Neither the City, the State of South Dakota, nor any other political subdivision of the State is obligated in any manner for the repayment of these conduit debt issues. Accordingly, these bonds are not reported as liabilities in the accompanying financial statements. As of December 31, 2019, there was one series of conduit bonds outstanding with an aggregate unpaid principal amount was \$1,140,000.

CITY OF MITCHELL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

18. TAX ABATEMENT:

The City of Mitchell has created tax increment districts under the authority granted by South Dakota Codified Laws Section 11-9. The tax increment districts were created to stimulate and develop the general economic welfare and prosperity of the City through the promotion and advance of industrial, commercial, manufacturing, and agricultural, or natural resources; and the improvement of the area will likely enhance significantly the value of substantially all of the other real property in the tax increment district.

The taxes levied on all taxable property within a tax incremental district on the increase in assessed value of the taxable property is allocated to pay for the cost of improvements in the district. The tax increments are allocated until all costs of the tax increment district project has been repaid; however, it cannot exceed 20 years. The project sponsor bears the risk that the increments collected over the life of the TIF district will be less than sufficient to cover all eligible project expenses and the City bears no responsibility to make up any shortfall.

The City of Mitchell has 14 active tax increment districts in which taxes are passed directly to developers. Because the general property taxes on tax increment districts are allocated to the districts, these taxes are not available to the City during the life of the tax increment district. The portion of general property taxes levied for these tax increment districts during the calendar year ended December 31, 2019, that was not available to the City of Mitchell was \$1,351,992.

19. SIGNIFICANT CONTINGENCIES – LITIGATION:

At December 31, 2019, the City was involved in several lawsuits. No determination can be made at this time regarding the potential outcome of these lawsuits. However, as discussed in the Risk Management note, the City has liability coverage for itself and its employees with the South Dakota Public Assurance Alliance. Therefore, no material effects are anticipated to the City as a result of the potential outcome of these lawsuits.

20. SUBSEQUENT EVENTS:

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

REQUIRED SUPPLEMENTAL INFORMATION

CITY OF MITCHELL
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<i>Variance with Final Budget Positive (Negative)</i>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES</u>				
<i>Revenue from Local Sources:</i>				
Taxes:				
General property taxes	\$ 5,147,569	\$ 5,147,569	\$ 5,186,666	\$ 39,097
Airflight property tax	–	–	788	788
General sales taxes	11,118,600	11,118,600	11,370,197	251,597
Gross receipts taxes	200,000	200,000	191,655	(8,345)
Amusement taxes	1,600	1,600	1,320	(280)
Penalties and interest on taxes	9,000	9,000	8,678	(322)
Licenses and permits	224,000	224,000	163,707	(60,293)
Intergovernmental Revenue:				
Federal grants	19,160	19,160	21,819	2,659
State grants	1,309,737	1,309,737	587,883	(721,854)
State shared revenues	725,000	725,000	770,462	45,462
Charges for Goods or Services:				
General government	2,880	2,880	3,275	395
Public safety	130,752	130,752	133,676	2,924
Highways and streets	10,500	10,500	7,324	(3,176)
Ambulance	458,200	458,200	691,692	233,492
Cemetery	109,250	109,250	139,583	30,333
Fines and Forfeits:				
Court fines	3,000	3,000	1,623	(1,377)
Other fines	17,000	17,000	33,382	16,382
Miscellaneous Revenue:				
Interest earned	141,400	141,400	281,500	140,100
Rentals	–	–	823	823
Special assessments	10,100	10,100	7,182	(2,918)
Contributions from private sources	–	–	3,056	3,056
Other	80,780	80,780	102,742	21,962
TOTAL REVENUES	19,718,528	19,718,528	19,709,033	(9,495)

The accompanying Notes to Required Supplementary Information are an integral part of this statement.

CITY OF MITCHELL
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2019
(CONTINUED)

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<i>Variance with Final Budget Positive (Negative)</i>
	<u>Original</u>	<u>Final</u>		
<u>EXPENDITURES</u>				
General Government:				
Legislative	\$ 196,354	\$ 265,254	\$ 264,018	\$ 1,236
Contingency	853,394	147,094	–	147,094
Executive	225,068	227,596	218,703	8,893
Financial administration	1,279,360	1,284,285	1,165,352	118,933
Other	480,316	945,316	805,703	139,613
Public Safety:				
Police	3,576,672	3,632,474	3,345,677	286,797
Fire	1,332,641	1,332,641	1,244,574	88,067
Public Works:				
Highways and streets	10,970,914	12,402,511	10,740,124	1,662,387
Cemeteries	442,102	471,102	292,102	179,000
Health and Welfare:				
Health	53,500	53,500	53,500	–
Humane society	77,904	77,904	61,490	16,414
Ambulance	1,347,161	1,347,161	1,291,694	55,467
Culture and Recreation:				
Recreation	114,750	174,750	151,549	23,201
Liabraries	698,873	698,873	623,210	75,663
Conservation and Development:				
Economic opportunity	208,000	283,000	277,959	5,041
Debt Service	1,979,188	1,979,188	1,577,549	401,639
TOTAL EXPENDITURES	23,836,197	25,322,649	22,113,204	3,209,445
Excess of Revenues Over (Under)				
Expenditures	(4,117,669)	(5,604,121)	(2,404,171)	3,199,950
OTHER FINANCING SOURCES (USES):				
Transfers-in	–	–	7,147,646	7,147,646
Sale of city property	–	–	3,324	3,324
Long-Term Debt Issued	5,962,825	5,962,825	8,805,000	2,842,175
Transfers-out	(2,750,156)	(3,328,456)	(3,328,456)	–
Discounts on bonds issued	–	–	295,887	295,887
Cost of bond issuance	–	–	(15,025)	(15,025)
Payments to refunded debt escrow agent	–	(10,122,969)	(10,122,969)	–
	3,212,669	(7,488,600)	2,785,407	10,274,007
Net Change in Fund Balances	(905,000)	(13,092,721)	381,236	13,473,957
FUND BALANCE, Beginning of Year	11,188,765	11,188,765	11,188,765	–
FUND BALANCE, End of Year	\$ 10,283,765	\$ (1,903,956)	\$ 11,570,001	\$ 13,473,957

The accompanying Notes to Required Supplementary Information are an integral part of this statement.

**CITY OF MITCHELL
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE – PARK FUND
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES</u>				
<i>Revenue from Local Sources:</i>				
Intergovernmental Revenue:				
State grants	\$ –	\$ –	\$ 13,888	\$ 13,888
Charges for Goods or Services:				
Culture and recreation	1,064,872	1,064,872	940,274	(124,598)
Miscellaneous Revenue:				
Contributions from private sources	40,700	40,700	54,954	14,254
Other	1,876	1,876	1,876	–
TOTAL REVENUES	<u>1,107,448</u>	<u>1,107,448</u>	<u>1,010,992</u>	<u>(96,456)</u>
<u>EXPENDITURES</u>				
Culture and Recreation:				
Recreation	2,293,507	2,354,807	2,232,653	122,154
Parks	1,088,268	1,237,660	1,151,319	86,341
TOTAL EXPENDITURES	<u>3,381,775</u>	<u>3,592,467</u>	<u>3,383,972</u>	<u>208,495</u>
<i>Excess of Revenues Over (Under)</i>				
<i>Expenditures</i>	<u>(2,274,327)</u>	<u>(2,485,019)</u>	<u>(2,372,980)</u>	<u>112,039</u>
OTHER FINANCING SOURCES (USES):				
Transfers-in	2,274,327	2,274,327	2,406,327	132,000
Compensation for loss or damage to capital assets	–	–	2,943	2,943
Sale of City property	–	–	3,917	3,917
	<u>2,274,327</u>	<u>2,274,327</u>	<u>2,413,187</u>	<u>138,860</u>
<i>Net Change in Fund Balances</i>	–	(210,692)	40,207	250,899
FUND BALANCE, Beginning of Year	<u>71,330</u>	<u>71,330</u>	<u>71,330</u>	<u>–</u>
FUND BALANCE, End of Year	<u>\$ 71,330</u>	<u>\$ (139,362)</u>	<u>\$ 111,537</u>	<u>\$ 250,899</u>

The accompanying Notes to Required Supplementary Information are an integral part of this statement.

*CITY OF MITCHELL
NOTES TO THE REQUIRED SUPPLEMENTAL INFORMATION
DECEMBER 31, 2019*

1. BUDGETS AND BUDGETARY ACCOUNTING:

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

1. At the first regular board meeting in September of each year, or within ten days thereafter, the governing board introduces the annual appropriation ordinance for the ensuing fiscal year.
2. After adoption by the governing board, the operating budget is legally binding and actual expenditures for each purpose cannot exceed the amounts budgeted, except as indicated in number 4.
3. A line item for contingencies may be included in the annual budget. Such a line item may not exceed 5% of the total city budget and may be transferred by resolution of the governing board to any other budget category that is deemed insufficient during the year.
4. If it is determined during the year that sufficient amounts have not been budgeted, state statute allows the adoption of supplemental budgets.
5. Unexpended appropriations lapse at year-end unless encumbered by resolution of the governing board.
6. Formal budgetary integration is employed as a management control device during the year for the General Fund and special revenue funds.
7. Budgets for the General Fund and special revenue funds are adopted on a basis consistent with accounting principles generally accepted in the United States (USGAAP).
8. GAAP/Budgetary Accounting Basis Differences:
The financial statements prepared in conformity with USGAAP applied within the context of the modified cash basis of accounting present capital outlay expenditure information in a separate category of expenditures. Under the budgetary basis of accounting, capital outlay expenditures are reported within the function to which they relate. For example, the purchase of a new fire truck would be reported as a capital outlay expenditure on the Governmental Funds Statement of 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 MITCHELL
 REQUIRED SUPPLEMENTAL INFORMATION
 SCHEDULE OF CHANGES IN TOTAL
 OPEB LIABILITY
 DECEMBER 31, 2019**

	Fiscal Year Ending December 31, 2019
Total OPEB Liability Beginning of Year, Restated	\$ 494,323
Change for the Year:	
Service Cost	23,474
Interest	43,551
Difference between Expected and Actual Experience	646,721
Change of Assumptions	(25,789)
Benefit Payments	<u>(153,043)</u>
Net Change in Total OPEB Liability	534,914
Total OPEB Liability - End of Year	<u>\$ 1,029,237</u>

* Due to the unavailability of historical data, we were not able to present ten years of data. Changes in Assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period.

Year ended December 31, 2019	4.10%
Year ended December 31, 2018	3.44%
Year ended December 31, 2017	6.50%

CITY OF MITCHELL
REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULE OF THE MUNICIPALITY'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY (ASSET) (SDRS)
DECEMBER 31, 2019

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
City's proportion of the net pension liability (asset)	0.5078775%	0.51097590%	0.49342790%	0.49342790%	0.50751950%
City's proportionate share of net pension liability (asset)	\$ (53,821)	\$ (11,917)	\$ (44,910)	\$ 1,666,751	\$ (2,152,535)
City's covered-employee payroll	\$ 9,786,376	\$ 9,587,383	\$ 9,074,462	\$ 8,432,118	\$ 8,349,579
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	0.55%	0.12%	0.49%	19.77%	25.78%
Plan fiduciary net position as a percentage of the total pension liability (asset)	100.09%	100.02%	100.10%	96.89%	104.10%

* The amounts presented for each fiscal year were determined as of the measurement date of the collective net pension liability (asset) which is 6/30 of the current fiscal year.

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

CITY OF MITCHELL
REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULE OF THE MUNICIPALITY'S CONTRIBUTIONS (SDRS)
YEAR ENDED DECEMBER 31, 2019

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 661,363	\$ 641,287	\$ 627,894	\$ 572,793	\$ 561,032
Contributions in relation to the contractually required contribution	<u>661,363</u>	<u>641,287</u>	<u>627,894</u>	<u>572,793</u>	<u>561,032</u>
Contribution deficiency (excess)	<u>\$ —</u>				
City's covered-employee payroll	\$ 9,990,216	\$ 9,638,565	\$ 9,444,255	\$ 8,607,689	\$ 8,446,184
Contributions as a percentage of covered-employee payroll	6.62%	6.65%	6.65%	6.65%	6.64%

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

The accompanying Notes to Required Supplementary Information are an integral part of this statement.

CITY OF MITCHELL
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET) AND
SCHEDULE OF PENSION CONTRIBUTIONS

Changes of benefit terms:

No significant changes.

Changes of assumptions:

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

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

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

SUPPLEMENTAL INFORMATION

**CITY OF MITCHELL
SUPPLEMENTAL INFORMATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2019**

<i>FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM OR CLUSTER TITLE</i>	<i>FEDERAL CFDA NUMBER</i>	<i>FEDERAL EXPENDITURES</i>
<i>US Department of Transportation</i>		
<i>Pass-Through the SD Department of Transportation</i>		
Federal Transit Formula Grants	20.507	41,152
Formula Grants for Rural Areas	20.509	296,601
 Enhanced Mobility of Seniors and Individuals with Disabilities	 20.513	 5,363
 <i>Highway Safety Cluster</i>		
State and Community Highway Safety	20.600	1,164
National Priority Safety Programs	20.616	9,553
<i>Subtotal - Highway Safety Cluster</i>		<u>10,717</u>
<i>Total Department of Transportation</i>		<u>353,833</u>
 <i>General Services Administration</i>		
<i>Pass-Through the SD Federal Property Agency</i>		
Donation of Federal Surplus Property (Note 2)	39.003	<u>8,110</u>
 <i>United States Environmental Protection Agency</i>		
<i>Pass-Through the SD Department of Environmental and Natural Resources</i>		
Capitalation Grants for Clean Water State Revolving Funds	66.458	3,177,302
Capitalization Grants for Drinking Water State Revolving Funds	66.468	250,000
<i>Total Department of United States Environmental Protection Agency</i>		<u>3,427,302</u>
 <i>Department of Health and Human Services</i>		
<i>Pass-Through the SD Department of Social Services</i>		
<i>Aging Cluster</i>		
Special Programs for the Aging Title III, Part B - Grants for Supportive Service and Senior Center	93.044	93,378
Special Programs for the Aging Title III, Part C - Nutrition Services	93.045	147,701
Nutrition Services Incentive Program	93.053	43,358
<i>Subtotal - Aging Cluster</i>		<u>284,437</u>
<i>Total Department of Health and Human Services</i>		<u>284,437</u>
 <i>Department of Homeland Security</i>		
<i>Pass-Through the SD Department of Public Safety, Office of Emergency Management</i>		
Homland Security Grant Program	97.067	<u>26,744</u>
 GRAND TOTAL		 <u><u>\$ 4,100,426</u></u>

The accompanying Notes to Required Supplementary Information are an integral part of this statement.

CITY OF MITCHELL
REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2019
(CONTINUED)

Note 1: Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of the City 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 Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, 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 on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The City has elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.